ANNUAL RESULTS 2015 ANNOUNCEMENT

DERWENT LONDON PLC

DERWENT LONDON

25 February 2016

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

Excellent lettings, strong finances and well positioned for 2016

Financial highlights

- EPRA net asset value per share increased by 21.6% to 3,535p from 2,908p at 31 December 2014, and by 9.6% from 3,226p at 30 June 2015.
- Net rental income increased 7.8% to £138.7m from £128.7m in 2014.
- EPRA profit before tax rose 31.0% to £81.6m from £62.3m last year.
- EPRA earnings per share increased 25.0% to 71.34p per share.
- Proposed final dividend per share increased by 10.0% to 30.80p, making 43.40p for the full year.

Operational performance in 2015

- New lettings of £27.1m, on average 10.8% above December 2014 ERVs.
- The full year underlying portfolio valuation uplift was 16.5%, and was 7.1% in H2.
- The underlying valuation uplift on our developments was 31.5% in the year.
- Total property return was 19.9%, and ahead of the IPD Central London Offices Index of 19.7%.
- EPRA true equivalent yield was 4.52%; a 21bp reduction in 2015 of which 4bp was in H2.
- Estimated rental values on an EPRA basis increased by 11.8% in 2015 (by 6.6% in H2).
- Completed 226,000 sq ft of development - 72% profit on cost.
- Total acquisitions were £246m, total disposals £277m, and capital expenditure £116m.

Portfolio well positioned for future earnings growth with a good start to 2016

- Achieved £10.1m of new lettings (£9.2m net) in 2016 to date.
- Includes pre-letting all the offices at The Copyright Building W1 to Capita (announced today).
- Estimated portfolio reversion £141m pa at year end:
    - 25% contractual.
    - 54% from space to be let, principally developments and refurbishments of which half to be delivered in 2016-17, and half in 2019.
    - 21% from lease reviews and renewals.
- Estimated future capital expenditure including capitalised interest of £569m over four years.
- Estimated 5-8% ERV growth on our portfolio in 2016.

Strong finances

- Healthy 2015 financial ratios: interest cover 3.6x; dividend cover 1.6x; and LTV 17.8%.
- Net debt fell 10% to £911.7m in 2015.
- Debt maturity rose to 7.3 years at December 2015 before US Private Placement (USPP) in 2016.
- £105m USPP in February 2016 at attractive rates (announced today).
- Proforma cash and undrawn facilities of £374m including USPP.

Robbie Rayne, Chairman, commented:

"The Group made excellent progress in 2015, with results which highlight the underlying strength of our business. The Board has proposed a 10% increase in the final dividend reflecting our recent earnings growth and confirming our confidence in their longer term momentum."

John Burns, Chief Executive Officer, commented:

"We are seeing good occupier demand for our properties and our portfolio has significant reversionary potential. We recognise that London property cannot be immune from the economic and political issues causing global stock market volatility. However, we have a strong financial position and the current year has started well for our business as evidenced by today's announcements."

Webcast and conference call

There will be a live webcast together with a conference call for investors and analysts at 09:30 GMT today. The audio webcast can be accessed via www.derwentlondon.com.

To participate in the call, please dial the following number: +44 (0)20 3059 8125

Please say "Derwent London" when asked for the participant code.

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

For further information, please contact:

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CHAIRMAN'S STATEMENT

Overview

Derwent London made excellent progress in 2015. A highlight of the Group's performance was the 21.6% increase in our EPRA diluted NAV to 3,535p per share driven by the combination of rental value growth, development surpluses, asset management activity and yield tightening. There was also a particularly strong rise in EPRA recurring earnings which increased by 25.0% to 71.34p per share, the product of our substantial letting progress in recent years and lower interest costs.

As a result of this growing income stream, the Board has recommended raising the final dividend by 10.0% to 30.80p per share to make the full year's dividend 43.40p, an increase of 9.5% for the year. At this level the total dividend for 2015 is 1.6 times covered by recurring earnings. Our average dividend growth in the eight years since we converted to a REIT has been 8.6% pa.

During the year the London office market saw strong demand both from occupiers and investors. In what proved a record year for the Group, we let 523,800 sq ft in 79 transactions capturing £27.1m pa of rental income. On average these lettings were 10.8% above December 2014 Estimated Rental Values (ERV) and, by income, 44% were pre-lets. Buoyant investment demand enabled us to make £247.8m of investment property disposals at an average surplus of 18.4% to our December 2014 book values. Despite the competitive market conditions the Group was also able to acquire two major properties in the Tech Belt for £232.0m, and we invested £116.4m of capital expenditure in our projects. After a year of significant refinancing activity, including the early conversion to equity of the first of our two convertible bonds, we have strengthened our financial position with enhanced interest cover of 3.62x and the LTV ratio being reduced to 17.8%.

As long term investors in central London, it is important that our activities benefit the neighbourhoods and local environments in which we invest. Last year we extended our commitment to the Group's Community Investment Fund, which will now cover the Tech Belt as well as Fitzrovia. Our Sustainability Report, published simultaneously with the Annual Report, gives more detail of the Group's activities. Brief highlights include improved resource efficiency with reductions in carbon generation and energy use. We continue to record high ratings from GRESB, CDP and EPRA, and are a member of FTSE4good. Looking forward, to enhance the transparency of our sustainability and corporate responsibility, we will be following Global Reporting Initiative guidelines from 2016 onwards.

This year's results provide further testimony to the success of our strategy and culture. The Group has again been recognised in the Management Today awards for 'Britain's Most Admired Companies'. In this annual survey we were ranked third across all UK companies, and first in the property sector for the sixth successive year. It is also gratifying to know that in a recent non-attributable staff survey, of the 96% who responded, all stated that they were proud to work for the Group. Once again I would like to thank them as well as our other stakeholders and advisers.

The Board

Last year we continued to refresh the Board's composition. June de Moller and Robert Farnes retired and we would like to thank them for their insight and sound judgement over a long period. In their place we are delighted to welcome Claudia Arney and Cilla Snowball, who bring with them extensive business, advertising, marketing, media and technology experience.

Outlook

The current year has started with major falls in global stock markets mainly based on concerns regarding global economic growth. In addition, the UK is facing an EU referendum in June, the result of which will either confirm the existing situation or extend the period of uncertainty as the ramifications of leaving the EU are worked out. It is too early to tell what impact this may have on the London property market, but a protracted period of uncertainty is likely to reduce business confidence.

UK economic growth appears to be moderating and, as a global city, London is not insulated from external risks, but the central London office market starts the year in a strong position with good demand and low vacancy rates. If current market conditions persist we estimate rental value growth across our portfolio of 5-8% and yields to remain firm in 2016. We expect the strongest rental growth will be at the lower end of our £45-80 per sq ft mid-market range and, with an average ERV on our central London office portfolio of only £51 per sq ft, the Group is well placed to benefit.

Operationally 2016 has started well for us. In particular we have achieved £9.2m net of new lettings thereby considerably de-risking our immediate development pipeline, and raised additional long-term finance. Together with the strong occupier interest being shown in our schemes, this enables the Group to continue its development programme confident in its resilience to potential market turbulence and well positioned to take advantage of opportunities that may arise.

CHIEF EXECUTIVE'S STATEMENT

Last year's achievements reinforced the Group's strong position as we consistently look to improve our long term income prospects. This approach has seen us assemble a portfolio that has significant opportunities to benefit from improving locations, hands-on asset management and regeneration. We start 2016 with £141.0m of estimated reversion. Just over half of this potential growth derives from developments and refurbishments with a total cost to complete of £569m (equivalent to 11% of the December 2015 property portfolio) which will be phased over the next four years. The completion of this programme will add net lettable area and will signify a major upgrade to our portfolio ensuring it meets the latest occupational demands and environmental standards. In the medium term our strategy is to deliver these growth prospects while ensuring the business does not incur undue risks.

Portfolio positioned for future earnings growth

Our strategy ensures that whilst our portfolio contains a wealth of future value enhancing opportunities the vast majority remains income producing (at the year end this was 77% by area). Approximately 53% consisted of property which we have already regenerated, but which have opportunities for growth through asset management, and another 24% was occupied buildings that form our stock of future redevelopment and refurbishment schemes, where we retain control over a project's timing. The remaining 23% of the portfolio is subject to development or refurbishment projects which we continue to de-risk as they progress. During the year the EPRA vacancy rate, which is based on the space available to let, was reduced from 4.1% to 1.3%. Dependent on future pre-letting activity, this could rise in the second half of 2016 as projects are completed.

Although we achieved new rental levels at a number of properties in 2015, we believe our buildings continue to offer occupiers good value with the average ERV of our central London office portfolio still only £51 per sq ft, and with 56% of our portfolio by area let below £50 per sq ft on a 'topped-up basis'. These lie comfortably at the lower end of our middle-market range of £45-£80 per sq ft.

The current development and refurbishment programme will benefit from the opening of Crossrail. The additional estimated £569m capital expenditure to complete these projects, which includes £48m of capitalised interest, will be spread over the next four years. Construction cost inflation remains high, and capacity constraints on many contractors have seen delays across the industry including at some of our schemes. The cumulative ERV of these projects (including pre-lets) is £78.9m of which half will not be completed until 2019.

We phase the timing of the capital expenditure on our developments to ensure that it is appropriate to the Group's risk appetite. During last year we completed 226,000 sq ft of projects which are now 97% let or sold. In the next two years we expect to deliver 728,000 sq ft, which is currently 32% let by area. This includes pre-lets in the current year of all the office space (87,150 sq ft) at The Copyright Building W1 to Capita, and 28,600 sq ft at White Collar Factory EC1 to Adobe. The remaining part of our development programme totalling 620,000 sq ft relates to two West End developments: 80 Charlotte Street W1 and Brunel Building W2. Neither building completes until 2019, but we are already having preliminary discussions with potential occupiers for part of this space.

We have taken steps to unlock potential major schemes that we could start from 2018 onwards. We are particularly pleased to have agreed terms with Crossrail, which enable us to gain access to redevelop above the Crossrail site at 1 Oxford Street W1, one of London's most prominent locations.

Disciplined approach to acquisitions and disposals

We have an opportunistic approach to acquisitions within our strategic plan and were pleased to acquire two substantial Tech Belt properties last year at attractive prices of around £545 per sq ft. Both present short term refurbishment opportunities and together will contribute 40% of our 2016-17 projects. In the longer term, both buildings offer the opportunity for regeneration and the creation of additional space in the next decade.

Overall the proceeds from property sales of £277m exceeded the cost of new acquisitions. Typically we sell investment assets when we have identified better relative growth elsewhere. In 2015, our disposals included a number of properties as part of a property swap, and a sale to an owner-occupier after we had obtained planning consent for a major hotel development. In addition we have completed and sold most of our available residential units. Following our decision to refurbish 25 Savile Row W1 as offices, our residential exposure remains modest and primarily consists of ancillary space connected with our larger commercial projects. In accordance with our usual approach, we expect to continue to recycle capital with over £100m of investment property sales planned in the current year.

Finance

Underpinning our business is a flexible financial structure and last year we took steps to strengthen this further. In January 2015 our £175m convertible bonds 2016 were converted early thereby raising new equity and reducing debt. Later in the year, we increased the level of our unsecured revolving debt by refinancing a secured loan and extended the maturity of our principal bank facility. The Group's year end financial ratios are strong with interest cover of 3.62 times and an LTV ratio of 17.8%. Since the year end we have also arranged £105m of new long-term debt which will increase the level of undrawn facilities.

The year ahead

Occupier and investment demand remains strong in Derwent London's markets and we have started the year well increasing contracted income with a significant number of new lettings at good levels. We have also enhanced our financial structure. The general economic environment has shown signs of nervousness and volatility in 2016 and, if conditions were to deteriorate, our balance sheet strength would give us considerable resilience. However, providing occupier demand remains solid, we expect to see further good letting activity as the year unfolds thereby locking in significant income growth.

OUR MARKET

See Appendix 1 for supporting graphs

Last year the Group continued to enjoy very favourable market conditions with strong occupier demand underpinned by a growing UK economy. The recent falls in public equity prices and the value of oil and other commodities demonstrate that, despite some recovery in the USA and European economies, overall economic growth remains fragile and faces a number of risks. The latest estimates see the UK economy growing at about 2% pa over the next two years, one of the faster growth rates amongst the G8 economies, and London's growth rate is expected to remain in excess of the UK average.

This level of economic activity remains conducive to employment growth and continuing low interest and inflation rates in the UK. CBRE forecasts Inner London office employment growth at 1.7% pa in the next five years. Last year 14.5m sq ft of central London office space was taken up, of which 4.4m sq ft was in the West End. Total take-up was 3% below the previous year's level, but remains well above trend. In 2015 demand from the financial sector recovered so take up was more evenly spread across sectors with business and professional services at 35.8%, banking and finance at 24.4% and TMT at 20.2%. The overall vacancy rate reduced to 2.5% in central London (one of the lowest levels recorded), and to 2.2% in the West End. Prime rental levels are now estimated at £120 per sq ft in Mayfair and St. James's, £82.50 per sq ft in Fitzrovia and £68.50 per sq ft in the City.

The decline in the vacancy rate has led to a supply response with estimated above average central London completions in each of the next five years. In total this adds up to a potential 35 million sq ft of space, or 16% of the current market. The net impact is likely to be lower than this as only 33%, or 11.6m sq ft is under construction and, of this amount, 40% is pre-let or under offer. The outcome is 6.9m sq ft of speculative space currently available which represents less than half of last year's take-up. The full impact of the 23.4m sq ft yet to start may be deferred due to planning delays and the availability of finance.

