

The background of the slide is a collage of various office interior photographs, including hallways, meeting rooms, and people working. The entire collage is overlaid with a grid of semi-transparent blue squares of varying sizes, creating a modern, digital aesthetic.

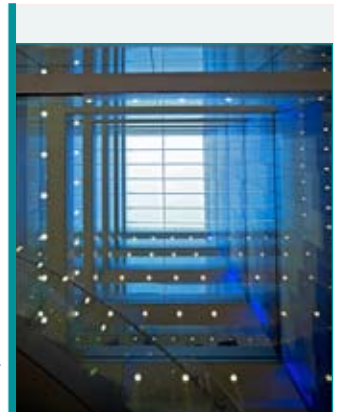
Derwent London plc
Results 2008

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Achievements

- 488,000 sq ft of letting activity in 2008 generating an annual rental income of £16.3m
- Low vacancy rate maintained, representing 3.8% at the year end – down from 4.5% a year earlier
- Development completions at Horseferry House and Arup II – both pre-let – new projects on hold
- Disposal of non-core assets of £72.6m to show a profit of £1.2m
- An annual property return of -18.9% – outperforming the IPD Quarterly Property Index for Central London offices which was -23.5%



A year focused on income management

Results review 31 December 2008

Headline numbers

- Adjusted net asset value per share 1,226p (31 December 2007: 1,801p)

- Recurring profit before tax

	£m	
Unadjusted recurring profit before tax	23.3	
Reverse surrender premium paid	8.3	
Foreign exchange translation loss	8.3	
Adjusted recurring profit before tax	<u>39.9</u>	(2007: £37.6m)

- Diluted recurring earnings per share 22.73p (2007: 34.99p)
- Total dividend per share for 2008 up 8.9% to 24.5p (2007: 22.5p)
- Recommended final dividend 16.35p per share

Group balance sheet

- Summarised format

	31.12.08	31.12.07
	£m	£m
Investment property	2,068.1	2,654.6
Other non-current assets	38.8	33.8
	<u>2,106.9</u>	<u>2,688.4</u>
Assets held for sale	25.0	12.8
Other current (liabilities)/assets	(9.1)	12.5
Cash	10.5	10.3
Bank overdrafts and loans	(106.6)	(120.6)
Corporation tax liability	(7.1)	(75.4)
	<u>(87.3)</u>	<u>(160.4)</u>
Financial liabilities	(769.3)	(672.5)
Other liabilities	(35.3)	(13.6)
	<u>(804.6)</u>	<u>(686.1)</u>
Total net assets	1,215.0	1841.9
Minority interests	(35.4)	(59.9)
Attributable to equity holders	<u>1,179.6</u>	<u>1,782.0</u>

Net asset value per share

- Reconciliation

	31.12.08		31.12.07	
	£m	p	£m	p
Net assets attributable to equity shareholders	1,179.6	1,170	1,782.0	1,770
Deferred tax on revaluation surplus	8.4		11.4	
Fair value of derivatives	26.9		(1.2)	
Fair value adjustment to bond on acquisition	20.9		21.6	
	<u>1,235.8</u>	1,226	<u>1,813.8</u>	1,801

- Movement in adjusted net assets

	£m
Recurring profit before taxation	23.3
Foreign exchange loss	8.3
	<u>31.6</u>
Revaluation deficit	(602.1)
Revaluation deficit in joint venture	(1.3)
Taxation	5.1
Dividends paid	(23.3)
Other	0.7
	<u>(589.3)</u>
Minority interest	11.3
	<u>(578.0)</u>

Group income statement

- Summarised format

	2008	2007
	£m	£m
Gross property income	119.0	111.7
Other income	0.9	-
Property outgoings	(14.6)	(9.9)
	<u>105.3</u>	<u>101.8</u>
Development income	0.5	2.0
Reverse surrender premium	(8.3)	-
Trading stock write down	(2.0)	-
	<u>95.5</u>	<u>103.8</u>
Administrative expenses	(16.7)	(17.9)
Revaluation (deficit)/surplus	(602.1)	90.3
Profit on disposals	1.2	130.8
Finance costs	(47.2)	(48.5)
Foreign exchange (loss)/profit	(8.3)	0.4
Joint venture results	(0.8)	(0.3)
Derivatives fair value adjustment	(28.1)	(5.1)
	<u>(606.5)</u>	<u>253.5</u>
Goodwill impairment	-	(353.3)
IFRS loss before tax	<u>(606.5)</u>	<u>(99.8)</u>

Group income statement

- Reconciliation of recurring profit before tax to IFRS loss before tax

	2008	2007
	£m	£m
Loss before tax	(606.5)	(99.8)
Revaluation deficit/(surplus)	602.1	(90.3)
Joint venture revaluation deficit	1.3	-
Profit on disposal of properties	(1.2)	(129.8)
Loss on joint venture disposal	-	0.7
Profit on disposal of investments	-	(1.0)
Development income	(0.5)	(2.0)
Fair value movement in derivatives	28.1	5.1
2007 acquisitions/debenture redemption adjustments	-	355.1
	<u>23.3</u>	<u>38.0</u>

Group income statement

- Gross property income increased £7.3m from 2007 to £119.0m
 - Growth driven by letting activity (£12.3m), with more still to come (eg Angel Building, Qube)
 - Main contributions were from Horseferry House (£3.1m), Qube (£1.5m), Tower House (£1.0m)
 - Extra month from LMS added £4.1m
 - Lost rent from disposals relates mainly to H2 2007 disposals
 - Year on year reconciliation in Appendix 2
- Property outgoings rose £4.7m to £14.6m partly due to letting activity in 2008
 - Voids rose £2.3m and transaction costs £2.1m
 - Breakdown of costs in Appendix 2
- Administrative expenses, excluding valuation movement on cash settled options
 - Reduction on 2007 of £1.2m to £18.3m
 - Reduction of about £1.9m on combined pre acquisition expenses (no allowance for inflation)
 - Breakdown of costs in Appendix 2

Group income statement

- Net finance costs

	2008	2007
	£m	£m
Bank interest and loan notes	37.0	37.9
Secured bond	10.8	9.9
Other	<u>1.1</u>	<u>1.3</u>
	48.9	49.1
Foreign exchange loss	8.3	(0.4)
Finance income	<u>(1.7)</u>	<u>(2.4)</u>
	<u>55.5</u>	<u>46.3</u>

- Increased interest in 2008 due to LMS extra month, estimated at £2m
- Foreign exchange translation loss on intercompany loan from LMS Inc
 - Accounting standards split this adjustment – debit to income statement of £8.3m (2007: credit £0.4m); credit to reserves £8.2m (2007: debit £0.6m)
 - Sterling/dollar rate was 0.55 cents lower at 31 December 2008
- Other items
 - Development income
 - Trading property write down
 - Result of property disposals
- Tax credit
 - 2008 tax charge £1.4m
 - Prior year tax credit from utilisation of ex LMS tax losses following agreement with HMRC and over-provision relating to 2007 disposals
 - Net write back of deferred tax is due to revaluation deficit

Cash flow

- Cash outflow for 2008 was £83.7m (2007: inflow £116.9m) after payment of dividends

	2008	2007
	£m	£m
Operating activities	38.3	28.4
Dividends	(23.5)	(13.2)
	<u>14.8</u>	<u>15.2</u>
REIT conversion charge	(53.6)	-
Investing activities	(44.9)	101.7
	<u>(83.7)</u>	<u>116.9</u>

- Dividends increased due to
 - New shares issued as a result of LMS acquisition not entitled to 2006 final dividend
 - Dividend policy adopted on acquisition of LMS
 - Effect of REIT status which enabled distribution of part of the tax charge saved
- REIT conversion charge is a one off payment
- Net investment in portfolio

	2008	2007
	£m	£m
Acquisitions	31.9	140.7
Capex	72.9	68.3
Disposals - property	(72.6)	(343.3)
- investments	-	(9.1)
	<u>32.2</u>	<u>(143.4)</u>

Debt and financing

Net debt and gearing ratios

- Net debt

	31.12.08 £m	31.12.07 £m
Bank overdraft and loans	106.6	120.6
Financial liabilities	769.3	672.5
Cash and cash requirements	<u>(10.5)</u>	<u>(10.3)</u>
Net debt	865.4	782.8
Acquired fair value of bond less costs	(19.3)	(19.9)
Leasehold liabilities	<u>(8.6)</u>	<u>(9.0)</u>
Drawn facilities	<u>837.5</u>	<u>753.9</u>

- Gearing

	31.12.08	31.12.07
Balance sheet	71.2%	42.5%
LTV	39.7%	28.2%
Interest - current definition	1.88	1.81
- future definition	2.47	2.24

Debt facilities and utilisation

- Debt facilities total £1.145 billion. Full list of facilities is provided in Appendix 1
- £125m facility maturing in November 2009 has been refinanced. It is fully credit approved by existing lender and only subject to completion of documentation
- New facility
 - 5 year term
 - Small reduction in LTV
 - ICR unchanged
 - Margin increased in line with current rates
- Next maturity is now in December 2011
- Unutilised committed facilities at 31 December 2008 were £290m
- Current forecasts show a £65m net cash outflow through to end 2010
- Current cash flow forecast to 31 December 2010 predicts unutilised committed facilities of about £235m

Debt covenants

- Leasehold liabilities and fair value amounts are excluded from covenant testing
- Covenant position
 - Structure of bank facilities gives maximum flexibility
 - Secured loans only have two financial covenants
 - Covenant ranges

