DERWENT LONDON

17th March 2010

DERWENT LONDON PLC ("DERWENT"/"GROUP")

Preliminary results for the 12 months ended 31st December 2009

DERWENT LONDON ANNOUNCES STRONG FULL YEAR RESULTS

Derwent London is pleased to announce a strong set of results for the 12 months to 31st December 2009.

Highlights

- Adjusted net asset value per share of 1,168p - an increase of 18% in the second half (30th June 2009: 993p) and a reduction of 4.7% for the full year (31st December 2008: 1,226p).
- Portfolio revaluation surplus of £177.8 million in the second half. A 9.8% valuation increase since the half year partially offset the 12.3% decline in the first half resulting in an annual valuation reduction of 3.3% (2008: decrease of 22.1%).
- IFRS loss before tax of £34.9 million (2008: loss of £606.5 million).
- Recurring profit before tax of £60.2 million (2008: £23.3 million). Adjusted recurring pre-tax profit up 44.6% to £55.4 million (2008: £38.3 million) driven by a strong operational performance.
- Net property income increased 20% to £114.8 million (2008: £95.5 million).
- 101 lettings over the year totalling 339,000 sq ft (31,500 m²) at £9.3 million pa and a further 13 lettings totalling 46,800 sq ft (4,300 m²) since the year end including 19,900 sq ft (1,900 m²) at Charlotte Building, W1, announced today.
- Disposal of non-core properties totalling £208.3 million in 2009 (2008: £72.6 million).
- Loan to value ratio reduced to 36.4% (31st December 2008: 39.7%) and unutilised bank facilities of £425 million.
- Refurbishment and new development projects of up to 270,000 sq ft (25,100 m²) in 2010 and 2011.
- Capital expenditure of £63.5 million expected in 2010 with a further £200 million forecast to follow on identified projects.
- Final dividend up 15.3% to 18.85p giving a total dividend of 27.00p per share, an increase of 10.2%.

Robert Rayne, Chairman, commented:

"Derwent London's strong performance during the year demonstrates the robustness of the group's business model even in extreme market conditions. Derwent is the only REIT in the FTSE 350 not to have raised equity during 2009.

The strength and potential of our existing portfolio, and the resilience of its rental income, provide us with an engine for managed growth. I am confident that we have the skills and experience to continue to maximise the opportunities the group has as we enter the next phase of the central London property cycle."

John Burns, Chief executive, added:

"Following a successful performance in 2009, the group has made a strong start to 2010. I am encouraged by the continued demand for our contemporary space as demonstrated again today by the lettings at the Charlotte Building.

As the recovery of the central London economy appears to be gathering momentum, we continue to implement Derwent's distinctive brand of regeneration and, where possible, are accelerating schemes."

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DERWENT LONDON PLC ("Derwent"/"Group")

Annual results announcement for the year ended 31st December 2009

Chairman's statement

Overview

Derwent London's strong performance during the year demonstrates the robustness of the group's business model even in extreme market conditions. This, together with the flexibility of the group's financing arrangements and management's ability to operate successfully in challenging circumstances, meant that Derwent is the only REIT in the FTSE 350 not to have raised equity during 2009.

The group excels in creating a unique brand of well-designed offices in favoured central London locations that provide tenants with contemporary space at mid-market rents. This attention to value and design contributed to the completion of over 100 lettings during 2009. Taken with the strong performance in 2008 when we completed 82 lettings, this is testament to the success of our product in a tough economic environment.

The focus of our portfolio was sharpened and our balance sheet strengthened after £208.3 million of sales of non-core properties. Overall, these sales showed a discount of 7.4% from the December 2008 valuations.

The momentum of the group's regeneration programme was maintained during the year with capital expenditure of £91.5 million being invested on various projects throughout the portfolio.

These achievements were reflected in the company's share price performance which resulted in a total shareholder return of 87%, making Derwent the top performing REIT in the FTSE 350 in 2009.

No major acquisitions were made in the year as we did not identify any opportunities that were sufficiently attractive to us. However, the group has many potential schemes within its portfolio of income producing assets that can be developed to commence a new phase of innovative regeneration projects. Capital expenditure for 2010 is anticipated to be approximately £63 million with a further £200 million which could be incurred from 2011 onwards on identified schemes.

Results

Following a first half in which property values declined sharply, the second half of the year saw a strong rebound in our operational area of central London, with an upward revaluation of our portfolio from the half year of 9.8%. The net result was that, after a fall of 22.1% in 2008, the value of properties held throughout the year contracted by only 3.3% during 2009. This compares to a fall of 5.4% in the IPD Central London Offices Capital Growth Index.

Adjusted net asset value per share at 31st December 2009 was 1,168p against 1,226p a year earlier, a decrease of 4.7%.

Recurring profit before tax for the year, which excludes a number of items described in the finance review, was £60.2 million against £23.3 million in 2008. Consequently, recurring earnings per share rose to 55.55p from 22.83p. The board is proposing an increase in the final dividend of 15% to 18.85p which, as a REIT, will all be paid as a Property Income Distribution. Together with the interim dividend, which was maintained at 8.15p per share, this makes a total dividend for the year of 27.00p per share, an increase of 10% on 2008. This reflects the board's commitment to a progressive dividend policy balanced by prudent cash management. The final dividend will be paid on 17th June 2010 to shareholders on the register on 21st May 2010.

The group continues to be in excellent financial health. Balance sheet gearing has been reduced to 62.2% from 71.2% a year earlier and unutilised, committed bank facilities increased to £425 million as at 31st December 2009 from £291 million last year. All financial covenants were exceeded comfortably throughout the year, a reflection of the attention given to our financing arrangements to ensure that we have a stable financial structure. This approach continues to be a key feature of the group's business model.

The board

As announced in September 2009, Chris Odom, our Finance Director for almost 22 years, has decided to retire and he will be leaving the company after the Annual General Meeting in May 2010. Chris has been a key member of both the board and the executive management team, overseeing the successful financing of the business through recession and expansion. We wish him well in his retirement. Chris's successor, Damian Wisniewski, joined the board on 1st February 2010 when Chris stepped down as a director. Damian has had considerable experience within the property sector and is a welcome addition to our well regarded management team.

Outlook

Economic indicators have yet to demonstrate a sustained recovery but rents within our central London villages have virtually stabilised and, for the first time since early 2008, an anticipation of rental growth is emerging. We have seen a significant recovery in property values in our operational area with yields reduced through a strong demand for investment property, albeit with bank finance to the real estate sector remaining in limited supply.

The strength and potential of our existing portfolio, and the resilience of its rental income, provide us with an engine for managed growth that can respond to the prevailing economic conditions. As the recovery of the central London economy appears to be gathering momentum, we continue to seek buildings where we can implement Derwent's distinctive brand of regeneration and are preparing to advance the timing of some of our schemes. I am confident that with their skills, flair and experience, your management team will continue to position the group successfully through the next phase of the central London property cycle.

R. A. Rayne

17th March 2010

Business review

Our market

The UK economy officially left recession during the fourth quarter of 2009, supported by a combination of low interest rates, high government intervention and resilient consumer spending. Official figures from the Office for National Statistics, however, revealed that GDP growth in the fourth quarter was only 0.3%, indicating that the recovery is still fragile. This followed six quarters of economic decline and one of the deepest downturns on record. Overall, the UK economy contracted 5.0% in 2009 compared to growth of 0.5% in 2008 and 2.6% in 2007.

Now that economic recovery is tentatively underway, the health of London's economy is crucial for driving the UK's future growth. The capital city generates more than one fifth of the UK's economic output, is Europe's premier financial centre and is home to one of the most diverse, highly skilled and versatile labour pools in the world. London's cosmopolitan culture and vibrant lifestyle add to the city's long-term attractiveness to national and international occupiers.

This global city is our marketplace, in which we own and manage a diverse portfolio of innovative, intelligently designed yet affordable properties in a range of strategic central locations, with a particular focus on the West End.

Central London office occupier market

The central London office market comprises more than 20 million m^2 (216 million sq ft). Within this, 49% of stock is located in the City, 42% in the West End and 9% in Docklands. In general, the West End - the geographical focus of our business - has the broadest tenant base. The area is home to a vibrant mix of media companies, professional & business services firms and specialist fund management houses. In contrast, the City and Docklands have a narrower focus on banking, insurance and legal services.

Recent office space statistics from leading surveyors CB Richard Ellis ("CBRE") highlight the positive impact of the economic turnaround on our market. While take-up of central London office space hit a 20-year low of 258,000m^2 during the first half of 2009, it rebounded to an above-average level of 581,000m^2 during the second half of the year.

CBRE's statistics also show trends in central London office vacancy rates that offer further reasons to be positive. Vacancies for the overall central London office market began 2009 at 5.3% and peaked at 7.7% in June, before falling to 7.2% by the end of the year. Looking at the second half of 2009 by sub-area, vacancy rates in the West End fell from 7.4% to 6.8%, while those in the City fell from 10.0% to 8.5%. This trend supports our strategy of delivering new office space to the market over the next few years. This strategy is reinforced by the fact that there has been little property development since the market slowdown and this is not expected to pick up in the near future with central London office completions estimated to total 382,000m^2 in 2010 and 100,000m^2 in 2011. Such levels are considerably lower than the long-term annual average of 504,000m^2.

