10 March 2011

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

Final results for the 12 months ended 31 December 2010

DERWENT LONDON ANNOUNCES STRONG FINAL RESULTS AND TWO NEW ACQUISITIONS

HIGHLIGHTS

Continued strong performance in 2010

- EPRA net asset value per share increased by 27% to 1,474p from 1,161p at 31 December 2009
- Portfolio revaluation surplus of £301.6m compared to a fall of £81.1m in 2009
- Underlying portfolio valuation increase of 15.7% against a decrease of 3.3% in 2009
- EPRA profit before tax of £55.3m (2009: £61.8m) impacted by sales of income generating assets in 2009
- IFRS profit before tax of £356.4m (2009: loss of £34.9m)

Financial strength and flexibility retained

- Loan to value ratio of 35.7% (31 December 2009: 36.4%) and £261m of unutilised bank facilities
- £200m debt facility expiring in December 2011 successfully refinanced

Further significant dividend growth

- Final dividend increased 7.4% to 20.25p giving a total of 29.00p, up 7.4% on 2009
- 29% increase over three years

Robust demand for our distinctive brand of high quality, mid-market office space

- 100 lettings totalling 347,000 sq ft (32,200m^2) at £8.0m pa of which more than half was new income
- 13 lettings in 2011 of 109,000 sq ft (10,100m^2) at £3.2m pa and 44,000 sq ft (4,100m^2) under offer at £1.5m pa

Further investment in the portfolio

- 2010 capital expenditure of £197.5m including the purchase of Central Cross for £146.0m before costs
- Acquisitions of Page Street SW1 and the Network Building W1 announced today for £76.0m before costs
- Six new schemes planned to commence in 2011 totalling 412,000 sq ft (38,300m^2)

Robert Rayne, Chairman, commented:

"With its strategic focus on central London, Derwent London is well placed to unlock considerable value over the next few years. The Group has the ambition and the resources to exploit the opportunities within its portfolio and I am confident that it will continue to deliver above average long-term returns to shareholders whilst preserving a strong financial position."

John Burns, Chief Executive Officer, added:

"Derwent London's strong performance in 2010 has continued into 2011. Our distinctive brand of contemporary mid-market office space remains attractive and we are accelerating schemes to deliver new space into a supply-constrained market. The exciting acquisitions we announced today are in line with our strategy and offer excellent regeneration opportunities."

For further information, please contact:

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Chairman's statement 2010

Overview

Derwent London, with its strategic focus on central London commercial property, continued to be one of the strongest performers in the FTSE 350 REIT sector in 2010. Total shareholder return amounted to 20.6% compared with a sector average of 6.9% and the adjusted net asset value increased by 27%.

During 2010 we continued to invest in the portfolio, spending £197.5m which included the acquisition of Central Cross W1 for £146.0m before costs. The building offers considerable rental and capital growth prospects. It is strategically located in an area where the Group has substantial holdings and where we expect significant infrastructure enhancements, principally from Crossrail. Since the year end we have also exchanged contracts on two acquisitions; the first is 1 Page Street SW1 for £45.0m before costs and the second is the Network Building, 95-100 Tottenham Court Road W1 for £31.0m before costs. Page Street is a 118,000 sq ft (11,000m^2) vacant office building which will be refurbished in the next 12 months and available to the letting market in the first half of 2012. At the Network Building, where the Group already owns the freehold, it has bought in the headlease to gain control of this 64,000 sq ft (5,900m^2) building. The multi-let property produces £2.1m pa of rental income and has 15,200 sq ft (1,400m^2) of vacant offices ready for refurbishment.

In September, we completed the redevelopment of the 263,000 sq ft (24,400m^2) Angel Building EC1, of which nearly half was pre-let and where a further 22,900 sq ft (2,100m^2) is now under offer. We are seeing good interest from potential tenants for the remaining space. During the year we carried out other refurbishment projects totalling 227,000 sq ft (21,000m^2), of which 148,000 sq ft (13,700m^2) had been completed by 31 December. We have also been able to free up space for regeneration; at the end of March 2011, the 75,400 sq ft (7,000m^2) Woodbridge House EC1 will become vacant under an agreement with the outgoing tenant which maintains our rental income until March 2015. The property will be refurbished and extended and delivered to the market next year. The headlease at Morelands Buildings EC1 has also been regeared, increasing the tenure to 125 years and allowing a 41,000 sq ft (3,800m^2) refurbishment of approximately half the building to commence in 2011.

Important planning consents were achieved during the year at 132-142 Hampstead Road NW1 for 265,000 sq ft (24,600m^2) and at 60 Commercial Road E1 for 122,000 sq ft (11,300m^2). At Hampstead Road, which is next to Euston Station, there has been encouraging pre-letting interest. However, we are delaying finalising the extent and scale of our development plans pending further clarity on the impact of the proposed high speed rail link, HS2, and the associated expansion of Euston Station. The Commercial Road scheme mostly comprises student accommodation and we are considering a sale of the site now it has this valuable planning consent. In addition, two major office applications for redevelopment were submitted, one of 320,000 sq ft (29,700m^2) at 80 Charlotte Street W1 and the other of 285,000 sq ft (26,500m^2) at the City Road Estate EC1 which incorporates our White Collar Factory concept.

Throughout 2010 there was sustained demand for the Group's contemporary, mid-market office space and our leasing team was very active, concluding 100 transactions. Vacant space in the portfolio fell from 3.8% of floor area at 31 December 2009 to 2.7% at 30 June 2010, but increased to 4.9% by the year end with the completion of the Angel Building; this compares to the overall central London vacancy rate which fell to 5.5%. This squeeze on available space led to rental growth across our portfolio; on open market lettings we achieved rents at an average of 4.5% above December 2009 estimated rental values.

The supply-demand imbalance is likely to continue for some time, in the West End in particular. A new market cycle has already begun and we believe Derwent London is well placed to unlock considerable value in this period. During 2010 we pushed forward with several schemes and currently have plans in place to undertake projects totalling 0.9

million sq ft ($84,000m^2$) in the next two years. Looking further ahead, we are progressing developments amounting to an additional 1.8 million sq ft ($167,000m^2$).

To support our continued expansion we have refinanced a £200m debt facility that was due to expire in 2011 and have also strengthened our management team.

Results

Reflecting the strong performance of both the central London office and investment markets in 2010, our underlying portfolio increased in value by 15.7% compared with a decrease of 3.3% in 2009. Estimated rental values increased by 5.4% and the portfolio's true equivalent yield fell from 6.4% to 5.8% with most of the compression occurring in the first half.

Adjusted net asset value per share at 31 December 2010 was 1,484p against 1,168p a year earlier, an increase of 27%. The EPRA net asset value per share, which is fully diluted, also increased by 27% from 1,161p to 1,474p in the same period.

Recurring profit before tax for the year was £55.4m compared with £60.2m in 2009. The reduction was due mainly to the combination of lower commercial property rates credits in 2010 and a foreign exchange gain in 2009. The EPRA measure, which excludes the effect of cash-settled share options, fell from £61.8m to £55.3m and EPRA earnings per share moved from 57.14p to 52.99p. Despite the loss of £10.8m income on £201.8m of investment property sales made in 2009, underlying earnings were boosted by our lettings performance and low void costs and only fell by £1.6m.

The Board is proposing an increase in the final dividend of 7.4% to 20.25p all of which will be paid as a Property Income Distribution on 16 June 2011 to shareholders on the register on 20 May 2011. This year we are also offering a scrip alternative. Together with the interim dividend of 8.75p per share, this makes a total dividend for the year of 29.00p per share, an increase of 7.4% on 2009 and an overall increase of 29% over the last three years, reflecting the Board's commitment to a progressive dividend policy.

The Group's financial position remains strong. Balance sheet gearing fell to 59.4% from 61.9% a year earlier as the valuation increase more than offset the £197.5m of cash invested in capital expenditure and acquisitions. The loan to value ratio also fell from 36.4% at the 2009 year end to 35.7% at 31 December 2010.

As previously indicated, a £200m credit facility, that was due to expire in December 2011, was refinanced in the last quarter of 2010 with a new revolving £100m five-year secured facility and a part revolving £90m seven-year secured facility. At the year-end, the weighted average cost of drawn debt, including the secured bonds, was 4.34% against 5.00% a year earlier and, following a new £70m interest rate swap which we entered into in January 2011, 78% of the Group's borrowings are now hedged or fixed. We retained significant headroom at the year end with £261m of unutilised, committed bank facilities and £484m of uncharged properties.

The Board

During the year we welcomed Stephen Young to the Board as a new non-executive Director. He is the Finance Director of Meggitt plc, the FTSE 350 engineering and aviation electronics company, and brings valuable experience from outside the sector. Stephen sits on the audit, remuneration and nominations committees. At the forthcoming annual general meeting, Donald Newell will be stepping down from his position as non-executive Director. Donald joined the company when it merged with London Merchant Securities where he had been on the Board since 1998. I would like to thank him for his valuable contribution and sound counsel throughout this period.

Our people

Our strong performance would not be possible without a highly committed and experienced team. We were delighted to see this recognised in December when Derwent London came first in the property sector in the 2010 awards for 'Britain's Most Admired Companies', sponsored by Management Today and Accenture.

Outlook

Whilst the UK is struggling to come to terms with the aftermath of the recession and the announcement of the coalition Government's austerity measures, the London economy has shown great resilience and demand remains strong from both UK and international purchasers for central London property. Supply of office space is particularly constrained in the West End and Derwent London's portfolio remains attractive to potential tenants. In 2011 we have already completed 13 lettings, covering 109,000 sq ft (10,100m^2) with an annual contracted income of £3.2m and at rents above December 2010 estimated rental values. A further 44,000 sq ft (4,100m^2) is under offer at £1.5m pa. With little new property coming on stream in the near-term in our market, we believe rental values will continue to increase and our reversionary portfolio should benefit.

Subject to final design and satisfactory planning consents, we plan to commence work on six schemes this year, totalling 412,000 sq ft (38,300m^2). These are Woodbridge House, Central Cross, 2-14 Pentonville Road, 88 Rosebery Avenue, Morelands Buildings and the recent acquisition, Page Street. We will also be submitting an application at Riverwalk House in Victoria for a high-grade residential development of approximately 135,000 sq ft (12,500m^2).

Within Derwent London's existing portfolio there is considerable scope for value creation over the next decade, particularly with important schemes in Fitzrovia, Oxford Street, Paddington, Victoria and Belgravia. We also expect to add to our stock and to crystallise some value through disposals when appropriate. Derwent London has the ambition and the resources to exploit the opportunities available to us and I am confident that it will continue to meet its principal objective of delivering above average long-term returns to shareholders whilst preserving a strong financial position.

R A Rayne
10 March 2011

Business review 2010

Property review

Our portfolio

Derwent London's property portfolio comprises 5.4 million sq ft (500,000m^2), with over 600 tenants across 130 buildings, and is focused on the central London office market. We hold 76% of our portfolio in the West End, with key properties in Fitzrovia, Victoria, Covent Garden, Belgravia and Marylebone, and 19% in the City borders, including the 'villages' of Clerkenwell, Holborn and Shoreditch. The remaining 5% of our holdings are in Scotland, on the northern outskirts of Glasgow.

The portfolio's annualised net contracted rental income at the year end was £116.2m and, with an estimated rental value of £147.3m, there is a strong reversion. Tenants from the media, television, marketing and advertising sectors account for 28% of our income, with professional and business services comprising 24%. Retail space contributes 12% of our income whilst retail head offices account for a further 11%.