Another feature of the potential supply is that only 24%, or 8.2m sq ft, is in the West End and the amount of new supply to be delivered in the West End is expected to fall between 2016 and 2019. Of this potential supply 2.5m sq ft is under construction of which 30% is pre-let. This leaves 1.7m sq ft under speculative construction representing 40% of last year's take-up. After the completion of White Collar Factory and the refurbishment of The White Chapel Building E1 later this year, our subsequent committed major projects are all located in the West End.

Last year saw £16.2bn of central London investment transactions (£8.2bn in H1), which was £2.3bn below 2014 levels with a smaller volume of deals above £100m. Overseas investors continued to dominate, but the UK buyers' share of the total increased to 42% from 31%. CBRE reports that demand weakened in Q3 before picking up again in Q4, and there was £4.5bn of office stock under offer at year end. However, it expects to see more stock on the market as some investors seek to take profits. CBRE expects yields to be unchanged in 2016 given the background of continuing low interest rates and central London's growth prospects. It estimates rental growth in the City and West End markets for 2016 to be over 6%. Our own portfolio has a more significant West End and Tech Belt weighting than the central London average, but CBRE's views support our own estimates of 5-8% average ERV growth across our portfolio and investment yields to remain firm in 2016.

In the near term the London property market continues to face a number of specific opportunities and challenges. Crossrail is on track to open in 2018. This will improve London's east-west connectivity and, in central London, the new service is expected to particularly benefit Tottenham Court Road and Farringdon. Approximately half our portfolio is located near these two stations. With London's population growth expected to continue, attention has begun to focus on central London's next major rail project, Crossrail 2, but this is still uncommitted and the project is unlikely to complete before 2030 at the earliest. If it goes ahead it will improve north-south connectivity, again running through Tottenham Court Road and with new stations in our Islington and Victoria villages.

It is expected that business rates (local taxes) will increase in 2017, and this is likely to raise occupation costs in London. The new rates will be set on April 2015 rental levels, whereas the current rates are set on April 2008 levels. As most London commercial property has experienced good rental growth in that period, business rates are likely to rise, although a transitional period, if adopted, could defer the full impact. Although these costs are borne by our tenants, the rise in overall occupation costs may affect future rental growth while these additional expenses are absorbed. CBRE has recently estimated the impact across 19 central London locations. On an unweighted basis the average increase in rates on prime offices is 40%, which translates into an average increase of occupational costs (rates and rents) of 11%. Given that we have seen strong rental growth on our properties we would expect to be affected and CBRE estimates that occupational costs in our largest village, Fitzrovia will increase by 4%. Based on their numbers, the successful Shoreditch and Farringdon locations could experience some of the higher increases of our villages, with increases of 13% and 9% respectively. These numbers remain a matter of conjecture at this stage, but they suggest Tech Belt total occupancy costs will still remain substantially below most of the traditional core office locations.

As well as these two specific catalysts there are two uncertainties based on upcoming votes. On 5 May Londoners will choose a new Mayor, and, whatever the outcome, there are likely to be some policy changes. In addition, a national referendum on whether the UK should remain in the European Union is to be held on 23 June. We have previously discussed the additional property market uncertainty that we would expect to see if the result was for the UK to leave the EU. CBRE warns that the central London office market would be the most affected given the sensitivity of the financial services industry. Our own portfolio would not be immune to any potential fall out, but it has no exposure to the City core market and financial tenants accounted for just 2% of our rental income in December 2015.

VALUATION

See Appendix 2 for supporting graphs and table

The Group's investment portfolio was valued at £5.0bn as at 31 December 2015, having benefited from buoyant occupational demand, development surpluses and a further tightening of valuation yields. The valuation surplus for the year was £672.2m, before accounting adjustments of £20.8m (see note 11) giving a total reported movement of £651.4m. The underlying valuation increase was 16.5% which followed 20.4% in 2014, another strong year. We have outperformed our benchmarks again in 2015. The IPD Central London Offices Index increased by 15.7% and the wider IPD All UK Property Index rose by 7.8%.

By location, our central London properties, which constitute 98% of the portfolio, saw an underlying valuation increase of 16.8%. The West End was up 14.6% and the City Borders rose 22.5%. The Scottish properties represent the balance of the portfolio and increased by 1.3%. The portfolio's total property return was 19.9% in 2015 compared to 25.1% in 2014. The IPD total return index was 19.7% for Central London Offices and 13.1% for All UK Property.

Within the investment portfolio, we were on site at five developments during the year. Four of these, Turnmill EC1, 40 Chancery Lane WC2, White Collar Factory EC1 and The Copyright Building W1 were commercial developments whilst the fifth was a small residential scheme at 73 Charlotte Street W1. In total these projects were valued at £457.5m and delivered a 31.5% uplift in the year. Turnmill and 40 Chancery Lane were completed in the year and handed over to Publicis Groupe, and at 73 Charlotte Street the majority of the apartments have been sold. At year end we were still on-site at White Collar Factory and The Copyright Building. These two projects were valued at £259.3m and are progressing well.

At the end of the year we added two new developments, both properties where we had achieved planning permissions for substantial floor area increases. These were 80 Charlotte Street W1 and Brunel Building W2 which were valued at £251.4m. Both will be completed in 2019.

At 1-2 Stephen Street W1, our major refurbishment project during the year, we completed the latest phase of works. This focused on improving and extending the retail units on Tottenham Court Road and followed a phased upgrade of nearly half the office space. The letting of the majority of the retail units and the office refurbishment at above anticipated rental values contributed to a strong valuation rise of 19.0% on the property to £340.6m.

Looking at our rental growth, it was another strong year. Rental values, on an EPRA basis, rose by 11.8% following 9.0% in 2014. During 2015 the City Borders saw rental growth of 15.2% and the West End 10.8%.

On an EPRA basis the portfolio's initial yield was 3.1% which increases to 3.8% on a 'topped-up' basis, following expiry of rent free periods and contractual rental uplifts. For the previous year, these figures were 3.4% and 4.0% respectively. The true equivalent yield at year end was 4.52%, a 21bp reduction over the year and follows 55bp of yield tightening in 2014. This tempering of yield compression was further illustrated with the second half of 2015's movement being 4bp compared to 17bp in the first half. As valuation yields appear to have levelled out so future property valuation growth is most likely to come from rental returns, development surpluses and asset management.

The December 2015 valuation recorded a good increase in our portfolio's contracted income and a very significant increase in our potential income. Overall, our contracted income has risen 4.1% to £137.1m pa and our ERV has risen 29.0% to £278.1m pa.

The portfolio's reversion stands at £141.0m. Of this growth £35.5m is contractual and due to come from fixed uplifts or the expiry of rent free periods within the leases. Adding this to our contracted income takes 'topped-up' rent to £172.6m, 5.4% higher than last year.

The bulk of the reversion comes from the potential income from letting either vacant space under construction, under refurbishment or currently available. It primarily reflects the recent start of the two new developments at 80 Charlotte Street W1 and Brunel Building W2, and the acquisition of The White Chapel Building E1 (previously known as Aldgate Union), which is currently undergoing refurbishment. The total ERV of vacant space at the year end was £76.4m pa. Whilst this has more than doubled since June 2015, much of this space will not be delivered for four years. These projects require £569m of further expenditure, and offer a degree of flexibility on the timing of delivery. Of this vacant space 75% derives from developments, 22% from refurbishments and only 3% represents existing vacancy. We have let or pre-let 12% of this space since the year end for £9.2m pa net, at levels in excess of December 2015 ERV.

The final component of our growth could come from lease reviews and renewals and this is estimated to add £29.1m to our income, which is 24% higher than last year.

PORTFOLIO MANAGEMENT

See Appendix 3 for supporting graphs and tables

2015 was a record year for Group letting activity. In total we secured £27.1m of rental income on 523,800 sq ft at an average level 10.8% above December 2014 ERVs. Of this, 44% by income were pre-lets as we let development space during its course of construction. Open market lettings were 14.3% above December 2014 ERVs. Second half lettings totalled £10.7m pa on 201,200 sq ft, and were on average 22.3% above December 2014 ERVs or 12.9% above June 2015 ERVs. Notable new rental levels were achieved at 1 Stephen Street W1, Davidson Building WC2 (since sold) and Charlotte Building W1 all at £80 per sq ft or above for the upper floors, and at White Collar Factory EC1, Tea Building E1 and Angel Square EC1 where rents of £62.50 per sq ft, £57.50 per sq ft and £55.00 per sq ft respectively, were obtained.

Significant transactions included the letting of the majority of the commercial space on our recently completed projects including the office space at 1-2 Stephen Street W1 and eight of the nine retail units at Tottenham Court Walk W1. Together these added £5.8m to rents. We also made our first pre-lets at White Collar Factory securing £4.9m pa.

The purchases of Angel Square EC1 in November 2014 and 20 Farringdon Road EC1 in February 2015 brought almost immediate letting opportunities. The former 126,900 sq ft property was acquired with an income of £2.4m pa, equivalent to an average rent of £19 per sq ft. The majority of the leases expired in March 2015, but we swiftly re-let 98,300 sq ft to Expedia and The Office Group, and the property is now virtually fully let at a rent of £4.8m pa. The second purchase was a 170,600 sq ft building producing £3.2m pa net. In the second half we re-let the 25,700 sq ft ground floor, and embarked on the refurbishment of 88,000 sq ft, of which 38% has been pre-let. Assuming we let the remaining available space at ERV we will have increased the income on the property to £6.5m pa net.

For some time we have been monitoring the expansion of the new breed of flexible office space providers. We could see they were responding to significant demand for small amounts of space, lease flexibility and co-working facilities that would be too management intensive for our business. One operator which caught our attention was The Office Group ("TOG"), who share with us an interest in workspace design. Last year we made three lettings to them totalling 116,150 sq ft, or £6.0m pa of rent (3.5% of contractual rent). All these transactions are at properties with multi-let strategies, and were agreed at market rents with two incorporating an additional profit share once TOG has achieved a threshold return. The most significant of these is at 2 Stephen Street W1 where, based on current profitability, we are expecting overage income of about £7 per sq ft in 2016 on 34,150 sq ft. We expect the TOG space to complement our offer and extend our buildings' appeal to a wider range of potential occupiers to whom we are unable to offer the same level of services and lease flexibility. TOG's services are available both to occupiers within the buildings and to other businesses in the vicinity, which we believe adds to each properties' utility and vibrancy.

Our letting progress saw the EPRA vacancy rate on our portfolio fall from 4.1% to 1.3% in the year. The major components of this residual have either since been let or are currently under offer. However in addition to the immediately available space we have a number of refurbishments under way which will provide letting opportunities during the course of the year. The most significant is at The White Chapel Building E1, which we acquired vacant in December 2015 and is now undergoing a light refurbishment at a cost of around £18m. We expect 200,000 sq ft of refurbished offices to be available here in the latter part of 2016 with an ERV of c.£9.0m. Other notable projects include rejuvenating space at 20 Farringdon Road EC1, Network Building W1 and the eighth floor of 1 Stephen Street W1. Assuming we are unable to secure any further lettings at White Collar Factory or these other projects, our proforma vacancy would rise to c.12%.

During 2015 the Group carried out 35 rent reviews on 357,300 sq ft and 29 lease renewals on 72,300 sq ft. In total this increased the income from these properties by 27.7% to £18.2m pa. 98% of all rents were collected within 14 days of the due date.

In the current year to date we have let 132,300 sq ft for £10.1m pa gross (£9.2m net). The most significant lettings was of the 87,150 sq ft office element at The Copyright Building W1 which was announced today. Capita is taking a 20-year lease for a gross rent of £7.4m pa. After ground rents we will receive £6.5m pa. The average office rent is £86 per sq ft, which was above December ERV, but after allowing for rental incentives equivalent to a 34 months rent-free period and a payment to Capita's current landlord to extend their lease to allow a back-to-back move into The Copyright Building, the terms are in line with December levels. The other major letting in the period was a further two floors at White Collar Factory where Adobe has pre-let 28,600 sq ft for £1.8m pa.

Principal lettings in 2015

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Min / fixed uplift at first review £ psf	Lease term Years	Lease break Year	Rent free equivalent Months
Q1								
2 Stephen Street W1[1]	The Office Group	34,150	65.00[1]	2.2	71.75	20	-	15
Angel Square EC1	Expedia	57,600	36.80	2.1	41.60	6	3 & 5	2.5, plus 3 if no break in year 3
1 Stephen Street W1	AnaCap	16,150	81.75	1.3	84.25	10	-	15
Tea Building E1	Feed	7,990	47.50	0.4	-	5	-	5
Davidson Building WC2	Astus UK	4,370	80.00	0.3	82.50	10	5	7, plus 5 if no break
Q2								
White Collar Factory EC1	The Office Group	41,300	57.50	2.4	63.50	20	-	24
Angel Square EC1[1]	The Office Group	40,700	35.00[1]	1.4	38.65	10[2]	-	9
Davidson Building WC2	First Utility	6,230	72.50	0.5	75.00	10	5	7, plus 7 if no break
Morelands EC1	Spark44	5,370	55.00	0.3	60.00	9	5	9, plus 3 if no break
Q3								
White Collar Factory EC1	AKT II	28,400	57.50	1.6	63.50	20	12 & 15	24
20 Farringdon Road EC1	Improbable Worlds	25,700	42.50	1.1	43.50	6	-	7
Charlotte Building W1	Kingston Smith	5,960	82.50	0.4	85.00	10	-	14
Angel Square EC1	DrEd	4,740	55.00	0.3	-	4.5	3	3, plus 2 if no break
Davidson Building WC2	Elastic search	6,300	72.50	0.5	76.00	10	5	7, plus 5 if no break
20 Farringdon Road EC1	Moo Print	33,500	45.00	1.5	49.50	10	6	8
Tea Building E1	Transferwise	23,950	57.50	1.4	-	5	-	6
White Collar Factory EC1	BGL	14,300	62.50	0.9	69.00	10	-	18
Davidson Building WC2	Alibaba	6,310	72.50	0.5	74.70	10	5	7, plus 7 if no break
Q4								
Tottenham Court Walk W1	Marie Claire	7,900	-	0.4	-	10	5	7.5

[1] The Group will receive a share of The Office Group's profits on this space above a minimum level
[2] Landlord's break in year five

PROJECTS

See Appendix 4 for supporting graphs and tables

During 2015 we completed four major projects totalling 226,000 sq ft, the commercial elements of which are now virtually fully let. Our residential scheme at 73 Charlotte Street W1 was completed in September, and we have sold nine apartments leaving one under offer and one available. These projects have proved very profitable providing the Group with £10.3m of net rental income and the four major projects recorded a 72% profit on cost.