Improved operating conditions are starting to translate into signs of rental stabilisation. Again, with our mid-market, West End focus, Derwent London is particularly well placed to benefit from this trend. At the year end, prime rents stood at £860 per m^2 (£80 per sq ft) in the West End and £475 per m^2 (£44 per sq ft) in the City. This compares to our competitive mid-market rental focus of £325-£540 per m^2 (£30-£50 per sq ft), which has proven more resilient to the effects of the downturn. We are now seeing a decrease in tenant incentives and believe that selective rental growth will return to our markets during 2010. The West End, where the supply-demand imbalance is most acute, and where the majority of our activities are focused, should experience the strongest market recovery. A new rating valuation takes effect from 1st April 2010 to be phased in over the next two to three years. This will increase tenants' total occupation costs. However, it is anticipated that the effect at Derwent London properties will be lower than at buildings in higher rental areas.

Central London office investment market

Investor confidence returned during the second half of 2009, with the lending market easing slightly, transaction levels improving, yields compressing and values rising. As a result, central London office investment transactions in the second half of 2009 totalled £4.7 billion - substantially higher than the £2.3 billion worth of transactions during the first half of the year and in line with the long-term average.

Early in 2009, the investment focus in London centred on properties secured on long-term income. However, with a limited supply of such assets, demand spread to a wider range of properties as the year progressed.

Attracted by the weakness of sterling, overseas buyers accounted for 73% of central London transactions in 2009 compared to the 10-year average of 49%. UK property companies comprised 11% of total activity, while domestic institutions accounted for 6%.

The IPD Monthly Property Index for West End/Midtown offices provides a clear illustration of the severity of capital value movements over the recent downturn. From peak to trough, over a 23-month period between August 2007 and July 2009, the Index declined by approximately 45%. This adjustment was considerably quicker than that seen during the early 1990s recession, when the peak to trough period was 40 months and values declined by a similar amount.

The subsequent pick-up in values in the current cycle has been equally pronounced, with yield compression driving the above Index up by more than 10% during the last five months of 2009.

Our portfolio

Our property portfolio comprises 475,600m^2 (5.1 million sq ft) and is focused on design-led, innovative central London offices, predominantly in the West End. This concentration plays to our core strengths: extensive experience, knowledge and expertise built up over time operating in these locations.

In total, the West End comprises 74% of our portfolio, with key ownerships in Fitzrovia, Victoria, Soho, Covent Garden, Noho and Belgravia. The City borders, including Clerkenwell and Holborn, account for 21% of our properties.

Our portfolio is let to nearly 600 tenants, which collectively generate an annualised net contracted rental income of £114.9 million. Our two largest business sectors are representative of the tenant profile across the West End: professional and business services (30%) and media, television, marketing and advertising (23%). This dynamic tenant base has been particularly robust during the downturn, with rental default rates remaining at a low level throughout the year.

Other characteristics of our portfolio are a low void rate and affordable mid-market rents that have remained reversionary. It is a portfolio that holds substantial value-creating opportunities, the full potential of which will be realised through asset management and the delivery of quality space, through redevelopment, regeneration or refurbishment.

Valuation

Please click on the link below to view the Valuation Tables in Appendix 1: -

http://www.rns-pdf.londonstockexchange.com/rns/6790I_-2010-3-16.pdf

There was a clear change in sentiment in the commercial property investment market during 2009 as the economic environment showed signs of improvement. During the first half of the year, capital values continued the pattern of decline seen in 2008 as yields moved out and rental values weakened. However, in the second half, with improved investor confidence, investment turnover picked up substantially. Activity was initially led by overseas investors and then, towards the end of the year, UK investors became more active, particularly the domestic financial institutions. The attraction for investors was the relatively high level of income returns and the perceived value offered by the commercial property sector after the substantial capital value declines from the market peak in mid-2007. This increased demand, coupled with a lack of good quality property, led to capital value growth from yield compression in the second half of 2009.

The group's investment portfolio was valued at £1.92 billion at 31st December 2009. There was a valuation deficit of £72.5 million for the year, before lease incentive adjustments of £8.6 million, giving a total movement of £81.1 million. Whilst the underlying valuation movement over the year was a 3.3% decline, this was an improvement on the 22.1% fall in 2008 and was an outperformance against the IPD Central London Offices Capital Growth Index, which declined by 5.4% in 2009. Significantly, the valuation decline of 12.3% in the first half was substantially reversed in the second half with a 9.8% increase which was dominated by yield compression. As a result, the revaluation surplus for the second half of 2009 was £177.8 million.

By location, our West End properties decreased by 2.8% over the year. Again there was a reversal of performance, from a 12.7% decline in the first half to a 10.9% gain in the second half. In our City borders properties, 21% of the portfolio, values fell 5.3% over the year. The balance of the portfolio, now all in Scotland and representing just 5% of the total portfolio value, declined by 2.5% in 2009.

Within the investment portfolio, the development properties, principally Arup Phase III, Angel Building and the Charlotte Building, were valued at £167.8 million at the year end and showed a decrease of £4.0 million or 2.3% over the year. After a decrease of 17.8% in the first half, there was a 14% valuation increase in the second half. Both Arup Phase III and the Charlotte Building were completed towards the end of the year and this drove the valuation improvement.

The portfolio's estimated rental value decreased by 11.4% in the first half of the year and 2.9% in the second, giving an overall annual decline of 14.0%. In 2008, the annual decline was 3.4%.

The portfolio's initial yield, based upon the annualised contracted rental income and after rent free periods, was 6.0% at 31st December 2009, a similar level to last year. This would rise to 6.2% after letting the vacant available space and to 6.7% upon full reversion. The portfolio's true equivalent yield was 6.4% at the year end, a decrease from both the 7.1% at the start of the year and the 7.3% at the half year.

The group's total property return for 2009 was 1.7%, a significant improvement on the -18.9% in 2008. This was an outperformance against our benchmark, the IPD Central London Offices Index, which was 0.9%. There was also an outperformance against our KPI three-year measure to exceed the annualised IPD All UK Property Index on a three-year rolling basis. The portfolio performance under this measure was 4.3% per annum compared to the benchmark of -8.3% per annum.

Portfolio management

Please click on the link below to view the Portfolio Management Tables in Appendix 2: -

http://www.rns-pdf.londonstockexchange.com/rns/6790I_1-2010-3-16.pdf

The appeal of our well designed office space remained strong throughout the year, despite the challenging letting market environment. We successfully completed a total of 101 lettings with a floor area of 31,500m² and a combined rental income of £9.3 million per annum. Of this, £6.6 million was from space that was not income-producing at the start of 2009. Overall, lettings were concluded at 14.7% below the valuers' estimated rental values at the start of the year. However, a number of transactions were short-term lettings at reduced rents, which were structured to retain future development flexibility. Excluding these, lettings were 10.1% below valuers' estimates. As a rental comparison, the IPD Central London Offices Index showed a rental value decline of nearly 20% for the year.

We began to see signs of rental stabilisation during the second half of 2009 with 55% of our activity by income over this period at or above the June rental value estimates.

The year began with the letting of the remaining office space at the 10,000m² Qube building in Fitzrovia. EDF, one of Europe's largest energy companies, took 2,900m² at a rent of £1.5 million per annum, while ScanSafe, a subsidiary of technology giant Cisco Systems, took 600m² at £0.3 million per annum. Letting activity continued, leading to the conclusion of our 100th letting for the year in December. This came with the arrival of Innocent Drinks, a leading fruit smoothie company, at Portobello Dock, our urban regeneration development spanning the Grand Union Canal in West London, which was recently shortlisted for the World Architecture Festival Awards.

On our larger projects, we completed the elegant 4,400m² new build Charlotte Building, Noho, in October. Letting activity in this sophisticated building, designed by award-winning architects Lifschutz Davidson Sandilands,was swift and, by the year end, Unanimis, one of London's largest digital advertising networks, and Icon Entertainment had taken 1,200m² and 600m² respectively at a combined annual rent of £0.9 million.

Our smaller refurbishments also proved popular with tenants. At the Tea Building, opposite the new Shoreditch High Street railway station, which is scheduled to open in June 2010, we reconfigured a number of units and attracted a range of dynamic occupiers including Oakley, a high-fashion sunglasses company and the private members' club, Soho House. Elsewhere, we refurbished the entire 1,100m² building at 45-51 Whitfield Street, Fitzrovia, and pre-let it to Target Media, one of the fastest growing independent media agencies in the UK.

Tenant demand has remained buoyant since the year end. Two further lettings have been signed at the Charlotte Building: Converse (a division of Nike) and Brandopus have leased 1,400m² and 500m² respectively at a total rent of £0.9 million per annum. A single floor remains available and there is strong interest in this space. To date, we have concluded 13 lettings in 2010 at a rent of £1.4 million per annum with a floorspace of 4,300m². Additionally, over 4,000m² of space is under offer at a rent of approximately £1.1 million per annum.