	LTV	ICR
Documented	50-80%	120-150%
Actual (27.2.09)	40-56%	177-1,136%

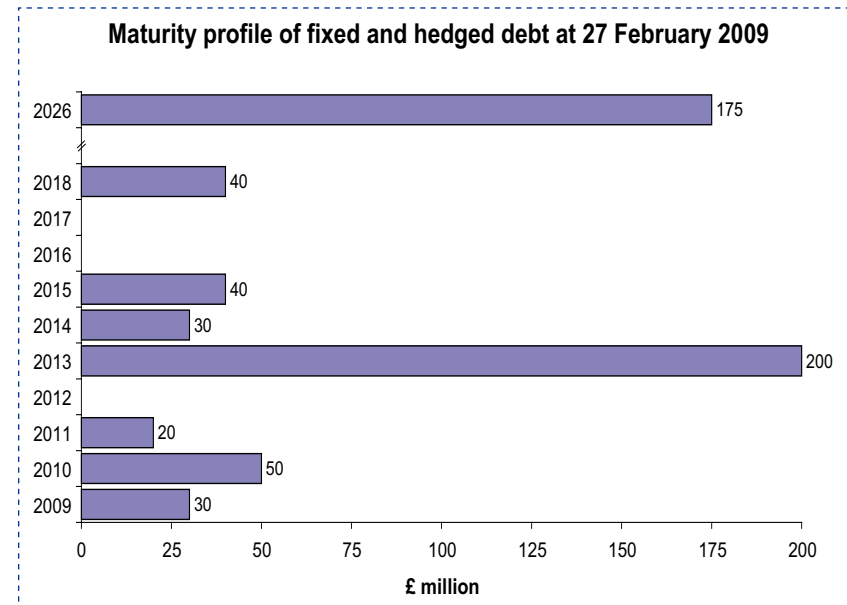
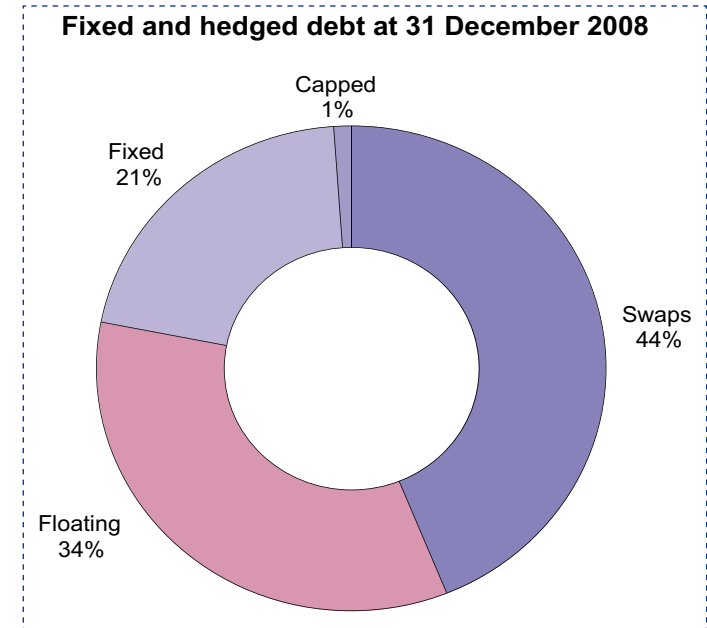
- At current interest rates, headroom under ICR covenants is substantial
- There are no breaches of LTV covenants
- All facilities have security values in excess of covenant requirements (based on 31 December 2008)
- Extent of excess security is such that it allows full drawdown of all but £2m of total facilities
- Additionally, value of unsecured properties was in excess of £400m at 31 December 2008
- Security values to support

	£bn	Headroom based on 31.12.08 valuation
Debt at 31.12.08	1.18	44%
Predicted 31.12.10 drawings	1.26	40%
Full draw down of facilities	1.58	25%

Portfolio fair value at 31.12.08 was £2.11bn

Liability risk management

- 66% of drawn facilities was either fixed or hedged at 31 December 2008
- Current figure is 70%
- Maturity profile of fixed and hedged debt at 27 February 2009 is shown in the bar chart
- Average weighted LIBOR of hedging is 4.84%
- Fair value adjustment for the secured bond is not included in the results. At 31 December 2008, this would have been a gain of £18.7m (31 December 2007: loss £15.0m)
- Spot weighted average cost of drawn facilities at
 - 31 December 2008 5.47%
 - 27 February 2008 4.50%



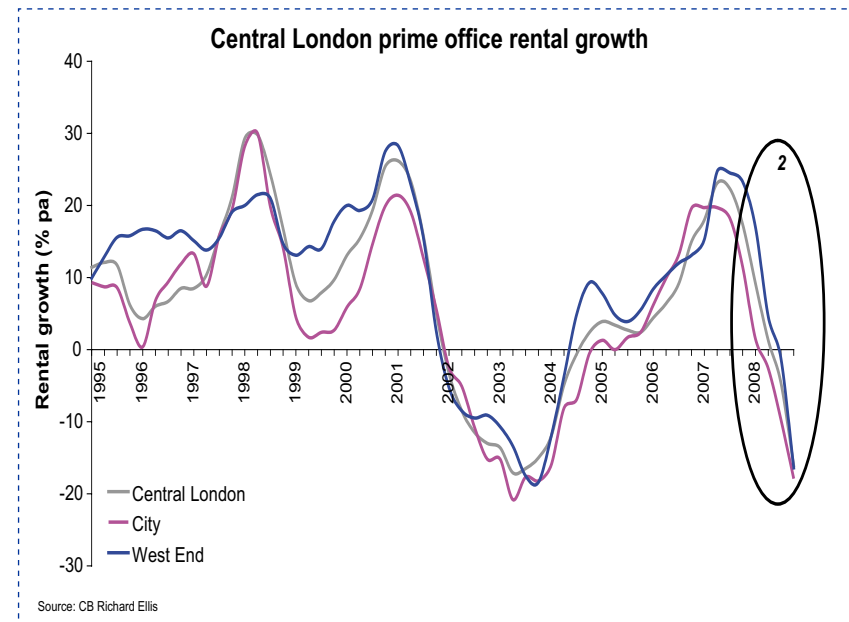
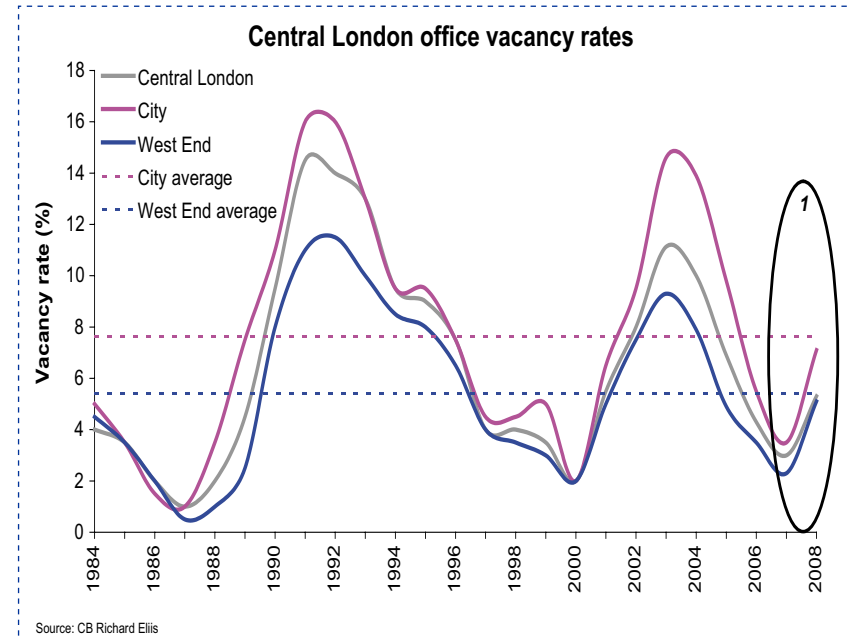
Market summary

Our market

Occupational market

West End

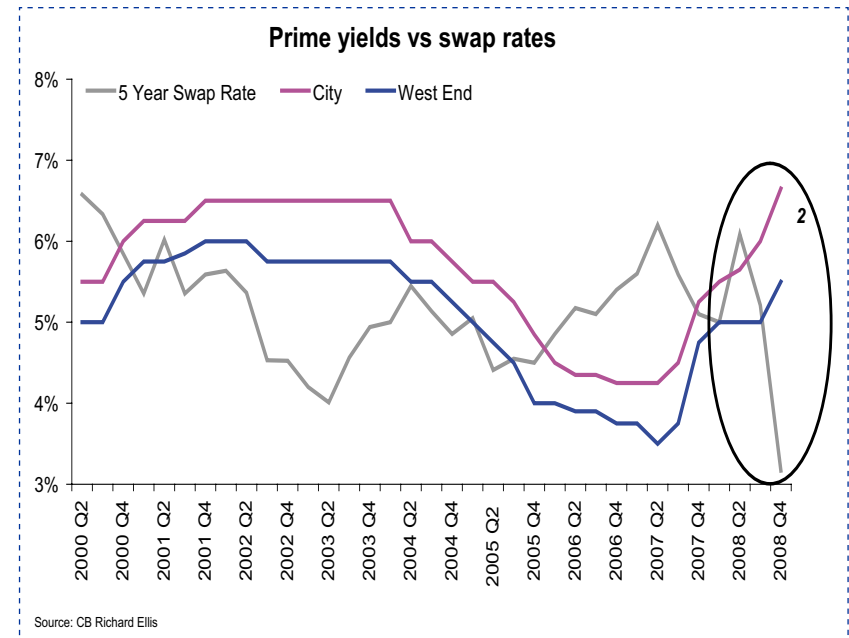
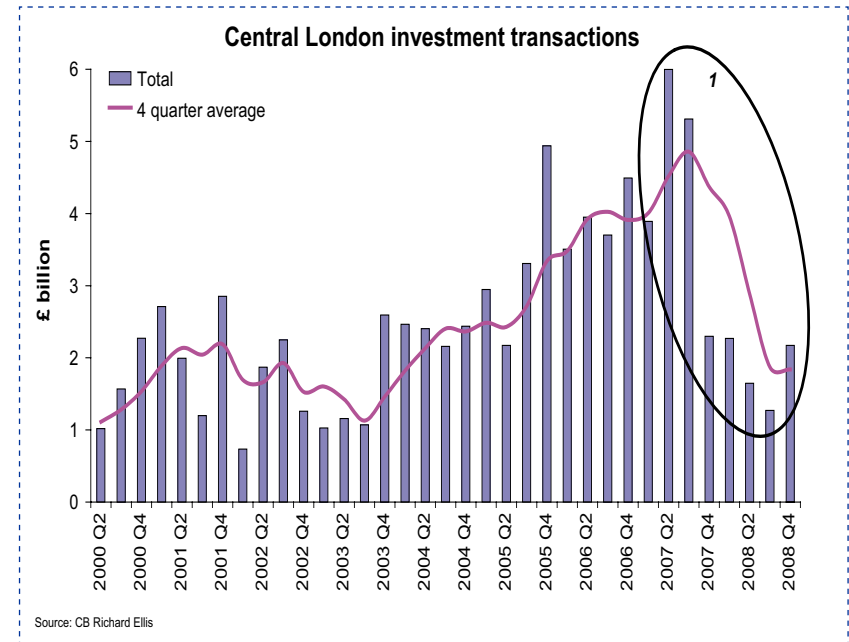
- Take-up of 3.6m sq ft in 2008 – down 28% on 2007 and 13% lower than the long term average
- First half take-up of 2.0m sq ft, declining to 1.6m sq ft in the second half as demand weakened
- Over the year, the vacancy rate increased from 2.3% to 5.1% – just below the long-term average of 5.4% and representing just over 6m sq ft (1)
- During the year, the prime rental growth index (2) decreased by
 - 16% West End
 - 18% City