We focus on contemporary office space with innovative design which is priced at affordable mid-market rents. Our portfolio holds significant value-creating opportunities that can be realised through asset management and regeneration.

Our market

See appendix 1

Overview

Having emerged from recession at the end of 2009, the UK economy grew through most of 2010 with an expected annual growth figure of about 1.5%. Unemployment and inflation also rose during 2010. The outlook for 2011 is uncertain with the Governor of the Bank of England predicting that inflation will rise towards 5% and that GDP growth will be weakened by the impact of fiscal consolidation and continuing credit restrictions for smaller companies and households. Most commentators now expect interest rates to rise in the summer and that GDP growth will again be less than 2% in 2011.

In London, where 95% of Derwent London's portfolio is located, the economy has very different characteristics to the rest of the UK and its performance has increasingly diverged, outperforming most other UK regions. Despite the importance of the financial services sector, the capital's economy has proved remarkably resilient during the economic crisis and London continues to attract major UK and international companies and the service providers that support them. During the year there was strong demand from both tenants and investors. In 2010 LaSalle Investment Management rated London as having the strongest growth score of 104 European cities, on the strength of its 'dynamic and flexible' economy and being the 'major European business hub'. LaSalle predicts that London's leading position will continue, aided by investment related to the 2012 Olympic Games and the development of Crossrail.

Central London office occupier market

The central London office market totals more than 218 million sq ft (20 million m^2) with 50% located in the City, 41% in the West End and 9% in Docklands. Derwent London's focus is towards the West End where there is a more diverse and dynamic tenant base that is centred on media and professional and business services. We tailor our space for these businesses, rather than for the financial and legal companies that are concentrated in the City and Docklands.

The 2010 central London office statistics, published by surveyors CB Richard Ellis (CBRE), show a strong performance, especially in the fourth quarter. During the year there was a total take-up of 15.0 million sq ft (1.39

million m^2), 23% above the long-term annual average and 67% higher than in 2009. Despite the completion of 3.9 million sq ft (360,000m^2) of developments during 2010, total central London supply fell to 14.6 million sq ft (1.36 million m^2) at the end of December, 6.5 million sq ft (600,000m^2) below the peak in mid 2009. As a consequence, the central London vacancy rate fell from 7.2% at the start of the year to 6.3% in June and then to 5.5% by the year end, its lowest point for two years. The supply-demand imbalance led to the return of rental growth with a 13.1% increase in the CBRE prime office rent index. This improved rental trend is encouraging, especially as the quantity of office space under construction is at a five-year low. CBRE estimates there will be just 1.6 million sq ft (149,000m^2) of central London office completions in 2011 with 2.4 million sq ft (223,000m^2) in 2012. This compares favourably to the long-term annual average of 5.1 million sq ft (474,000m^2) and is relatively low for this stage of the property cycle. This should benefit our current pipeline of projects as we deliver space into a market with limited supply.

The strong central London office performance in 2010 was largely driven by recovery in the City where there was total take-up of 6.4 million sq ft (595,000m^2), the second highest on record. City vacancy rates fell to 6.8% and prime rents rose 19.9%, with a headline rent of £55.00 per sq ft (£590 per m^2). Development completions amounted to 2.1 million sq ft (195,000m^2) but are expected to fall to 0.9 million sq ft (84,000m^2) in 2011 and to only 0.3 million sq ft (28,000m^2) in 2012, before rising again sharply from 2013.

In the West End there was total take-up of 4.7 million sq ft (437,000m^2), an increase of 50% on 2009 and 15% above the long-term average. Availability fell throughout the year, giving a total decrease of 35% since mid 2009 and the vacancy rate dropped from 6.8% to 5.2% in line with the long-term average. The CBRE prime rent index for the West End increased 9.6%, with a headline rent rising to £87.50 per sq ft (£940 per m^2). This is the strongest growth since early 2008, but the index still remains 30% below its peak. Development completions amounted to 1.1 million sq ft (102,000m^2) in 2010 but are expected to fall to a near-record low of 0.4 million sq ft (37,000m^2) in 2011 before rising to 1.3 million sq ft (121,000m^2) in 2012 with a similar level of completions possible in 2013.

Central London investment market

On the investment side, there was strong interest in central London during the year, especially from overseas buyers, who accounted for 67% of all transactions and were encouraged by favourable exchange rates. Overall, activity was held back by both a lack of quality stock and limited bank lending. However, we saw an increase in the number of buying opportunities in the second half of the year and expect this to continue as some banks reduce their property exposure.

Central London investment volumes totalled £9.1 billion during the year, boosted by £4.1 billion of final quarter transactions. Overall, this turnover was 9% lower than the 10-year annual average but was 30% higher than 2009. With good investor demand and improved outlook, property yields tightened and capital values rose throughout the year. Prime office yields in 2010 declined from 5.0% to 4.0% in the West End and from 6.0% to 5.4% in the City. Yields now appear to have stabilised with the focus for future performance moving towards rental growth, active asset management and developments.

Valuation

See appendix 2

During 2010 we saw improving investor confidence in the UK commercial property investment market, supported by low interest rates and an economy that had begun to recover. Overall, the IPD All UK Property Index registered capital value growth of 8.3% for the year with the improvement in property values coming largely from yield compression. Generally, investors focused on better quality assets, particularly those in central London which saw much stronger capital value growth and where the office sector saw growth of 16.6%. A combination of ongoing tenant demand, limited office development completions and falling vacancy rates also brought a return to rental growth in central London.

For investors, property yields continued to be attractive in 2010 compared with alternative investments such as bonds and gilts and overseas buyers continued to benefit from the weakness in sterling.

The Group's investment portfolio was valued at £2.4bn at 31 December 2010. There was a valuation surplus of £309.4m for the year, before lease incentive adjustments of £7.8m, giving a total movement of £301.6m. This compares favourably to 2009 when values declined by £81.1m.

The underlying valuation increase over the year was 15.7% compared to a decrease of 3.3% in 2009. Our capital values have improved strongly over the last 18 months, recovering by 27%. Approximately two thirds of the 2010 valuation gain arose in the first half of the year when yield compression was most pronounced.

The portfolio's underlying estimated rental value increased by 5.4% during the year compared to a decline of 14.0% in 2009. It is encouraging that there was growth throughout the year, with 2.6% in the first half and 2.8% in the second. This trend, in conjunction with improved tenant demand and limited available space in our market, is favourable for our refurbishment and development programme.

Looking at our performance by location, capital values in the West End, 76% of the portfolio, increased by 16.7% whilst the City border properties, 19% of our holdings, increased by 11.3%. Overall, our central London portfolio increased by 15.5%. The remaining 5%, our Scottish holdings, rose by 20.2%, due primarily to the favourable change in planning use obtained during the year.

The investment portfolio includes acquisitions made during the year and development properties. The former, principally the Central Cross purchase in August, were valued at £148.4m at the year end, which reflects a marginal increase over the acquisition price after costs. Development properties, mainly comprising the Angel Building which was completed in 2010, were valued at £124.9m showing a 22.8% increase over the year as the development surpluses came through.

As at 31 December 2010 the net initial yield, based upon EPRA guidelines, was 4.7%. This would rise to 5.3% on an EPRA 'topped up' basis, after the expiry of rent free periods and contracted uplifts. The portfolio's true equivalent yield was 5.8% at the year end, a hardening from 5.9% at the half year and 6.4% at the end of 2009. The true equivalent yield has recovered from 7.3% at the bottom of the cycle.

Overall, the Group's total property return for 2010 was 21.3%, compared to 1.7% last year. This is one of our Key Performance Indicators (KPIs) and was marginally below the IPD Central London Offices Index, which returned 23.0%, and was impacted by the increased number of properties where we are retaining lease flexibility ahead of development. Looking at our broader KPI return measure, the Group's three-year average total property return was 1.4% pa compared to -1.2% pa for the IPD All UK Property Index.

Portfolio management

See appendix 3

Optimising portfolio management is a key component of our business model and underpins our performance. It is co-ordinated by our leasing and asset management teams who have extensive market knowledge and a reputation for an active approach. They are focused on lettings, lease renewals, rent reviews and lease regears, working to minimise voids, capture the portfolio reversion and free up space for regeneration projects.

Letting space

Our distinctive brand of contemporary office space appeals to a wide range of occupiers and it was another very successful year for our leasing team which concluded 100 lettings with a total annual rent of £8.0m and floorspace of 347,000 sq ft (32,200m^2). At the start of 2010 this space was generating £3.6m pa of rental income. Activity was sustained throughout 2010 with 47 transactions totalling £3.5m pa in the first half and 53 transactions amounting to £4.5m pa in the second half of the year. Over the last three years, we have let 1.2 million sq ft (111,000m^2) at a rent of £34m pa and continue to be one of London's most active landlords.

Open market letting transactions in 2010 amounted to £6.1m and achieved rents 4.5% higher than their December 2009 estimated rental values. The balance was short-term transactions at properties such as Grosvenor Place, City Road Estate and Turnmill where we are preserving development flexibility and rentals were therefore below their market levels. Overall, lettings in the year were just above December 2009 estimated rental values.

The Group's vacancy rate by rental value, measured as space immediately available for occupation, ended the year at 5.9% compared to 3.6% at the start of the year and 2.2% at 30 June 2010. The majority of the increase was due to completion of the Angel Building. By floor area, the vacancy rate increased from 3.8% to 4.9% over the year, just lower than the CBRE central London year end rate of 5.5%. The portfolio's 10-year average vacancy rate is 5.6% by both rental value and floorspace.

Key letting activity during 2010 included:

- Charlotte Building, 17 Gresse Street W1 – this 47,000 sq ft (4,400m^2) new-build development is now fully let following three lettings totalling £1.2m pa in 2010. Rental levels improved from £44 per sq ft (£475 per m^2) at the start of the year to £47.50 per sq ft (£510 per m^2) for the final transaction. The new tenants are Brandopus, Converse and LinkedIn.

- 1-5 Grosvenor Place SW1 – we continue to maximise income through shorter-term lettings whilst retaining the development potential at this prestigious Belgravia location. Nine lettings totalled £1.2m pa with office rents averaging £42 per sq ft (£450 per m^2). Activity also included a new retail unit let to Pret a Manger.

- Tea Building, Shoreditch High Street E1 – over the last few years, we have transformed this Shoreditch landmark into a well-established media and lifestyle hub. Good rental growth was achieved in the year with a new rental tone set at £26.50 per sq ft (£285 per m^2). Overall, seven office lettings were completed totalling 26,000 sq ft (2,400m^2) at a rent of £0.6m pa.

- Greencoat and Gordon House, Francis Street SW1 – we have upgraded this core Victoria holding over a number of phases. During the year, we let 9,900 sq ft (920m^2) of offices to The Benefit Express, Brand Rapport and VCCP at £0.4m pa with rental levels averaging £38 per sq ft (£410 per m^2).

- Strathkelvin Retail Park near Glasgow – we were successful in widening planning use from Class 1 'bulky goods' retail to Class 1 'open' retail on the majority of units. Over the year, there were six lettings totalling 94,600 sq ft (8,800m^2) at £1.2m pa. New tenants include Matalan, SportsDirect and Boots and the retail park is now 96% occupied.

Throughout the year, we maintained our high tenant retention rate with 72% of income retained, 17% re-let prior to the year end and a further 5% re-let or under offer since the year end.

Rental collection continued to be prompt with an average of 96% collected within 14 days of the due date. Our key performance indicator target is 95%.