The low rental characteristics of our portfolio enabled us to capture important reversion through rent reviews and lease renewals. Over the year, 41 rent reviews were settled, at a 15% uplift, adding £1.2 million to the group's contracted rent roll. Lease renewals were also profitable, with 38 transactions increasing the annual income from £1.5 million to £1.8 million - an 18% uplift.

At the start of 2009, just under 10% of the portfolio's annual contracted rental income was subject to lease expiries or break options during the year. We enjoyed a high retention rate thanks to our intensive asset management: in total, 66% of this income was retained and 18% re-let prior to the year end. Of the balance, 24% has subsequently been let or is under offer.

Minimising our voids was a key asset management target during the year. This was achieved, with the vacancy rate remaining low, and relatively unchanged, throughout 2009. The group's vacancy rate by rental value, measured as space immediately available for occupation, started the year at 3.8%, rose to 4.2% in the spring before declining to 3.6% by the year end. This reduction occurred even after the completion of the Charlotte Building, which was reclassified from 'projects' to 'available space'. By floor area, the group's year end vacancy rate fell from 4.0% to 3.8% over the year, significantly lower than the CBRE central London year end rate of 7.2%, or 6.8% for the West End. Looking ahead to the new financial year, the completion of the highly efficient, AHMM-designed Angel Building during the summer of 2010,could potentially increase the vacancy rate to 6.8% by rental income or 6.2% by floor area.

Income collection and tenant monitoring was robust during 2009. Rent collected within 14 days of the quarter day averaged 96% over the year, a similar level to 2008 and a strong performance in the context of the economic climate. This was above our key performance indicator target of 95%.

Tenant defaults remained low, with only 13 tenants going into administration during the year.

Projects

We completed two major projects during the year:

- Arup Phase III, 8 Fitzroy Street, Fitzrovia - This 7,900m² office building, designed by Sheppard Robson around a full-height open atrium and located in the heart of our Fitzrovia village, was completed in December. It is the final phase of our Arup pre-let. Phase II and III now form a single seven-storey building of 13,700m² that is let on a 25-year lease, with no breaks, at a rent of £6.2 million per annum, representing £450 per m² (£42 per sq ft).

- Charlotte Building, 17 Gresse Street, Noho - This elegant 4,400m² office building was completed in October and is now 84% let.

Following these completions, we are now concentrating on the delivery of the 24,400m² Angel Building development, our largest project to date. This six-storey office and retail scheme is due to be completed in the summer of 2010 and we are confident that this will benefit our portfolio. Cancer Research UK, one of the country's leading charities, has already chosen the Angel Building as its new headquarters. They have pre-let 53% of the space at a rent of £5.6 million per annum.

Capital expenditure on the above projects totalled £63.3 million during the year. A further £32.3 million is budgeted to complete the Angel Building.

In addition, we continued to be active throughout the portfolio on a number of smaller schemes. Over 10,000m² was completed during the year and at the year end we were on-site with five such projects totalling 4,200m² with a potential annual rental value of £1.3 million. Just over half of this floorspace has been pre-let at an income of £0.8 million per annum. These projects include a 26-bedroom boutique hotel at the Tea Building, pre-let to Soho House and 600m² of offices at 43 Whitfield Street, pre-let to Feilden Clegg Bradley, architects. The total cost of these projects is £9.3 million, with £3.7 million yet to be incurred.

To take full advantage of the improved tenant demand, we are commencing more than 18,000m² of refurbishments during 2010. These will have a total capital expenditure of approximately £37 million. The rental value on completion is estimated at £6.5 million per annum, significantly more than the year end income from these properties of £3.5 million. In particular, we are about to begin the 3,900m² refurbishment of Victory House in Fitzrovia.

As part of our new development programme, we aim to commence a 7,100m² office building at 63 Clerkenwell Road early next year. The start of this project is subject to the satisfactory outcome of a planning appeal decision in May as our initial application was refused, despite having recommendation for approval from the borough's planning officer. It would involve £28 million of capital expenditure and deliver a striking, high-quality building in Clerkenwell.

We hold five significant planning consents, which ultimately could deliver 74,400m² of new space - an uplift of 171% from the current floorspace. Our City Road Estate is at the forefront of these plans. Here, we are in the process of redesigning the scheme to offer 27,4000m² of predominantly office space. We anticipate submitting a revised planning application later this year. While we continue to advance plans on all our consented schemes, we are ensuring that the existing properties, which produce £3.7 million per annum, remain income producing.

In addition, we are continuing to work on a number of exciting appraisal studies that have the potential to achieve major floor space gains. Our most advanced work is at 132-142 Hampstead Road, Euston, where we have innovative proposals for a new concept of office space. This approach is centred around the design of low energy, user friendly offices that use the building's volume and structure to aid the efficient control of the working environment. It will also provide the occupier greater flexibility to tailor the space to their specific requirements. We have coined this concept the "White Collar Factory" and at Hampstead Road we are finalising a planning application to provide 26,000m² of such space. Subject to planning approval, we are looking to commence this major refurbishment and extension in the second half of 2011, when the existing tenancies expire.

We are also progressing the next major regeneration project on our Fitzrovia Estate. At 80 Charlotte Street, we obtain vacant possession on the 18,600m² buildings in 2013. One option is a 27,900m² office scheme that would regenerate and extend the existing buildings.

Finally, we continue to advance our long-term development plans at 1 Oxford Street at the junction of Charing Cross Road. This important West End site, at the eastern end of Oxford Street, is the location of a major transport interchange. Our interests were compulsory purchased during the year; however, we have an option to buy back the site upon completion of the London Underground and Crossrail station works. These are anticipated to complete in or around 2016. We are working closely with both organisations on a planning application for a mixed-use development, of approximately 19,000m², which is likely to be submitted this summer.

Investment activity

Please click on the link below to view a table related to Investment Activity in Appendix 3: -

http://www.rns-pdf.londonstockexchange.com/rns/6790I_2-2010-3-16.pdf

It was inevitable that the first half of 2009 would see limited investment turnover, due to market nervousness and ongoing constraints in the debt market - a key source of finance for the commercial property market. During this period, we made £39.1 million of disposals after costs. However, we took advantage of improving investor sentiment in the second half of the year with £169.2 million of disposals.

During the year, 50 properties, with a floor area of 47,200m² and which consisted of mature or non-core smaller properties as well as three compulsorily purchased properties at Charing Cross Road, were sold for £208.3 million. The properties had an annual income of £14.2 million and reflected a disposal yield of 6.8%. Excluding the compulsory purchased properties where the final sale price is subject to a formal valuation process, disposals were 4.4% below the December 2008 valuation. Including these properties, the figure was 7.4%. The two largest transactions were:

- Arup Phase I, 13 Fitzroy Street, Fitzrovia - In July, we sold this 8,400m² eight-storey office building to Arup, the tenant, for £59.4 million after costs, reflecting a net initial yield of 7.0%. This was a mature property that had been refurbished and let on a lease expiring in 2023 at a rent of £4.5 million per annum.

- The Rotunda, Kingston-upon-Thames - This 15,700m² leisure complex was sold in November for £41.4 million after costs, reflecting a net initial yield of 7.4%.

Although we made no significant acquisitions during the year, we did acquire certain small buildings that will facilitate a number of future redevelopment opportunities.

While the supply of potential acquisitions has been limited over the last few months, we are now seeing more properties appear on the market. The group has £425 million of committed unutilised debt facilities so we are strongly positioned to take advantage of any acquisition opportunities that may arise in the future.

Finance review

Please click on the link below to view tables related to the Finance Review in Appendix 4: -

http://www.rns-pdf.londonstockexchange.com/rns/6790I_3-2010-3-16.pdf

Net asset value per share

As reported in both the chairman's statement and the property review, following a steep decline in central London property values in the first half of 2009, there was a substantial recovery during the second half of the year. As a result, the group's adjusted net asset value per share attributable to ordinary shareholders as at 31st December 2009 of 1,168p was only 4.7% lower than the prior year; the comparative figure as at 31st December 2008 was 1,226p which, by 30th June 2009, had fallen to 993p. The equivalent adjusted net asset value at 31st December 2009 was £1,179 million against £1,236 million in December 2008 and £1,001 million at the 2009 half year. A full analysis of the trends within the property portfolio can be found in the property review but the overall revaluation deficit on investment properties was relatively modest at £81.1 million after a decline of £258.9 million in the first half of 2009 and compares with the sizeable decrease of £602.1 million for the whole of 2008.

Reconciliation of group net asset value to adjusted net asset value:

	2009	2008
	£m	£m

Net assets as reported	**1,163.9**	1,215.0
Deferred tax on revalation surplus	**8.1**	8.9
Fair value of derivatives	**23.0**	26.9
Unamortised fair value adjustment to secured bonds	**20.2**	20.9
Minority interests	**(36.6)**	(35.9)
Adjusted net assets attributable to equity shareholders	**1,178.6**	1,235.8

Group income statement

Putting property valuation movements to one side, 2009 was a very strong year for group recurring profit before and after tax due principally to robust underlying net property income, low net finance costs and the utilisation of previously unrecognised tax losses.