Our market

Investment summary

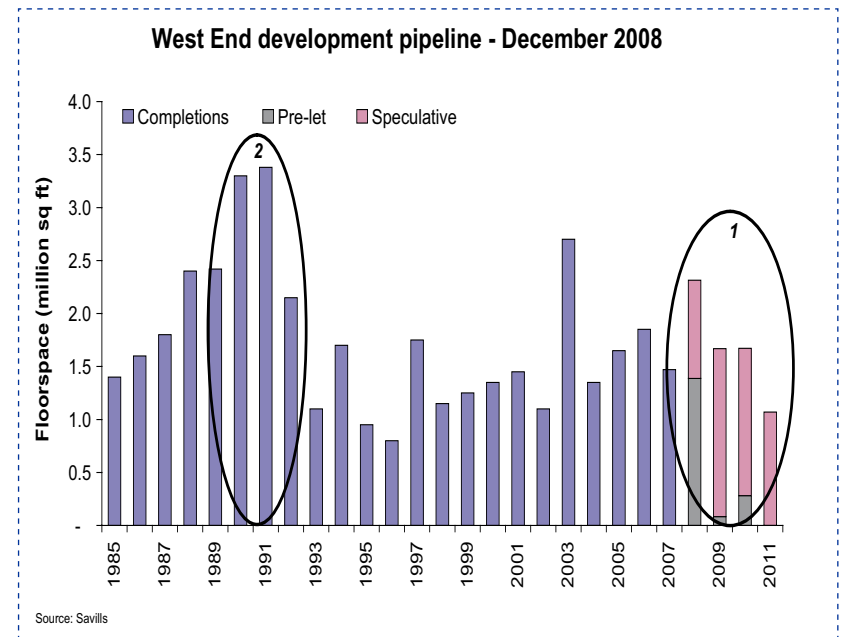
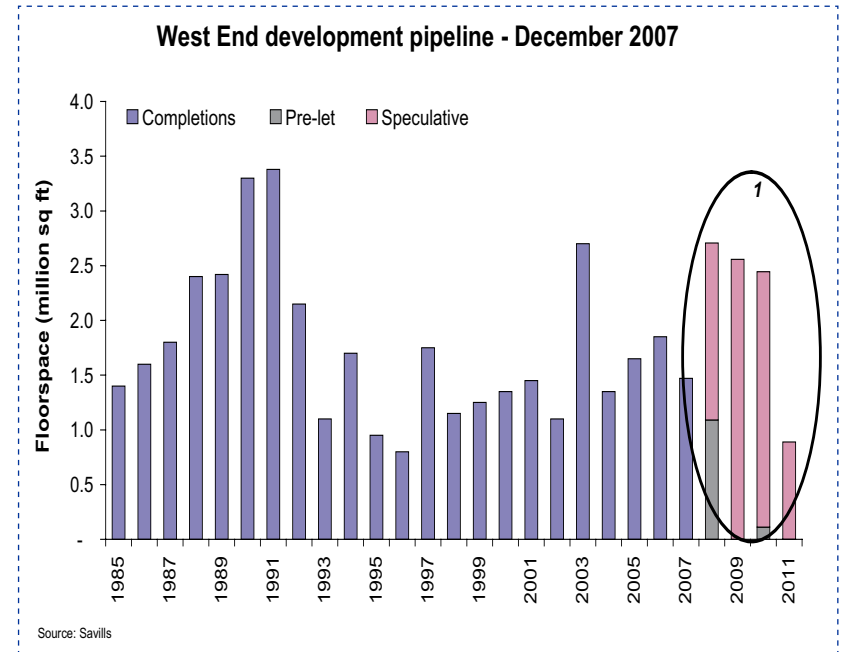
- £7.4bn of central London office investment transactions in 2008 – down 58% on 2007 and 20% lower than the ten-year average (1)
- However, transactions in the final quarter were £2.2bn – only 6% lower than the ten-year quarterly average
- West End transactions in 2008 were down 44% on the previous year
- Overseas investors accounted for 57% of central London investments in 2008 – similar to 2007
- During the year, West End prime yields moved out 75 basis points to 5.50% and City yields by 140 basis points to 6.65%
- The 5-year swap rate fell from 5.2% to 3.2% in 2008 – the main constraint is the availability of debt rather than the cost of borrowing (2)
- There is interest from equity buyers for circa £20m lot sizes (+10 year leases, good cash flow – yields circa 6%)



Our market

Development pipeline

- Market response to the economic conditions – West End development completions, 2008 to 2011, cut by 1.9m sq ft (1)
- 4.5m sq ft of new office space is due to be delivered between 2009 and 2011 (8% pre-let)
- The pipeline is considerably smaller than in the early 1990s recession when completions totalled 8.8m sq ft between 1990 and 1992 (2)
- It is not anticipated that the West End vacancy rate will rise to the 12% levels seen in the early 1990s
- Of key importance will be the amount of tenant controlled space that is released to the market



Valuation

Valuation performance

Key points

- Investment portfolio valuation 31 December 2008

	Portfolio valuation £m	Valuation movement £m ¹	Valuation movement %
Investment properties	1,975.9	-543.6	-21.6
Development properties ²	107.0	-46.9	-30.5
Underlying	2,082.9	-590.5	-22.1
Acquisitions	25.1	-6.6	-20.8
	2,108.0	-597.1	-22.1

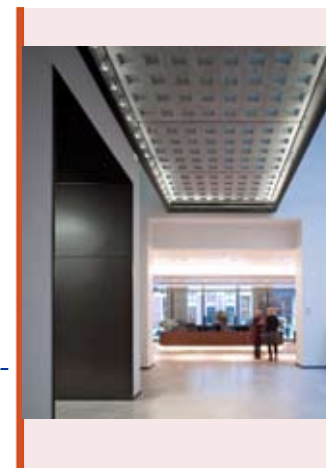
- Valuation movement

	H1 %	H2 %	2008 %
West End	-5.3	-17.8	-22.1
City Borders	-7.8	-17.5	-23.9
Central London	-5.8	-17.8	-22.5
Provincial	-8.6	-7.7	-15.6
Underlying	-6.0	-17.2	-22.1

- Underlying rental value movement -3.4%
 - H1 +1.3%
 - H2 -4.6%

- An outperformance against the IPD³ office capital value growth figures
 - Central London -27.0%
 - West End -25.4%
 - City -28.7%

¹ Prior to the adjustment for lease incentives of £5.0m
² Angel Building, Arup III, Gresse Street/Rathbone Place, Leonard Street
³ Quarterly Index



Our low rents provided some resilience to the valuation decline

Valuation performance

By location

	Portfolio valuation £m	Weighting %	Valuation movement 2008 ¹ %	Valuation movement 2008 ² £m	Comment
West End					
Paddington	38.7	2	-7.6	-3.2	Planning permission at North Wharf Road
Belgravia	118.7	6	-15.0	-21.0	Long term development potential
Victoria	235.7	11	-19.2	-55.8	Letting activity at Gordon House
Soho/Covent Garden	213.8	10	-21.2	-57.6	
Noho	138.7	7	-22.9	-41.0	
Baker Street/Marylebone	116.8	5	-23.2	-35.3	
Fitzrovia/Euston	522.5	25	-24.2	-166.3	
Camden/Islington	97.7	5	-25.0	-32.6	
Mayfair	44.7	2	-30.2	-19.4	11% rental value decline
Other ³	20.1	1	-25.0	-6.7	
	1,547.4	74	-22.1	-438.9	
City Borders					
Shoreditch	63.6	3	-9.5	-6.6	Continued letting activity at Tea Building
Clerkenwell	127.7	6	-23.7	-39.7	
Holborn/Midtown	100.7	5	-25.2	-33.9	
Old Street	126.2	6	-26.8	-46.3	
Southbank	7.0	-	-49.1	-6.7	Short term letting at low rent
Other	0.3	-	-	-	
	425.5	20	-23.9	-133.2	
Central London	1,972.9	94	-22.5	-572.1	
Provincial	135.1	6	-15.6	-25.0	Relatively long leases
Investment portfolio	2,108.0	100	-22.1	-597.1	

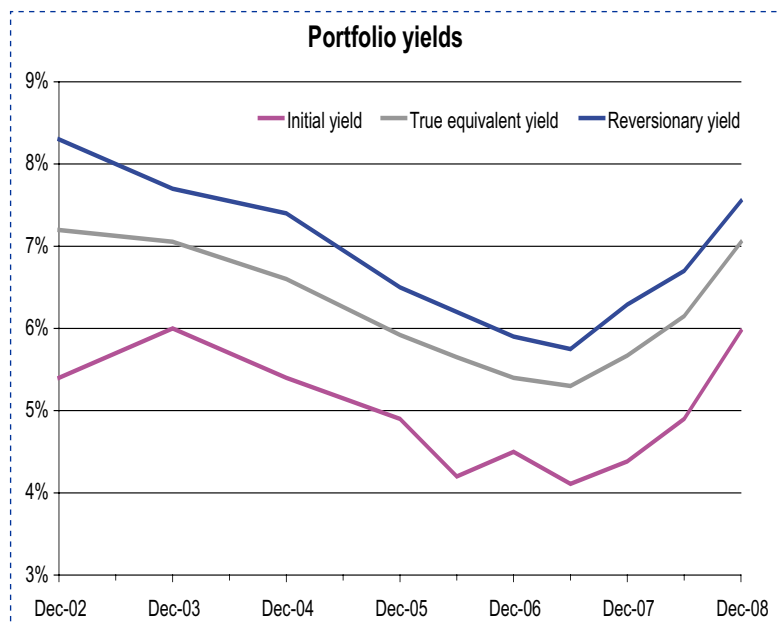
¹ Underlying - properties held throughout the period ² Including acquisitions ³ Principally Portobello Dock

Valuation performance

True equivalent yields

True equivalent yields

	Dec 2007 %	H1 movement basis points	June 2008 %	H2 movement basis points	Dec 2008 %	2008 movement basis points
West End	5.56	38	5.94	93	6.87	131
City Borders	5.96	67	6.63	131	7.94	198
Central London	5.67	41	6.08	100	7.08	141
Provincial	6.45	103	7.48	33	7.81	136
	5.72	43	6.15	97	7.12	140



- True equivalent yield of 7.12%
- 140bp outward movement in the equivalent yield in 2008
- As anticipated, West End proving more resilient
- Reflects a 177bp outward movement since June 2007

Valuation performance

Yields and lease length

Yield profile¹

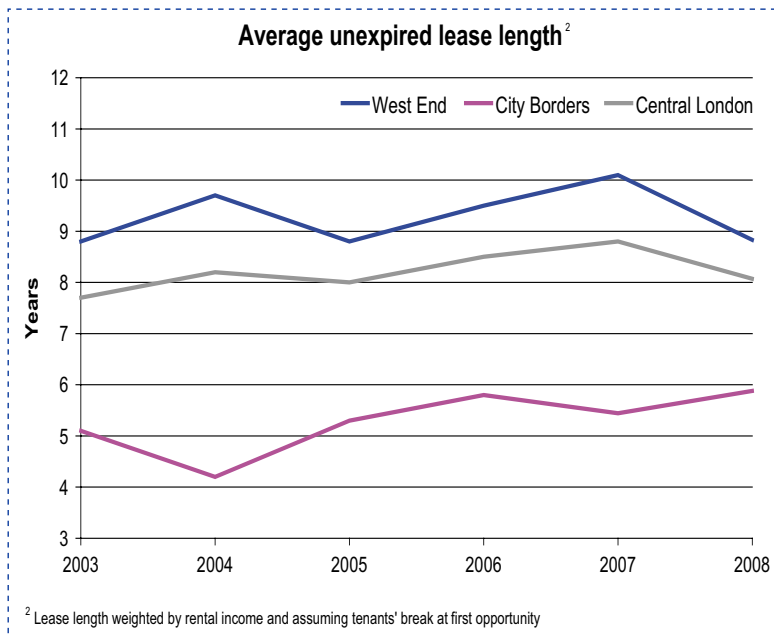
	Initial yield %	Reversionary yield %	Yield spread %
West End	5.6	7.4	1.8
City borders	7.1	8.3	1.2
Central London	5.9	7.6	1.7
Provincial	6.4	6.9	0.5
	6.0	7.6	1.6