Major projects pipeline

Property	Area sq ft	Delivery	Comment
Projects completed in 2015			
Turnmill, 63 Clerkenwell Road EC1	70,500	Q1 2015	Offices and retail – 100% let
Tottenham Court Walk W1[1]	38,000	Q2 2015	Retail – 93% let
40 Chancery Lane WC2	102,000	Q3 2015	Offices and retail – 100% let
73 Charlotte Street W1	15,500	Q3 2015	Residential and offices – 77% sold/let
	226,000		
Projects on site			
White Collar Factory, Old Street Yard EC1	293,000	Q4 2016	Office-led development – 38% pre-let
The Copyright Building, 30 Berners Street W1	105,000[2]	H2 2017	Offices and retail – 81% pre-let
80 Charlotte Street W1	380,000	H1 2019	Offices, residential and retail
Brunel Building, 55-65 North Wharf Road W2	240,000	H1 2019	Offices
	1,018,000		
Other major planning consents			
1 Oxford Street W1	275,000		Offices, retail and theatre
Monmouth House EC1	125,000		Offices, workspaces and retail
	400,000		
Grand Total	**1,644,000**		

[1] Refurbishment
[2] Excludes reception area

We are now on-site at four major projects. White Collar Factory is our signature Tech Belt development overlooking Silicon Roundabout. Following five years' research by our own design team, together with AHMM (architects) and Arup (engineers), it incorporates a number of design principles which enhance its flexibility, utility and sustainability to occupiers. The ERV has risen 12% to £16.5m pa in 2015 and we have budgeted to spend a further £62m of capital expenditure to complete the project in Q4 2016 with 38% already pre-let.

At The Copyright Building W1 we have today announced the letting to Capita of the entire office element leaving 20,000 sq ft of retail still to let. The ERV of this retail space is £1.1m pa gross (£1.0m net). We estimate future capital expenditure at £49m to complete the scheme in H2 2017.

At 80 Charlotte Street in the heart of Fitzrovia, we have commenced stripping out with full demolition of the existing property to start later this year. The major island site will comprise a 309,000 sq ft office building capable of being multi-let as well as ancillary retail and residential space. This ancillary space will include the development of 67 Whitfield Street with 14,000 sq ft residential, and the redevelopment of the neighbouring Asta House which will comprise 12,000 sq ft offices and 31,000 sq ft residential including 32% affordable. The project's estimated ERV is £23.9m pa and capital expenditure to complete is estimated at £207m. Following delays in finishing other projects, completion is now expected in H1 2019.

We are also on site at the Brunel Building W2, where our scheme will provide modern flexible office space and enhance the immediate location by opening up the canal side beside Paddington station (another beneficiary of Crossrail). In November we fixed the price of the construction contract and the overall capital expenditure to complete is estimated at £122m. The ERV is £14.8m pa net with completion expected in H1 2019.

At the half year we highlighted the impact of escalating building costs. We challenged the consensus indices that were reporting 4 to 6% annual inflation arguing that in central London it was actually running closer to 10% pa. We expect it to continue at this level through 2016. Our sensitivity to construction costs principally resides with The Copyright Building and 80 Charlotte Street as our other two major projects' costs are fixed. This leaves approximately half of our four year capital expenditure with variable costs but we have assumed inflation in our estimates.

We have made advances on our future projects that could start from 2018 onwards. In July we agreed terms at 1 Oxford Street W1 with Crossrail whereby we will be granted a new 150-year lease in return for a payment to them of £55m. Of this sum £2m has been paid, a further £5m will be payable on release of the site, with the residual £48m payable on practical completion of our buildings. In addition, Crossrail will receive 16% of any development profit and a ground rent equivalent to 5% of the rent on the commercial space. The site, which is currently being developed as the Tottenham Court Road Crossrail station, has planning for 204,000 sq ft offices, 37,000 sq ft retail and a 34,000 sq ft theatre. Work is due to start in early 2018 and this exciting project represents the west side of a major new central London piazza.

Earlier in the year we signed a Memorandum of Understanding with our joint venture partners, The Portman Estate, enabling us to progress preliminary planning studies on another major potential project at 19-35 Baker Street W1. The existing buildings, which are fully let off low rents, comprise 146,000 sq ft, but our plans indicate the site is capable of supporting up to 250,000 sq ft. Our ownership is 55% and the earliest possession date is 2018.

In June we received planning consent for a 110,000 sq ft hotel and offices at Wedge House, 40 Blackfriars Road SE1. The existing property is a 38,700 sq ft building and we had previously engaged with Ennismore, the owners of The Hoxton, to draw up new plans. Following the success of our application and the resolution of a number of outstanding matters we sold the building to Ennismore for £33.0m after costs in December releasing value early and securing a substantial capital uplift. We are being retained as development manager for which we will receive a fee of £1.5m. Completion of the new 192-room Hoxton is expected in 2018.

Since the year end we have received planning permission for two projects: Monmouth House EC1 and Balmoral Grove N7. The former would involve the redevelopment of two existing office buildings of 69,000 sq ft into a new property providing 125,000 sq ft of offices, workspaces and retail. It is located adjacent to White Collar Factory and therefore will benefit from the latter's progress in transforming the south western corner of Silicon Roundabout. Our earliest possession date for this site is 2017. Balmoral Grove is 67,000 sq ft of industrial and office space in Islington. Consent has been obtained to redevelop this site with 280,000 sq ft of residential and commercial space, of which 44% of the residential will be affordable. We have agreed terms to sell this property to a residential developer subject to the resolution of a few outstanding matters.

INVESTMENT ACTIVITY

Despite very competitive market conditions during 2015 we were able to acquire two substantial buildings in the Tech Belt at a low average cost of £545 per sq ft. We also acquired a number of smaller retail and office properties. These are strategically placed close to our current holdings at the eastern end of Oxford Street, and will benefit from the significant changes to this area.

Principal acquisitions 2015

Property	Date	Area sq ft	Total cost £m	Total cost £ psf	Net yield %	Net rental income £m pa	Net rental income £ psf	Lease length Years
20 Farringdon Road EC1	Q1	170,600	92.7	545	3.5	3.2	27[1]	2
50 Oxford Street W1[2]	Q3	6,050	14.5	2,395	2.6	0.4	74	3
The White Chapel Building E1[3]	Q4	255,000	139.3	545	-	-	-	-
Total		**431,650**	**246.5**	**570**	-	**3.6**	-	-

[1] Excludes 26,200 sq ft ground floor offices let at a peppercorn rent
[2] Includes 36-38 and 42-44 Hanway Street W1
[3] Excludes 30,500 sq ft lower ground floor that completed in Q1 2016

The first Tech Belt acquisition was in Clerkenwell, an area we had previously identified as a major beneficiary of Crossrail. Our recent acquisition and development activity has seen our exposure to this village rise from 5% to 11% in the last five years. The 175-year lease of 20 Farringdon Road, with a ground rent of 10% pa, was acquired in February 2015 through a property swap. This substantial property is located opposite the new Farringdon Crossrail station which will be an important interchange with the London underground and the Thameslink overground line. In the second half of 2015 we renewed the lease on the 25,700 sq ft ground floor raising the rent from £2 pa to £1.1m pa (£42.50 per sq ft). We are currently refurbishing 88,000 sq ft principally on the upper floors at a total cost of £11m and have pre-let 38% at £45 per sq ft. All the leases expire or have a landlord break in 2021/2022 giving us the scope to consider a more significant redevelopment following the opening of Crossrail which is expected to complete the transformation of an area that is already improving.

The second Tech Belt acquisition was in Whitechapel, at the eastern end of the Tech Belt arc. We see this village as offering attractive value given the good levels of occupier demand here and the rent increases seen elsewhere. We made our first acquisition in the Whitechapel market in 2012 when we acquired 9 and 16 Prescot Street E1. This is now held in a 50/50 joint venture as a consequence of our property swap for 20 Farringdon Road. Our progress on this property and elsewhere in the Tech Belt gave us the confidence to acquire The White Chapel Building with vacant possession. This represents a departure from our normal practice of acquiring income producing buildings. In this exceptional case we believe that, due to the good condition and flexibility of the existing property, it requires only a modest level of refurbishment. Since the year end we have acquired the long lease on the lower ground floor for £12m after costs, which extended our ownership to 285,000 sq ft.

To maintain the balance of our investment portfolio, with its attractive growth profile, it is important that we dispose of assets where either we can secure substantial uplifts or where we now expect only a limited impact on our overall growth. These decisions are made in the context of the Group's income base as a whole.

The volume of our sales activity in the last few years has been at fairly consistent levels. It has also seen us sell most of our isolated smaller buildings in less central locations at substantial premiums to book value. The latest of these were our holdings at Portobello Dock W10. In addition last year we sold a number of more central properties. At the Davidson Building WC2 we completed the refurbishment of a number of floors in Q4 2014. These were let at new rental levels ranging between £72.50 per sq ft and £80 per sq ft during 2015. This fresh rental evidence enabled us to achieve an attractive price for the building. Following the receipt of planning permission for a hotel and office development, we sold Wedge House SE1 to a hotel operator. The three Q1 disposals which formed part of the property swap to acquire 20 Farringdon Road were discussed in last year's report and are included in the Table below.

Principal disposals 2015

Property	Date	Area sq ft	Net proceeds £m	Net proceeds £ psf	Net yield to purchaser %	Net surplus Dec 2014
22 Kingsway WC2	Q1	91,400	64.1	700	4.4	(2)
Mark Square House EC2	Q1	61,700	31.9	515	4.4	0
9 and 16 Prescot Street E1 (50% interest)	Q1	53,700	18.7	350	3.2	3
Davidson Building WC2	Q4	43,100	65.4	1,520	3.9	21
Wedge House, 40 Blackfriars Road SE1	Q4	38,700	33.0	855	-	86
Portobello Dock W10	Q4	52,600	34.7	660	3.6	54
Total		**341,200**	**247.8**	**725**	**3.5**	**18.4**

Residential development forms a very small part of Group activities. In the last two years our disposals have included a number of residential trading sales relating to our small developments at Queens, Bayswater W2 and The Corner House, Fitzrovia W1. During 2015 these activities raised £23.7m, comprising 13 apartments. Since the year end we have sold the last unit at Queens and have only two apartments remaining at The Corner House. In addition we have the potential to receive an overage payment at Riverwalk House SW1, which is dependent on the scheme's final profitability.

FINANCE REVIEW

See Appendix 5 for supporting graphs and tables

Financial overview

Derwent London has reported another very strong combination of NAV and earnings growth for the year ended 31 December 2015 and, as explained below, has also taken a number of steps during the year to further strengthen its financial position and de-risk its pipeline.

Helped by the issue of shares in January 2015 in connection with our call for early redemption of the 2016 convertible bonds, the Group's net asset value (NAV) rose by £919.7m to £4.0bn through 2015, an increase substantially higher than the £705.2m recorded in 2014. After allowing for the new shares issued, diluted EPRA NAV per share was 21.6% higher than the year before, giving a total return for 2015 of 23.0% (2014: 30.1%).

The benefits of consistently good lettings and asset management over the last year or so, as well as the refinancing activity in 2015 which substantially reduced our interest charge, have been reflected in a 31.0% increase in EPRA profit before tax and a 25.0% increase in EPRA recurring earnings per share to 71.34p compared to the previous year. Backed up by a 5.2 % increase in like-for-like net rents in 2015 and positive lettings continuing into 2016, this has encouraged us to raise the final dividend by 10.0% to 30.8p per share. The total dividend for the year remains well covered at 1.6 times recurring earnings.

Our financing ratios have all improved again, with the loan-to-value ratio reduced from 24.0% at December 2014 to 17.8% in December 2015 and net interest cover up from 286% in 2014 to 362% for 2015. We have also been able to reduce the average IFRS interest rate on debt from 4.22% to 3.93% at December 2015, or down from 3.78% to 3.68% on a cash basis, while paying down net debt by £101.6m during the year and usefully increasing the weighted average unexpired length of our debt facilities.

Keeping to our long-established business model, the short term project pipeline is now substantially de-risked following lettings at the White Collar Factory and The Copyright Building and, as reported elsewhere, we are seeing good enquiries for the White Chapel Building and the space which we are creating for delivery in 2019. With a further £105m of long term financing arranged in February 2016, we have the financial confidence to comfortably build out the committed pipeline, which continues to produce a significant level of development profit, while retaining our financial ratios at attractive levels.

See Appendix 5 for chart of portfolio value, net assets and gearing

Net asset value growth

The overall 627p increase in EPRA NAV per share can be summarised as follows:

	2015 p	2014 p
Revaluation surplus	581	654
Profit on disposals	39	33
EPRA profit after tax	71	57
Dividends paid (net of scrip)	(30)	(35)
Interest rate swap termination costs	(6)	(2)
Dilutive effect of convertible bonds	(17)	(46)
Non-controlling interest	(8)	(10)
Other	(3)	(7)
	627	**644**

See Appendix 5 for NAV 'bridge' chart

A detailed reconciliation showing adjustments from the IFRS NAV to the EPRA NAV is shown in note 22 to the financial statements.