Gross property income increased to £123.8 million for the year ended 31st December 2009 as compared to £119.0 million for the previous year. The strong letting performances during 2008 and 2009 were partially offset by lower recurring rental income following significant investment property sales towards the end of the year. The impact of these sales will be reflected more in the recurring earnings for 2010; properties sold in 2009 produced annualised gross rental income of £14.2 million.

Net property income, after allowing for irrecoverable expenditure and ground rents, increased strongly to £114.8 million in 2009 from £95.5 million in 2008; the latter was adversely affected by a reverse surrender premium of £8.3 million and a provision of £2.0 million against the carrying value of trading properties. Net property income in 2009 benefited from a reduction in letting and legal costs of £1.3 million compared to the previous year which also included the cost of the Horseferry House lease. In addition, following a thorough review of commercial rates payable across the portfolio, a one-off rates credit of £2.8 million has been recognised in 2009.

Table showing net property income movement from 2008

	£m	£m
2008 gross property income	119.0	
Effect of acquisitions	0.5	
Disposals	(4.9)	
Lettings and rent reviews	13.7	
Voids	(4.5)	
2009 gross property income		123.8
2008 total property outgoings	(24.9)	
Rates credit in 2009	2.8	
Reduced legal and letting fees	1.3	
Cost of lease surrender in 2008	8.3	
Trading property writedown in 2008	2.0	
2009 property outgoings		(10.5)
2009 other income		1.5
2009 net property income		114.8

Group administrative costs increased from £18.3 million in 2008 to £20.0 million in 2009 mostly due to increased staff costs resulting from a 13% higher headcount. This reflects the full internalisation of the property management function during the year which was previously mostly outsourced. In addition, the 2009 income statement includes a charge of £1.6 million for the increase in fair value of cash-settled share options against a credit in 2008 of £1.6 million; these movements are outside our direct control as they are linked to share price performance.

The net finance cost within the income statement reflects the troubled nature of debt markets over much of the last two years though our interest rate hedging policy has naturally mitigated the impact of interest rate movements. LIBOR was high through the first nine months of 2008 but has fallen to historically low levels since and floating interest rates remained very low throughout 2009. Due mainly to the reduction in the average cost of our debt as well as the lower net debt position resulting from our property sales programme, net finance costs excluding foreign exchange gains and losses reduced significantly during the year to £37.0 million from £47.2 million in 2008. The foreign exchange movements arose on the retranslation of a US dollar-denominated loan from a non-trading US subsidiary. In 2009, as sterling recovered some of its 2008 losses, the income statement reflected a foreign exchange gain of £3.6 million against a loss of £8.3 million in 2008; in both years, the net asset impact is effectively nil as there is an equal and opposite movement taken to reserves.

The result of the above is that the recurring profit before taxation for 2009 was £60.2 million, a figure enhanced to some extent by certain items which are unlikely to be repeated in 2010. The comparative figure for 2008 was £23.3 million. Adjusting both years to remove the impact of the items discussed above gives an adjusted recurring profit before taxation of £55.4 million for 2009 against £38.3 million in the previous year, which equates to a year on year improvement of almost 45%. These adjustments have been made to provide a clearer indication of the trend in underlying recurring profits.

	2009 **£m**	2008 £m
Reported loss before taxation	**(34.9)**	(606.5)
Adjusted for:		
Revaluation deficit	**81.1**	602.1
Share of joint venture revaluation deficit	**1.3**	1.3
Movement in fair value of derivatives	**(3.9)**	28.1
Loss/(profit) on sale of investment property	**16.6**	(1.2)
Development income	**-**	(0.5)
Recurring profit before tax	**60.2**	23.3
Add back surrender premium in 2008	**-**	8.3
Foreign exchange movement on intercompany loan	**(3.6)**	8.3
One-off rates credit	**(2.8)**	-
Movement in cash-settled share options	**1.6**	(1.6)
Adjusted recurring profit before tax	**55.4**	38.3

The group loss before taxation is a function of recurring profit before taxation as well as the property revaluation movement, adjustment to the fair value of derivatives, and profits or losses on the sales of investment properties. In 2009, the revaluation deficit was £81.1 million for the group's property portfolio and £1.3 million for the group's share of joint ventures against comparative figures of £602.1 million and £1.3 million, respectively. The theoretical mark-to-market cost of unwinding the group's interest rate hedging instruments decreased by £3.9 million in 2009 as interest rate expectations in the medium-term picked up. The prior year had seen a significant deterioration in sentiment such that the fair value adjustment taken to the income statement in 2008 was a cost of £28.1 million. The net proceeds of £201.8 million on the sale of investment properties during 2009 were predominantly contracted in a falling market and, hence, showed a loss against 2008 book value amounting to £16.6 million or about 7.7%. More than half of the loss on disposal recognised in 2009 results from our best estimate of the losses on three properties in Charing Cross Road subject to compulsory purchase orders in connection with the Crossrail project. The final reckoning of the proceeds payable by Crossrail remains under negotiation. The total profit on investment property disposals in 2008 was £1.2 million on net proceeds of £72.6 million.

The resulting effect of all these factors was a reported loss before taxation for the year of £34.9 million in 2009 as compared with a loss of £606.5 million in 2008.

Taxation

The net tax credit arising in 2009 was £9.4 million compared to £9.3 million in 2008. Both years benefited from the reversal of tax provisions as prior year losses were utilised following agreement with HMRC. The tax credit recognised in 2009 was £11.1 million and in 2008 was £7.1 million. Current year tax charges on the non-REIT part of the UK business were £3.0 million, an increase from £1.4 million in 2008. The prior year also showed a higher deferred tax credit due to the larger revaluation deficit in that year.

European Public Real Estate Association ("EPRA") data

As a member of EPRA, we support their aim to provide industry-standard measures of adjusted net asset value and earnings. The table below shows the relevant figures for 2009 and the prior year.

	2009	2008
Diluted EPRA net asset value per share	**1,141p**	1,200p

Diluted EPRA earnings per share	**55.23p**	23.22p

Financing, net debt and cash flow

As a result of the £201.8 million of property sales proceeds referred to above, the group's net borrowings have been reduced by £142.0 million from £865.4 million to £723.4 million during 2009 despite investing £104.8 million of capital expenditure and property acquisitions in our portfolio during the same year. The net cash generated during 2009 and available to repay loans was £140.2 million.

A summarised cash flow for the last two years is shown below:

	2009 £m	2008 £m
Cash received from tenants	**125.4**	109.6
Development and other income	**1.0**	14.1
Less: direct property expenses	**(10.2)**	(22.8)
	116.2	100.9
Property disposals including trading properties	**202.0**	72.6
	318.2	173.5
Administrative and staff expenses	**(17.1)**	(16.2)
Net interest paid	**(39.1)**	(45.6)
Acquisitions of properties	**(10.2)**	(31.9)
Capital expenditure	**(94.6)**	(72.9)
REIT conversion charge	**-**	(53.6)
Dividends paid	**(24.3)**	(23.5)
Taxation	**6.5**	(8.9)
Other	**0.8**	(4.6)
Increase/(decrease) in cash before loan movements	**140.2**	(83.7)

Derwent's ability to sell in difficult market conditions is a major part of the reason for the modest level of balance sheet gearing at the end of the year, assisted by the moderate level of gearing at the start of the credit crunch. Balance sheet gearing has correspondingly been reduced to 62.2% in December 2009 from 71.2% a year earlier and the ratio of net debt to property values fell from 39.7% in December 2008 to 36.4% at 31st December 2009. Other factors in explaining why we have not needed to recapitalise the business during 2009 were sensible financial covenants under debt facilities and our consistent focus on maintaining income across the portfolio. These characteristics have, over a number of years, instilled confidence in our lenders and we will continue to nurture the valued relationships that have been built up, as well as forging new ones, through the coming years. In addition to the facilities refinanced in 2008, the group renewed a £125 million bank facility in the second quarter of 2009 such that the next facility due for refinancing does not arise until December 2011. We have already started to consider options to refinance this facility and it is clear that banks are willing to lend again though only to their chosen customers.

Interest margins charged by lenders on newly negotiated facilities appear to have stabilised at a level roughly twice that of two years ago and are based on lower loan-to-value ratios of up to around 60%-65%. There are signs of increasing confidence and competition amongst lenders which should lead to slightly more favourable lending terms as the year progresses but we remain cautious about medium-term refinancing prospects. The combined impact of the exceptional level of government borrowing, the weight of refinancing requirements facing the lending banks and commercial mortgage backed securities sectors over coming years and the Bank of England's programme of quantitative easing will take some time to work through the economy.

While there are uncertainties ahead, opportunities to add more projects to our portfolio will undoubtedly arise. Crucially, the actions taken by the board have increased further the headroom on our bank facilities, most of which include revolving credit facilities thereby allowing us the flexibility that we need to respond quickly. As at 31st December 2009, the group held available undrawn loan facilities of £425 million, up from £291 million at 31st December 2008. Based on the December 2009 security and property valuations, about £353 million was immediately drawable and the group also held properties totalling £338 million uncharged to lenders.