- Initial yield based upon £126.4m annualised contracted rental income at 31 December – Appendix 7
 - Includes rent frees – principally Burberry, expires later this year
 - Pre-run off initial yield of 5.5%

- 160bp increase in the initial yield over 2008

- Reversion concentrated in the West End

- Weighted average unexpired lease length of 8.3 years
 - Central London 8.1 years
 - Provincial 11.9 years



¹ Yield to Derwent London at 31 December 2008 based upon an annualised contracted net rental income, including pre-lets, of £126.4m pa and an estimated rental value of £167.8m pa. Adjusted for costs to complete for commenced projects

Portfolio statistics

Portfolio summary

Rental income profile

Income profile	Core properties		Developments		Total		
	Rental uplift £m	Rental per annum £m	Rental uplift £m	Rental per annum £m	Rental uplift £m	Rental per annum £m	Yield ² %
Contracted rental income, net of ground rents		121.1		5.3 ¹		126.4	6.0
Letting vacant accommodation - available	6.4		-		6.4		6.3
Completion and letting of current schemes	5.0		2.8		7.8		6.6
Contracted Arup III additional rental increase at project completion	-		2.4		2.4		6.7
Angel additional rental income upon letting the development	-		6.2		6.2		6.7
Contractual lease rental increases across the portfolio	3.1		-		3.1		6.9
Anticipated rent review and lease renewal reversions	14.6		0.9		15.5		7.6
Portfolio reversion		29.1		12.3		41.4	
		150.2		17.6		167.8	

- Core portfolio £2,001m, including acquisitions
- Development properties £107m – Arup III, Angel Building, 16-19 Gresse Street/7-8 Rathbone Place and Leonard Street
 - £5.3m pa of income during construction – principally BT at Angel Building
 - £2.4m pa uplift from pre-let on completion of Arup III in 2009
- 33% reversionary potential at £41.4m – down from 47% in 2007 (£55.0m)
- Of the £18.6m rent review/lease reversion, £3.1m is contracted fixed uplifts

¹ Existing income from Angel Building (£4.2m) and Arup III (£1.2m) less ground rent for 16-19 Gresse Street and 7-8 Rathbone Place (£0.1m)

² Yield based upon the valuation of £2,108m and adjusted for cost to complete for commenced schemes and developments

Portfolio summary

Vacant accommodation

Vacant accommodation at 31 December 2008	Floor area 000 sq ft	Rental per annum £m	Comment
Available			
Qube, W1	46	2.5	41,000 sq ft under offer/let post year end
Strathkelvin, Scotland	60	1.0	Encouraging interest following M&S letting in December 2008
Portobello Dock, W10	33	0.8	Now targeting smaller suites
1-3 Grosvenor Place, SW1	9	0.5	Under offer
Other	76 224	1.6 6.4	
Refurbishments			
Totfield House, W1 ²	14	0.5	Refurbishment in progress. Completion Q2 2009
Bishops Bridge Road, W2	8	0.5	Restaurant short term lettings pending development
4 Grosvenor Place, SW1	8	0.4	Part office floor
45-51 Whitfield Street, W1 ²	10	0.4	Refurbishment in progress. Completion Q2 2009
Victory House, W1	11	0.4	Change of use under consideration
Greencoat & Gordon House, SW1	4	0.2	Rolling refurbishment
Other	114 169	2.6 5.0	
Development¹			
Gresse Street/Rathbone Place	59	2.8	Completion autumn 2009
	452	14.2	

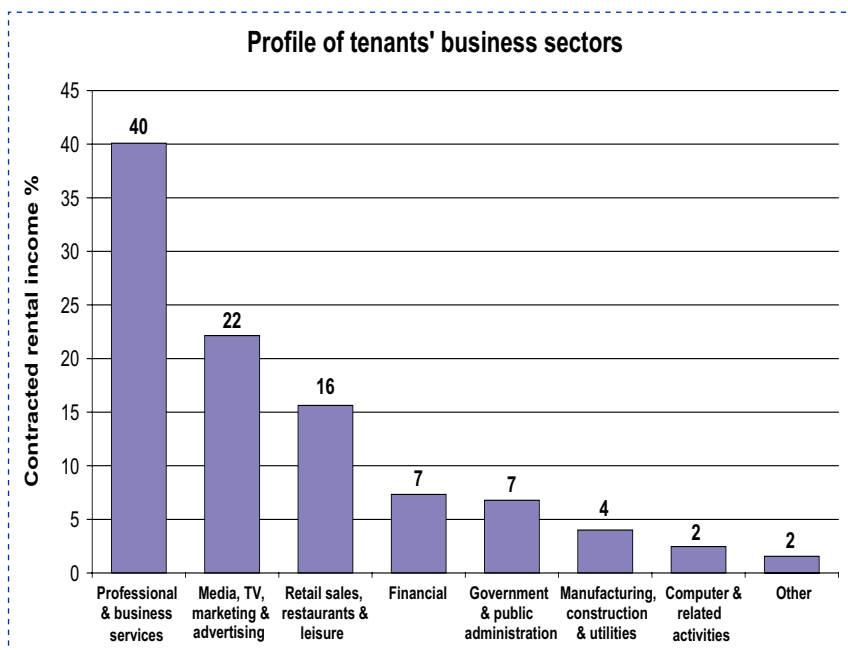
- Year end vacancy level of available space
 - 3.8% of portfolio rental value
 - 4.0% of portfolio floor area
- Good progress on lettings since year end

¹ The Angel development is currently let to BT under their existing lease. On expiry of this lease in March 2010, 139,500 sq ft will be taken by Cancer Research at £5.6m pa. The balance will be available with a rental value of £4.8m pa

² Forms part of the Saatchi masterplan, Fitzrovia

Portfolio summary

Tenant profile



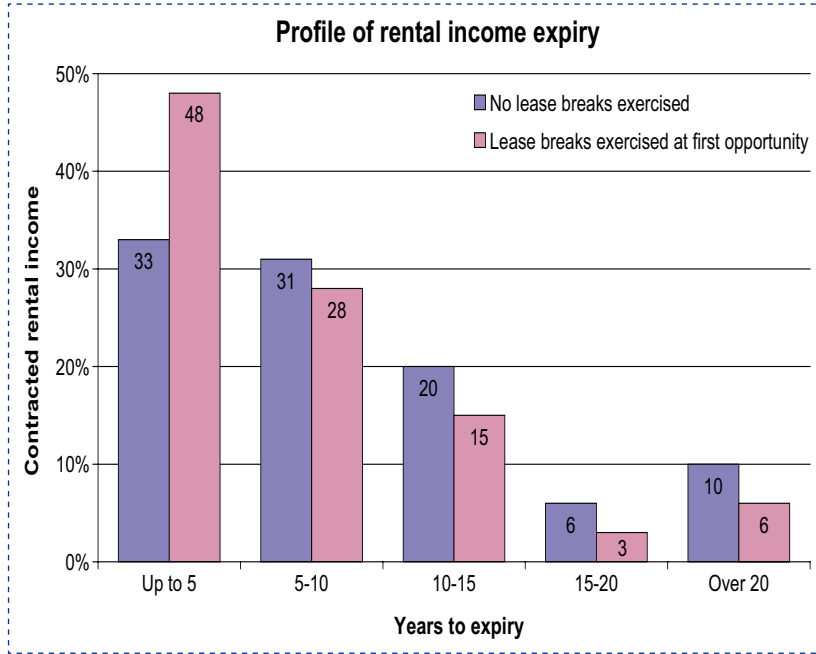
- Our occupier base covers a wide variety of business sectors
- Reflects the general composition of the West End
- Income collection in 2008 – averaged 97% within two weeks of the quarter day
- Tenant income profile
 - Ten principal tenants represent 35% of income
 - 23 tenants paying over £1m – 50% of income
 - 26 tenants paying £0.5m-£1m – 14% of income

	Net income ¹ %	Net income £m	Key expiry dates
Arup	7.8	10.0	2023 (£4.5m), 2031 (£3.6m)
Government	6.8	8.7	2011 (£2.3m), 2021 (£1.45m), 2022 (£1.72m)
Burberry	4.1	5.2	2033 with break in 2023 (£5.2m)
Saatchi & Saatchi	3.7	4.7	All 2013
BT	3.3	4.2	All 2010
Thomson Reuters	2.1	2.7	2016 with break in 2011 (£1.2m), 2022 with break in 2017 (£1.5m)
Pinsent Masons	1.9	2.4	All 2015
MWB Business Exchange	1.7	2.2	2018 (£1.6m), 2026 (£0.6m)
British Broadcasting Corporation	1.7	2.2	All 2059
Jupiter Investment	1.7	2.1	2024 with various breaks from 2009 (£1.4m)
	34.8	44.4	

¹ Based upon the annualised contracted net rental income of £126.4m

Portfolio summary

Lease expiries



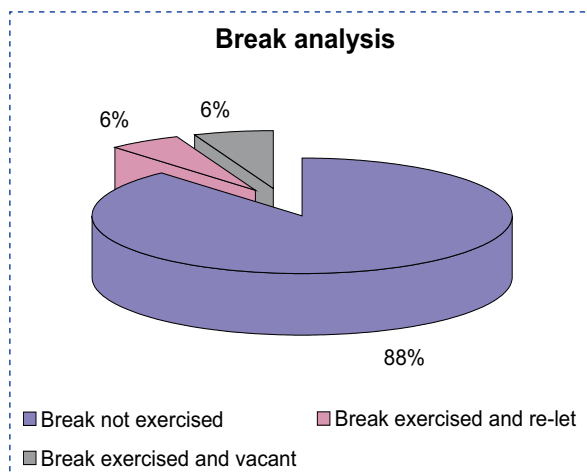
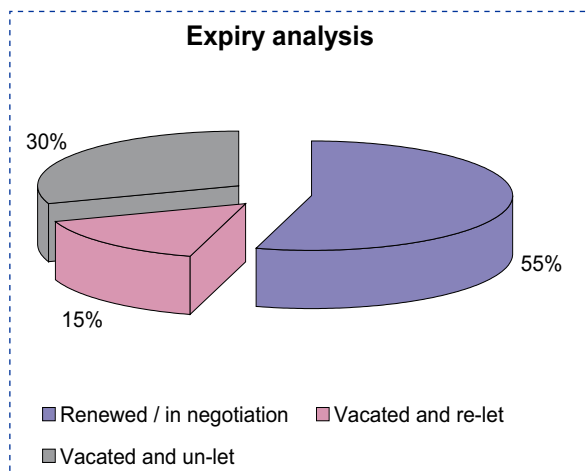
- Lease expiries by income over the next five years
 - No lease breaks exercised 33%
 - All lease breaks exercised 48%
- Costly for tenants to relocate – currently paying undemanding rents
- 2009 - 2010 expiry profile
 - 3% are rolling breaks, mainly our development properties – flexible leases
 - 3% Angel expiry in March 2010 – £4.2m pa