The contribution to NAV growth per share from property revaluations has fallen slightly from 2014, due partly to the larger number of shares in issue, but, at 581p per share (584p including our share of joint ventures) remained at a very high level. Of this increase, 55% came from an increase in estimated rental values adopted by our valuers, 24% from development profits and a relatively lower 21% from yield shift. We also made substantial property disposals during the year achieving 39p per share over book values and demonstrating that our valuations are underpinned by market demand. One of the properties, 9 and 16 Prescot Street, was sold into a joint venture in which the Group has a residual 50% interest. This is the main reason why the carrying value of our investments increased from £7.4m to £30.7m during the year.

As the £175m convertible bonds due in 2016 were redeemed early and converted into new shares in January 2015, there was no further dilution relating to those bonds in 2015. However, with the Group's NAV per share now over £33.35, which is the conversion price of the 2019 convertible bonds, the fully diluted EPRA NAV per share has taken into account 17p per share of dilution in 2015 in relation to the 2019 bonds. Note that the earliest date that the 2019 bonds can be converted into new shares is July 2016.

Medium and long term interest rates continued to move up and down with market sentiment through 2015 and into 2016. The twenty year swap, for example, varied between 1.7% and 2.5% through the course of 2015 and, since the year end, has fallen back to well under 2.0%. These are substantial relative movements but interest rates generally remain at very low levels by historical standards, helping to underpin property yields. We have continued to monitor these rates and to buy down swaps from time to time thereby managing our interest rate exposure. The mark-to-market cost of all our interest rate swaps fell from £25.2m to £17.6m through 2015, the latter figure representing less than 2% of year end net debt. Fair value exposures for our fixed rate debt and bonds also closed substantially through the year helping the EPRA triple net asset value to increase by 23.7% during the year to 3,463p per share.

Income statement

As we progress through the current long London office property cycle, there is naturally a greater focus on income generation. Lettings from recent developments and asset management initiatives have had a tangible impact upon the Group's property income, a trend expected to continue over the next few years. Gross rental income was up by 8.5% to £148.3m and net rental income by 7.8% to £138.7m. Allowing for the profits from sales of residential apartments and other property income, net property and other income increased by £12.5m or 9.2% to £148.6m for the year.

In 2015, the increase in gross rental income came mainly from lettings and rent reviews which added £21.5m of income including £18.3 from lettings commencing in the year. Property acquisitions added another £4.0m of rental income while the disposals brought it down by £7.0m. Rent lost from lease breaks, expiries and voids was £2.6m and from schemes starting was £4.5m. An additional £2.3m came from various small premiums received and 'rights of light' settlements. The other property income of £3.7m related to compensation received from contractors for schemes at 40 Chancery Lane, Turnmill and 1-2 Stephen Street which were delivered late. The contracts were at fixed prices and the sums recognised partly offset the rent lost in 2015 due to the late completion of the projects.

See Appendix 5 for gross property income chart

Administrative expenses increased by 7.0% to just under £30.0m in 2015, due mainly to higher staff salaries and bonuses. However, finance costs were reduced considerably, by 17.0% to £35.2m, as the total amount of debt fell following the conversion of the 2016 bonds and the average interest rate on that debt was also reduced during the year. This came mainly from lower margins on our bank facilities but was also achieved by breaking or re-setting swap rates during the year at a cost of £4.0m. The positive impact of this will be felt for several years. In addition the start date on a £70m forward start swap was deferred at a cost of £2.4m. The interest capitalised in 2015 was £5.0m, a small reduction on the £5.3m in 2014 and, as before, no overheads or property costs were capitalised. Our EPRA cost ratios were almost identical to the previous year.

The combination of rental growth and lower finance costs drove the recurring EPRA profit before tax to £81.6m, up by 31.0% over the year. After taking account of property valuation uplifts, profits on disposals of properties and fair value movements, the overall IFRS profit for the year increased from £749.8m in 2014 to £777.2m for the year ended 31 December 2015.

A table providing a reconciliation of the IFRS to EPRA profit before tax and earnings per share is included in note 22.

See Appendix 5 for EPRA profit before tax chart

EPRA like-for-like gross rental income, which removes the impact of development activity, acquisitions and disposals, increased by 5.0% during the year with net rental income on a similar basis up by 5.2%. These figures demonstrate the gradual capture of our rental reversion as we move through the current property cycle. A full analysis is shown in the table below.

See Appendix 5 for EPRA like-for-like rental income table

Taxation

The corporation tax charge for the year increased to £1.9m in 2015 from £0.8m in the previous year, most of this increase being due to the profits arising on the sales of residential apartments which were held as trading stock and therefore outside the REIT tax environment. The deferred tax charge for the year was lower than in 2014 at £0.4m as this took account of certain historic tax losses which were previously not recognised.

In addition, and in accordance with our status as a REIT, £4.8m of tax was withheld from shareholders on property income distributions and paid to HMRC during the year.

Refinancing to fund the pipeline

Derwent London has had another significant year of financing activity.

As is noted above, the first element was the early conversion of the 2016 convertible bonds into new equity and the resultant issue of 7.88m new ordinary shares. This brought down our net debt by £170.5m and significantly reduced financial gearing while also boosting interest cover. Together with the general improvement in our financial risk profile over recent years, it also enabled Standard and Poor's to upgrade our corporate credit rating, which now stands at BBB+ with a stable outlook.

With effect from March 2015, we extended the maturity of a £40m interest rate swap from June 2017 to June 2022 thereby reducing the rate payable from 3.0% to 2.35%. This had no associated cost and extended the weighted average maturity of our swaps while also saving interest charges of £260k per annum until June 2017. In July 2015, we paid £2m to reduce the coupon on a £75m interest rate swap from 2.975% to 2.49% through to April 2020.

Then, in July 2015 we completed a new unsecured and fully revolving £75m facility with Wells Fargo. The facility has a five year term but can be extended by up to two years upon request and can also be increased in amount by up to £25m during its term. The previous £90m secured facility from the same lender, of which £70m was drawn, was repaid and cancelled at the same time. The margin under the new facility is substantially lower than previously and, at a cost of £2m, we also reduced the amount hedged under this facility from £70m to £40m and extended the swap period out to July 2022 at a new lower rate of 2.446% (previously 3.18%). This refinancing extended the weighted average maturity of our debt, lowered our annual finance costs and provided greater flexibility: the new facility is fully revolving (ie we can draw and repay between zero and £75m) whereas the previous facility only had a £20m revolving element and it also increased our unencumbered property assets by £390m. The financial covenants for the new facility are identical to those of our existing £550m unsecured bank facility.

The final step in 2015 was to extend the maturity of the £550m unsecured revolving bank facility from January 2020 to January 2021. There is an additional one year extension option available, subject to the usual consents.

All of these actions have helped us extend the weighted average maturity of our debt from 6.6 years at December 2014 to 7.3 years at December 2015. The average interest rate on our debt has also been reduced from 4.22% at December 2014 to 3.93% at December 2015 on an IFRS basis and from 3.78% to 3.68% on a cash basis. In addition, unencumbered property assets have increased by 36% during the year to £3.7bn.

The proportion of our debt that is fixed or swapped into fixed rates was 85% as at 31 December 2015. This excludes a £70m forward start swap which would become effective in March 2016 unless we pay to defer it.

With long term interest rates remaining at very low levels, our most recent refinancing activity has been to increase the Group's long term fixed rate unsecured debt by accessing the US private placement market for the second time. In February 2016, we agreed to issue £30m of new 3.46% senior notes expiring in May 2028 and £75m of new 3.57% senior notes expiring in May 2031. The £105m funds will be drawn in May 2016 from three new institutional relationships and have identical financial covenants to both our existing unsecured bank facilities and the private placement notes issued in January 2014. Together with the planned property disposals in 2016, this will increase our financial firepower further from the £269.0m of undrawn facilities and cash at 31 December 2015 and will also further extend the weighted average maturity of our debt.

See Appendix 5 for table of debt facilities

Net debt and cash flow

Net debt was reduced significantly during the year to £911.7m from £1,013.3m, taking the loan-to-value ratio down to 17.8% and NAV gearing to 22.8%. These are now at the lower end of our target range but are only expected to grow modestly through the next few years. Net proceeds from the sale of properties during the year totalled £277.2m; this sum exceeded properties acquired by £31.0m so we have been net sellers of property for the fifth year in a row before taking account of capital expenditure. Cash flows invested in our projects during the year increased to £116.4m but were more than covered by the deleveraging impact of the early redemption of the 2016 convertible bonds.

As planned, the net cash from operations has increased significantly again, to £76.0m for the year from £65.6m in 2014. Most of this increase comes directly from higher property income receipts. This has helped us to grow interest cover again, a particularly important metric that the Group uses in its business planning. From 286% in 2014, this rose to 362% for the year ended 31 December 2015, calculated on the net basis as set out in note 23.

See Appendix 5 for reconciliation of net debt, gearing and interest cover ratios, debt summary and maturity profiles of debt facilities and fixed rates and swaps

Dividend

With the step up in recurring earnings in 2015, the Board has recommended a 10.0% increase in the proposed final dividend to 30.80p per share for payment to shareholders in June 2016. All 30.80p will be paid as a PID. The total dividend for the year will be 43.40p per share, an increase of 3.75p or 9.5% over last year. As before, we will be offering a scrip dividend alternative though this will be reviewed later in the year depending upon equity market conditions.

Our financial outlook

With low financial gearing, enhanced interest cover, substantial recent pre-lets to de-risk the pipeline and additional financial headroom, we are well placed to build out our current committed programme of projects and thereby crystallise anticipated development profits over the next few years. Recurring earnings growth has also accelerated in 2015 and, with substantial rental reversion in a portfolio with low average rents, should continue to increase as we move through this property cycle.

Our consistent and focused business model is based on the fundamental balancing of the portfolio between income and value growth while retaining a conservative level of financial risk. The portfolio remains full of opportunities for many years to come but, with low passing rents, also offers many defensive qualities should the current global economic uncertainty bring a more challenging occupational environment for London's office landlords. At the moment, conditions remain favourable for us and, with limited new space being built in our markets and low interest rates supporting tight property yields, we aim to continue delivering and de-risking our committed projects over the next year while also continuing to capture rental reversion and grow earnings.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

The Directors confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

John D. Burns
Chief Executive Officer
25 February 2016

Damian M.A. Wisniewski
Finance Director

GROUP INCOME STATEMENT

	Note	**2015 £m**	2014 £m
Gross property and other income	5	**204.9**	180.5
Net property and other income	5	**148.6**	136.1
Administrative expenses		**(30.0)**	(28.1)
Movement in valuation of cash-settled share options		**-**	(0.3)
Total administrative expenses		**(30.0)**	(28.4)
Revaluation surplus	11	**650.0**	667.1
Profit on disposal of investment property	6	**40.2**	28.2
Profit on disposal of investment in joint venture	6	**-**	2.0
Profit from operations		**808.8**	805.0
Finance income	7	**0.1**	-
Finance costs		**(34.9)**	(42.4)
Loan arrangement costs written off		**(0.3)**	-
Total finance costs	7	**(35.2)**	(42.4)
Movement in fair value of derivative financial instruments		**7.6**	(9.4)
Financial derivative termination costs	8	**(6.4)**	(2.0)
Share of results of joint ventures	9	**4.6**	2.5
Profit before tax		**779.5**	753.7
Tax charge	10	**(2.3)**	(3.9)
Profit for the year		**777.2**	749.8
Attributable to:			
- Equity shareholders		**766.2**	737.7
- Non-controlling interest		**11.0**	12.1
		777.2	749.8
Earnings per share	22	**694.53p**	718.60p
Diluted earnings per share	22	**668.73p**	647.78p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**2015 £m**	2014 £m
Profit for the year		**777.2**	749.8
Actuarial gains/(losses) on defined benefit pension scheme		**0.7**	(1.6)
Revaluation surplus of owner-occupied property	11	**1.4**	4.8
Deferred tax on revaluation surplus	18	**(0.1)**	(0.9)
Other comprehensive income that will not be reclassified to profit or loss		**2.0**	2.3
Total comprehensive income relating to the year		**779.2**	752.1
Attributable to:			
- Equity shareholders		**768.2**	740.0
- Non-controlling interest		**11.0**	12.1
		779.2	752.1

GROUP BALANCE SHEET

	Note	**2015 £m**	2014 £m
Non-current assets			
Investment property	11	**4,832.3**	4,041.0
Property, plant and equipment	12	**39.1**	27.2
Investments	13	**30.7**	7.4
Pension scheme surplus		**1.1**	-
Other receivables	14	**90.7**	78.9
		4,993.9	4,154.5
Current assets			
Trading property	11	**10.5**	24.0
Trade and other receivables	15	**52.7**	32.0
Corporation tax asset		**-**	0.2
Cash and cash equivalents	20	**6.5**	14.8
		69.7	71.0
Total assets		**5,063.6**	4,225.5
Current liabilities			
Borrowings	17	**-**	170.5
Trade and other payables	16	**124.0**	89.8
Corporation tax liability		**1.7**	-
Provisions		**0.7**	0.8
		126.4	261.1
Non-current liabilities			
Borrowings	17	**918.2**	857.6
Derivative financial instruments	17	**17.6**	25.2
Provisions		**0.5**	0.7
Pension scheme deficit		**-**	0.2
Deferred tax	18	**5.5**	5.0
		941.8	888.7
Total liabilities		**1,068.2**	1,149.8
Total net assets		**3,995.4**	3,075.7
Equity			
Share capital		**5.6**	5.1
Share premium		**186.3**	174.0
Other reserves		**952.9**	952.5
Retained earnings		**2,777.7**	1,880.6
Equity shareholders' funds		**3,922.5**	3,012.2
Non-controlling interest		**72.9**	63.5
Total equity		**3,995.4**	3,075.7