All financial covenants under loan facilities have been comfortably exceeded during the year. The group's overall interest cover ratio is an important key performance indicator within the business and an emphasis on striking the right balance between income and added value through refurbishment or development has long been an inherent trait of Derwent. The lower finance costs referred to above have prompted a strengthening of group interest cover, (defined as gross property income excluding surrender premiums received less ground rents divided by interest payable on borrowings net of cash), to 330% in 2009 against 247% in 2008. Note also that our accounting policy is not to capitalise interest relating to any refurbishment or development project during which a property is typically not producing income.

Liability risk management

The group started 2009 with 65.7% of its debt protected by a combination of fixed rate or floating rate loans subject to interest rate swaps or caps. While the group's revolving loans have been reduced, the cost of closing out existing swap contracts was considered to be unattractive and the notional amount of swapped or capped loans has increased by £28 million during the year as a new loan facility entered into in 2008 was hedged during the year. Accordingly, the proportion of loans hedged has increased to 82.1% of total debt as at 31st December 2009. This is a little above our target range of 40% to 75%; however, all other things being equal, it will revert to within that range during October 2010 upon the maturity of a £50 million swap contract.

The fair value of the group's interest rate hedging derivatives has improved by £3.9 million during 2009 as medium-term interest rate expectations have moved up after the significant falls of 2008 though the mark-to-market adjustment remains a liability in the group balance sheet at 31st December 2009 of £23.0 million against £26.9 million in 2008.

As reported last year, IFRS 3 required the £175 million secured bond to be fair valued at the date of acquisition by the group and for that fair value to be amortised over the remaining life of the bond. The residual amount as at 31st December 2009 was £20.2 million (20p per share) compared with £20.9 million (21p per share) in 2008.

The weighted average cost of the group's debt reduced to 5.00% as at 31st December 2009 from 5.47% a year earlier and is currently about 5.02%. The weighted average cost of the group's bank debt is 4.52% inclusive of margin.

Directors' responsibilities

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the company in accordance with IFRSs.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's and company's financial position, financial performance and cash flows. This required the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- ~~€€€€€~~consistently select and apply appropriate accounting policies;
- ~~€€€€€~~present information, including accounting polices, in a manner that provides relevant, reliable, comparable and understandable information; and
- ~~€€€€€~~provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors confirm to the best of their knowledge:

- ~~€€€€€~~they have complied with the above requirements in preparing the financial statements which give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- ~~€€€€€~~the business review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as whole, together with a description of the principal rules and uncertainties that they face.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the board

J. D. Burns, Chief executive officer

D. M. A. Wisniewski, Finance director

17th March 2010

GROUP INCOME STATEMENT

	Note	2009 £m	2008 £m
Gross property income	4	**123.8**	119.0
Development income	4	**-**	0.5
Other income	4	**1.5**	0.9
		125.3	120.4
Property outgoings	5	**(10.5)**	(14.6)
Reverse surrender premium	5	**-**	(8.3)
Write-down of trading property	5	**-**	(2.0)
Net property income		**114.8**	95.5
Administrative expenses		**(20.0)**	(18.3)
Movement in valuation of cash-settled share options		**(1.6)**	1.6
Revaluation deficit		**(81.1)**	(602.1)
(Loss)/profit on disposal of investment properties	6	**(16.6)**	1.2
Loss from operations		**(4.5)**	(522.1)
Finance income	7	**2.0**	1.7
Foreign exchange gain	7	**3.6**	-
Finance costs	7	**(39.0)**	(48.9)
Foreign exchange loss	7	**-**	(8.3)
Movement in fair value of derivative financial instruments		**3.9**	(28.1)
Share of results of joint ventures	8	**(0.9)**	(0.8)
Loss before tax		**(34.9)**	(606.5)
Tax credit	9	**9.4**	9.3
Loss for the year		**(25.5)**	(597.2)
Attributable to:			
Equity shareholders		**(26.8)**	(586.4)
Minority interests		**1.3**	(10.8)
Loss per share	10	**(26.59)**	(581.99)
Diluted loss per share	10	**(26.59)**	(581.99)

GROUP BALANCE SHEET

	Note	2009 £m	2008 £m
Non-current assets			
Investment property	11	**1,888.6**	2,068.1
Property, plant and equipment	12	**1.4**	1.2
Investments		**6.4**	7.6
Pension scheme surplus		**0.8**	1.0
Other receivables		**38.9**	29.0
		1,936.1	2,106.9
Current assets			
Trading property	13	**1.0**	7.5
Trade and other receivables		**46.6**	38.7
Cash and cash equivalents		**19.0**	10.5

	Note	2009	2008
		66.6	56.7
Non-current assets held for sale	14	**-**	17.5
		66.6	74.2
Total assets		**2,002.7**	2,181.1
Current liabilities			
Bank overdraft and loans	15	**(5.9)**	(106.6)
Trade and other payables		**(59.0)**	(47.6)
Corporation tax liability		**(5.4)**	(7.1)
Derivative financial instruments	15	**(1.6)**	-
Provisions		**(0.2)**	(0.2)
		(72.1)	(161.5)
Non-current liabilities			
Borrowings	15	**(736.5)**	(769.3)
Derivative financial instruments	15	**(21.4)**	(26.9)
Provisions		**(2.9)**	(1.2)
Deferred tax liability	16	**(5.9)**	(7.2)
		(766.7)	(804.6)
Total liabilities		**(838.8)**	(966.1)
Total net assets		**1,163.9**	1,215.0
Equity			
Share capital		**5.0**	5.0
Share premium		**156.9**	156.2
Other reserves		**916.8**	923.4
Retained earnings		**48.5**	95.0
Equity shareholders' funds		**1,127.2**	1,179.6
Minority interests		**36.7**	35.4
Total equity		**1,163.9**	1,215.0
Adjusted net asset value per share attributable to equity shareholders	18	**1,168p**	1,226p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**2009 £m**	2008 £m
Loss for the year		**(25.5)**	(597.2)
Actuarial losses on defined benefit pension scheme		**(0.2)**	(2.1)
Foreign currency translation		**(3.6)**	8.2
Other comprehensive income recognised directly in equity		**(3.8)**	6.1
Total comprehensive income for the year		**(29.3)**	(591.1)

		2009	2008
Attributable to:			
Equity shareholders		**(30.6)**	(580.3)
Minority interests		**1.3**	(10.8)

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1st January 2009	5.0	156.2	923.4	95.0	1,179.6	35.4	1,215.0
Total comprehensive income for the year	-	-	(3.6)	(27.0)	(30.6)	1.3	(29.3)
Share-based payments expense transferred to reserves	-	-	2.2	-	2.2	-	2.2
Transfer between reserves in respect of share based payments	-	-	(5.2)	5.2	-	-	-
Premium on issue of shares	-	0.7	-	-	0.7	-	0.7
Dividends paid	-	-	-	(24.7)	(24.7)	-	(24.7)
At 31st December 2009	**5.0**	**156.9**	**916.8**	**48.5**	**1,127.2**	**36.7**	**1,163.9**
At 1st January 2008	5.0	157.0	914.0	706.0	1,782.0	59.9	1,841.9
Total comprehensive income for the year	-	-	8.2	(588.5)	(580.3)	(10.8)	(591.1)
Share-based payments expense transferred to reserves	-	-	1.2	-	1.2	-	1.2
Transfer between reserves in respect of performance share plan	-	(0.8)	-	0.8	-	-	-
Purchase of minority interest	-	-	-	-	-	(0.4)	(0.4)
Dividends paid	-	-	-	(23.3)	(23.3)	(13.3)	(36.6)
At 31st December 2008	5.0	156.2	923.4	95.0	1,179.6	35.4	1,215.0

GROUP CASH FLOW STATEMENT

	Note	**2009 £m**	2008 £m
Operating activities			
Cash received from tenants		**125.4**	109.6
Development income received		**-**	14.1
Direct property expenses		**(10.2)**	(22.8)
Cash paid to and on behalf of employees		**(11.4)**	(10.3)
Other administrative expenses		**(5.7)**	(5.9)
Interest received		**1.6**	2.9
Interest paid		**(40.7)**	(48.5)
Other income		**1.0**	-
Disposal of trading property		**6.5**	-
Tax expense paid in respect of operating activities		**(0.1)**	(0.8)
Net cash from operating activities		**66.4**	38.3
Investing activities			
Acquisition of investment properties		**(10.2)**	(31.9)
Capital expenditure on investment properties		**(94.6)**	(72.9)
Disposal of investment properties		**195.5**	72.6
Purchase of property, plant and equipment		**(0.4)**	(0.2)
Disposal of property, plant and equipment		**-**	0.2
Distributions received from joint ventures		**0.5**	-
Purchase of minority interest		**-**	(0.4)
Advances to minority interest holder		**-**	(4.2)
REIT conversion charge		**-**	(53.6)