	2009	2010	2011	2012	2013	Total
	%	%	%	%	%	%
Expiries	4	4	6	2	8	24
Angel expiry	-	3	-	-	-	3
Single breaks	2	4	3	4	4	17
Rolling breaks	3	-	-	-	-	3
Holding over	1	-	-	-	-	1
	10	11	9	6	12	48

¹ Based upon the annualised contracted rental income of £126.4m at 31 December 2008

Portfolio summary

2008 lease expiries and breaks



Lease expiries

- 103 expiries in 2008 – £7m
 - Included 37 holding over
 - Represented 5.5% of rental income
 - 55% of income retained
- 35 vacated – 140,000 sq ft
 - 34% of space vacated was re-let (Wedge House 35,000 sq ft)
 - The balance represents 1.6% of rental income – £2m
 - Totfield House and 45-51 Whitfield Street, W1 – £0.9m

Lease breaks

- 96 possible tenant breaks during 2008 – £6.0m
 - Represented 4.7% of rental income
 - 88% of income retained
- 16 tenants exercised their break (£0.7m pa) – 40,000 sq ft
 - 48% of space vacated was re-let at £0.4m pa

Combined 2008

- Exposure at 10% of rental income
 - 70% retained, 11% re-let, 19% vacant (102,000 sq ft)

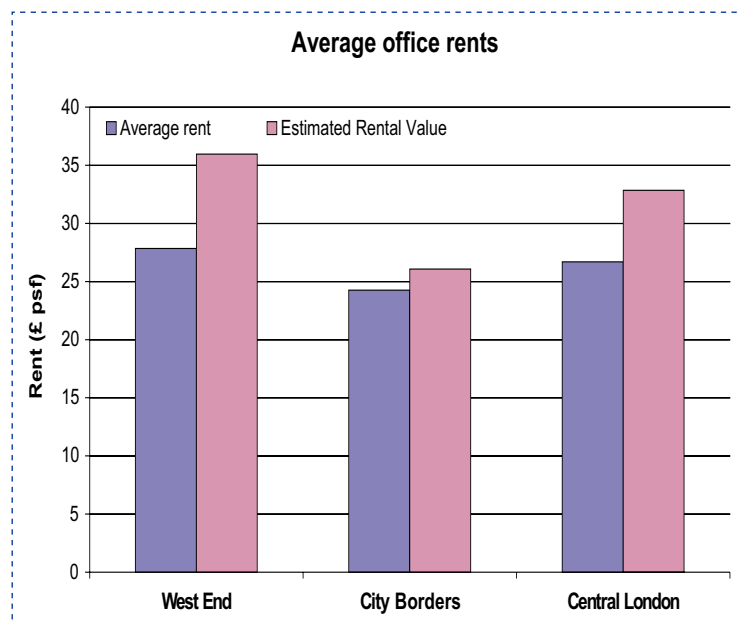
Active management is a key part of the business

Portfolio summary

Portfolio office rents

Rent banding	West End %	City Borders %	Total %
£0 - £20 psf	7	6	13
£20 - £30 psf	15	7	22
£30 - £40 psf	26	15	41
£40 - £50 psf	15	1	16
£50 - £60 psf	4	-	4
£60+ psf	4	-	4
	71	29	100

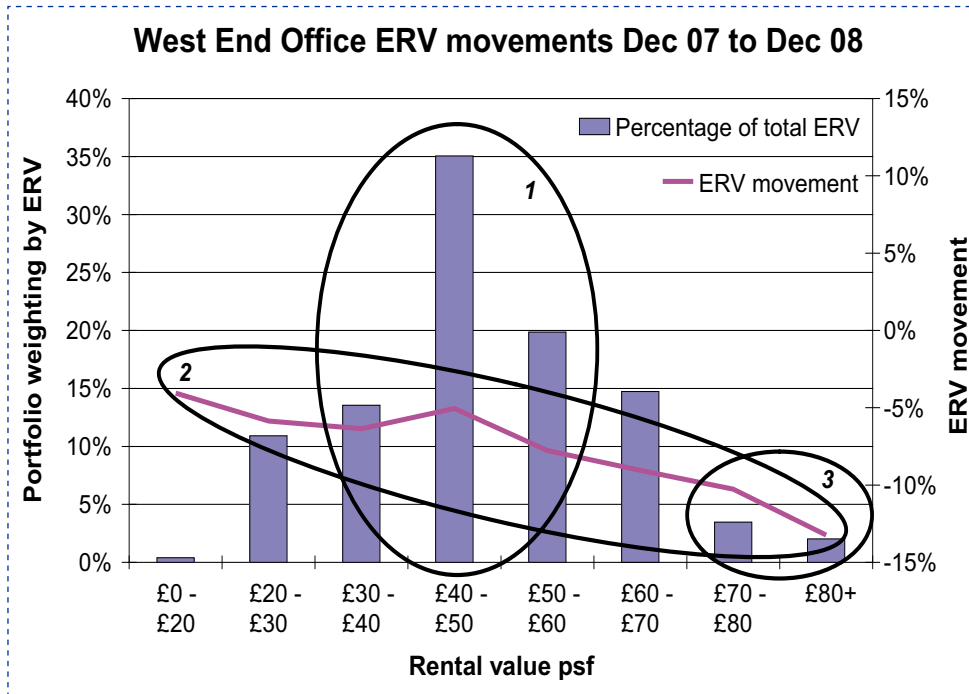
- Our low office rents should offer defensive qualities
- 63% of our office rents are between £20 – £40 psf



- West End average office rents
 - Passing £28 psf
 - Estimated rental value £36 psf
- City Borders average office rents
 - Passing rent £24 psf
 - Estimated rental value £26 psf

Portfolio summary

Office ERV movements



- The portfolio concentrated to ERV's between £30-£60 psf (1)
- Our middle market rental levels were more resilient over the year
- Our lower rental values saw less decline (2)
- The highest rental value declines were in levels above £70 psf (3)

Portfolio management

Lettings and activity

Key points

- Our market – mid range rents of £37-£55 psf
- £16.3m pa of lettings in 2008 totalling 488,000 sq ft (82 transactions) – Appendix 6
- 29% of the letting activity was in the last quarter of 2008 – 141,000 sq ft
- £9.3m of the £16.3m pa was new income – space that was not income producing at the start of 2008
- Lettings were 6.6% below the valuer's estimated rental values at December 2007
 - +2.3% if short term development lettings are excluded - Wedge House



An active year in a difficult letting market

Lettings and activity

Asset management initiatives



Angel Building, EC1

- 139,500 sq ft pre-let to Cancer Research UK
- £5.6m pa (£41 psf)
- 20 year lease with a break at year 15
- Rent free 24 months
- Completion 2010



Greencoat & Gordon House, SW1

- 26,100 sq ft let - £1.3m pa
- Includes 15,900 sq ft pre-let to The Benefit Express
£0.86m pa (£57.50 psf)
- New rental level achieved



151 Rosebery Avenue, EC1

- 19,500 sq ft pre-let to Momentum Activating Demand
- £0.73m pa (£40 psf)
- 15 year lease, with tenant break at year 10
- Rent free 15 months



Qube, W1

- 44,400 sq ft let - £2.32m pa
- Offices:
HOK £1.3m pa (£56psf)
Tribal £0.71m pa (£58 psf)
Retail: Space NK, Tossed
- Leases 10-15 years

Lettings and activity

Asset management initiatives



Tea Building, E1

- 10,000 sq ft, 25 room boutique hotel, pre-let to Soho House
- £0.28m pa, 12 months rent free
- 23 year lease



100 George Street, W1

- 4th floor penthouse - 3,200 sq ft
- Pre-let at £0.29m pa (£85 psf)
- 5 months rent free



Tea Building, E1

- 32,700 sq ft - £0.68m pa
- Includes new lettings to Living Design, Oakley and BD Networks
- 5 year leases



North Wharf Road, W2

- 20,400 sq ft - £0.41m - £20 psf
- Includes short term lettings to Photobox and DA Cheltenham
- Retained flexibility for future development aspirations

Acquisitions and disposals

Acquisitions and disposals

Key points

- 2008 disposals – net proceeds £72.6m
 - Income £3.2m pa – disposal yield 4.4%
 - Profit £1.2m – included £1.6m of surplus from the sale of residential lease extensions
 - 29 properties sold – Bournemouth and Southampton retail, Portobello Dock residential
- 2008 acquisitions – £31.9m, after costs
 - Strategic acquisitions – adjacent to existing holdings
 - 53-65 Whitfield Street, W1 – adjacent to Saatchi Building, Fitzrovia
 - Land at Back Church Lane, E1 – consolidates Commercial Road holdings
 - Vauxhall Bridge Road, SW1 – residential potential, planning swap
 - 9-10 Rathbone Place, W1 – adjacent to Gresse Street development
 - Income £1.5m pa
 - Net initial yield 4.7%
- Post year end, 157-165 Charing Cross Road and 17 Oxford Street have been subject to compulsory purchase by Crossrail
 - Interim payment of £14.4m received – final payment subject to formal valuation
 - Income £1.0m pa
 - An opportunity for us to be involved in a major project
- Potential sales 2009 of £75-£100m

Non-core disposals and selective acquisitions



Projects update

Projects update

Key points

- Current projects – 57% pre-let
 - Angel Building, Arup III, Gresse Street
 - Creating exciting and vibrant spaces that represent good value
 - £99m of capex required to complete
 - Valuation movement of all development properties -30.5%
 - Outward yield movement and increased letting risks on the vacant space – 218,000 sq ft
- Planning consents totalled 866,000 sq ft – six future projects
 - 154% increase in floor area – 525,000 sq ft of additional space
 - Current income of £4.2m pa
 - 86% occupancy rate
- To continue selective appraisal studies – (Appendix 9) including
 - Charing Cross Road Crossrail application progressing



Pre-letting activity and scheme implementation flexibility

Projects update

Current projects

Property	Floor area 000's sq ft	Est capital expenditure to complete ¹ £m	Total cost ² £m	Headline ERV £ psf	Est rental value £m pa	Est yield %	Est end value £m	Est surplus to come £m	Anticipated completion date
Developments									
1. Gresse Street/Rathbone Place, W1	59	10.3	32.2	50	2.7	6.50	39.1	6.9	Q3 2009
2. Arup III, W1 - 100% pre-let	85	14.0	48.7	42	3.6	6.25	54.5	5.8	Q4 2009
3. Angel Building, EC1 - 53% pre-let	263	75.0	135.0	40	10.4	6.75	151.9	16.9	Q3 2010
	407	99.3	215.9		16.7		245.5	29.6	