Capturing the reversion

During 2010, we continued to capture the portfolio's reversion through rent reviews and lease renewals. In total, we concluded 82 such transactions increasing the income by 7% to £9.3m pa.

Freeing up space for regeneration

We progressed a number of asset management initiatives in 2010, which have now come to fruition including:

- Woodbridge House, 30 Aylesbury Street EC1 – we will take possession of this 75,400 sq ft (7,000m^2) prime Clerkenwell office building at the end of March 2011. Under an agreement with the outgoing tenant our rental income of £2.45m pa will be maintained until March 2015, the original lease expiry. Including dilapidations, total future payments to the Group could amount to £10.8m. This building will undergo extensive refurbishment during 2011.
- Morelands Buildings, 5-27 Old Street EC1 – we regeared the headlease on this 80,000 sq ft (7,400m^2) building in February for a premium of £5.8m, increasing our tenure from 45 years to 125 years whilst maintaining the 10% ground rent payable. This allows us to commence a phased refurbishment and extension in 2011. When complete, total space at Morelands Buildings will increase to 88,000 sq ft (8,200m^2).

Outlook for 2011

Excellent letting progress has already been made across the portfolio in 2011 with tenant demand for our space continuing to be strong. We have let 109,000 sq ft (10,100m^2) since the year end at a rent of £3.2m pa whilst a further 44,000 sq ft (4,100m^2) is under offer at £1.5m pa. This compares with £3.5m pa for the lettings made in the first half of 2010.

Of the lettings, 39,800 sq ft (3,700m^2) was for space that was either available or under refurbishment at the 2010 year end and achieved a total rent of £1.3m pa. This includes the 13,000 sq ft (1,200m^2) pre-let of our 33 George Street refurbishment in Marylebone to jewellery company Pandora at £0.74m pa where we achieved £58 per sq ft (£625 per m^2) on the office space, 13% above the December 2010 estimated rental value.

The remaining 69,200 sq ft (6,400m^2) of lettings arose from asset management initiatives with existing tenants and total £1.9m pa. The largest transaction was at 88 Rosebery Avenue EC1, where 49,000 sq ft (4,600m^2) was pre-let to City University at £1.2m pa on a 20-year term with a tenant's break in year ten. The existing occupier's lease expires in September 2011 and we will refurbish the space prior to the new tenant taking occupation.

Acquisitions and disposals

We continually review new opportunities to add to our portfolio where we can create value through regeneration and our particular blend of design and project skills. A number of opportunities were considered during the year and we made one substantial acquisition, the purchase of Central Cross, 18-30 Tottenham Court Road W1 in August for £146.0m, before costs. The 251,000 sq ft (23,300m^2) freehold property, let to tenants such as FremantleMedia Group, S Technologies (the owner of Skype) and Encompass Digital Media, has an annual rental income of £8.1m, which reflects a low average rent of £34 per sq ft (£365 per m^2). This prominent West End building comprises 216,000 sq ft (20,100m^2) of offices, 24,000 sq ft (2,200m^2) of retail space fronting onto Tottenham Court Road and an 11,000 sq ft (1,000m^2) cinema. The property is strategically located in an area where the Group has substantial holdings and where we expect to see significant improvements from infrastructure enhancements, principally Crossrail. The building offers considerable rental and capital growth prospects. As discussed in the Projects section, there is significant scope to reconfigure and extend the property and we are well advanced with our plans.

No other significant acquisitions or disposals were made in the year. However, since the year end we have exchanged contracts on two separate purchases totalling £76m before costs. Both were off-market transactions and offer the opportunity to increase value through refurbishment.

We have exchanged contracts to acquire 1 Page Street SW1 for £45m. This is a 118,000 sq ft (11,000m²) vacant office building opposite our very successful Horseferry House project. We are looking to refurbish the building extensively with completion due in mid-2012, to meet improving tenant demand.

The other acquisition is the Network Building, 95-100 Tottenham Court Road W1, which is located in our Fitzrovia Estate. The Group already owns the building's freehold and we have exchanged contracts to acquire the existing headlease for £31m. The lease runs until 2054 with a fixed nominal ground rent. The 64,000 sq ft (5,900m²) multi-let office and retail building produces £2.1m pa and there is 15,200 sq ft (1,400m²) of vacant offices which require refurbishment.

Projects

See appendix 4

Derwent London has a reputation for creating exciting spaces that meet the current and future needs of its tenants and the communities in which it operates. Management believes that rental and capital growth can be achieved through design-led innovative projects which can range from refurbishment of an individual floor to redevelopment of a complete building. We strive to identify and progress such opportunities and, at present, are assessing projects for more than 50% of our 5.4 million sq ft (500,000m²) portfolio. Vacant possession of 1.8 million sq ft (167,000m²), or 34% of our portfolio, could be gained for such schemes over the next five years.

Review of 2010 activity

During the last three years, despite the economic downturn, the Group has continued to invest in its portfolio incurring £214.0m of capital expenditure, including £49.5m in 2010. A number of projects were de-risked through pre-lettings including the 263,000 sq ft (24,400m²) Angel Building which was completed in September 2010. Nearly half the building was pre-let and we are now marketing the remaining space, which has a rental value of approximately £5.0m pa. We have 22,900 sq ft (2,100m²) under offer at a rent of £0.9m pa and are seeing good interest from other potential tenants.

We also completed 148,000 sq ft (13,700m²) of other refurbishments during 2010 with an estimated rental value of £4.8m pa. These were principally located in the West End and included:

- 65 Whitfield Street W1 – a 30,000 sq ft (2,800m²) five-storey office refurbishment that is 70% let or under offer.
- 1 Maple Place/12 Fitzroy Street W1 – a 20,000 sq ft (1,900m²) office refurbishment.
- 9-10 Rathbone Place W1 – a 12,000 sq ft (1,100m²) retail and office refurbishment where approximately half the space is let.

In addition, we achieved two major planning consents during the year (Hampstead Road and Commercial Road) and submitted two important planning applications (80 Charlotte Street and City Road Estate).

Projects - 2011

With our leasing activity, strong tenant enquiries and the short-term central London supply constraints, we have been advancing the project pipeline across our villages.

At the year end, we were on site with four schemes which totalled 79,000 sq ft (7,300m^2). Upon completion, these will have an estimated rental value of £3.5m pa and involve future capital expenditure of approximately £9.2m. The largest is the 48,000 sq ft (4,500m^2) office, residential and retail refurbishment of Victory House, 170 Tottenham Court Road W1 which will be available later this year. The others are 33 George Street W1, which has been pre-let, and refurbishments within the Tea Building E1 and Holden House W1.

For commencement this year, subject to final design and, in some cases, a satisfactory planning outcome, we have six projects totalling 412,000 sq ft (38,300m^2). The proposed capital expenditure is about £68m and a rental value of approximately £15m pa is anticipated, an uplift of £8m on the current rental income of £7m pa. These are:

- Woodbridge House, 30 Aylesbury Street EC1 – we intend to refurbish and extend this building to deliver 85,000 sq ft (7,900m^2) in 2012, an uplift of 13% on the existing floorspace.
- Central Cross, 18-30 Tottenham Court Road W1 – our plans to give this property a new identity and to transform the building are firmly progressed. A planning application has been submitted to reconfigure the office entrance and create 23,000 sq ft (2,100m^2) of ground floor offices. The refurbishment could also include a further 41,000 sq ft (3,800m^2) of offices subject to lease expiries.
- Morelands Buildings, 5-27 Old Street EC1 – following the headlease regear, we now have the opportunity to undertake a 41,000 sq ft (3,800m^2) refurbishment on part of the building. This will include a new penthouse office floor of 8,500 sq ft (790m^2) for which planning permission has been obtained. When complete, the building will total 88,000 sq ft (8,200m^2).
- 2-14 Pentonville Road N1 – located opposite the Angel Building, we are proposing a 55,000 sq ft (5,100m^2) office refurbishment and extension that will increase the existing floor area by over 20%. Vacant possession will be obtained in June 2011.
- 88 Rosebery Avenue EC1 – a 49,000 sq ft (4,600m^2) refurbishment of approximately half the building which has been pre-let to City University at £1.2m pa.
- 1 Page Street SW1 – refurbishment of the whole 118,000 sq ft (11,000m^2) building over the next 12 months.

Projects - 2012 onwards

Planning consent was obtained in December 2010 for an exciting scheme at Hampstead Road NW1. This would deliver 233,000 sq ft (21,600m^2) of offices, incorporating our White Collar Factory concept, and 38 residential units totalling 32,000 sq ft (3,000m^2). We have already received encouraging pre-letting interest on the majority of the office space. However, the property is located adjacent to Euston station, which may be extended to form the London terminus of the proposed high speed rail link, HS2. The exact location, timing and funding of this major project is subject to public consultation which is currently underway. If HS2 progresses as currently proposed, our Hampstead Road property could be impacted and, consequently, we are seeking clarification before finalising the extent and scale of our redevelopment plans. The existing leases expire by September 2011 and we are looking to firm up our plans towards the end of the year.

Further office projects at 40 Chancery Lane WC2 and Turnmill EC1 are earmarked to start in 2012 and total 170,000 sq ft (15,800m^2). These are in various stages of evaluation and planning.

A considerable amount of the planning work undertaken in 2010 involved a number of major projects for 2013 and beyond. These are well advanced and 2011 will be an important year with planning decisions anticipated at:

- City Road Estate EC1 – in August 2010, a planning application was submitted for a 285,000 sq ft (26,500m^2) office-led regeneration that includes a new 16-storey office building incorporating our White Collar Factory concept and represents an uplift of 161,000 sq ft (15,000m^2) over the existing buildings. This location has been identified as the centre of a Government initiative to attract technology companies and has been dubbed 'Silicon roundabout'.

- 80 Charlotte Street W1 – located in the heart of our Fitzrovia Estate, we are proposing a 336,000 sq ft (31,200m^2) office-led regeneration on a 1.4 acre island site. It would replace office buildings of 200,000 sq ft (18,600m^2) which are let to Saatchi & Saatchi, at a rent of £4.3m pa, until 2013. The planning application was submitted in December 2010.

- 1 Oxford Street W1 – although our interests were compulsorily purchased in 2009, we have an option to re-acquire the site upon completion of the Tottenham Court Road Crossrail station works around 2017. This is a major regeneration opportunity in a core West End location that incorporates approximately 277,000 sq ft (25,700m^2) of offices, retail and theatre above the proposed station. We are master-planning the scheme's commercial element which, when built, will bring immense benefits to the area. It is likely that our planning application will be submitted in mid-2011.

Elsewhere, we continue to progress appraisal studies:

- 1-5 Grosvenor Place SW1 – we are in discussions with our freeholder, the Grosvenor Estate, for a major scheme that will replace the existing buildings of 168,000 sq ft (15,600m^2) in this prime Belgravia location.

- 55-65 North Wharf Road W2 – we have planning consent for a 313,000 sq ft (29,100m^2) office and residential scheme and are furthering the detailed design. We hold a leasehold interest to 2096 and the occupational leases have breaks or expiries in 2014.

Finally, although our projects are generally office-led, we look at alternative uses if greater value can be gained. We are investigating two such opportunities:

- 60 Commercial Road E1 – in the second half of 2010, we were granted planning permission for a 122,000 sq ft (11,300m^2) development to replace existing buildings of 30,000 sq ft (2,800m^2). The scheme comprises 417 student rooms and 26,500 sq ft (2,460m^2) of office space and vacant possession can be obtained in 2012. It is possible this holding will be sold in due course.