Tax received/(paid) in respect of investing activities		**6.6**	(8.1)
Net cash from/(used in) investing activities		**97.4**	(98.5)
Financing activities			
Net movement in revolving bank loans		**(134.0)**	86.2
Repayment of non-revolving bank loans		**-**	(28.0)
Drawdown of non-revolving bank loans		**1.9**	56.8
Repayment of loan notes		**(1.9)**	(28.8)
Net proceeds of share issues		**0.7**	-
Dividends paid to minority interest holder		**-**	(1.0)
Dividends paid	17	**(24.3)**	(22.5)
Net cash (used in)/from financing activities		**(157.6)**	62.7
Increase in cash and cash equivalents in the year		**6.2**	2.5
Cash and cash equivalents at the beginning of the year		**6.9**	4.4
Cash and cash equivalents at the end of the year	21	**13.1**	6.9

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The financial information set out above and below does not constitute the group's statutory accounts for 2009. Statutory accounts for the years ended 31st December 2009 and 31st December 2008 have been reported on by the independent auditors. The independent auditors' report on the annual report and financial statements for 2008 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985. The independent auditors' report on the annual report and financial statements for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31st December 2008 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31st December 2009 will be delivered to the Registrar of Companies in due course.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the group's IFRS accounting policies, this announcement does not itself contain sufficient information to comply with IFRSs. The same accounting policies and methods of computation are followed in the audited results for the year ended 31st December 2009 as are set out in the annual report and financial statements for the year ended 31st December 2008, as published by the company on 17th March 2009, other than revisions to some of the group's accounting policies with respect to amendments to IAS 40, Investment Property, IAS 16, Property, Plant and Equipment and IAS 23, Borrowing Costs, none of which have resulted in any changes to the groups accounting treatment in the current or prior year. The group has also adopted IAS 1 (revised) Presentation of Financial Statements during the year. The effects of this change are purely presentational.

2 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. These are the same policies identified at the previous year end with the addition of the estimated compulsory purchase proceeds which is discussed in note 6. A full discussion of these policies will be included in the 2009 financial statements.

- Investment property valuation
- Trading properties
- Trade receivables
- Outstanding rent reviews
- Estimated compulsory purchase proceeds (see note 6)
- Compliance with the real estate investment trust (REIT) taxation regime.

3 Segmental reporting

The group has adopted IFRS 8, Operating Segments, with effect from 1st January 2009. IFRS 8 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 its executive board comprising the six executive directors) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the group's executive board 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 recurring earnings per share, adjusted net asset value and recurring profit. Reconciliations of each of these figures to their statutory equivalents are detailed in notes 10, 18 and 19 respectively. Additionally, information is provided to the executive board showing gross property income and investment 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 investment property portfolio comprises 91% offices* by value. The directors consider that these properties have similar types of tenants, they demonstrate similar long-term financial performance and have similar economic characteristics. Therefore, these individual properties have been aggregated into a single operating segment. The remaining 9% represents a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right. Accordingly, the directors are of the view that it is appropriate to disclose two reportable segments, "offices" and "other", by reference to gross property income and investment property value.

* Note: some offices have an ancillary element such as retail or residential.

Investment property (see note 11)

	Carrying value		Fair value	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
Offices	**1,709.3**	1,897.0	**1,736.4**	1,917.6
Other	**179.3**	188.6	**182.0**	190.4
	1,888.6	2,085.6	**1,918.4**	2,108.0

Gross property income

	2009	2008
	£m	£m
Offices	**114.3**	109.2
Other	**9.5**	9.8
	123.8	119.0

All of the group's investment properties are based in the UK. The group also owns a joint venture in Prague which represents 0.2% of the group's assets. No geographical grouping is contained in any of the internal financial reports provided to the group's executive board. Therefore, no geographical segmental analysis is required by IFRS 8. However, the following analysis is included to provide users with additional information regarding the geographical areas contained in the business review.

Investment property

	Carrying value		Fair value	
	2009	2008	**2009**	2008
	£m	£m	**£m**	£m
West End central	**1,284.8**	1,421.4	**1,299.1**	1,429.6
West End borders	**121.4**	117.5	**121.7**	117.8
City borders	**392.5**	413.6	**405.5**	425.5

Provincial	**89.9**	133.1	**92.1**	135.1
	1,888.6	2,085.6	**1,918.4**	2,108.0

Gross property income

	2009	2008
	£m	£m
West End central	**78.4**	74.0
West End borders	**7.9**	8.1
City borders	**29.2**	27.6
Provincial	**8.3**	9.3
	123.8	119.0

4 Income

Gross property income includes surrender premiums received from tenants during 2009 of £0.1 million (2008: £0.2 million). The balance of £123.7 million (2008: £118.8 million) is derived solely from rental income from the group's properties. Of these amounts, £4.2 million (2008: £4.2 million) was derived from a lease to BT of the Angel Building, EC1, where in March 2007 the group entered into an arrangement with BT to restructure the lease arrangements such that the group could obtain possession of the building whilst maintaining rental income from BT until March 2010 (albeit that, if the group disposed of this property, the right to that rental income would pass to the purchaser). The group has included the income from this building within gross property income as, although similar to a lease surrender arrangement, the group's entitlement to this rental income is linked to its continued ownership of the property rather than being an unconditional amount receivable (whether as an upfront payment or through a series of instalments).

In 2008, development income of £0.5 million was received which was the proportion of the total profit share earned by the group from the project management of the construction and letting of a property on behalf of a third party. No development income was received during 2009.

Other income of £1.5 million (2008: £0.9 million) relates to fees and commissions earned in relation to the management of the group's properties and is recognised in the group income statement in accordance with the delivery of services.

5 Property outgoings

	2009	2008
	£m	£m
Ground rents	**0.7**	0.7
Other property costs	**9.8**	13.9
	10.5	14.6
Reverse surrender premium	**-**	8.3
Write-down of trading property	**-**	2.0
Total	**10.5**	24.9

6 (Loss)/profit on disposal of investment properties

	2009	2008
	£m	£m
Disposal proceeds	**201.8**	72.6
Carrying value	**(216.0)**	(71.4)
Adjustment for rents recognised in advance	**(2.4)**	-

	(16.6)	1.2

During 2009, compulsory purchase orders issued under the Crossrail Act 2008 were received in relation to three of the group's investment properties. The final amount to be received in respect of these properties has yet to be determined and, therefore, the disposal proceeds included above for these properties are the directors' best estimates of the amounts to be received.

7 Finance income and costs

	2009 £m	2008 £m
Finance income		
Interest on development funding	**0.9**	0.1
Return on pension plan assets	**0.6**	0.8
Bank interest received	**0.1**	-
Other	**0.4**	0.8
	2.0	1.7
Foreign exchange gain	**3.6**	-
Total finance income	**5.6**	1.7
Finance costs		
Bank loans and overdraft wholly repayable within five years	**23.7**	35.3
Bank loans not wholly repayable within five years	**3.4**	0.8
Loan notes	**0.1**	0.9
Secured bonds	**10.7**	10.8
Finance leases	**0.6**	0.6
Pension interest costs	**0.5**	0.5
	39.0	48.9
Foreign exchange loss	**-**	8.3
Total finance costs	**39.0**	57.2

The foreign exchange gain of £3.6 million (2008: £8.3 million loss) resulted from the translation of an inter-company loan with a non-trading US subsidiary. The impact on net asset value from this exchange movement is minimal as there is an offsetting entry in equity (see group statement of comprehensive income).

8 Share of results of joint ventures

	2009 £m	2008 £m
Revaluation deficit	**(1.3)**	(1.3)
Other profit from operations after tax	**0.4**	0.5
	(0.9)	(0.8)

9 Tax credit

	2009 £m	2008 £m
Corporation tax credit		
UK corporation tax and income tax on losses for the year	**2.6**	1.4
Utilisation of losses from prior years	**(11.1)**	(7.1)
Other	**0.4**	-
	(8.1)	(5.7)

Deferred tax credit		
Origination and reversal of temporary differences	**(1.7)**	(3.6)
Adjustment in respect of prior year's tax losses	**0.4**	-
	(1.3)	(3.6)
	(9.4)	(9.3)

Within the utilisation of losses from prior years of £11.1 million (2008: £7.1 million) is £11.9 million of losses (2008: £3.4 million) which were not recognised in prior years due to the uncertainty of their availability.

The tax credit for 2009 is lower (2008: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £m	2008 £m
Loss before tax	**(34.9)**	(606.5)
Expected tax credit based on the standard rate of corporation tax in the UK of 28.0% (2008: 28.5%)	**(9.8)**	(172.9)
Difference between tax and accounting profit on disposals	**8.5**	0.6
REIT exempt income	**(8.2)**	(4.0)
Expenses and fair value adjustments not (allowable)/deductible for tax purposes	**(4.0)**	5.3
Revaluation deficit attributable to REIT properties	**19.7**	171.6
Capital allowances	**(4.6)**	(3.9)
Other differences	**0.1**	1.1
Tax charge/(credit) on current year's loss	**1.7**	(2.2)
Adjustments in respect of prior years' tax	**(11.1)**	(7.1)
	(9.4)	(9.3)

10 (Loss)/earnings per share

	Loss for the year £m	Weighted average number of shares '000	Loss per share p
Year ended 31st December 2009	(26.8)	100,802	**(26.59)**
Adjustment for dilutive share-based payments	-	-	**-**
Diluted	(26.8)	100,802	**(26.59)**
Year ended 31st December 2008	(586.4)	100,758	(581.99)
Adjustment for dilutive share-based payments	-	-	-
Diluted	(586.4)	100,758	(581.99)

The diluted loss per share for the year to 31st December 2009 has been restricted to a loss of 26.59p (2008: 581.99p) per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share. At 31st December 2009, there were 597,244 (2008: 435,000) share options and contingently issuable shares which could potentially dilute earnings in the future.