16-19 Gresse Street, W1



Arup III, Fitzroy Street, W1



Angel Building, St John Street, EC1

¹ Post 31 December 2008

² Comprising latest book value, capex to complete, fees and notional interest

Projects update

Angel Building, St John Street, EC1



- Pre-2008
 - 162,500 sq ft building
 - Let at £4.2m pa to BT until March 2010

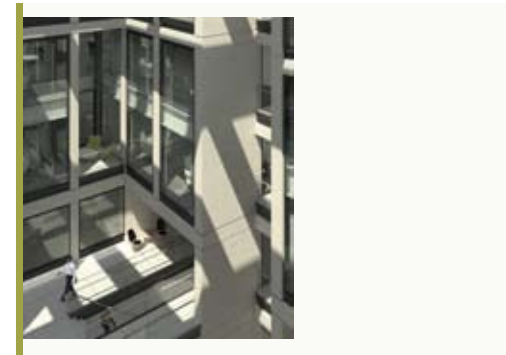
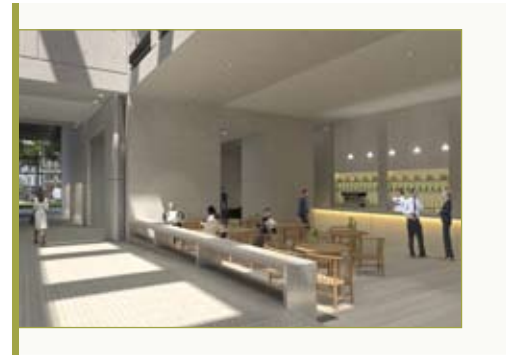
- Today
 - 263,000 sq ft refurbishment
 - Demolition works completed
 - Building taken back to frame
 - Main works to the expanded building envelope and atrium underway
 - 139,500 sq ft pre-let to Cancer Research UK

- Summer 2010
 - Project delivery

A transformation taking place

Projects update

Angel Building, St John Street, EC1



- Exciting new identity with triple span entrance
- Spectacular atrium
- Flexible floor plates (10,000 - 50,000 sq ft)
- New ground floor life
 - Cafe/retail, lounges, public art



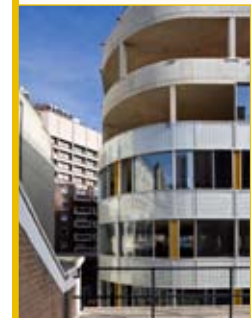
A close attention to detail to create a new landmark building

Projects update

16-19 Gresse Street, W1

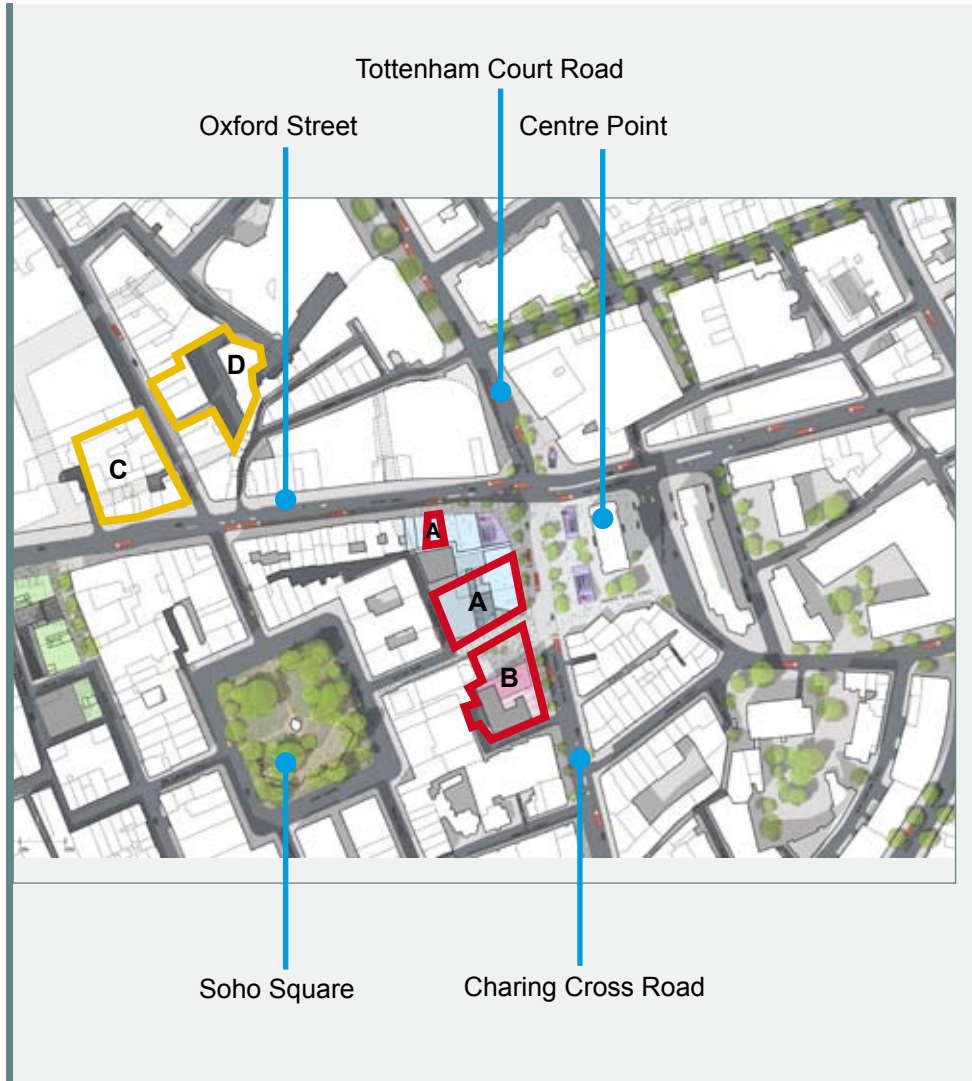


- 47,000 sq ft of offices – completion autumn 2009
- A courtyard environment
- Exciting new facade
 - Aluminium with fritted and opaque glass panels
- 5th and 6th floor roof terraces



Appraisal studies

Charing Cross Road, WC2



- Existing buildings – 107,000 sq ft mix of offices and retail producing £3.4m pa (—)
- February 2009 – The Astoria and 17 Oxford Street compulsory purchased – 45,000 sq ft – income £1m pa (A)
- Interim proceeds of £14.4m - subject to valuation
- 135-155 Charing Cross Road ultimately to be part of the site (B)
- Other Derwent London holdings to benefit:
 - Holden House, Oxford Street (C)
 - 16-19 Gresse Street (D)

Appraisal studies

Charing Cross Road, WC2



- A major Crossrail transport interchange proposed at the corner of Oxford Street and Charing Cross Road
- Revitalising the eastern end of Oxford Street
- Derwent London masterplanning the above ground commercial space
- Current studies include
 - 200,000 sq ft offices
 - 40,000 sq ft retail
 - 40,000 sq ft multi-purpose performance venue
- Creating new public realm to reveal Soho Square and St Patrick's Church
- A pre-emption option to acquire the site upon completion of Crossrail – circa 2016

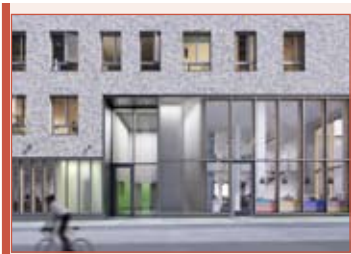
A unique opportunity to be involved in this major West End project

Project pipeline

Planning consents

Property	Current rental income pa £m	Existing floor area 000's sq ft	Consented floor area 000's sq ft	Uplift %	Comments
1. Leonard Street, EC2 ¹	n/a	n/a	55	n/a	Offices/residential site
2. Wedge House, SE1 ¹	0.3	39	81	108	Re-let 5 year term with breaks
3. The Turnmill, EC1 ¹	0.3	45	65	44	Improving planning consent
4. 40 Chancery Lane, WC2 ^{1,2}	1.1	71	98	38	Lease breaks between 2010 and 2012
5. North Wharf Road, W2 ²	1.7	84	316	276	Lease breaks from 2010
6. City Road Estate, EC1 ¹	0.8	102	251	147	Residential/offices
	4.2	341	866	154	

- Images of proposed schemes



Leonard Street, EC2



Wedge House, SE1



The Turnmill, EC1



Chancery Lane, WC2



North Wharf Road, W2



City Road Estate, EC1

¹Freehold ²Leasehold

Project pipeline

Summary

- To complete and let current projects
- New projects on hold - a number of exciting opportunities for when the market recovers
 - North Wharf Road, Paddington
 - Chancery Lane, Holborn
- Maximise income and flexibility
 - Traditionally a core part of our business
- To continue selective appraisal studies
 - Charing Cross Road, Soho 2016
 - Charlotte Street, Fitzrovia 2013
 - Hampstead Road, Euston 2012



A focus on completing current projects

Summary

Summary

- A difficult year for the property sector but relative success was achieved
 - Property outperformance
 - Our brand of space continues to attract tenants
 - Low passing rents – defensive qualities
 - Managing voids actively – low vacancy rate of 3.8%
 - Experienced asset management team
- For the immediate future, a concentration on
 - Cash flow generation and cost management
 - Minimising voids – close tenant liaison
 - Balance sheet management
 - Conservative financing and stringent risk management
 - Selective disposals
- Prepared to re-enter the market when clear opportunities identified for value creation

Appendices

Appendices

1. Debt facilities
2. Finance detail
3. Capital expenditure
4. Portfolio summary
5. Portfolio statistics by village
6. Principal lettings 2008
7. Annualised contracted rental income
8. Projects completed in 2008
 - Arup II, W1
 - Horseferry House, SW1
 - Portobello Dock, W10
9. Appraisal studies
10. Building cost trends
11. Management structure - executive team

Appendix 1

Debt facilities

	£m	Nominal £m	Maturity
6.5% secured bond		175.0	March 2026
Floating rate guaranteed unsecured loan note		3.2	February 2012
Committed bank facilities			
Term ¹	28.0		June 2018
Term/revolving credit ²	125.0		[March] 2014
Revolving credit	100.0		November 2013
Revolving credit	100.0		April 2013
Term/revolving credit	375.0		March 2013
Term unsecured	29.2		June 2012
Revolving credit	<u>200.0</u>		December 2011
		957.2	
Overdraft		<u>10.0</u>	On demand
		<u>1,145.4</u>	