- Riverwalk House, 157-166 Millbank SW1 – this 75,000 sq ft (7,000m^2) office building occupies a prestigious riverside location in Victoria. The office lease expires in April 2011 and we are finalising a planning application for a high-grade residential development of approximately 135,000 sq ft (12,500m^2). Consideration will be given to a sale or possible joint venture.

Finance review

See appendix 5

Adjusted net asset value per share

Driven by the pronounced recovery in central London commercial property values during 2010, the Group's adjusted net asset value per share increased by 27% to 1,484p per share at 31 December 2010 from 1,168p a year earlier. The EPRA adjusted net asset value per share, which is a fully diluted measure and which we will be adopting from now on, increased accordingly from 1,161p to 1,474p per share. A full explanation of the underlying calculations is provided below and in note 9.

Group income statement

As anticipated in last year's report, gross property income fell from £123.8m in 2009 to £119.4m for the year ended 31 December 2010 as the impact of the £201.8m of investment property sales made during 2009 took effect. The year on year reduction in income from those sales of £10.8m was partly offset by additional income of £6.4m from lettings, rent reviews and new acquisitions net of voids.

Helped by very low void levels during most of the year and dilapidations receipts of £1.6m, net rental income for 2010 was £111.3m which was only £2.0m lower than the previous year. That figure also took account of a further recovery of £1.7m of commercial rates rebates from prior years though that was less than the £2.8m rates credit recognised in 2009; this exercise is continuing but recoveries are expected to be lower in the future. Including other fee income, net property income for the year was £113.0m against £114.8m in 2009.

With effect from 1 January 2010 and as already explained in the interim results, the Group changed its method of presentation of loan arrangement costs and non-utilisation fees to align the treatment with standard practice. There is no impact upon the Group's net asset value, underlying profit or the overall profit or loss before taxation as a result of these changes and the minor presentational effect on the previously reported figures is shown in note 1.

For the year ended 31 December 2010, administrative expenses, excluding the movement in cash-settled share options, increased to £20.9m from £17.5m in 2009 due mainly to increased staff and office costs as we added further breadth and depth to the management team for the next cycle of development projects. The comparative figure in 2009 only took into account the cost of the property management function for seven months as it was outsourced prior to May 2009 and was reduced by the reversal of £0.3m of accruals from prior years. Net finance costs, excluding foreign exchange movements, fell from £39.5m in 2009 to £37.7m in 2010 due to the lower average borrowings in the first half of the year and also due to a reduction in the average cost of debt. Floating UK interest rates remained low through 2010 though there are now expectations that this period of historically low rates may be about to end. A fuller explanation of the financing initiatives undertaken during the year is included below.

The EPRA profit before tax was £55.3m for the year compared to £61.8m in 2009; the EPRA earnings per share for 2010 were 52.99p compared to 57.14p in 2009. The EPRA earnings definitions, which we will now be adopting as our principal adjusted reporting measures, include the impact of the rates credits referred to above and a foreign exchange movement on the retranslation of a US dollar denominated intercompany loan. These items are not likely to be significant in future periods and, if they are excluded, the underlying profit before taxation for the year moves to £53.8m against £55.4m in 2009.

The overall profit before taxation for the year was very robust at £356.4m compared to a loss in 2009 of £34.9m. This was predominantly due to property revaluation movements, the surplus arising in 2010 from the revaluation of the

Group's property portfolio of £301.6m contrasting with a deficit in 2009 of £81.1m. The revaluation of our joint venture property interests also gave a surplus of £0.9m in 2010 against a loss of £1.3m in the previous year.

The gain on the disposal of investment properties of £0.9m reflects the final reckoning of the settlement of Crossrail's acquisition of our properties at Charing Cross Road. Total proceeds received were agreed at £49.3m, the balance of £8.3m being received in December 2010. Since acquisition, the overall historical loss on disposal of these properties, which included the old Astoria theatre, was £0.5m but we retain the right to buy back the site for redevelopment once the Crossrail works are complete.

A mark-to-market deficit of £2.4m arose in 2010 for the Group's hedging instruments against a gain of £3.9m in 2009. In the final quarter of the year, inflationary fears and sovereign debt concerns pushed bond yields upwards and the theoretical cost of unwinding the Group's hedging fell by £13.4m.

In the light of the anticipated level of redevelopment over the next few years, we have also reviewed thoroughly the Group's policy with respect to interest capitalisation on developments. IAS 23 permits the capitalisation of interest on development expenditure as long as this is applied consistently, an approach followed by all of our peer group in the UK REIT sector with significant development activity. Accordingly, and in order to improve comparability within the sector, the Board has concluded that the Group will capitalise interest on development projects with effect from 1 January 2011; for 2010, this would have reduced finance costs by £1.0m and for 2011, it is expected to increase adjusted profits by about £2.3m. This change of accounting policy does not alter our approach to financial management within the Group and the Group's interest cover bank covenant calculations, which are monitored closely and forecasted as part of our business planning, are generally unaffected by the change of accounting policy.

Taxation

The current year tax charge relating to the non-REIT part of the business was £1.0m after allowing for losses brought forward. The prior year tax credit benefitted from the reversal of tax provisions as losses from prior years were utilised. The deferred tax provision in 2010 was almost unchanged as the effect of the higher revaluation surplus was almost entirely offset by the reduction in the UK corporation tax rate which will fall to 27% from 28% in April 2011.

Financing, net debt and cash flow

In 2010 and in response to the more favourable economic conditions in our markets, we reinforced our investment in the Group's property portfolio with capital expenditure and property acquisitions totalling £197.5m. After netting off the proceeds received from property disposals, mainly from Crossrail in December, the net cash outflow relating to the portfolio during the year was £189.0m. This contrasts with 2009 when proceeds from disposals exceeded capital spending by £90.7m. The net cash generated from operations in 2010 also decreased to £46.5m, the reduction from the previous year's figure of £66.4m due mainly to lower rental receipts following the property sales in 2009 and the £6.5m contribution from the sales of trading properties in 2009. As a result of these factors, the Group's net debt at the balance sheet date increased to £887.8m from £720.8m in 2009.

In spite of this level of investment in the portfolio, overall gearing levels have fallen since 1 January 2010 due mainly to the uplift in property values. Taking account of unamortised loan arrangement costs, the overall loan to value ratio fell to 35.7% at 31 December 2010 from 36.4% in 2009 and balance sheet gearing fell to 59.4% from 61.9% a year earlier. Overall interest cover for the year was 328%, almost unchanged from the 2009 figure.

Turning now to the Group's debt facilities, we took the decision early in 2010 to set about refinancing the £200m facility that was due to expire in December 2011. There has been much written about the availability and pricing of secured senior finance and it is undeniable that margins and arrangement fees have increased substantially in the last two to three years. What the overall data mask is that, for some borrowers, senior debt is all but unavailable while for others such as ourselves, there is still an appetite from lenders to provide new or replacement facilities on appropriate terms.

Derwent has historically borrowed almost exclusively on a secured basis from the UK clearing banks, with whom we continue to enjoy an excellent relationship. The terms of these loan facilities provide the Group with a high level of flexibility. This remains a fundamental element in our financing strategy and we were pleased to agree a new £100m fully revolving five-year secured facility with HSBC in November 2010. It has been apparent for some time that the UK banking sector faces considerable pressure to reduce its exposure to commercial property lending. We were, therefore, also intent in our strategy on introducing a new relationship from the wider group of established property lenders and signed a new £90m part-revolving seven-year secured facility with Eurohypo in December 2010. This facility has a ratcheted margin which falls as LTV ratios decrease. The amount drawn under the Eurohypo loan has been fixed for seven years by means of an interest rate swap at a cost, based on the existing LTV ratio, of 4.73% pa inclusive of margin. As a combination, these two new facilities provide us with flexibility and reasonable pricing in the context of current market conditions.

In order to provide some compensation for the higher margins payable under these two new facilities than under the previous facility, we were able to agree with the former lender that they would pay £0.8m when the loan was refinanced. This additional income has been taken to the income statement in 2010, as required by IAS 39.

The weighted average length of unexpired debt facilities at 31 December 2010 was 5.2 years, only marginally down from 5.3 years at the 2009 year end.

The other main financing activity during 2010 took advantage of the low interest rates then prevailing to extend and blend downwards the weighted average rates that are paid under interest rate swaps. In anticipation of rising interest rates, in July 2010 the directors increased the target range of fixed rate debt as a proportion of the whole from 40-75% to 60-85%. Following the agreement of a new £70m swap in January 2011, the Group now has £493m of interest rate swaps in place with a weighted average unexpired term of 6.2 years. As at 31 December 2010, the proportion of overall debt fixed was 70% though this increased to 78% in January 2011 following the new swap contract referred to above.

As a result of this and continuing low floating rates, the weighted average cost of debt, including the secured bond, fell from 5.00% at 31 December 2009 to 4.34% at 31 December 2010.

The next significant round of bank refinancing arises in 2013 when three facilities totalling £575m fall due. Discussions have already commenced with those lenders and we are also looking at alternatives to provide the Group with additional sources of debt funding through the next property cycle.

With continuing low interest rates, interest cover covenants under our bank facilities have been very comfortably met during 2010 and the average loan to value ratio under those facilities was 46% at the year end against a range of covenants from 50% to 75%.

Following the acquisition of Central Cross in August 2010, the level of undrawn bank facilities has fallen but remained substantial at £261m at the year end of which £245m was immediately available. While the available facilities represented a reduction of £108m since the previous year end, the level of uncharged properties has increased by £146m to £484m during the same period giving us the scope to acquire new projects such as the new acquisitions in Page Street and Tottenham Court Road.

The Group retains a healthy balance sheet and we have been able to increase the dividend again this year by 7.4% in accordance with our policy of a progressive dividend backed by careful cash flow management. In order to provide our shareholders with choice, we are also offering a scrip alternative for this year's final dividend as is now permitted under the REIT regime rules.