	(Loss)/ profit for the year £m	Weighted average number of shares '000	(Loss)/ earnings per share p
Year ended 31st December 2009	(26.8)	100,802	(26.59)
Adjustment for:			
Disposal of investment properties	16.6	-	16.47
Group revaluation deficit	80.3	-	79.66
Joint venture revaluation deficit	1.3	-	1.29
Fair value movement in derivative financial instruments	(3.9)	-	(3.87)
Prior year tax relating to capital items	(11.1)	-	(11.01)
Minority interests in respect of the above	(0.4)	-	(0.40)
Recurring	56.0	100,802	**55.55**
Adjustment for dilutive share-based payments	-	597	**(0.32)**
Diluted recurring and diluted EPRA	56.0	101,399	**55.23**
Year ended 31st December 2008	(586.4)	100,758	(581.99)
Adjustment for:			
Disposal of investment properties	(1.2)	-	(1.19)
Group revaluation deficit	597.9	-	593.40
Joint venture revaluation deficit	1.3	-	1.29
Fair value movement in derivative financial instruments	28.1	-	27.89
Development income	(0.5)	-	(0.50)
Prior year tax relating to capital items	(5.0)	-	(4.96)
Minority interests in respect of the above	(11.2)	-	(11.11)
Recurring	23.0	100,758	22.83
Adjustment for dilutive share-based payments	-	435	(0.10)
Diluted recurring	23.0	101,193	22.73
Add back: development income	0.5	-	0.49
Diluted EPRA	23.5	101,193	23.22

Recurring earnings per share excludes the after tax effect of fair value adjustments to the carrying value of assets and liabilities, the profit or loss after tax arising from the disposal of properties and investments, development income and any exceptional costs and income in order to show the underlying trend.

11 Investment property

	Freehold £m	Leasehold £m	Total £m
Carrying value			
At 1st January 2009	1,722.5	363.1	2,085.6
Acquisitions	-	9.8	9.8
Capital expenditure	80.2	11.3	91.5
Disposals	(207.9)	(8.1)	(216.0)
Revaluation	(57.0)	(24.1)	(81.1)
Movement in grossing up of headlease liabilities	-	(1.2)	(1.2)
At 31st December 2009	**1,537.8**	**350.8**	**1,888.6**
At 1st January 2008	2,224.1	430.5	2,654.6
Transfer	(15.0)	15.0	-
Acquisitions	27.8	4.1	31.9
Capital expenditure	61.1	11.9	73.0
Disposals	(59.8)	(11.6)	(71.4)

Revaluation	(515.7)	(86.4)	(602.1)
Movement in grossing up of headlease liabilities	-	(0.4)	(0.4)
At 31st December 2008	1,722.5	363.1	2,085.6
Disclosed in			
Investment property	1,705.0	363.1	2,068.1
Non-current assets held for sale	17.5	-	17.5
	1,722.5	363.1	2,085.6
Adjustments from fair value to carrying value			
At 31st December 2009			
Fair value	1,573.3	345.1	1,918.4
Adjustment for rents recognised in advance	(35.5)	(1.7)	(37.2)
Adjustment for grossing up of headlease liabilities	-	7.4	7.4
Carrying value	1,537.8	350.8	1,888.6
At 31st December 2008			
Fair value	1,752.1	355.9	2,108.0
Adjustment for rents recognised in advance	(29.6)	(1.4)	(31.0)
Adjustment for grossing up of headlease liabilities	-	8.6	8.6
Carrying value	1,722.5	363.1	2,085.6

The investment properties were revalued at 31st December 2009 by external valuers, on the basis of market value as defined by the Valuation Standards published by The Royal Institution of Chartered Surveyors. CB Richard Ellis Limited valued properties to a value of £1,889.9 million (2008: £2,079.6 million); other valuers £28.5 million (2008: £28.4 million).

At 31st December 2009, the historical cost of investment property owned by the group was £1,894.8 million (2008: £2,054.5 million).

12 Property, plant and equipment

	2009 **£m**	2008 £m
At 1st January	**1.2**	1.4
Additions	**0.4**	0.2
Disposals	**-**	(0.2)
Depreciation	**(0.2)**	(0.2)
At 31st December	**1.4**	1.2
Net book value		
Cost or valuation	**3.4**	3.0
Accumulated depreciation	**(2.0)**	(1.8)
	1.4	1.2

13 Trading property

During the year ended 31st December 2009, £6.5 million of trading properties were disposed of by the group at book value. At 31st December 2008, trading properties were written down by £2.0 million to their net realisable value. There was no corresponding write-down at 31st December 2009.

14 Non-current assets held for sale

	2009 **£m**	2008 £m
Investment properties (note 11)	**-**	17.5

Compulsory purchase orders issued under the Crossrail Act 2008 were received in relation to two of the group's freehold investment properties on 19th December 2008. On 16th January 2009 title for these properties passed to the acquiring authority, The Secretary of State for Transport. Therefore, in accordance with IFRS 5, Non-current assets held for sale, these properties were recognised as non-current assets held for sale at 31st December 2008.

15 Borrowings and derivative financial instruments

	2009	2008
	£m	£m
Current liabilities		
Bank loans	**-**	103.0
Overdraft	**5.9**	3.6
	5.9	106.6
Non-current liabilities		
6.5% Secured Bonds 2026	**193.6**	194.3
Loan notes	**1.4**	3.2
Bank loans	**503.0**	534.0
Unsecured loans	**31.1**	29.2
Leasehold liabilities	**7.4**	8.6
	736.5	769.3
Derivative financial instruments	**23.0**	26.9
Total liabilities	**765.4**	902.8

Derivative financial instruments are measured at fair value, being the estimated amount the group would pay or receive to terminate the interest rate derivative agreements at the balance sheet date. Of the £23.0 million derivative financial instruments, £1.6 million (2008: £nil) relates to derivative financial instruments due to expire within one year.

16 Deferred tax liability

	Revaluation surplus £m	Other £m	Total £m
At 1st January 2009	8.9	(1.7)	7.2
Provided during the year in the group income statement	-	1.0	1.0
Released during the year in the group income statement	(0.8)	(1.5)	(2.3)
At 31st December 2009	**8.1**	**(2.2)**	**5.9**
At 1st January 2008	13.1	(2.3)	10.8
Provided during the year in the group income statement	-	0.6	0.6
Released during the year in the group income statement	(4.2)	-	(4.2)
At 31st December 2008	8.9	(1.7)	7.2

Due to the group's conversion to REIT status on 1st July 2007, deferred tax on the revaluation surplus is only provided on properties outside of the REIT regime. Deferred tax on the revaluation surplus is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment property portfolio as at each balance sheet date. The calculation takes account of available indexation on the historic cost of the properties and any available capital losses. At 31st December 2008, due to the uncertainty over their availability, £11.9 million of tax losses were not recognised as a deferred tax asset. There were no such tax losses at 31st December 2009.

17 Dividend

	2009 £m	2008 £m
Final dividend of 16.35p (2008: 15.00p) per ordinary share declared during the year relating to the previous year's results	**16.5**	15.1
Interim dividend of 8.15p (2008: 8.15p) per ordinary share declared during the year	**8.2**	8.2
	24.7	23.3

Of the dividend of £24.7 million (2008: £23.3 million), £24.3 million (2008: £22.5 million) was paid in the current year representing £0.8 million (2008: £nil) withholding tax relating to the prior year and £23.5 million (£22.5 million) relating to the current year's dividend. Withholding tax relating to the current year of £1.2 million (2008: £0.8 million) will be paid after the balance sheet date.

The directors are proposing the payment of a final dividend in respect of the current year's results of 18.85p (2008: 16.35p) per ordinary share which would total £19.0 million (2008: £16.5 million). This results in a total dividend for the year of 27.00p (2008: 24.50p). As required by IAS 10, Events after the Reporting Period, this dividend has not been accrued at the balance sheet date.

18 Net asset value per share

	Net assets £m	Deferred tax on revaluation surplus £m	Fair value of derivative financial instruments £m	Fair value adjustment to secured bonds £m	Adjusted net assets £m
At 31st December 2009					
Net assets	1,163.9	8.1	23.0	20.2	1,215.2
Minority interests	(36.7)	(0.3)	0.4	-	(36.6)
Attributable to equity shareholders	1,127.2	7.8	23.4	20.2	1,178.6
Net asset value per share attributable to equity shareholders (p)	**1,117**	**8**	**23**	**20**	**1,168**
At 31st December 2008					
Net assets	1,215.0	8.9	26.9	20.9	1,271.7
Minority interests	(35.4)	(0.5)	-	-	(35.9)
Attributable to equity shareholders	1,179.6	8.4	26.9	20.9	1,235.8
Net asset value per share attributable to equity shareholders (p)	1,170	8	27	21	1,226

The number of issued and fully paid up ordinary shares at 31st December 2009 was 100,950,263 (2008: 100,807,146).