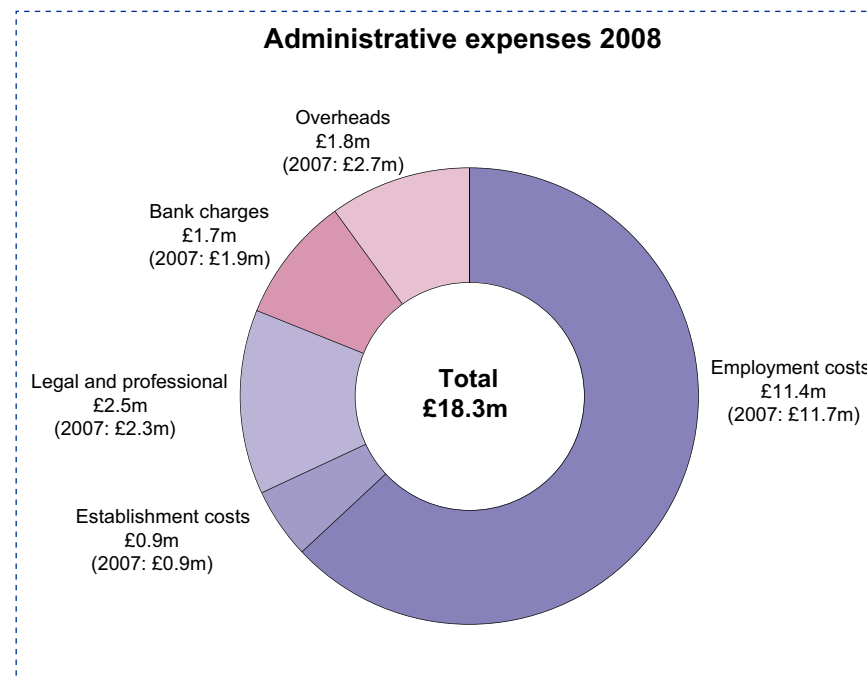
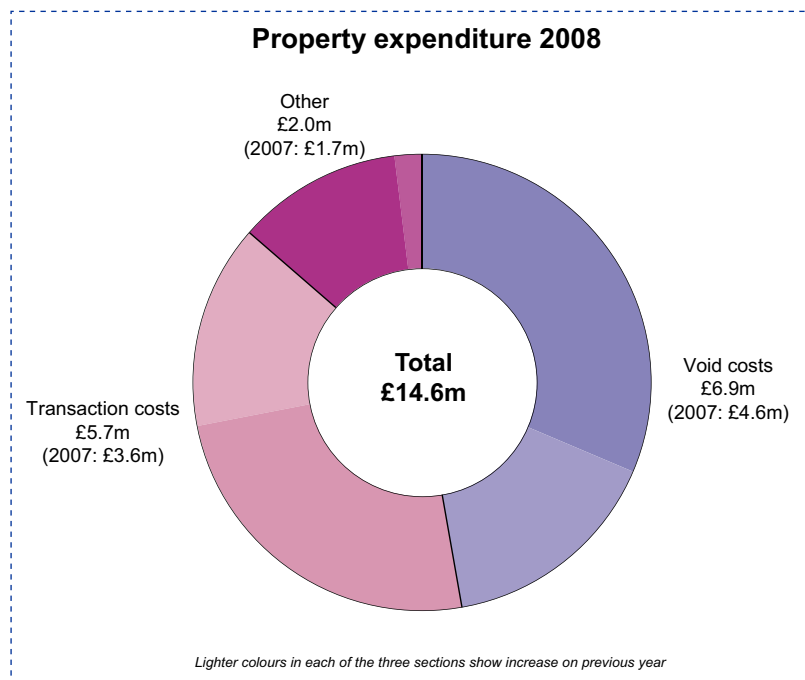
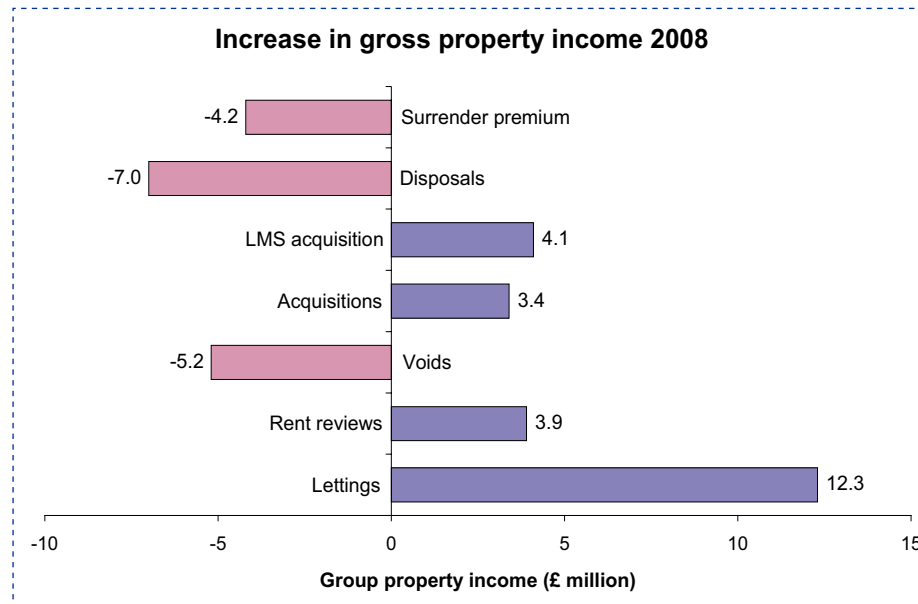
¹ subject to credit review in 2013

² credit approved; documentation to be completed

All facilities are secured unless noted otherwise

Appendix 2

Financial detail



Appendix 3

Capital expenditure

Summary by property	2008 actual	2009 budget	2010 budget	2011 & beyond ¹ budget
	£m	£m	£m	£m
Angel Building	12.0	46.3	25.1	3.6
Arup III	3.9	14.0	-	-
16-19 Gresse St & 7-8 Rathbone Place	7.8	10.1	0.2	-
Tea Building	0.8	4.3	-	-
Arup II	12.4	2.7	-	-
Castle House, 75 Wells Street	0.4	1.5	0.2	-
Qube	2.1	1.1	-	-
Portobello Dock	3.3	1.1	-	-
City Road Estate	1.5	0.8	1.0	-
9 & 10 Rathbone Place	-	0.8	0.6	-
The Turnmill	0.7	0.5	-	-
Gordon House	4.0	0.5	-	-
1-5 Grosvenor Place	0.6	0.4	0.3	-
Horseferry House	10.4	0.3	-	-
151 Rosebery Avenue	3.5	0.3	-	-
100 George Street	1.8	0.3	-	-
Suffolk House	-	0.3	2.9	-
55-65 North Wharf Road	0.9	0.2	0.3	-
Wedge House	1.1	0.2	-	-
Other	5.8	6.5	5.7	0.5
	73.0	92.2	36.3	4.1

¹ Does not include schemes that may commence in 2011 and beyond

Appendix 4

Portfolio summary

	Valuation £m	Net contracted rental income per annum £m	Average rental income £ psf	Vacant floor area rental value per annum £m	Rent review and lease reversions per annum £m	Total reversion per annum £m	Estimated rental value per annum £m
West End							
Central	1,429.6	79.2	28.14	10.0	17.5	27.5	106.7
Borders	117.8	8.0	15.00	1.7	6.4	8.1	16.1
	1,547.4	87.2	26.07	11.7	23.9	35.6	122.8
City							
Borders	425.5	30.6	24.25	1.5	3.6	5.1	35.7
	1,972.9	117.8	25.58	13.2	27.5	40.7	158.5
Central London							
Provincial							
Scotland	94.4	5.3	15.84	1.0	0.1	1.1	6.4
Other	40.7	3.3	19.63	-	(0.4)	(0.4)	2.9
	135.1	8.6	17.12	1.0	(0.3)	0.7	9.3
Investment portfolio	2,108.0	126.4	24.75	14.2	27.2	41.4	167.8

West End

Central: Belgravia, Mayfair, Soho, Covent Garden, Victoria, Fitzrovia, Euston, Noho, Paddington, Baker Street, Marylebone
 Borders: Camden, Islington, Ladbroke Grove

City

Borders: Clerkenwell, Holborn, Shoreditch, Southbank, Old Street

Appendix 5

Portfolio statistics by village

	Valuation £m	Weighting %	Floor area sq ft 000's	Vacant floor area sq ft 000's	Net contracted rental income £m pa	Average rental income £psf	Vacant accommodation rental value £m pa	Rent review/ lease renewal reversion ² £m pa	Total reversion £m pa	Estimated rental value £m pa
West End: Central										
Fitzrovia/Euston	522.5	25	1,339	97	28.4	22.91	4.2	6.9	11.1	39.5
Victoria	235.7	11	484	4	14.8	30.79	0.2	3.3	3.5	18.3
Soho/Covent Garden	213.8	10	423	1	11.4	27.95	-	2.8	2.8	14.2
Noho	138.7	7	276	75	7.2	36.93	3.5	0.5	4.0	11.2
Belgravia	118.7	6	167	21	6.6	46.04	1.2	1.1	2.3	8.9
Marylebone/Baker Street	116.8	5	246	8	7.1	29.78	0.4	2.0	2.4	9.5
Mayfair	44.7	2	42	-	2.0	48.52	-	0.9	0.9	2.9
Paddington	38.7	2	86	9	1.7	23.72	0.5	-	0.5	2.2
West End: Borders										
Islington/Camden	97.7	5	535	39	7.2	14.53	0.6	6.4	7.0	14.2
Other ¹	20.1	1	85	50	0.8	21.50	1.1	-	1.1	1.9
West End	1,547.4	74	3,683	304	87.2	26.07	11.7	23.9	35.6	122.8
City: Borders										
Clerkenwell	127.7	6	385	32	9.3	26.72	0.7	1.2	1.9	11.2
Old Street	126.2	6	389	33	8.9	25.02	0.4	(0.1)	0.3	9.2
Holborn	100.7	5	266	3	7.8	29.65	0.1	1.1	1.2	9.0
Shoreditch	63.6	3	272	16	4.3	16.60	0.3	1.4	1.7	6.0
Southbank	7.0	-	39	-	0.3	8.51	-	-	-	0.3
Other	0.3	-	2	2	-	-	-	-	-	-
City Borders	425.5	20	1,353	86	30.6	24.25	1.5	3.6	5.1	35.7
Central London	1,972.9	94	5,036	390	117.8	25.58	13.2	27.5	40.7	158.5
Provincial										
Scotland	94.4	4	395	62	5.3	15.84	1.0	0.1	1.1	6.4
Other	40.7	2	170	-	3.3	19.63	-	(0.4)	(0.4)	2.9
Provincial	135.1	6	565	62	8.6	17.12	1.0	(0.3)	0.7	9.3
Investment portfolio	2,108.0	100	5,601	452	126.4	24.75	14.2	27.2	41.4	167.8

¹ Principally Portobello Dock

² Includes reversion on Angel Building (£6.3m) and Arup III (£2.4m)