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 requires 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;
- the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; 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 risks 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
10 March 2011

D.M.A. Wisniewski
Finance Director

GROUP INCOME STATEMENT

	Note	**2010 £m**	2009 £m
Gross property income		**119.4**	123.8
Other income		**1.7**	1.5
Total income	4	**121.1**	125.3
Property outgoings		**(8.1)**	(10.5)
Net property income		**113.0**	114.8
Administrative expenses	1	**(20.9)**	(17.5)
Movement in valuation of cash-settled share options		**0.1**	(1.6)
Total administrative expenses		**(20.8)**	(19.1)
Revaluation surplus/(deficit)		**301.6**	(81.1)
Profit/(loss) on disposal of investment properties	5	**0.9**	(16.6)
Profit/(loss) from operations		**394.7**	(2.0)
Finance income		**1.9**	2.0
Foreign exchange gain		**-**	3.6
Total finance income	6	**1.9**	5.6
Finance costs	1	**(39.6)**	(41.5)
Foreign exchange loss		**(0.2)**	-
Total finance costs	6	**(39.8)**	(41.5)
Movement in fair value of derivative financial instruments		**(2.4)**	3.9
Share of results of joint ventures	7	**2.0**	(0.9)
Profit/(loss) before tax		**356.4**	(34.9)
Tax (charge)/credit	8	**(1.0)**	9.4
Profit/(loss) for the year		**355.4**	(25.5)
Attributable to:			
- Equity shareholders		**346.2**	(26.8)
- Minority interest		**9.2**	1.3
		355.4	(25.5)
Profit/(loss) per share	9	**342.25p**	(26.59)p
Diluted profit/(loss) per share	9	**340.03p**	(26.59)p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	2010 £m	2009 £m
Profit/(loss) for the period	**355.4**	(25.5)
Actuarial losses on defined benefit pension scheme	**(0.4)**	(0.2)
Foreign currency translation	**0.2**	(3.6)
Other comprehensive expense	**(0.2)**	(3.8)
Total comprehensive income/(expense) relating to the year	**355.2**	(29.3)

	2010 £m	2009 £m
Attributable to:		
- Equity shareholders	**346.0**	(30.6)
- Minority interest	**9.2**	1.3
	355.2	(29.3)

GROUP BALANCE SHEET

	Note	**2010 £m**	2009 £m
Non-current assets			
Investment property	10	**2,388.5**	1,888.6
Property, plant and equipment	11	**1.5**	1.4
Investments		**8.4**	6.4
Pension scheme surplus		**0.7**	0.8
Other receivables	12	**45.8**	38.9
		2,444.9	1,936.1
Current assets			
Trading properties		**-**	1.0
Trade and other receivables	1	**37.7**	44.0
Cash and cash equivalents		**7.2**	19.0
		44.9	64.0
Total assets		**2,489.8**	2,000.1
Current liabilities			
Bank overdraft	13	**5.6**	5.9
Trade and other payables		**63.4**	59.0
Corporation tax liability		**3.3**	5.4
Derivative financial instruments	13	**-**	1.6
Provisions		**0.3**	0.2
		72.6	72.1
Non-current liabilities			
Borrowings	1, 13	**889.4**	733.9
Derivative financial instruments	13	**25.4**	21.4
Provisions		**1.8**	2.9
Deferred tax liability	14	**5.9**	5.9
		922.5	764.1
Total liabilities		**995.1**	836.2
Total net assets		**1,494.7**	1,163.9
Equity			
Share capital		**5.0**	5.0
Share premium		**158.2**	156.9
Other reserves		**918.1**	916.8
Retained earnings		**367.5**	48.5
Equity shareholders' funds		**1,448.8**	1,127.2
Minority interest		**45.9**	36.7
Total equity		**1,494.7**	1,163.9

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2010	5.0	156.9	916.8	48.5	1,127.2	36.7	1,163.9
Total comprehensive income for the year	-	-	0.2	345.8	346.0	9.2	355.2
Share-based payments expense transferred to reserves	-	-	2.2	-	2.2	-	2.2
Transfer between reserves in respect of performance share plan	-	-	(1.1)	1.1	-	-	-
Premium on issue of shares	-	1.3	-	-	1.3	-	1.3
Dividends	-	-	-	(27.9)	(27.9)	-	(27.9)
At 31 December 2010	**5.0**	**158.2**	**918.1**	**367.5**	**1,448.8**	**45.9**	**1,494.7**

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
At 1 January 2009	5.0	156.2	923.4	95.0	1,179.6	35.4	1,215.0
Total comprehensive expense 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	-	-	-	(24.7)	(24.7)	-	(24.7)
At 31 December 2009	5.0	156.9	916.8	48.5	1,127.2	36.7	1,163.9

GROUP CASH FLOW STATEMENT

	Note	**2010 £m**	2009 £m
Operating activities			
Cash received from tenants		**117.1**	125.4
Direct property expenses		**(9.8)**	(10.2)
Cash paid to and on behalf of employees		**(13.7)**	(11.4)
Other administrative expenses		**(5.7)**	(5.7)
Interest received		**0.1**	1.6
Interest paid		**(38.8)**	(38.5)
Other finance costs		**(1.8)**	(2.2)
Other income		**2.1**	1.0
Disposal of trading property		**-**	6.5
Tax paid in respect of operating activities		**(3.0)**	(0.1)
Net cash from operating activities		**46.5**	66.4
Investing activities			
Acquisition of investment properties		**(148.0)**	(10.2)
Capital expenditure on investment properties		**(49.5)**	(94.6)
Disposal of investment properties		**8.5**	195.5
Purchase of property, plant and equipment		**(0.4)**	(0.4)
Disposal of property, plant and equipment		**0.1**	-
Distributions received from joint ventures		**-**	0.5
Advances to minority interest holder		**(1.0)**	-
Tax received in respect of investing activities		**-**	6.6
Net cash (used in)/from investing activities		**(190.3)**	97.4
Financing activities			
Repayment of revolving bank loan		**(94.2)**	-
Drawdown of new revolving bank loan		**60.0**	-
Net movement in other revolving bank loans		**193.0**	(134.0)
Drawdown of non-revolving bank loans		**0.3**	1.9
Repayment of loan notes		**(0.3)**	(1.9)
Net proceeds of share issues		**1.3**	0.7
Dividends paid	15	**(27.8)**	(24.3)
Net cash from/(used in) financing activities		**132.3**	(157.6)
(Decrease)/increase in cash and cash equivalents in the period		**(11.5)**	6.2
Cash and cash equivalents at the beginning of the period		**13.1**	6.9
Cash and cash equivalents at the end of the period	18	**1.6**	13.1

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial information does not constitute the Group's statutory accounts for either the year ended 31 December 2010 or the year ended 31 December 2009, but is derived from those accounts. The Group's statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's annual general meeting. The auditor's reports on both the 2009 and 2010 accounts were not qualified or modified; did not draw attention to any matters by way of an emphasis of matter; and did not contain any statement under Section 498 of the Companies Act 2006.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available for sale investments, and financial assets and liabilities held for trading. The accounting policies used are consistent with those applied in the latest annual financial statements, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year and the presentational changes outlined below. During 2010, the following standards, amendments and interpretations endorsed by the EU are effective for the first time for the Group's 31 December 2010 year end:

IFRS 2 Share-based Payment (amendment);
IFRS 3 Business Combinations;
IAS 27 Consolidated and Separate Financial Statements;
IAS 39 Financial Instruments: Recognition and Measurement (amendment);
IFRIC 12 Service Concession Arrangements;
IFRIC 15 Arrangements for Construction of Real Estate;
IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
IFRIC 17 Distributions of Non–cash Assets to Owners; and
Amendments arising from the 2008 and 2009 annual improvements project.

These either had no material impact on the financial statements or resulted in changes to presentation and disclosure only. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such judgements are made they are included within the accounting policies given in note 2.

With effect from 1 January 2010, non-utilisation fees payable on the undrawn part of the revolving credit facilities and the amortisation of the loan arrangement costs have been reclassified into finance costs from administrative expenses. In addition, the prepayment of the loan arrangement costs, which was previously included within trade and other receivables, has now been included as a deduction against borrowings in accordance with IAS 39, Financial Instruments: Recognition and Measurement. There is no impact on underlying profit, profit before tax or net assets as a result of these changes and they do not materially affect the results for the year ended 31 December 2010 or the comparative period. Both Group trade and other receivables and borrowings have reduced by £2.6m at 31 December 2009 from those figures previously reported. In addition, administrative expenses reduced by £2.5m for the year to 31 December 2009 with a corresponding increase in total finance costs over the same period.

The following standards and interpretations have been issued and adopted by the EU but are not effective for the year ended 31 December 2010 and have not been adopted early:

IAS 24 Related Party Disclosures (revised);
IAS 32 Financial Instruments: Presentation (amendment);
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment); and
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
Improvements to IFRS's 2010
Deferred tax recovery of underlying assets (Amendments to IAS 12)

These pronouncements are not expected to have a material impact on the financial statements, but will result in changes to presentation or disclosure where they are applicable.

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 except for trading properties which were transferred to investment property during the year. A full discussion of these policies will be included in the 2010 financial statements.

- Trade receivables
- Investment property valuation
- Outstanding rent reviews
- Compliance with the real estate investment trust (REIT) taxation regime
- Exceptional items
- Estimated compulsory purchase proceeds

3. Segmental reporting

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 the adjusted earnings per share, net asset value and profit figures. Reconciliations of each of these figures to their statutory equivalents are detailed in note 9. 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 90% office buildings* 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 10% 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, 'office buildings' and 'other', by reference to gross property income and investment property value.

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

Investment property	Carrying value		Fair value	
	2010	2009	**2010**	2009
	£m	£m	**£m**	£m
Office buildings	**2,173.8**	1,709.3	**2,205.8**	1,736.4
Other	**214.7**	179.3	**220.3**	182.0
	2,388.5	1,888.6	**2,426.1**	1,918.4

A reconciliation between fair value and carrying value is set out in Note 10.

Gross property income	**2010**	2009
	£m	£m
Office buildings	**109.2**	114.3
Other	**10.2**	9.5
	119.4	123.8

All of the Group's investment properties are based in the UK. The Group also has 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 and, 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	Fair value		Carrying value	
	2010	2009	**2010**	2009
	£m	£m	**£m**	£m
West End central	**1,679.7**	1,299.1	**1,662.6**	1,284.8
West End borders	**178.2**	121.7	**174.5**	121.4
City borders	**456.1**	405.5	**443.3**	392.5
Provincial	**112.1**	92.1	**108.1**	89.9
	2,426.1	1,918.4	**2,388.5**	1,888.6

Gross property income	**2010**	2009
	£m	£m
West End central	**82.6**	78.4
West End borders	**7.3**	7.9
City borders	**23.9**	29.2
Provincial	**5.6**	8.3
	119.4	123.8

4. Total income

Gross property income includes surrender premiums received from tenants during 2010 of £0.7m (2009: £0.1m). The balance of £118.7m (2009: £123.7m) is derived solely from rental income from the Group's properties. Of these amounts, £1.0m (2009: £4.2m) 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).

Other income of £1.7m (2009: £1.5m) 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. Profit/(loss) on disposal of investment properties

	2010	2009
	£m	£m
Disposal proceeds	**1.1**	201.8
Carrying value	**(0.2)**	(216.0)
Adjustment for rents recognised in advance	**-**	(2.4)
	0.9	(16.6)

6. Finance income and costs

	2010 £m	2009 £m
Finance income		
Interest on development funding	-	0.9
Return on pension plan assets	0.8	0.6
Bank interest received	-	0.1
Other	1.1	0.4
	1.9	2.0
Foreign exchange gain	-	3.6
Total finance income	1.9	5.6
Finance costs		
Bank loans and overdraft	25.4	27.1
Non-utilisation fees *	1.4	1.2
Amortisation of loan arrangement costs *	0.9	0.8
Loan notes	-	0.1
Secured Bonds	11.4	11.4
Amortisation of the fair value and issue costs of the Secured Bonds	(0.7)	(0.7)
Finance lease costs	0.5	0.6
Pension interest costs	0.6	0.5
Other *	0.1	0.5
	39.6	41.5
Foreign exchange loss	0.2	-
Total finance costs	39.8	41.5

The foreign exchange loss of £0.2m (2009: £3.6m gain) resulted from the translation of an inter-company loan from 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).

Other finance income includes £0.8m (2009: £nil) received as a contribution towards the costs of arranging alternative financing upon the early repayment of a banking facility. In accordance with IAS 39, this amount is credited to the income statement in full.

* The comparative figures have been restated for the presentational changes outlined in note 1.