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2015	5.1	174.0	952.5	1,880.6	3,012.2	63.5	3,075.7
Profit for the year	-	-	-	766.2	766.2	11.0	777.2
Other comprehensive income	-	-	1.3	0.7	2.0	-	2.0
Transfer of owner-occupied property	-	-	6.9	(6.9)	-	-	-
Share-based payments	-	1.3	1.6	2.6	5.5	-	5.5
Bond conversion	0.5	-	(9.4)	179.5	170.6	-	170.6
Dividends paid	-	-	-	(34.0)	(34.0)	(1.6)	(35.6)
Scrip dividends	-	11.0	-	(11.0)	-	-	-
At 31 December 2015	**5.6**	**186.3**	**952.9**	**2,777.7**	**3,922.5**	**72.9**	**3,995.4**

	Attributable to equity shareholders						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 January 2014	5.0	170.4	948.6	1,180.0	2,304.0	66.5	2,370.5
Profit for the year	-	-	-	737.7	737.7	12.1	749.8
Other comprehensive income	-	-	3.9	(1.6)	2.3	-	2.3
Share-based payments	0.1	1.5	-	2.9	4.5	-	4.5
Dividends paid	-	-	-	(36.3)	(36.3)	(15.1)	(51.4)
Scrip dividends	-	2.1	-	(2.1)	-	-	-
At 31 December 2014	5.1	174.0	952.5	1,880.6	3,012.2	63.5	3,075.7

GROUP CASH FLOW STATEMENT

	Note	**2015 £m**	2014 £m
Operating activities			
Property income		**145.6**	135.2
Property expenses		**(11.7)**	(8.1)
Cash paid to and on behalf of employees		**(21.5)**	(21.7)
Other administrative expenses		**(5.2)**	(5.3)
Interest received		**0.1**	-
Interest paid	7	**(31.4)**	(31.0)
Other finance costs		**(3.0)**	(3.0)
Other income		**3.1**	1.7
Amounts received from joint ventures		**-**	0.1
Tax paid in respect of operating activities		**-**	(2.3)
Net cash from operating activities		**76.0**	65.6
Investing activities			
Acquisition of investment properties		**(246.2)**	(92.4)
Capital expenditure on the property portfolio	7	**(116.4)**	(113.2)
Disposal of investment and trading properties		**277.2**	114.4
Disposal of investment in joint venture		**-**	4.9
Repayment of loan by joint venture on disposal		**-**	1.9
Purchase of property, plant and equipment		**(0.9)**	(0.3)
Advances to non-controlling interest holder		**-**	(2.0)
Net cash used in investing activities		**(86.3)**	(86.7)
Financing activities			
Drawdown of new revolving bank loan		**45.8**	-
Net movement in revolving bank loan		**66.3**	(38.9)
Repayment of term loan		**(70.0)**	-
Drawdown of private placement notes		**-**	99.0
Financial derivative termination costs		**(6.4)**	(2.0)
Net proceeds of share issues		**1.2**	1.5
Dividends paid to non-controlling interest holder		**(1.6)**	-
Dividends paid	19	**(33.3)**	(36.2)
Net cash from financing activities		**2.0**	23.4
(Decrease)/increase in cash and cash equivalents in the year		**(8.3)**	2.3
Cash and cash equivalents at the beginning of the year		**14.8**	12.5
Cash and cash equivalents at the end of the year	20	**6.5**	14.8

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 2015 or the year ended 31 December 2014, but is derived from those accounts. The Group's statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The Auditor's reports on both the 2014 and 2015 accounts were unmodified, did not draw attention to any matters by way of an emphasis of matter and did not contain any statement under Section 498 of the Companies Act 2006.

The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS), IFRS IC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, property, plant and equipment, available for sale investments, and financial assets and liabilities held for trading.

Going concern
The Board continues to adopt the going concern basis in preparing these consolidated financial statements.

2. Changes in accounting policies

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2014, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year as shown below.

New standards adopted during the year
The following standards, amendments and interpretations endorsed by the EU were effective for the first time for the Group's 31 December 2015 year end and had no material impact on the financial statements:

Annual Improvements to IFRSs (2011 – 2013 Cycle).

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

IFRS 9 Financial Instruments;
IFRS 10 (amended) – Consolidated Financial Statements;
IFRS 11 (amended) – Joint Arrangements;
IFRS 14 Regulatory Deferral Accounts;
IFRS 16 Leases;
IAS 1 (amended) – presentation of financial statements;
IAS 16 (amended) – Property Plant and Equipment;
IAS 19 (amended) – Employee Benefits;
IAS 27 (amended) – Separate Financial Statements;
IAS 28 (amended) – Investments in Associates and Joint Ventures;
IAS 38 (amended) – Intangible Assets;
IAS 41 (amended) – Agriculture;
Annual Improvements to IFRSs (2010 - 2012 Cycle); and
Annual Improvements to IFRSs (2014).

In addition to the above, IFRS 15 Revenue from Contracts with Customers was in issue at the date of approval of these financial statements but was not yet effective for the current accounting year and has not been adopted early. The Group has not yet completed its evaluation of the effect of its adoption.

3. Significant judgments, key assumptions and estimates

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

- Property portfolio valuation.
- Compliance with the real estate investment trust (REIT) taxation regime.
- Outstanding rent reviews.
- Contingent consideration.

A full explanation of these policies is included in the 2015 financial statements.

4. Segmental information

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

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA earnings per share, net asset value and profit figures. Reconciliations of each of these figures to their statutory equivalents are detailed in note 22. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio includes investment property, owner-occupied property and trading property and comprised 94% office buildings* by value at 31 December 2015 (2014: 93%). The Directors consider that these properties have similar economic characteristics. Therefore, these individual properties have been aggregated into a single operating segment. The remaining 6% (2014: 7%) represented a mixture of retail, hotel, residential and light industrial properties, as well as land, each of which is de minimis in its own right and below the quantitative threshold in aggregate. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

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

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

Gross property income

	2015			2014		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	Total £m
West End central	82.5	4.0	**86.5**	80.5	3.7	84.2
West End borders	15.8	0.2	**16.0**	13.4	0.3	13.7
City borders	44.6	0.2	**44.8**	35.6	0.2	35.8
Provincial	-	4.7	**4.7**	-	4.7	4.7
	142.9	9.1	**152.0**	129.5	8.9	138.4

A reconciliation of gross property income to gross property and other income is given in note 5.

Property portfolio

	2015			2014		
	Office buildings £m	Other £m	**Total £m**	Office buildings £m	Other £m	Total £m
Carrying value						
West End central	2,601.4	180.3	**2,781.7**	2,289.4	153.2	2,442.6
West End borders	422.9	15.9	**438.8**	364.4	15.6	380.0
City borders	1,555.7	6.4	**1,562.1**	1,164.0	5.4	1,169.4
Provincial	-	96.3	**96.3**	-	97.8	97.8
	4,580.0	298.9	**4,878.9**	3,817.8	272.0	4,089.8
Fair value						
West End central	2,633.8	184.1	**2,817.9**	2,322.3	159.7	2,482.0
West End borders	442.8	15.9	**458.7**	385.2	15.5	400.7
City borders	1,571.4	6.4	**1,577.8**	1,178.0	5.4	1,183.4
Provincial	-	100.1	**100.1**	-	102.0	102.0
	4,648.0	306.5	**4,954.5**	3,885.5	282.6	4,168.1

A reconciliation between the fair value and carrying value of the portfolio is set out in note 11.

5. Property and other income

	2015 £m	2014 £m
Gross rental income	**148.3**	136.7
Surrender premiums received	**-**	0.1
Other property income	**3.7**	1.6
Gross property income	**152.0**	138.4
Trading property sales proceeds	**24.5**	15.7
Service charge income	**25.8**	24.4
Other income	**2.6**	2.0
Gross property and other income	**204.9**	180.5
Gross rental income	**148.3**	136.7
Ground rent	**(0.4)**	(0.4)
Service charge income	**25.8**	24.4
Service charge expenses	**(27.7)**	(25.6)
	(1.9)	(1.2)
Other property costs	**(7.3)**	(6.4)
Net rental income	**138.7**	128.7
Trading property sales proceeds	**24.5**	15.7
Trading property cost of sales	**(21.3)**	(11.8)
Profit on trading property disposals	**3.2**	3.9
Other property income	**3.7**	1.6
Other income	**2.6**	2.0
Other costs	**(0.3)**	-
Surrender premiums received	**-**	0.1
Reverse surrender premiums	**-**	(0.4)
Dilapidation receipts	**0.7**	0.2
Net property and other income	**148.6**	136.1

Included within rental income is £0.3m (2014: £1.5m) of income which was derived from a lease of one of its buildings where the Group entered into an agreement to restructure the lease arrangements such that the Group could obtain possession of the building whilst maintaining rental income. 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). Additionally, rental income includes £11.6m (2014: £7.0m) relating to rents recognised in advance of the cash receipts.

In 2015, other property income relates to compensation received from contractors in connection with the late delivery of pre-let schemes under fixed price contracts and recognised during the year. The comparative in 2014 related to a rights of light settlement. Other income in both years 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.

6. Profit on disposal

	2015 £m	2014 £m
Investment property		
Gross disposal proceeds	**259.3**	100.6
Costs of disposal	**(2.7)**	(1.6)
Net disposal proceeds	**256.6**	99.0
Carrying value	**(215.4)**	(70.3)
Adjustment for rents recognised in advance	**(1.0)**	(0.5)
Profit on disposal of investment property	**40.2**	28.2
Investment in joint venture		
Gross disposal proceeds	**-**	5.4
Costs of disposal	**-**	(0.5)
Net disposal proceeds	**-**	4.9
Carrying value	**-**	(2.9)
Profit on disposal of investment in joint venture	**-**	2.0
Total profit on disposal	**40.2**	30.2

In February 2015, the Group entered into a property swap with LaSalle Investment Management. This resulted in the disposal of two properties and the transfer of 9 and 16 Prescot Street E1 to a 50:50 joint venture in exchange for the acquisition of 20 Farringdon Road EC1 and cash proceeds. The carrying value of Prescot Street at the date of disposal was £36.2m and the fair value at that date was £37.4m. 50% (£18.1m) was disposed of for cash proceeds of £18.7m, resulting in a profit on disposal of £0.6m, which is included in the £40.2m profit on disposal shown above. The remaining 50% was transferred to investments (see note 13) in exchange for a loan of £18.7m.

In April 2014, the Group disposed of its 25% interest in the joint venture Euro Mall Sterboholy a.s. in Prague for £5.4m before costs of £0.5m. Included within the tax charge in 2014 was £0.9m relating to this disposal, resulting in a profit on disposal net of tax of £1.1m. At the same time, a loan of £1.9m to the joint venture was repaid.

7. Finance costs

	2015 **£m**	2014 £m
Finance income		
Other	**0.1**	-
Total finance income	**0.1**	-
Finance costs		
Bank loans and overdraft	**12.5**	12.7
Non-utilisation fees	**1.5**	2.3
Unsecured convertible bonds	**4.0**	10.4
Secured bonds	**11.4**	11.4
Unsecured private placement notes	**4.6**	4.5
Secured loan	**3.3**	3.3
Amortisation of issue and arrangement costs	**2.3**	3.3
Amortisation of the fair value of the secured bonds	**(1.0)**	(0.9)
Finance lease costs	**1.1**	0.5
Other	**0.2**	0.2
Gross interest costs	**39.9**	47.7
Less: finance costs capitalised	**(5.0)**	(5.3)
Finance costs	**34.9**	42.4
Loan arrangement costs written off	**0.3**	-
Total finance costs	**35.2**	42.4

Finance costs of £5.0m (2014: £5.3m) have been capitalised on development projects, in accordance with IAS 23 Borrowing Costs, using the Group's average cost of borrowings during each quarter. Total finance costs paid during 2015 were £36.4m (2014: £36.3m) of which £5.0m (2014: £5.3m) was included in capital expenditure on the property portfolio in the Group cash flow statement under investing activities.

As a result of the refinancing of one of the Group's bank facilities in July 2015, £0.3m of unamortised arrangement costs associated with the previous facility repaid were written off to the Group income statement in 2015. In accordance with EPRA guidance, these costs have been excluded from EPRA profit and earnings (see note 22).

8. Financial derivative termination costs

The Group incurred costs of £4.0m in 2015 to terminate and re-coupon interest rate swaps and £2.4m to defer the start date of a 'forward-start' swap.

In 2014, the Group incurred costs of £2.0m deferring the start dates of two 'forward-start' interest rate swaps.

9. Share of results of joint ventures

	2015 **£m**	2014 £m
Revaluation surplus	**3.6**	1.9
Other profit from operations after tax	**1.0**	0.6
	4.6	2.5

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

10. Tax charge

	2015 £m	2014 £m
Corporation tax		
UK corporation tax and income tax in respect of profit for the year	**1.8**	0.8
Other adjustments in respect of prior years' tax	**0.1**	-
Corporation tax charge	**1.9**	0.8
Deferred tax		
Origination and reversal of temporary differences	**0.4**	3.2
Adjustment for changes in estimates	**-**	(0.1)
Deferred tax charge	**0.4**	3.1
Tax charge	**2.3**	3.9

In addition to the tax charge of £2.3m (2014: £3.9m) that passed through the Group income statement, a deferred tax charge of £0.1m (2014: £0.9m) was recognised in the Group statement of comprehensive income relating to revaluation of the owner-occupied property at 25 Savile Row W1.