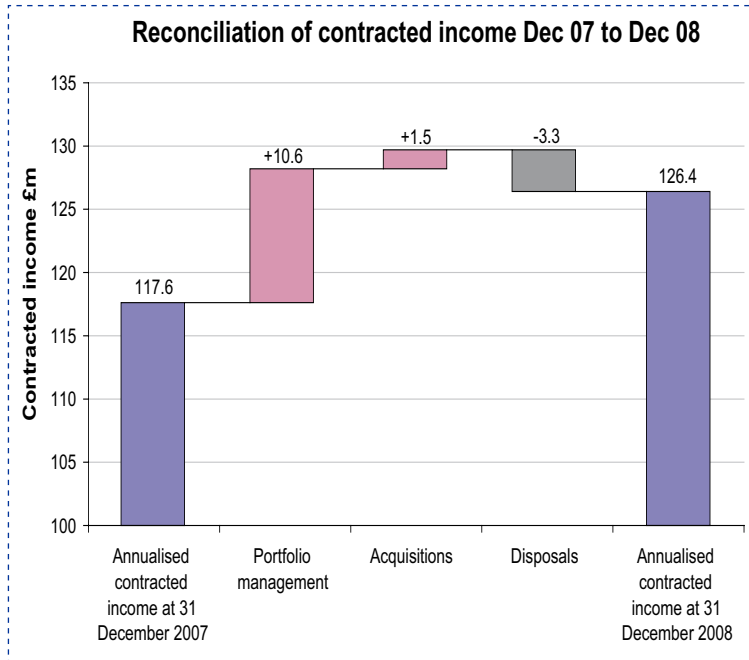
Appendix 6

Principal lettings 2008

	Approximate net area sq ft	Rental per annum £m	Headline rental £psf	Timing 2008	Comment
Angel Building, EC1	139,500	5.60	41	Q3	Pre-let to Cancer Research UK
Qube, W1	44,400	2.32	56/58	Q3-Q4	Office floors to HOK and Tribal; retail units to Space NK and Tossed
Greencoat & Gordon House, SW1	26,100	1.32	57	Q3-Q4	British Wind Energy Association, Sucre Export and The Benefit Express
Tea Building, E1	42,700	0.96	25	Q1-Q4	Eleven lettings including a pre-let to Soho House to provide a 25 bedroom boutique hotel
151 Rosebery Avenue, EC1	19,500	0.73	40	Q3	Momentum Activating Demand
163-170 Tottenham Court Road, W1	22,300	0.70	31	Q1	Short-term letting to Arup
Oliver's Yard, EC2	19,500	0.62	32	Q3	Expansion space for existing tenant; Morningstar UK
Davidson Building, WC2	6,400	0.43	67	Q3	Expansion space for existing tenant; LECG
North Wharf Road, W2	20,400	0.41	20	Q2-Q4	Various short-term lettings
1-3 Grosvenor Place, SW1	7,700	0.36	47	Q4	Richmond Park Capital
City Road Estate, EC1	34,300	0.34	10	Q1-Q4	Various short-term lettings
100 George Street, W1	3,200	0.29	85	Q2	New penthouse floor let to Argent Construction
Wedge House, SE1	34,800	0.29	8	Q4	Short-term letting to Kids Company
Strathkelvin, Scotland	15,000	0.22	15	Q4	Retail letting to M&S Simply Foods
4-5 Grosvenor Place, SW1	3,200	0.18	54	Q3	Triple Point Management
19-26 Floral Street, WC2	2,900	0.13	n/a	Q2	Residential
6-7 St Cross Street, EC1	2,400	0.10	40	Q2	Boyce Recruitment
Other	43,700	1.30	-	Q1-Q4	Various lettings
	488,000	16.30			

Appendix 7

Annualised contracted rental income



Annualised contracted rental income at 31 December 2008

- Includes
 - Annualised rents under committed leases
 - Pre-lets – eg Soho House Hotel at £0.3m pa. However, excludes Cancer Research UK pre-let (£5.6m pa) at Angel Building as there is an existing lease to BT on the building and this income (£4.2m pa) is recognised
 - Rent frees – eg Burberry at Horseferry House, rent free expiry 2009
- Excludes
 - Any future contracted stepped rent changes – eg Arup III rent rises from £1.2m pa to £3.6m pa upon building completion
 - Future rent review increases where there is a contracted minimum level

Appendix 8

Projects completed in 2008 - Arup II, W1



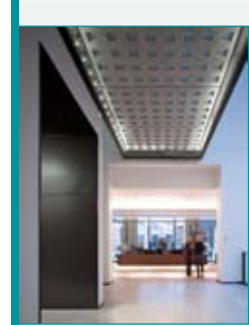
- Completed April 2008
- 57,000 sq ft offices
- Pre-let to Arup – 25 years, no breaks
- Rent £2.4m pa (£42 psf)
- Occupancy rate 100%



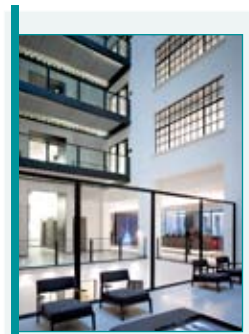
Impressive offices around a central atrium

Appendix 8

Projects completed in 2008 - Horseferry House, SW1

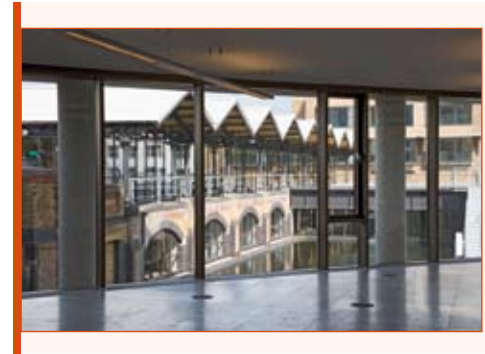
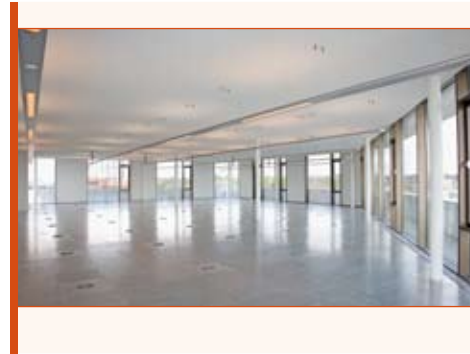


- Completed May 2008
- 163,000 sq ft offices
- Pre-let to Burberry - 25 year lease, break at 15
- Rent £5.3m pa (£38 psf)
- Occupancy rate 100%



Appendix 8

Projects completed in 2008 - Portobello Dock, W10















- Completed May 2008
- 69,000 sq ft mixed use scheme
- New and refurbished offices
- Residential units - sold
- Occupancy rate 8.0%



An attractive waterside campus location

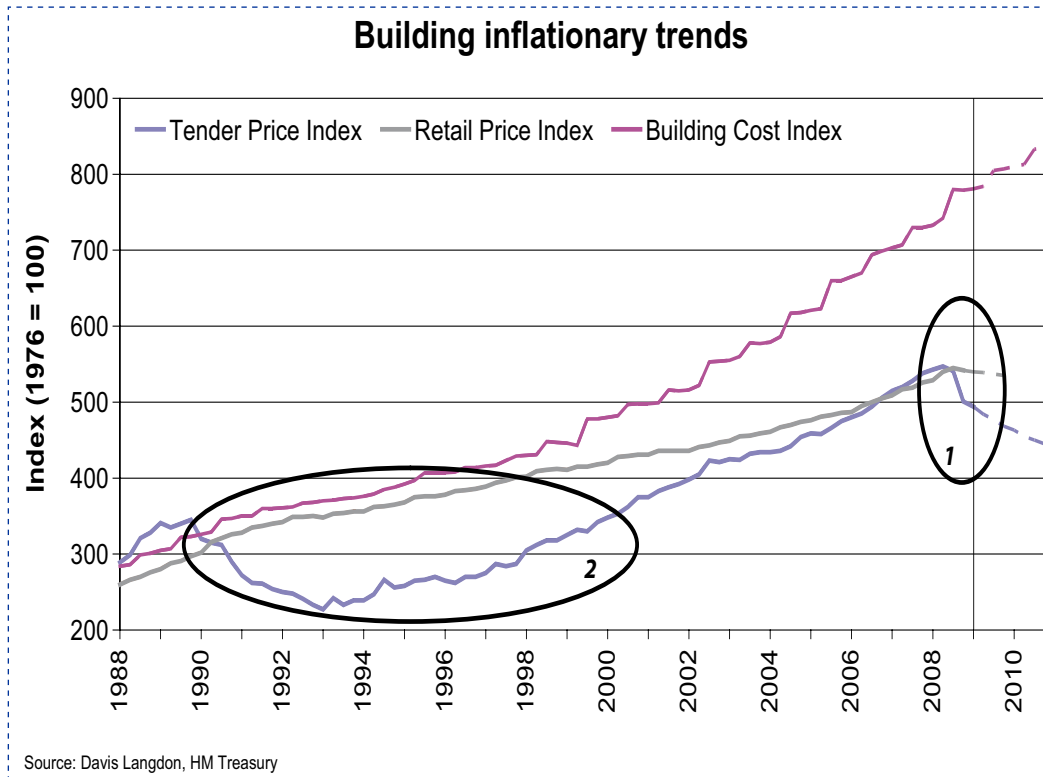
Appendix 9

Appraisal studies

Property	Current income £m pa	Existing area 000's sq ft	Potential area 000's sq ft	Appraisal studies/planning evaluation	Comment
Charlotte Street 	4.7	200	300		A major redevelopment opportunity on our Fitzrovia Estate, which is part of a masterplan to revitalise this West End location. Occupied by Saatchi & Saatchi on leases that expire in 2013.
Hampstead Road 	2.0	230	300		Adjacent to Euston Station. There is potential to improve the current consent, that was in place at acquisition. Tenants: British Home Stores, NHS and BP. Leases expire in 2011 and 2012.
Charing Cross Rd 	3.4	107	280		Crossrail Bill received Royal Assent in July 2008, which is a major step forward in unlocking this important West End holding. The location is to become a strategic Crossrail transport interchange. We are masterplanning the commercial element.
Grosvenor Place 	6.5	166	270		Various options under consideration for this landmark Belgravia location. The studies are in conjunction with our freeholder, the Grosvenor Estate.
Riverwalk House 	2.3	75	200		A prime riverside location overlooking the Thames in Victoria. Potential to substantially increase the site density through redevelopment. Tenant: Government lease expires in 2011.
Commercial Road 	0.5	30	120		Recent extension of our ownership in Back Church Lane has opened up the opportunity for a sizeable development near Aldgate East, City Borders. Tenants: Government and Thames Reach Housing. Leases expire in 2012.
	19.4	808	1,470		

Appendix 10

Building cost trends



- Prices rose by 2% in first half and fell 10% in the second half of 2008 (1)
- Davis Langdon Tender Price forecast
 - 2009 -5% to -8%
 - 2010 -4% to -6%
 - 2011 0% to +2%
 - 2012 +4% to +6%
- Prices are expected to fall by 20% peak to trough with the trough likely to reach 2004 levels
- The early 1990s recession saw 13 quarters of falling prices (2)

Appendix 11

Management structure - executive team

- John Burns Chief Executive
- Simon Silver Head of Development
- Chris Odom Finance Director
- Nigel George Director
- Paul Williams Director
- David Silverman Director
- Tim Kite Company Secretary
- Nick Groves Senior Investment Manager
- Russell Durling Group Surveyor
- Gary Preston Financial Controller
- Celine Thompson Head of Leasing
- Simon Taylor Head of Asset Management

Disclaimer

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