7. Share of results of joint ventures

	2010 £m	2009 £m
Revaluation surplus/(deficit)	0.9	(1.3)
Other profit from operations after tax	1.1	0.4
	2.0	(0.9)

8. Tax (charge)/credit

	2010 **£m**	2009 £m
Corporation tax (charge)/credit		
UK corporation tax and income tax on profit/(loss) for the period	**(1.2)**	(2.6)
Foreign tax	**-**	(0.4)
Utilisation of losses from prior years	**-**	11.9
Other adjustments in respect of prior years' tax	**0.2**	(0.8)
	(1.0)	8.1
Deferred tax credit		
Origination and reversal of temporary differences	**0.2**	1.7
Adjustment for changes in estimates	**(0.2)**	(0.4)
	-	1.3
	(1.0)	9.4

The losses from prior years of £11.9m which were utilised in 2009 were not recognised in prior years due to the uncertainty of their availability.

The effective rate of tax for 2010 is lower (2009: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2010 **£m**	2009 £m
Profit/(loss) before tax	**356.4**	(34.9)
Expected tax (charge)/credit based on the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%)	**(99.8)**	9.8
Difference between tax and accounting profit on disposals	**1.6**	(8.5)
REIT exempt income	**8.5**	8.2
Revaluation surplus/(deficit) attributable to REIT properties	**83.3**	(19.7)
Expenses and fair value adjustments not deductible for tax purposes	**1.4**	4.0
Capital allowances	**3.4**	4.6
Other	**0.4**	(0.1)
Tax charge on current years' profit/(loss)	**(1.2)**	(1.7)
Adjustments in respect of prior years’ tax	**0.2**	11.1
	(1.0)	9.4

9. Recurring profit before tax, earnings and net asset value per share

The European Public Real Estate Association (EPRA) issued updated Best Practices Recommendations in October 2010, which give guidelines for performance measures. The Group has adopted their measures for earnings per share and net assets per share for 2010 and the calculations below have been made in accordance with these guidelines.

In accordance with EPRA guidelines, Company specific adjustments have been made to the EPRA adjusted earnings per share in order to reflect the Group's underlying position. These "underlying" measures were, in 2009, previously described as "adjusted recurring". In addition, for comparative purposes, the calculations for recurring profit and earnings per share have also been shown.

	Weighted average		At 31 December	
	2010	2009	**2010**	2009
	'000	'000	**'000**	'000
Number of shares				
Number of shares for use in basic measures	**101,155**	100,802	**101,200**	100,950
Dilutive effect of share-based payments	**661**	597	**669**	605
Number of shares for use in diluted measures	**101,816**	101,399	**101,869**	101,555

Earnings per share	Profit before tax £m	Earnings £m	Earnings per share p	Diluted earnings per share p
Year ended 31 December 2010	**356.4**	**346.2**	**342.25**	**340.03**
Adjustment for:				
Disposal of properties	(0.9)	(0.9)		
Group revaluation surplus	(301.6)	(300.8)		
Joint venture revaluation surplus	(0.9)	(0.9)		
Fair value movement in derivative financial instruments	2.4	2.4		
Minority interests in respect of the above	-	7.5		
Recurring	55.4	53.5	52.89	52.55
Movement in valuation of cash-settled share options	(0.1)	0.1		
EPRA	**55.3**	**53.6**	**52.99**	**52.64**
Foreign exchange loss	0.2	0.2		
Rates credits	(1.7)	(1.7)		
Underlying	53.8	52.1	51.51	51.17
Year ended 31 December 2009	(34.9)	(26.8)	(26.59)	(26.59)
Adjustment for:				
Disposal of properties	16.6	16.6		
Group revaluation deficit	81.1	80.3		
Joint venture revaluation deficit	1.3	1.3		
Fair value movement in derivative financial instruments	(3.9)	(3.9)		
Prior year tax relating to capital items	-	(11.1)		
Minority interests in respect of the above	-	(0.4)		
Recurring	60.2	56.0	55.55	55.23
Movement in valuation of cash-settled share options	1.6	1.6		
EPRA	61.8	57.6	57.14	56.81
Foreign exchange gain	(3.6)	(3.6)		
Rates credits	(2.8)	(2.8)		
Underlying	55.4	51.2	50.79	50.49

The diluted loss per share for the year to 31 December 2009 could not be reduced by dilution in accordance with IAS 33, Earnings per Share. At 31 December 2010 there were 668,916 share options and contingently issuable shares (2009: 597,244) which could potentially dilute earnings in the future.

	£m	Basic p	Diluted p
Net assets per share			
2010			
Net assets	1,494.7		
Minority interest	(45.9)		
Net assets attributable to equity shareholders	1,448.8	1,432	1,422
Adjustment for:			
Mark-to-market of Secured Bonds	2.7		
EPRA triple net asset value	1,451.5	1,434	1,425
Adjustment for:			
Deferred tax on revaluation surplus	8.6		
Fair value of derivative financial instruments	25.0		
Fair value adjustment to Secured Bonds	16.7		
EPRA net assets	**1,501.8**	1,484	**1,474**
2009			
Net assets	1,163.9		
Minority interest	(36.7)		
Net assets attributable to equity shareholders	1,127.2	1,117	1,110
Adjustment for:			
Mark-to-market of Secured Bonds	16.3		
EPRA triple net asset value	1,143.5	1,133	1,126
Adjustment for:			
Deferred tax on revaluation surplus	7.8		
Fair value of derivative financial instruments	23.4		
Fair value adjustment to Secured Bonds	3.9		
EPRA net assets	1,178.6	1,168	1,161

Following further guidance from EPRA in October 2010, the 2009 EPRA net asset value per share measure has been restated to include the fair value adjustment to Secured Bonds. In addition, the 2009 EPRA profit before tax and EPRA earnings per share have been restated to include the movement in valuation of cash-settled share options.

10. Investment property

	Freehold £m	Leasehold £m	Total £m
At 1 January 2010	1,537.8	350.8	1,888.6
Acquisitions	148.0	-	148.0
Capital expenditure	42.1	7.4	49.5
Additions	190.1	7.4	197.5
Transfer from trading property	1.0	-	1.0
Disposals	-	(0.2)	(0.2)
Revaluation	252.0	49.6	301.6
At 31 December 2010	**1,980.9**	**407.6**	**2,388.5**
At 1 January 2009	1,722.5	363.1	2,085.6
Acquisitions	-	9.8	9.8
Capital expenditure	80.2	11.3	91.5
Additions	80.2	21.1	101.3
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 31 December 2009	1,537.8	350.8	1,888.6

	Freehold £m	Leasehold £m	Total £m
At 31 December 2010			
Fair value	2,023.1	403.0	2,426.1
Adjustment for rents recognised in advance	(42.2)	(2.8)	(45.0)
Adjustment for grossing up of headlease liabilities	-	7.4	7.4
Carrying value	**1,980.9**	**407.6**	**2,388.5**
At 31 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

The investment properties were revalued at 31 December 2010 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 £2,396.2m (2009: £1,889.9m); other valuers, £29.9m (2009: £28.5m).

At 31 December 2010, the historical cost of investment property owned by the Group was £2,093.1m (2009: £1,894.8m).

11. Property, plant and equipment

	2010 £m	2009 £m
At 1 January	**1.4**	1.2
Additions	**0.4**	0.4
Disposals	**(0.1)**	-
Depreciation	**(0.2)**	(0.2)
At 31 December	**1.5**	1.4
Net book value		
Cost or valuation	**3.6**	3.4
Accumulated depreciation	**(2.1)**	(2.0)
	1.5	1.4

12. Other receivables

	2010 £m	2009 £m
Accrued income	**41.3**	34.2
Other	**4.5**	4.7
	45.8	38.9

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free periods and capital contributions in lieu of rent free periods over the term of their respective leases. At 31 December 2010, the total rents recognised in advance were £45.0m (31 December 2009: £37.2m), with £3.7m of this amount (31 December 2009: £3.0m) included within trade and other receivables.

13. Borrowings and derivatives financial instruments

	2010 £m	2009 £m
Current liabilities		
Bank overdraft	**5.6**	5.9
	5.6	5.9
Non-current liabilities		
6.5% Secured Bonds 2026	**192.9**	193.6
Loan notes	**1.1**	1.4
Bank loans	**661.0**	503.0
Unsecured loans	**31.4**	31.1
Leasehold liabilities	**7.4**	7.4
Unamortised loan arrangement costs *	**(4.4)**	(2.6)
	889.4	733.9
Derivative financial instruments - expiring in less than one year	**-**	1.6
Derivative financial instruments - expiring in greater than one year	**25.4**	21.4
	25.4	23.0
Total	**920.4**	762.8
Reconciliation to net debt:		
Total borrowings and derivative financial instruments	**920.4**	762.8
Less:		
Derivative financial instruments	**(25.4)**	(23.0)
Cash and cash equivalents	**(7.2)**	(19.0)
Net debt*	**887.8**	720.8

* The comparative figures for 31 December 2009 have been restated for the presentational changes outlined in note 1.

14. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2010	8.1	(2.2)	5.9
Provided during the year in the group income statement	1.1	(1.1)	-
Released during the year in the group income statement	-	0.2	0.2
Change in tax rates	(0.3)	0.1	(0.2)
At 31 December 2010	**8.9**	**(3.0)**	**5.9**
At 1 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 31 December 2009	8.1	(2.2)	5.9

Due to the Group's conversion to REIT status on 1 July 2007, deferred tax is only provided on the revaluation surplus of properties outside 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.

The Finance (No 2) Act 2010 included provision for legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. The effect of this reduction was substantively enacted at the balance sheet date and, therefore, has been reflected in these financial statements.

15. Dividend

The results for the year to 31 December 2010 do not include the dividend declared after the end of the financial year. In respect of these results, a dividend of 20.25p per share (2009 final: 18.85p) will be paid on 16 June 2011 to those shareholders on the register at the close of business on 20 May 2011.

16. Gearing ratios

Balance sheet gearing

	2010 £m	2009 £m
Total net borrowings and derivatives *	**920.4**	762.8
Less: derivative financial instruments	**(25.4)**	(23.0)
Total debt	**895.0**	739.8
Less: cash and cash equivalents	**(7.2)**	(19.0)
Net debt *	**887.8**	720.8
Net assets	**1,494.7**	1,163.9
Balance sheet gearing	**59.4%**	61.9%

Loan-to-value ratio

	2010 £m	2009 £m
Net debt *	**887.8**	720.8
Fair value adjustment and issue costs of Secured Bonds	**(17.9)**	(18.6)
Loan arrangement costs	**4.4**	2.6
Leasehold liabilities	**(7.4)**	(7.4)
Drawn facilities	**866.9**	697.4
Fair value of investment property	**2,426.1**	1,918.4
Loan-to-value ratio	**35.7%**	36.4%

Interest cover ratio

	2010	2009
	£m	£m
Gross property income	**119.4**	123.8
Surrender premiums	**(0.7)**	(0.1)
Ground rent	**(0.8)**	(1.3)
Net rental income	**117.9**	122.4
Net finance costs	**37.9**	35.9
Foreign exchange (loss)/gain	**(0.2)**	3.6
Net pension return	**0.3**	0.1
Finance lease costs	**(0.5)**	(0.6)
Amortisation of fair value adjustment to Secured Bonds and loan arrangement costs *	**(0.2)**	(0.7)
Non-utilisation fees *	**(1.4)**	(1.2)
Net interest payable	**35.9**	37.1
Interest cover ratio	**328%**	330%

* The comparative figures have been restated for the presentational changes outlined in note 1.