The effective rate of tax for 2015 is lower (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £m	2014 £m
Profit before tax	**779.5**	753.7
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)*	**157.8**	162.0
Difference between tax and accounting profit on disposals	**(8.3)**	(5.1)
REIT exempt income	**(8.8)**	(9.8)
Revaluation surplus attributable to REIT properties	**(132.3)**	(143.4)
Expenses and fair value adjustments not allowable for tax purposes	**(3.6)**	0.9
Capital allowances	**(3.9)**	(3.6)
Origination and reversal of temporary differences	**0.4**	3.2
Other differences	**0.9**	(0.3)
Tax charge in respect of profit for the year	**2.2**	3.9
Adjustments in respect of prior years' tax	**0.1**	-
	2.3	3.9

*The Finance Act 2015 set the main rate of UK corporation tax at 20% with effect from 1 April 2015. Finance (No.2) Act 2015 has introduced further reductions in the main corporation tax rate from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020.

11. Property portfolio

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Trading property £m	Total property portfolio £m
Carrying value						
At 1 January 2015	3,464.3	576.7	4,041.0	24.8	24.0	4,089.8
Acquisitions	145.8	105.8	251.6	-	-	251.6
Capital expenditure	69.1	44.8	113.9	0.1	6.8	120.8
Interest capitalisation	4.0	0.8	4.8	-	0.2	5.0
Additions	218.9	151.4	370.3	0.1	7.0	377.4
Disposals	(214.7)	(0.7)	(215.4)	-	(20.5)	(235.9)
Transfers to joint venture	(18.7)	-	(18.7)	-		(18.7)
Transfers	(9.8)	-	(9.8)	9.8	-	-
Revaluation	566.8	83.2	650.0	1.4	-	651.4
Movement in grossing up of headlease liabilities	-	14.9	14.9	-	-	14.9
At 31 December 2015	**4,006.8**	**825.5**	**4,832.3**	**36.1**	**10.5**	**4,878.9**
At 1 January 2014	2,773.2	469.7	3,242.9	19.7	22.6	3,285.2
Acquisitions	92.2	-	92.2	-	-	92.2
Capital expenditure	80.0	24.1	104.1	0.3	12.3	116.7
Interest capitalisation	3.6	1.3	4.9	-	0.4	5.3
Additions	175.8	25.4	201.2	0.3	12.7	214.2
Disposals	(70.1)	(0.2)	(70.3)	-	(11.3)	(81.6)
Revaluation	585.4	81.7	667.1	4.8	-	671.9
Movement in grossing up of headlease liabilities	-	0.1	0.1	-	-	0.1
At 31 December 2014	3,464.3	576.7	4,041.0	24.8	24.0	4,089.8

Adjustments from fair value to carrying value

	Freehold £m	Leasehold £m	Total investment property £m	Owner-occupied property £m	Trading property £m	Total property portfolio £m
At 31 December 2015						
Fair value	**4,095.2**	**810.9**	**4,906.1**	**36.1**	**12.3**	**4,954.5**
Revaluation of trading property	-	-	-	-	(1.8)	(1.8)
Lease incentives and costs included in receivables	(88.4)	(8.6)	(97.0)	-	-	(97.0)
Grossing up of headlease liabilities	-	23.2	23.2	-	-	23.2
Carrying value	**4,006.8**	**825.5**	**4,832.3**	**36.1**	**10.5**	**4,878.9**
At 31 December 2014						
Fair value	3,541.6	572.6	4,114.2	24.8	29.1	4,168.1
Revaluation of trading property	-	-	-	-	(5.1)	(5.1)
Lease incentives and costs included in receivables	(77.3)	(4.2)	(81.5)	-	-	(81.5)
Grossing up of headlease liabilities	-	8.3	8.3	-	-	8.3
Carrying value	3,464.3	576.7	4,041.0	24.8	24.0	4,089.8

Reconciliation of fair value

	2015 £m	2014 £m
Portfolio including the Group's share of joint ventures	**4,988.5**	4,178.6
Joint ventures	**(34.0)**	(10.5)
IFRS property portfolio	**4,954.5**	4,168.1

The property portfolio is subject to semi-annual external valuations and was revalued at 31 December 2015 by external valuers on the basis of fair value in accordance with the RICS Valuation – Professional Standards, which takes account of the properties' highest and best use. When considering the highest and best use of a property, the external valuers will consider its existing and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the external valuers will consider the costs and the likelihood of achieving and implementing this change in arriving at the property valuation.

CBRE Limited valued properties at £4,924.8m (2014: £4,135.2m) and other valuers at £29.7m (2014: £32.9m). Of the properties revalued by CBRE, £36.1m (2014: £24.8m) relating to owner-occupied property was included within property, plant and equipment and £12.3m (2014: £29.1m) was in relation to trading property.

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

In February 2015, the Group entered into a property swap, further details of which are provided in note 6. The carrying value of 9 and 16 Prescot Street E1 at the date of disposal was £36.2m, and 50% of this is shown within the £235.9m of disposals above, reflecting the sale to our partner. The fair value at the date of disposal was £37.4m, and 50% of this is the £18.7m shown as transfer to joint venture above, reflecting the 50% retained by the Group.

During 2009, certain freehold properties owned by the Group were compulsorily purchased by the Secretary of State for Transport close to the proposed Tottenham Court Road Crossrail station. The Group retained a pre-emption right for first refusal on any subsequent disposal of the site. In July 2015, a development agreement was signed whereby the Group can gain access to redevelop the site once the station has been completed. A long leasehold interest in the site will be granted to the Group upon practical completion of its office, theatre and retail development, which has received planning permission. Costs of £7.3m were incurred by the Group up to 31 December 2015 and, in accordance with IAS 40 Investment Property, an investment property has been recognised during the year, which was subsequently revalued at the balance sheet date. A further £3.7m of recoverable costs have been recognised in long-term receivables.

Reconciliation of revaluation surplus

	2015 £m	2014 £m
Total revaluation surplus	**672.2**	685.7
Share of joint ventures	**(3.6)**	(1.9)
Lease incentives and costs	**(16.4)**	(8.0)
Trading property revaluation surplus	**(0.3)**	(3.9)
Other	**(0.5)**	-
IFRS revaluation surplus	**651.4**	671.9
Reported in the:		
Group income statement	**650.0**	667.1
Group statement of comprehensive income	**1.4**	4.8
	651.4	671.9

Historic cost

	2015 £m	2014 £m
Investment property	**2,732.3**	2,534.4
Owner-occupied property	**7.7**	7.6
Trading property	**9.9**	23.4
Total property portfolio	**2,749.9**	2,565.4

12. Property, plant and equipment

	Owner-occupied property £m	Artwork £m	Other £m	Total £m
At 1 January 2015	24.8	1.5	0.9	27.2
Additions	0.1	-	0.9	1.0
Depreciation	-	-	(0.3)	(0.3)
Transfers	9.8	-	-	9.8
Revaluation	1.4	-	-	1.4
At 31 December 2015	**36.1**	**1.5**	**1.5**	**39.1**
At 1 January 2014	19.7	1.5	1.0	22.2
Additions	0.3	-	0.2	0.5
Depreciation	-	-	(0.3)	(0.3)
Revaluation	4.8	-	-	4.8
At 31 December 2014	24.8	1.5	0.9	27.2
Net book value				
Cost or valuation	36.1	1.5	3.5	41.1
Accumulated depreciation	-	-	(2.0)	(2.0)
At 31 December 2015	**36.1**	**1.5**	**1.5**	**39.1**
Net book value				
Cost or valuation	24.8	1.5	2.6	28.9
Accumulated depreciation	-	-	(1.7)	(1.7)
At 31 December 2014	24.8	1.5	0.9	27.2

The artwork is periodically valued by Bonhams on the basis of fair value using their extensive market knowledge. The latest valuation was carried out in December 2014 and the Directors consider that there have been no material valuation movements since that date. In accordance with IFRS 13 Fair Value Measurement, the artwork is deemed to be classified as Level 3.

The historic cost of the artwork in the Group at 31 December 2015 was £1.5m (2014: £1.5m). See note 11 for the historic cost of owner-occupied property.

13. Investments

The Group has a 50% interest in two joint ventures, Primister Limited and Prescot Street Limited Partnership ('PSLP'). 9 and 16 Prescot Street E1 was transferred from a Group company into PSLP during the year.

In April 2014 the Group disposed of its 25% interest and 50% voting rights in the joint venture, Euro Mall Sterboholy a.s..

	2015 **£m**	2014 £m
At 1 January 2014	**7.4**	5.1
Distributions received	**-**	(0.1)
Transfer from investment property (see note 11)	**18.7**	-
Share of results of joint ventures (see note 9)	**4.6**	2.5
Disposal of investment in joint venture	**-**	(0.1)
At 31 December 2015	**30.7**	7.4

14. Other receivables (non-current)

	2015 **£m**	2014 £m
Accrued income	**87.0**	73.2
Other	**3.7**	5.7
	90.7	78.9

Accrued income relates to rents recognised in advance as a result of spreading the effect of rent free and reduced rent periods, capital contributions in lieu of rent free periods and contracted rent uplifts, as well as the initial direct costs of the letting, over the expected terms of their respective leases. Together with £10.0m (2014: £8.3m), which was included as current assets within trade and other receivables, these amounts totalled £97.0m at 31 December 2015 (2014: £81.5m).

15. Trade and other receivables

	2015 **£m**	2014 £m
Trade receivables	**2.4**	4.5
Other receivables	**5.4**	2.4
Prepayments	**14.9**	15.7
Other taxes	**16.5**	-
Accrued income	**13.5**	9.4
	52.7	32.0

16. Trade and other payables

	2015	2014
	£m	£m
Trade payables	**0.2**	2.2
Other payables	**39.9**	12.8
Sales and social security taxes	**-**	4.2
Accruals	**49.1**	37.4
Deferred income	**34.8**	33.2
	124.0	89.8

Included within the other payables for the Group of £39.9m is £26.4m that relates to a deferred VAT payment on the acquisition of a property in December 2015. The payment was made in January 2016.

17. Borrowings and derivative financial instruments

	2015		2014	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Current liabilities				
2.75% unsecured convertible bonds 2016	**-**	**-**	170.5	234.4
	-	**-**	170.5	234.4
Non-current liabilities				
1.125% unsecured convertible bonds 2019	**140.2**	**171.7**	137.5	154.5
6.5% secured bonds 2026	**188.9**	**217.2**	189.8	227.4
4.41% unsecured private placement notes 2029	**24.8**	**27.2**	24.7	27.6
4.68% unsecured private placement notes 2034	**74.3**	**81.9**	74.2	83.5
3.99% secured loan 2024	**82.0**	**83.3**	81.9	84.1
Unsecured bank loans	**356.8**	**362.5**	243.7	249.0
Secured bank loans	**28.0**	**28.0**	97.5	98.0
Leasehold liabilities	**23.2**	**23.2**	8.3	8.3
	918.2	**995.0**	857.6	932.4
Borrowings	**918.2**	**995.0**	1,028.1	1,166.8
Derivative financial instruments expiring in greater than one year	**17.6**	**17.6**	25.2	25.2
Total borrowings and derivative financial instruments	**935.8**	**1,012.6**	1,053.3	1,192.0

Reconciliation to net debt:		
Borrowings and derivative financial instruments	**935.8**	1,053.3
Less:		
Derivative financial instruments	**(17.6)**	(25.2)
Cash and cash equivalents	**(6.5)**	(14.8)
Net debt	**911.7**	1,013.3

In December 2014, the Group issued a notice for the early redemption of the 2.75% unsecured convertible bonds 2016. All the bonds converted in January 2015 into new ordinary shares of 5p each and were subsequently cancelled. The transaction gave rise to an increase in retained earnings of £179.5m.

The fair value of the Group's bonds has been estimated on the basis of quoted market prices, representing Level 1 fair value measurement as defined by IFRS 13 Fair Value Measurement.

The fair values of the 3.99% secured loan and the unsecured private placement notes have been determined by comparing the discounted future cash flows using the contracted yield with those of the reference gilts plus the implied margins, and represent Level 2 fair value measurement.

The fair value of the Group's outstanding interest rate swaps has been estimated by using the mid-point of the yield curves prevailing on the reporting date and represents the net present value of the differences between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates. These represent Level 2 fair value measurement.

The fair value of the Group's bank loans is approximately the same as their carrying value, after adjusting for the unamortised arrangement fees, and also represents Level 2 fair value measurement.

The fair value of the following financial assets and liabilities are the same as their carrying amounts:

- Cash and cash equivalents;
- Trade receivables, other receivables and accrued income included within trade and other receivables;
- Trade payables, other payables and accruals included within trade and other payables; and
- Leasehold liabilities.

There have been no transfers between Level 1 and Level 2 or Level 2 and Level 3 in either 2015 or 2014.

18. Deferred tax

	Revaluation surplus £m	Other £m	Total £m
At 1 January 2015	7.2	(2.2)	5.0
Charged/(credited) to the income statement	1.4	(1.0)	0.4
Charged to other comprehensive income	0.1	-	0.1
At 31 December 2015	**8.7**	**(3.2)**	**5.5**
At 1 January 2014	5.5	(4.5)	1.0
Charged to the income statement	1.0	2.2	3.2
Change in tax rates in the income statement	(0.2)	0.1	(0.1)
Charged to other comprehensive income	0.9	-	0.9
At 31 December 2014	7.2	(2.2)	5.0

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

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

19. Dividend

	Payment date	Dividend per share PID p	Non-PID p	Total p	**2015 £m**	2014 £m
Current year						
2015 final dividend	10 June 2016	30.80	-	30.80	**-**	-
2015 interim dividend	22 October 2015	12.60	-	12.60	**14.0**	-
Distribution of current year profit		43.40	-	43.40		
Prior year						
2014 final dividend	12 June 2015	22.35	5.65	28.00	**31.0**	-
2014 interim dividend	23 October 2014	7.30	4.35	11.65	**-**	12.0
Distribution of prior year profit		29.65	10.00	39.65		
2013 final dividend	13 June 2014	23.50	2.25	25.75	**-**	26.4
Dividends as reported in the Group statement of changes in equity					**45.0**	38.4
2015 interim dividend withholding tax	14 January 2016				**(1.7)**	-
2015 interim scrip dividend	22 October 2015				**(3.3)**	-
2014 final scrip dividend	12 June 2015				**(7.7)**	-
2014 interim dividend withholding tax	14 January 2015				**1.0**	(1.0)
2014 interim scrip dividend	23 October 2014				**-**	(1.0)
2013 final scrip dividend	13 June 2014				**-**	(1.1)
2013 interim dividend withholding tax	14 January 2014				**-**	0.9
Dividends paid as reported in the Group cash flow statement					**33.3**	36.2

20. Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank	**6.5**	14.8

21. Post balance sheet events

In February 2016, the Group agreed to issue £30m of new unsecured 3.46% senior notes expiring in May 2028 and £75m of new unsecured 3.57% senior notes expiring in May 2031. The £105m of funds will be drawn in May 2016.