The total net assets of the group and those attributable to equity shareholders are shown in the table above. An adjustment is made for the deferred tax on the revaluation surplus, and the post tax fair value of derivative financial instruments and the fair value adjustment to the secured bond are excluded, on the basis that these amounts are not relevant when considering the group as an ongoing business.

Reconciliation to EPRA figures

	2009 p	2008 p
Net asset value per share attributable to equity shareholders	**1,168**	1,226
Deduct: fair value adjustment to secured bonds	**(20)**	(21)

	1,148	1,205
Adjustment for dilutive share-based payments	**(7)**	(5)
EPRA net asset value per share	**1,141**	1,200

19 Recurring profit before tax

	2009 £m	2008 £m
Loss before tax	**(34.9)**	(606.5)
Adjustment for:		
Disposal of properties and investments	**16.6**	(1.2)
Group revaluation deficit	**81.1**	602.1
Joint venture revaluation deficit	**1.3**	1.3
Fair value movement in derivative financial instruments	**(3.9)**	28.1
Development income	**-**	(0.5)
Recurring profit before tax	**60.2**	23.3
Reverse surrender premium	**-**	8.3
Foreign exchange (gain)/loss	**(3.6)**	8.3
One-off rates credit	**(2.8)**	-
Movement in valuation of cash-settled share options	**1.6**	(1.6)
Adjusted recurring profit before tax	**55.4**	38.3

For definitions of recurring profit before tax and adjusted recurring profit before tax, see list of definitions below.

20 Total return

	2009 £m	2008 £m
Total return	**(2.7)**	(30.6)

Total return is calculated from the movement in adjusted net asset value per share as derived in note 18 plus the dividend per share paid during the year, expressed as a percentage of the adjusted net asset value per share at the beginning of the year.

21 Cash and cash equivalents

	2009 £m	2008 £m
Bank overdraft	**(5.9)**	(3.6)
Short-term deposits	**19.0**	10.5
	13.1	6.9

22 Gearing

Balance sheet gearing at 31st December 2009 was 62.2% (2008: 71.2%). This is defined as net debt divided by net assets.

Profit and loss gearing for the year ended 31st December 2009 was 330% (2008: 247%). This is defined as gross property income, excluding surrender premiums, less ground rent divided by interest payable on borrowings less interest receivable. This is similar to the group's most commonly used interest cover ratio covenant.

23 Post balance sheet events

There are no transactions which require disclosure in accordance with IAS 10, Events after the Reporting Period.

24 Risk management

The principal risks and uncertainties that the group faces in 2010, together with the controls and mitigating factors, are set out below:

Strategic

•€€€€€€Risk that the group's strategy is inconsistent with the market environment.
•€€€€€€Risk that the group's development programme is not consistent with the economic cycle.

The group carries out a five-year strategic review and prepares regular rolling forecasts covering the next two years. In both exercises the board can consider the effect on key ratios of changing the main underlying assumptions and so set these so as to best realiseits long-term strategic goals. This flexibility arises from the policy of maintaining income from properties until development starts.

Financial

•€€€€€€Risk that a substantial decline in property values or a material loss of rental income could result in a breach of the group's financial covenants. This may accelerate the repayment of the group's borrowing or result in their cancellation.

The group's secured borrowings contain financial covenants based on specific security and not corporate ratios such as balance sheet gearing. Treasury control schedules are updated weekly whilst the rolling forecast enables any potential problems to be identified at an early stage and corrective action to be taken. The group has a considerable amount of uncharged property that could be used in such circumstances.

•€€€€€€Risk that the group's cost of borrowing is increased due to an inability to raise finance from its preferred sources.

The group's five year strategic review and rolling forecasts enables any financing requirement to be identified at an early stage. This allows sources of finance to be identified and evaluated and, to a degree, the finance to be raised when market conditions arefavourable.

•€€€€€€Risk that the group's financing costs are higher due to increases in interest rates.

The group uses interest rate derivatives to "top up" the amount of fixed rate debt to a level commensurate with the perceived risk to the group.

•€€€€€€Risk that the group incurs tax penalties or loses its REIT status due to failing to comply with the REIT legislation.

The group's rolling forecast monitors compliance over the forecast period which enables any potential non-compliance to be identified and corrective action to be taken at an early stage.

Operational

•€€€€€€Risk that the implementation of the group's strategy is inhibited by an inability to acquire assets at an attractive price.

The size of the central London market in which the group operates, means that such a situation is unlikely to persist for very long. During this time, the group is able to develop opportunities from within its existing portfolio.

•€€€€€€Risk that the group's development projects do not produce the anticipated financial return due to delays in the planning process, increased construction costs or adverse letting conditions.

Standardised appraisals including contingencies are prepared for all investments and sensitivity analysis is undertaken to ensure that an adequate return is made in all circumstances considered likely to occur.

The scale of the group's development programme is managed to reflect anticipated market conditions.

•~~€€€€€€~~Risk that the group suffers a loss of rental income and increased vacant property costs due to tenants vacating or becoming bankrupt.

Prospective tenants are considered by the group's credit committee and security is taken where appropriate. The group's property managers maintain regular contact with tenants and work closely with any that are facing financial difficulties.

•~~€€€€€€~~Risk that the financial return of the group's developments is reduced due to the insolvency of a contractor or sub-contractor.

Generally, the group selects contractors from a pool that are well known to it, and the financial information on these companies is regularly reviewed. If the insolvency of a major sub-contractor is seen to present a material risk to the critical path of a project, specific strategies are implemented to mitigate the effect.

•~~€€€€€€~~Risk that the group's reputation is damaged due to a breach of health and safety regulations.

The group employs a health and safety executive who establishes appropriate policies for the group's offices and an external health and safety supervisor is appointed for each development project. All significant accidents are reported to the board and reports for each scheme are submitted regularly to the board.

•~~€€€€€€~~Risk that the group is unable to successfully implement its strategy due to a failure to recruit and retain key staff with appropriate skills.

The remuneration packages of all employees are regularly benchmarked. Six-monthly appraisals identify training requirements which are fulfilled over the next year.

List of definitions

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

Adjusted net asset value per share
NAV per share adjusted to exclude deferred tax on the property revaluation surplus and fair value adjustments to the carrying value of assets and liabilities.

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, to provide high-quality information to investors.

Recurring net property income
Net property income excluding development income.

Recurring profit before taxation
Profit before tax excluding development income, the revaluation movement in investment properties and financial instruments and the profit on disposal of investment properties.

Adjusted recurring profit before taxation
Recurring profit before taxation adjusted for items which are unlikely to be repeated to the same level in the future and are excluded in order to show the underlying trend.

Earnings per share (EPS)
Profit for the year attributable to equity shareholders divided by the weighted average number of ordinary shares in issue during the period.

Recurring earnings per share
Earnings per share adjusted to exclude the after tax effect of non-recurring items, profits or losses on sales of investment properties, and the fair value adjustments to the carrying value of assets and liabilities.

Diluted earnings per share
Earnings per share adjusted to include the dilutive effects of potential shares issuable under the group's share based remuneration schemes. However, a loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

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.

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

Balance sheet gearing
Net debt divided by net assets.

Profit and loss gearing
Gross property income, excluding surrender premiums, less ground rent divided by interest payable on borrowings less interest receivable. This is similar to the group's most commonly used interest cover ratio covenant.

Property gearing
The nominal value of borrowed funds divided by the fair value of investment property. This is equivalent to the loan-to-value calculations used in the group's bank covenants.

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

IPD Central London Offices Index
An index, compiled by Investment Property Databank Limited, of the central and inner London offices in their quarterly valued universe.

Capital return
The 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.

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

Total property return
The annual capital appreciation, net of capital expenditure, plus the net annual rental income received expressed as a percentage of capital employed (property value at the beginning of the year plus capital expenditure).

Total shareholder return
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 period.

Rent roll
The annualised contracted rental income, net of ground rents.

Initial yield
The rent roll generated by a property or by the portfolio as a whole expressed as a percentage of its valuation. Where applicable, the valuation is adjusted to include any capital expenditure required for scheme completion. For the net initial yield, notional purchasers' costs are added to the valuation.

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. Assumes rent is received quarterly in advance.

Reversionary yield
The anticipated yield based upon the valuers' estimated rental value of a property or portfolio, expressed as a percentage of its valuation. Where applicable, the valuation is adjusted to include any capital expenditure required for scheme completion.

Reversion
The reversion is the difference between the rent roll of a property or portfolio and the rental value as estimated by the group's external valuers. The reversion is derived from contractual rental increases, rent reviews, lease renewals and the letting of vacant space.

Underlying portfolio
Properties that have been held for the whole of the period.

Vacancy rate
The rental value of vacant space in a property or portfolio, that is immediately available for occupation, expressed as a percentage of the estimated rental value.