17. Total return

	2010	2009
	%	%
Total return	**29.3**	(2.9)

Following the Group's decision to adopt EPRA performance measures in 2010, total return is now calculated as the movement in EPRA net asset value per share on a diluted basis plus the dividend per share paid in the year, expressed as a percentage of the EPRA net asset value per share at the beginning of the year. Previously, the total return measure was based on the undiluted adjusted net asset value per share. Based on this method of calculation, total return would have been 29.4% for the year ended 31 December 2010 compared with the previously reported figure of (2.7)% for 2009.

18. Cash and cash equivalents

	2010	2009
	£m	£m
Bank overdraft	**(5.6)**	(5.9)
Short-term deposits	**7.2**	19.0
	1.6	13.1

19. Post balance sheet events

Since the year end, the Group has exchanged contracts for the purchase of two freehold properties for £45.0m and £31.0m, before costs.

20. Risk management and internal control

The Board recognises that risk is an inherent part of running a business and that whilst it aims to maximise returns, the associated risks must be understood and managed. Overall responsibility for this process rests with the Board whilst executive management is responsible for designing, implementing and maintaining the necessary systems of control.

The Group operates principally from one central London office with a relatively flat management structure. This enables the executive Directors to be closely involved in day-to-day matters and therefore able to quickly identify and respond to risks.

A key element in the systems of control is the Group's risk register which is reviewed formally once a year. The register is initially prepared by the executive Board which, having identified the risks, collectively assesses the severity of each risk, the likelihood of it occurring and the strength of the controls over the risk. This approach allows the effect of any mitigating procedures to be considered recognising that risk cannot be totally eliminated at an acceptable cost and that there are some risks that the Board will choose, based on its experience, to accept.

The register is then reviewed and commented upon by the audit committee before being considered and adopted by the full Board. The register was reviewed in December 2010 and the principal risks and uncertainties that the Group faces in 2011, 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.

Each year the Group carries out a five-year strategic review and in addition it prepares regular rolling forecasts covering the next two years. In the course of both exercises the Board can consider the effect on key ratios of changing the main underlying assumptions. These can then be set so as to best realise the Group's long-term strategic goals given the prevailing economic and market conditions. 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 borrowings 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 undrawn facilities and 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 are favourable.

- Risk that 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. At the strategic review carried out in 2010, the target range for fixed rate or hedged debt was increased to 60-85%.

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 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 benchmarked regularly. Six-monthly appraisals identify training and other requirements which are fulfilled over the next year.

Financial instruments – risk management
The Group is exposed through its operations to the following financial risks:
- credit risk;
- fair value or cash flow interest rate risk; and
- liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash at bank, bank overdraft, trade and other payables, floating rate bank loans, Secured Bonds, interest rate swaps and interest rate caps.

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

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

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

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

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time. The Group does not enter into derivatives to manage credit risk.

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

Market risk
Market risk arises from the Group's use of interest bearing instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk).

Fair value and cash flow interest rate risk
The Group is exposed to cash flow interest rate risk from borrowings at variable rates. It is currently Group policy that between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being at least 60% and no more than 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the

desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. During both 2010 and 2009, the Group's borrowings at variable rate were denominated in sterling.

The Group monitors the interest rate exposure on a regular basis.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. The Group generally raises long-term borrowings at floating rates and swaps them into fixed.

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

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

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

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

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

The Group's objectives when maintaining capital are:

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

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of balance sheet gearing and the loan-to-value ratio. During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the balance sheet gearing below 80% in normal circumstances. These two gearing ratios as well as the interest cover ratio are defined at the end of this announcement and are derived in note 16.

21. Related party disclosure

The directors confirm that, to the best of their knowledge, there were no related party transactions or changes in related party transactions that materially affected the Group's results or financial position during the financial year ended 31 December 2010.

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

List of definitions

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

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

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

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants who strive to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. In October 2010, EPRA published its Best Practices Recommendations which can be found at www.epra.com/media/EPRA_2010_BPR.pdf. This includes guidelines to be used for the calculations of the following performance measures:

- Adjusted net asset value per share;
- Adjusted earnings per share;
- Net initial yield;
- "Topped up" net initial yield; and
- Vacancy rate

Derwent London has adopted the EPRA methodology for all of these measures in 2010. Recurring profit before tax and recurring earnings per share (see below) are also included in this report and accounts to provide comparability with the measures used in 2009. In addition, in accordance with EPRA guidelines, we have made Company specific adjustments to adjusted profit and adjusted earnings per share to arrive at the underlying positions (see below).

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

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

Underlying earnings per share
EPRA earnings per share adjusted for items which are excluded to show the underlying trend. In 2010, recurring earnings per share has been adjusted for rates credits and the foreign exchange movement.

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 less cash and cash equivalents.

Balance sheet gearing
Net debt divided by net assets.

Interest cover ratio
Gross property income, excluding surrender premiums, less ground rent divided by interest payable on borrowings less interest receivable. This is similar to that used in the Group's bank covenants.

Loan-to-value ratio (LTV)
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 for its leasehold properties. Under IFRS, these leases are treated as finance leases and the cost allocated between interest payable and property outgoings.

Building Research Establishment Environmental Assessment Method (BREEAM)

The BREEAM rating assesses the operational and the embodied environmental impacts of individual buildings. The ratings are Pass, Good, Very Good, Excellent and Outstanding.

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

Total return

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

Rent roll

The annualised contracted rental income, net of ground rents.

True equivalent yield

The constant capitalisation rate which, if applied to all cash flows from the portfolio, including current rent, reversions to valuers' estimate 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.

Reversion

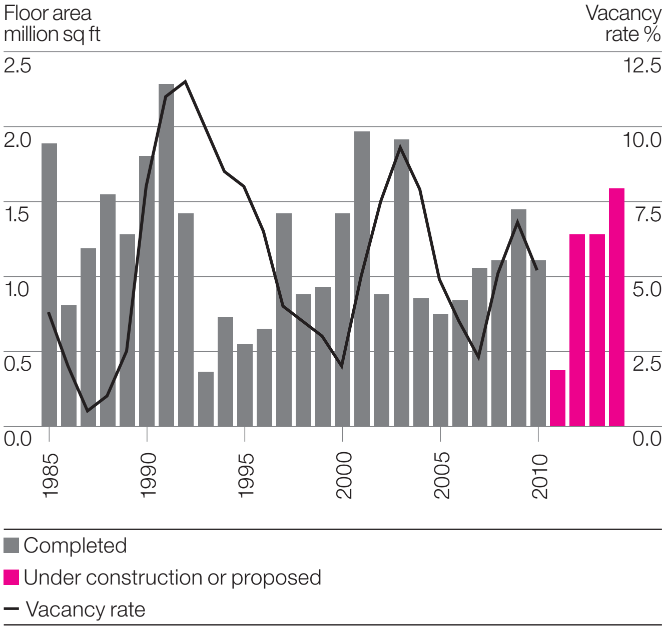
The reversion is the difference between the rent roll of a property or portfolio and the rental value as estimated by the Group's external valuers. The reversion is derived from contractual rental increases, rent reviews, lease renewals and the letting of vacant space.

Underlying portfolio

Properties that have been held for the whole of the financial period.

Appendix 1
Our market

West End development pipeline



Source: CBRE

Appendix 2
Valuation

Portfolio statistics – valuation

	Valuation £m	Weighting %	Valuation performance[1] %	Valuation performance £m	Total floor area m²	Available floor area m²	Project floor area m²
West End							
Central	1,679.7	69	16.4	215.8	284,600	6,700	10,800
Borders	178.2	7	19.1	28.5	53,700	12,700	3,100
	1,857.9	76	16.7	244.3	338,300	19,400	13,900
City							
Borders	456.1	19	11.3	46.5	125,200	3,900	3,700
Central London	2,314.0	95	15.5	290.8	463,500	23,300	17,600
Provincial	112.1	5	20.2	18.6	36,700	1,200	–
Total portfolio 2010	**2,426.1**	**100**	**15.7**	**309.4**	**500,200**	**24,500**	**17,600**
2009	1,918.4		(3.3)	(72.5)	475,600	18,100	11,900

[1] Properties held throughout the year

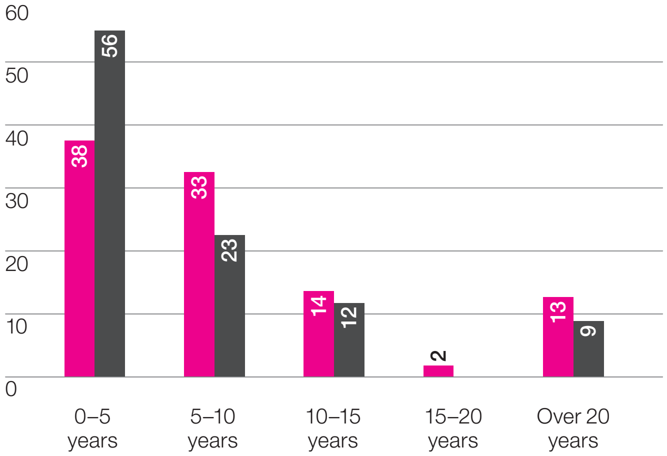
Valuation performance %

[1] Quarterly Property Index

Rental value growth %

Appendix 3
Portfolio management

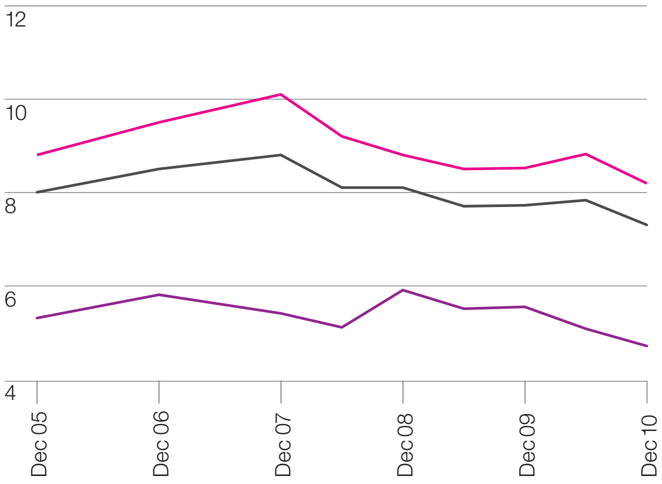
Profile of rental income expiry[1] %



■ No lease breaks exercised
■ Lease breaks exercised at first opportunity

[1] Based upon net contracted rental income of £116.2m

Average unexpired lease length[1] Years



— West End
— City Borders
— Central London

[1] Lease length weighted by rental income and assuming tenants break at first opportunity

Profile of tenants' business sectors %

■ Media, TV, marketing and advertising	28
■ Professional and business services	24
■ Retail sales	12
■ Retail head offices, showrooms	11
■ Government and public administration	7
■ Financial	7
■ Other	11

Appendix 3
Portfolio management

Portfolio statistics – rental income

	Net contracted rental income per annum £m	Average rental income £ per m²	Vacant space rental value per annum £m	Rent review and lease reversions per annum £m	Portfolio estimated rental value per annum £m	Average unexpired lease length[1] Years
West End						
Central	79.3	299	6.2	10.2	95.7	8.3
Borders	3.2	85	5.6	5.3	14.1	5.0
	82.5	272	11.8	15.5	109.8	8.2
City						
Borders	28.5	244	1.6	1.6	31.7	4.7
Central London	111.0	264	13.4	17.1	141.5	7.3
Provincial	5.2	145	0.1	0.5	5.8	6.9
Total portfolio 2010	**116.2**	**255**	**13.5**	**17.6**	**147.3**	**7.3**
2009	114.9	243	7.9	8.4	131.2	7.7