22. EPRA performance measures

Number of shares

	Earnings per share Weighted average		Net asset value per share At 31 December	
	2015 '000	2014 '000	**2015 '000**	2014 '000
For use in basic measures	**110,320**	102,658	**111,172**	102,785
Dilutive effect of convertible bonds	**4,498**	12,373	**4,498**	7,876
Dilutive effect of share-based payments	**355**	456	**363**	477
For use in measures for which bond conversion is dilutive	**115,173**	115,487	**116,033**	111,138
Less dilutive effect of convertible bonds	**(4,498)**	(12,373)	**(4,498)**	(7,876)
For use in other diluted measures	**110,675**	103,114	**111,535**	103,262

The £150m unsecured convertible bonds 2019 ('2019 bonds') have an initial conversion price set at £33.35. The £175m unsecured convertible bonds 2016 ('2016 bonds') were redeemed early and converted into ordinary shares in January 2015 at a conversion price of £22.22.

In accordance with IAS 33 Earnings per Share, the effect of the conversion of the bonds is required to be recognised if they are dilutive, and not recognised if they are anti-dilutive.

For 2015, the shares attributable to the conversion of the 2019 bonds were dilutive for net asset value (NAV) and EPRA NAV per share and unadjusted earnings per share but anti-dilutive for EPRA earnings per share.

For 2014, the shares attributable to the conversion of the 2019 bonds were dilutive for unadjusted earnings per share but anti-dilutive for all other measures. The shares attributable to the 2016 bonds were dilutive for NAV and EPRA NAV per share and unadjusted earnings per share but anti-dilutive for EPRA earnings per share.

For consistency purposes, the Group has adopted the same approach for dilution due to convertible bonds for the calculation of EPRA triple NAV per share as EPRA NAV per share.

The following tables set out reconciliations between the IFRS and EPRA figures for profit before tax, profit for the year and earnings per share. The adjustments made between the figures are as follows:

A – Disposal of investment and trading property and investment in joint venture, and associated tax and non-controlling interest
B – Revaluation surplus on investment property and in joint ventures, and associated deferred tax and non-controlling interest
C – Fair value movement and termination costs relating to derivative financial instruments, and associated non-controlling interest
D – Loan arrangement costs written off, movement in the valuation of cash-settled options and the dilutive effect of convertible bonds

Profit before tax and earnings per share

	IFRS	Adjustments A	B	C	D	EPRA
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2015						
Net property and other income	148.6	(3.2)	-	-	-	145.4
Total administrative expenses	(30.0)	-	-	-	-	(30.0)
Revaluation surplus	650.0	-	(650.0)	-	-	-
Profit on disposal of investment property	40.2	(40.2)	-	-	-	-
Net finance costs	(35.1)	-	-	-	0.3	(34.8)
Movement in fair value of derivative financial instruments	7.6	-	-	(7.6)	-	-
Financial derivative termination costs	(6.4)	-	-	6.4	-	-
Share of results of joint ventures	4.6	-	(3.6)	-	-	1.0
Profit before tax	**779.5**	**(43.4)**	**(653.6)**	**(1.2)**	**0.3**	**81.6**
Tax charge	(2.3)	-	1.4	-	-	(0.9)
Profit for the year	777.2	(43.4)	(652.2)	(1.2)	0.3	80.7
Non-controlling interest	(11.0)	0.4	8.4	0.2	-	(2.0)
Profit for the year attributable to equity shareholders	766.2	(43.0)	(643.8)	(1.0)	0.3	78.7
Interest effect of dilutive convertible bonds	4.0	-	-	-	(4.0)	-
Diluted earnings	770.2	(43.0)	(643.8)	(1.0)	(3.7)	78.7
Earnings per share	**694.53p**					**71.34p**
Diluted earnings per share	668.73p					71.11p

	IFRS	Adjustments A	B	C	D	EPRA
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2014						
Net property and other income	136.1	(3.9)	-	-	-	132.2
Total administrative expenses	(28.4)	-	-	-	0.3	(28.1)
Revaluation surplus	667.1	-	(667.1)	-	-	-
Profit on disposal of investment property	28.2	(28.2)	-	-	-	-
Profit on disposal of investment	2.0	(2.0)	-	-	-	-
Net finance costs	(42.4)	-	-	-	-	(42.4)
Movement in fair value of derivative financial instruments	(9.4)	-	-	9.4	-	-
Financial derivative termination costs	(2.0)	-	-	2.0	-	-
Share of results of joint ventures	2.5	-	(1.9)	-	-	0.6
Profit before tax	753.7	(34.1)	(669.0)	11.4	0.3	62.3
Tax charge	(3.9)	1.0	1.2	-	-	(1.7)
Profit for the year	749.8	(33.1)	(667.8)	11.4	0.3	60.6
Non-controlling interest	(12.1)	-	10.4	(0.3)	-	(2.0)
Profit for the year attributable to equity shareholders	737.7	(33.1)	(657.4)	11.1	0.3	58.6
Interest effect of dilutive convertible bonds	10.4	-	-	-	(10.4)	-
Diluted earnings	748.1	(33.1)	(657.4)	11.1	(10.1)	58.6
Earnings per share	718.60p					57.08p
Diluted earnings per share	647.78p					56.83p

Net asset value and net asset value per share

	£m	Undiluted p	Diluted p
At 31 December 2015			
Net assets attributable to equity shareholders - diluted	4,062.7		3,501
Remove conversion of 1.125% unsecured convertible bonds 2019	(140.2)		
Net assets attributable to equity shareholders - undiluted	3,922.5	3,528	
Adjustment for:			
Revaluation of trading properties net of tax	1.4		
Deferred tax on revaluation surplus	8.7		
Fair value of derivative financial instruments	17.6		
Fair value adjustment to secured bonds	15.0		
Non-controlling interest in respect of the above	(3.7)		
EPRA net asset value - undiluted	3,961.5	3,563	
Adjustment for:			
Potential conversion of 1.125% unsecured convertible bonds 2019	140.2		
EPRA net asset value - diluted	**4,101.7**		**3,535**
Adjustment for:			
Deferred tax on revaluation surplus	(8.7)		
Fair value of derivative financial instruments	(17.6)		
Mark-to-market of secured bonds	(42.2)		
Mark-to-market of fixed rate secured loan	(0.3)		
Mark-to-market of fixed rate unsecured private placement notes	(9.1)		
Unamortised issue and arrangement costs	(8.7)		
Non-controlling interest in respect of the above	3.7		
EPRA triple net asset value - diluted	**4,018.8**		**3,463**
Adjustment for 1.25% unsecured convertible bonds 2019:			
Remove conversion of bonds	(140.2)		
Unamortised issue and arrangement costs	(2.1)		
Mark-to-market of bonds	(29.4)		
EPRA triple net asset value - undiluted	3,847.1	3,460	

	£m	Undiluted p	Diluted p
At 31 December 2014			
Net assets attributable to equity shareholders - diluted	3,182.7		2,864
Remove conversion of 2.75% unsecured convertible bonds 2016	(170.5)		
Net assets attributable to equity shareholders - undiluted	3,012.2	2,931	
Adjustment for:			
Revaluation of trading properties net of tax	4.1		
Deferred tax on revaluation surplus	7.2		
Fair value of derivative financial instruments	25.2		
Fair value adjustment to secured bonds	16.0		
Non-controlling interest in respect of the above	(3.2)		
EPRA net asset value - undiluted	3,061.5	2,979	
Adjustment for:			
Potential conversion of 2.75% unsecured convertible bonds 2016	170.5		
EPRA net asset value - diluted	3,232.0		2,908
Adjustment for:			
Deferred tax on revaluation surplus	(7.2)		
Fair value of derivative financial instruments	(25.2)		
Mark-to-market of 1.125% unsecured convertible bonds 2019	(14.2)		
Mark-to-market of secured bonds	(52.4)		
Mark-to-market of fixed rate secured loan	(1.1)		
Mark-to-market of fixed rate unsecured private placement notes	(11.1)		
Unamortised issue and arrangement costs	(11.9)		
Non-controlling interest in respect of the above	3.2		
EPRA triple net asset value - diluted	3,112.1		2,800
Adjustment for 2.75% unsecured convertible bonds 2016:			
Remove conversion of bonds	(170.5)		
Unamortised issue and arrangement costs	(1.4)		
Mark-to-market of bonds	(62.5)		
EPRA triple net asset value - undiluted	2,877.7	2,800	

Cost ratios

	2015 £m	2014 £m
Administrative expenses	**30.0**	28.1
Other property costs	**7.3**	6.4
Dilapidation receipts	**(0.7)**	(0.2)
Other costs	**0.3**	-
Net service charge costs	**1.9**	1.2
Service charge costs recovered through rents but not separately invoiced	**(0.2)**	(0.5)
Management fees received less estimated profit element	**(2.6)**	(2.0)
Share of joint ventures' expenses	**0.3**	0.1
EPRA costs (including direct vacancy costs) (A)	**36.3**	33.1
Direct vacancy costs	**(3.1)**	(1.8)
EPRA costs (excluding direct vacancy costs) (B)	**33.2**	31.3
Gross rental income	**148.3**	136.7
Ground rent	**(0.4)**	(0.4)
Service charge components of rental income	**(0.2)**	(0.5)
Share of joint ventures' rental income less ground rent	**1.4**	0.8
Adjusted gross rental income (C)	**149.1**	136.6
EPRA cost ratio (including direct vacancy costs) (A/C)	**24.3%**	24.2%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**22.3%**	22.9%

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

Property portfolio at fair value (D)	**4,954.5**	4,168.1
Portfolio cost ratio (A/D)	**0.7%**	0.8%

The Group has not capitalised any overhead or operating expenses in either 2015 or 2014.

23. Gearing and interest cover

NAV gearing

	2015 £m	2014 £m
Net debt	**911.7**	1,013.3
Net assets	**3,995.4**	3,075.7
NAV gearing	**22.8%**	32.9%

Loan-to-value ratio

	2015 £m	2014 £m
Net debt	**911.7**	1,013.3
Fair value adjustment of secured bonds	**(15.0)**	(16.0)
Unamortised issue and arrangement costs	**10.8**	13.3
Leasehold liabilities	**(23.2)**	(8.3)
Drawn debt net of cash	**884.3**	1,002.3
Fair value of property portfolio	**4,954.5**	4,168.1
Loan-to-value ratio	**17.8%**	24.0%

Net interest cover ratio

	2015 £m	2014 £m
Net property and other income	**148.6**	136.1
Adjustments for:		
Other income	**(2.6)**	(2.0)
Other property income	**(3.7)**	(1.6)
Net surrender premiums received	**-**	(0.1)
Profit on disposal of trading properties	**(3.2)**	(3.9)
Reverse surrender premiums	**-**	0.4
Adjusted net property income	**139.1**	128.9
Finance income	**(0.1)**	-
Finance costs	**34.9**	42.4
	34.8	42.4
Adjustments for:		
Finance income	**0.1**	-
Other finance costs	**(0.2)**	(0.2)
Amortisation of fair value adjustment to secured bonds	**1.0**	0.9
Amortisation of issue and arrangement costs	**(2.3)**	(3.3)
Finance costs capitalised	**5.0**	5.3
	38.4	45.1
Net interest cover ratio	**362%**	286%

24. Total return

	2015	2014
	p	p
EPRA net asset value on a diluted basis		
At end of year	**3,535.00**	2,908.00
At start of year	**(2,908.00)**	(2,264.00)
Increase	**627.00**	644.00
Dividend per share	**40.60**	37.40
Increase including dividend	**667.60**	681.40
Total return	**23.0%**	30.1%

25. Risk management and internal control

Derwent London aims to deliver above average long-term returns to shareholders whilst operating within the Group's risk appetite. The Board uses the Group's risk management system to ensure that risks to the Group's strategy are identified, understood and managed, recognising that such risks are inherent in running any business.

Overall responsibility for risk management and the Group's system of internal controls rests with the Board which has delegated responsibility to the Audit Committee and the Risk Committee. Executive management is responsible for developing the Group's risk management system and for designing, implementing, maintaining and evaluating the systems of internal control.

The Board is responsible for managing the Group's risk profile in an environment that reflects the culture and organisation of the business. Key matters to note in this regard are:

- Senior management encourages an open and transparent culture throughout the business.
- The close day-to-day involvement of the Directors in the business allows any system weaknesses to be identified quickly.
- The Group mainly operates out of a single office in central London which is within close proximity to most of its properties.
- The senior management team is experienced and stable and overall staff turnover is low.
- The Group has a Whistleblowing Policy which is supported by an independent advice line.

The Group's risk management framework was prepared within the context of this operating environment and consists of its Risk Appetite Statement, a Risk Management Policy document and a Risk Management Process document. The Board's approach to risk management recognises that not all risk can be eliminated at an acceptable cost and that there are some risks that, given its experience, the Board will choose to accept.