[1] Lease length weighted by rental income and assuming tenants break at first opportunity

Rental income profile

	Rental uplift £m	Rental per annum £m
Annualised contracted rental income, net of ground rents		116.2
Contractual rental increases across the portfolio	15.4	
Letting 24,500m² available floor area	8.6	
Completion and letting 17,600m² of project floor area	4.9	
Anticipated rent review and lease renewal reversions	2.2	
Portfolio reversion		31.1
Potential portfolio rental value		147.3

Appendix 4
Projects

Project summary

2011 – 2012

	Existing area m²	Proposed area m²	Capital expenditure £m	Potential delivery Year
On site				
Victory House W1	4,500	4,500	7.8	Q3 2011
33 George Street W1	1,200	1,200	0.7	Q1 2011
Tea Building E1	1,000	1,000	0.5	Q1 2011
Holden House W1	600	600	0.2	Q1 2011
	7,300	7,300	9.2	
2011				
1 Page Street SW1	11,000	11,000	16.0	Q2 2012
Woodbridge House EC1	7,000	7,900	15.2	Q3 2012
Central Cross W1 – Phases 1 and 2	4,900	5,900	12.2	Q4 2012
2-14 Pentonville Road N1	4,100	5,100	10.7	Q4 2012
88 Rosebery Avenue EC1	4,600	4,600	3.2	Q2 2012
Morelands Buildings EC1	3,000	3,800	10.5	Q1 2013
	34,600	38,300	67.8	
2012				
132-142 Hampstead Road NW1	21,400	24,600	86.0	Q4 2013
40 Chancery Lane WC2	5,700	9,300	41.0	2014
Turnmill EC1	3,800	6,500	26.0	2014
	30,900	40,400	153.0	
Other	–	–	48.0	
Total	72,800	86,000	278.0	

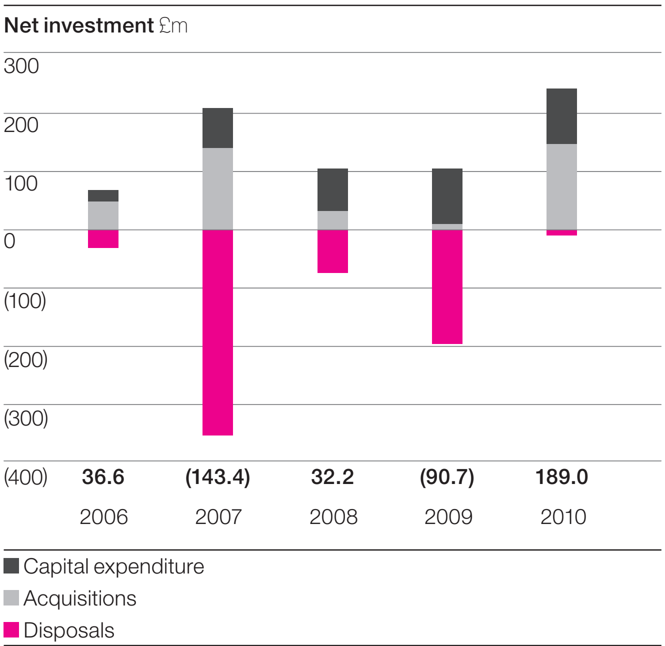
2013 onwards

	Existing area m²	Proposed area m²	Vacant possession Year	Comment
City Road Estate EC1	11,500	26,500	2012	Planning application submitted
80 Charlotte Street W1	18,600	31,200	2013	Planning application submitted
Balmoral Grove Buildings N1	4,600	15,100	2013	Appraisal studies
1-5 Grosvenor Place SW1	15,600	24,200	2014	Appraisal studies
55-65 North Wharf Road W2	7,200	29,100	2014	Consented scheme
Central Cross W1 – Phase 3	2,200	3,300	2014	Appraisal studies
1 Oxford Street W1	–	25,700	c.2017	Appraisal studies
Other	9,900	12,100		Inc. Covent Garden Estate, 65 Whitfield Street
	69,600	167,200		

Other

	Existing area m²	Proposed area m²	Vacant possession Year	Comment
Riverwalk House SW1	7,000	12,500	2011	Appraisal studies for residential
60 Commercial Road E1	2,800	11,300	2012	Consented scheme
Wedge House SE1	3,600	7,400	2012	Renewing planning permission
Leonard Street EC2	–	5,100	Site	Consented scheme
Smaller schemes	3,700	6,000		Inc. Vauxhall Bridge Road, Bishops Bridge Road
	17,100	42,300		

Appendix 4
Projects



Appendix 5
Finance review

EPRA net asset value

	2010 £m	per share p	2009 £m	per share p
Net assets	**1,494.7**		1,163.9	
Less minority interest	**(45.9)**		(36.7)	
Net assets attributable to equity shareholders	**1,448.8**	**1,432**	1,127.2	1,117
Adjustment for:				
Deferred tax on revaluation surplus	**8.9**		8.1	
Less share of minority interest	**(0.3)**		(0.3)	
Fair value of derivative financial instruments	**25.4**		23.0	
(Less)/add share of minority interest	**(0.4)**		0.4	
Fair value adjustment to Secured Bonds	**19.4**		20.2	
Total adjustments	**53.0**		51.4	
EPRA adjusted net assets[1]	**1,501.8**	**1,484**	1,178.6	1,168

[1] Undiluted basis

Like-for-like rental income

	Properties owned throughout the two years £m	Acquisitions £m	Disposals £m	Development property £m	Total £m
2010					
Rental income	109.7	3.4	0.1	5.5	118.7
Property expenditure	(6.2)	(0.4)	(0.1)	(1.4)	(8.1)
Net rental income	**103.5**	**3.0**	**–**	**4.1**	**110.6**
Surrender premiums	0.7	–	–	–	0.7
Other income	1.7	–	–	–	1.7
Net property income	**105.9**	**3.0**	**–**	**4.1**	**113.0**
2009					
Rental income	107.1	–	10.9	5.7	123.7
Property expenditure	(8.7)	–	(1.0)	(0.8)	(10.5)
Net rental income	98.4	–	9.9	4.9	113.2
Surrender premiums	0.1	–	–	–	0.1
Other income	1.5	–	–	–	1.5
Net property income	100.0	–	9.9	4.9	114.8
Increase based on gross rental income	**2.4%**				
Increase based on net rental income	**5.2%**				
Increase based on net property income	**5.9%**				

Net debt

	2010 £m	2009 £m
Cash	**(7.2)**	(19.0)
Bank overdraft	**5.6**	5.9
Revolving bank facilities	**661.0**	503.0
Unsecured loan	**31.4**	31.1
Loan notes	**1.1**	1.4
Secured Bonds 2026	**175.0**	175.0
Fair value and issue costs	**17.9**	18.6
Leasehold liabilities	**7.4**	7.4
Bank loan arrangement costs[1]	**(4.4)**	(2.6)
Net debt	**887.8**	720.8

[1] The comparative figure has been restated for the presentational changes outlined in note 1.

Gearing and interest cover ratio

	2010	2009
Balance sheet gearing[1] (%)	**59.4**	61.9
Loan to value ratio (%)	**35.7**	36.4
Interest cover ratio (%)	**328**	330

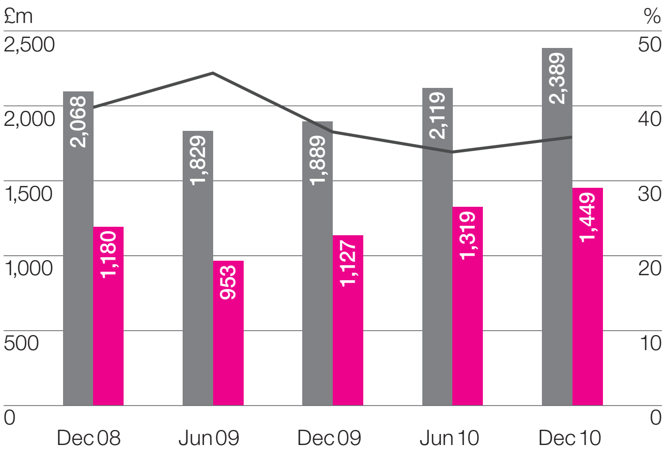
[1] The comparative figure has been restated for the presentational changes outlined in note 1.

Hedging and borrowing costs

	2010 adjusted[1] £m	2010 £m	2009 £m
Bank loans			
Floating rate	**189.4**	259.4	126.1
Capped	**10.0**	10.0	10.0
Swapped	**493.0**	423.0	398.0
Total	**692.4**	692.4	534.1
Floating rate loan notes	**1.1**	1.1	1.4
Fixed rate Secured Bonds 2026	**175.0**	175.0	175.0
Total	**868.5**	868.5	710.5
Hedged and fixed rate (%)	**78**	70	82
Weighted average cost of debt (%)	**4.54**	4.34	5.00
Weighted average cost of bank debt (%)	**4.05**	3.90	4.65
Weighted average maturity of facilities (years)	**5.2**	5.2	5.3
Weighted average maturity of swaps (years)	**6.2**	6.1	4.0

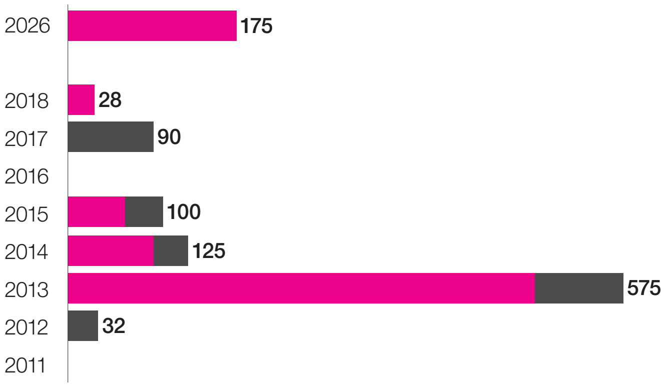
[1] Including additional £70m swap entered into in January 2011

Investment property, net assets and gearing



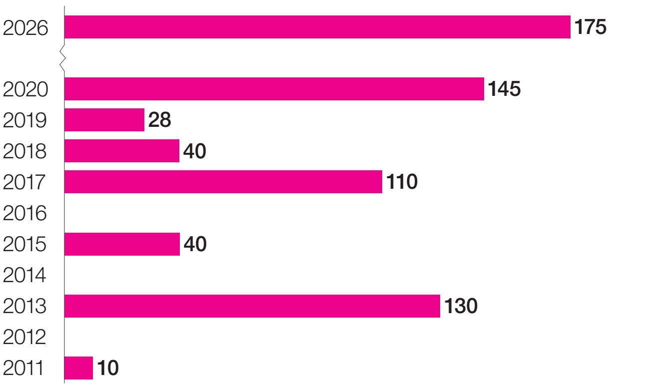
Investment property
Net assets
Loan to value ratio

Maturity profile of debt facilities £m



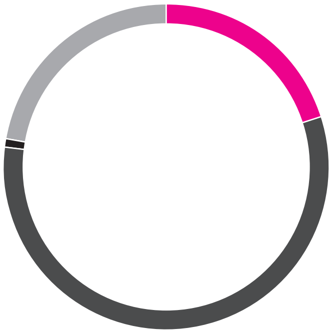
Drawn
Headroom

Maturity profile of fixed and hedged debt[1] £m



[1] Including additional £70m swap entered into in January 2011

Hedging profile[1] %



Fixed	20
Swaps	57
Capped	1
Floating	22

[1] Including additional £70m swap entered into in January 2011