The Risk Register, which is prepared by the Executive Committee, is the core element of the Group's risk management process. The first stage in its preparation is for the Committee to identify the risks facing the Group. An assessment is then made collectively by the Committee of the following matters:

- The likelihood of each risk occurring.
- The potential impact of the risk on each different aspect of the business.
- The strength of the controls operating over the risk.

This approach allows the final assessment to reflect the effect of the controls and any mitigating procedures that are in place.

The Register and its method of preparation have been reviewed by the Risk Committee. In order to gain a more comprehensive understanding of the risks facing the business and the management thereof, the Risk Committee periodically receives presentations from senior managers.

Code Provision C.2.3. of the 2014 version of the UK Corporate Governance Code requires the Board to monitor the Company's risk management and internal control systems. To comply with this requirement, the Executive Committee undertook an interim review of the Risk Register and the operation of the Group's key controls in August 2015. In addition the Risk Committee considered the adequacy of the controls operating over the top ten risks facing the Group to supplement its annual review of the Risk Register and controls.

Following these extra processes, the Board is satisfied that the Group's risk management and internal control systems operated effectively throughout the period.

For 2016 the Group intends to introduce a set of key risk indicators to enhance its assessment of the operation of the key controls.

The Group's Risk Register includes 44 risks split between strategic risks, operational risks and finance risks. The principal risks and uncertainties facing the Group in 2016 include one new risk namely the risk of default by a contractor or subcontractor. Three key risks from 2015 are no longer included in the list. These are:

- Shortage of future development opportunities.
- Inefficient systems.
- Tenant default.

The average weighted risk score is lower in 2015 than in 2014. The Board has considered whether this is a reasonable change and concluded that it reflects three main factors:

- As the Group's net asset value has increased, it becomes inherently more resilient to the financial effect of a number of risks that in the past would have represented a higher impact to the Group.
- As the Group's rental income increases and its portfolio of tenants becomes more diverse, the risk presented by any one tenant defaulting is reduced.
- During 2015 some controls and mitigating factors relating to key risks were revised and improved so reducing the risk weighting of those particular risks.

The principal risks and uncertainties facing the Group in 2016 are set out on the following pages together with the potential effects, controls and mitigating factors.

Strategic risks
That the Group's Business Model does not create the anticipated shareholder value or fails to meet investors' expectations.

Risk, effect and progression	Controls and mitigation	Action
1. Inconsistent strategy The Group's strategy is inconsistent with the state of its market. **2. Inconsistent development programme** The Group's development programme is not consistent with the economic cycle. The Group continues to benefit from a strong central London market. However, this could be adversely affected by a number of high level economic factors such as uncertainty caused by Brexit (the referendum on the UK's continuing membership of the EU), the effect of the Chinese economic slowdown or London losing its 'Safe Haven' status. This would reduce the value of the Group's portfolio with a consequent effect on two of its KPIs – total return and total property return. The Board sees the level of both these risks to have slightly	• The Group carries out a five-year strategic review each year and also prepares an annual budget and three rolling forecasts which cover the next two years. In the course of preparing these documents the Board considers the sensitivity of the Group's KPIs and key ratios to changes in the main assumptions underlying the forecast thereby modelling different economic scenarios. • The Group's plans can then be set so as to best realise its long-term strategic goals given the most likely economic and market conditions and the Group's risk appetite. This flexibility is largely due to the Group's policy of maintaining income from properties for as long as possible until development starts. • The level of future redevelopment opportunities in the Group's portfolio enables the Board to delay marginal projects until market conditions are favourable. • The Board pays particular attention, when setting its plans, to maintaining sufficient	• The last annual strategic review was carried out by the Board in June 2015. This considered the sensitivity of six key measures to changes in underlying assumptions including interest rates and borrowing margins, timing of projects, level of capital expenditure and the extent of capital recycling. • The three rolling forecasts prepared during the year focus on the same key measures but may consider the effect of varying different assumptions to reflect changing economic and market conditions. • The timing of the Group's development programme and the strategies for individual properties reflect the outcome of these considerations. • Approximately 50% of the Group's portfolio has been identified for future redevelopment. • During the year the Group's loan-to-value ratio fell from 24% to below 18%, its net interest

increased since last year.	headroom in all the Group's key ratios, financial covenants and interest cover. • Pre-lets are sought to de-risk major projects.	cover ratio was above 360% and the REIT ratios were comfortably met. • Pre-lets were secured over 240,250 sq ft during 2015.
3. Reputational damage The Group's reputation is damaged through unauthorised and inaccurate media coverage. This risk would most directly impact on the Group's total shareholder return – one of its key metrics. Indirectly it could impact on a number of the formal KPIs. The Board considers the risk have increased slightly over the year.	• All new members of staff benefit from an induction programme and are issued with the Group's Staff Handbook. • Social media channels are monitored by the Group's investor relations department. • The Group takes advice on technological changes in the use of media and adapts its approach accordingly. • There is an agreed procedure for approving all external statements.	• The Group employs a Head of Investor and Corporate Communications and retains the services of an external PR agency. Both maintain regular contact with external media sources. • The Company engages with a number of local community bodies in areas here it operates as part of its CSR activity.

Financial risks
That the Group becomes unable to meet its financial obligations or finance the business appropriately.

Risk, effect and progression	Controls and mitigation	Action
4. Increase in property yields Increases in interest rates can lead to higher property yields which would cause property values to fall. This would affect the following KPIs: • Loan-to-value ratio. • Total return. • Total property return. Interest rates have remained low for an extended period of time and yields have decreased further during the year. Interest rates are expected to rise within the next two years. Though there is no direct relationship, this may cause property yields to increase in due course. The risk was assessed as high last year and the Board considers it to have remained at a similar level this year.	• The impact of yield changes on the Group's financial covenants and performance are monitored regularly and are subject to sensitivity analysis to ensure that adequate headroom is preserved. • The impact of yield changes is considered when potential projects are appraised. • The Group's move towards mainly unsecured financing over the last few years has made management of its financial covenants less complicated.	• The Group produces three rolling forecasts each year which contain detailed sensitivity analyses including the effect of changes to yields. • Quarterly management accounts report the Group's performance against covenants. • Project appraisals are regularly reviewed and updated in order to monitor the effect of yield changes.

Operational risks

The Group suffers either a financial loss or adverse consequences due to processes being inadequate or not operating correctly.

Risk, effect and progression	Controls and mitigation	Action
5. Reduced development returns The Group's development projects do not produce the anticipated financial return due to one or more of the following factors: • delays in the planning process • increased construction costs • adverse letting conditions This would have an effect on the Group's total return and total property return KPIs. The Board considers this risk to have remained broadly the same over the last year.	• Standardised appraisals including contingencies and inflationary cost increases 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. • Development costs are benchmarked to ensure that the Group obtains competitive pricing. • Regular cost reports are produced for the Executive Committee and the Board that monitor progress of actual expenditure against budget and timetable. This allows potential adverse variances to be identified and addressed at an early stage. • The Group's cost committee meets on a weekly basis to consider new budget requests or amendments. • Post completion reviews are carried out for all major developments to ensure that improvements to the Group's procedures can be identified and implemented. • Alternative procurement methods are evaluated as a way of minimising the impact of increased construction costs.	• The Group is advised by leading planning consultants and has considerable in-house planning expertise. Two planning consents were received in 2015, and a further two have been secured in the year to date. • Executive Directors represent the Group on a number of local bodies which ensures that it remains aware of local planning issues. • The procurement process used by the Group includes the use of highly regarded firms of quantity surveyors and is designed to minimise uncertainty regarding costs. • The Group's style of accommodation remains in demand as evidenced by the 79 lettings achieved in 2015 which totalled 523,800 sq ft. • The Group has often secured significant pre-lets of the space in its development programme which significantly 'de-risks' those projects. 33 pre-lets were secured in 2015 over 240,250 sq ft.
6. Business interruption The Group is either the victim of a cyber attack or suffers a disaster that results in it being unable to use its IT systems. This would lead to an increase in cost and a diversion of management time. Increased costs would have an impact on the Group's total return KPI whilst a significant diversion of	• The Group's IT systems are protected by anti-virus software and firewalls which are continually updated. • The Group's data is regularly backed up and replicated. • The Group's Business Continuity Plan was revised during 2015 and successfully tested in November.	• Independent internal and external penetration tests are regularly conducted to assess the effectiveness of the Group's security. No matters were raised as a result of the 2015 test. • Staff awareness programmes are delivered to alert staff to the techniques that may be used to gain unauthorised access to the Group's systems.

management time would have a wider effect. Due to the heightened assessment of this risk in 2014 a number of improvements have been made to the controls and mitigating factors during 2015 and as a consequence the Board considers the risk to have reduced over the year.	• Multifactor authentication has been introduced for both internal and external access to the systems. • The Group's IT department has access to cyber threat intelligence and analytics data. • Incident response and remediation policies are in place. • Cyber insurance is being evaluated.	• Security measures are regularly reviewed by the IT steering group. • The Head of IT regularly reports to the Executive Committee. • An independent benchmarking review of the Group's cyber security has been carried out.
7. Regulatory non-compliance The Group's cost base is increased and management time diverted through a breach of any of the legislation that forms the regulatory framework within which the Group operates. An increase in costs would directly impact on the Group's total return KPI. A significant diversion of management time could affect a wider range of key metrics. This risk has increased marginally due to the increased scale of the Group's development activity and the associated increase in Health and Safety risks.	• Each year the Group's Risk Committee receives a report prepared by the Group's lawyers identifying legislative/regulatory changes expected over the next 12 months and reports to the Board concerning regulatory risk. • The Group employs a Health and Safety Manager who reports to the Board. • The Group employs a Sustainability Manager who reports to the sustainability committee which is chaired by Paul Williams. • The Company's policies including those on the Bribery Act, Health and Safety, Equal Opportunities, Harassment and Whistleblowing are available to all staff on the Company intranet. • Members of staff attend external briefings in order to remain cognizant of regulatory changes.	• A Health and Safety report is presented at all Executive Committee and main Board meetings. • The Executive Committee receives regular reports from the Sustainability Manager. • The Group pays considerable attention to sustainability issues and produces an annual sustainability report. • The Group has reviewed and revised its whistleblowing policy during the year. No incidents were reported under the policy in 2015. • The Group has reviewed the requirements of the Modern Slavery Act and revised its policies where appropriate in preparation for reporting in compliance with the legislation next year. • CDM 2015 regulations have been implemented.
8. Contractor/sub-contractor default Returns from the Group's developments are reduced due to delays and cost increases caused by either a main contractor or major sub-contractor defaulting during the project. This would primarily affect the	• Whenever possible the Group uses contractors/sub-contractors that it has worked with successfully previously. • The resilience of a project's critical path is increased by establishing procedures to manage any sub-contractor default effectively.	• As the size of the Group's projects has increased so the contractors have become more substantial. • The financial accounts of both main contractors and major sub-contractors are reviewed.

Group's total property return KPI. This risk has increased over the year as the construction industry has become more stretched.	• Key construction packages are acquired early in the project. • Performance bonds are sought if considered necessary.	
9. Shortage of key staff The Group is unable to successfully implement its strategy due to a failure to recruit and retain key staff with appropriate skills. This risk could impact on any or all of the Group's KPIs. The risk is seen to be unchanged over the year.	• The Nominations Committee consider succession matters as a standing agenda item. • Requirements for senior management succession are considered as part of the five-year strategic review. • The remuneration packages of all employees are benchmarked regularly. • Six-monthly appraisals identify training requirements which are fulfilled over the next six months.	• The Group recruited 15 new members of staff during 2015. • Staff turnover during 2015 was low at 10%. • The average length of employment is 7.7 years.

Financial instruments – risk management

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

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

In common with 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 financial statements.

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

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

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

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

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from lease contracts in relation to its property portfolio. It is Group policy to assess the credit risk of new tenants before entering into such contracts. The Board has 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 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 a minimum rating of investment grade are accepted. This risk is also reduced by the short periods that money is on deposit at any one time.

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

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk arises for the Group from its use of variable interest bearing instruments (interest rate risk).

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift in interest rates would result in an increase of £0.7m (2014: £0.3m) or a decrease of £0.7m (2014: £0.3m).

It is currently Group policy that generally between 60% and 85% of external Group borrowings (excluding finance lease payables) are at fixed rates. Where the Group wishes to vary the amount of external fixed rate debt it holds (subject to it being generally between 60% and 85% of expected Group borrowings, as noted above), the Group makes use of interest rate derivatives to achieve the desired interest rate profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. At 31 December 2015, the proportion of fixed debt held by the Group was at the top of this range at 85% (2014: 94%). During both 2015 and 2014, the Group's borrowings at variable rate were denominated in sterling.

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

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

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

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

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

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

The Group's objectives when maintaining capital are:

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

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders subject to the rules imposed by its REIT status. It may also seek to redeem bonds, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of NAV gearing and loan-to-value ratio. During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the NAV 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 23.

26. List of definitions

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

CDP
The CDP is an organisation which works with investors and listed companies to facilitate the disclosure and reporting of climate change data and information.

Diluted figures
Reported results adjusted to include the effects of potential dilutive shares issuable under the Group's share option schemes and the convertible bonds.

Earnings/earnings per share (EPS)
Earnings represent the profit or loss for the 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.

Estimated rental value (ERV)
This is the external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. This includes guidelines for the calculation of the following performance measures which the Group has adopted.

- **EPRA earnings per share**

Earnings from operational activities.

- **EPRA net asset value per share**

NAV adjusted to include trading properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

- **EPRA triple net asset value per share**

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations, where applicable.

- **EPRA cost ratio (including direct vacancy costs)**

EPRA costs as a percentage of gross rental income less ground rent (including share of joint venture gross rental income less ground rent). EPRA costs include administrative expenses, other property costs, net service charge costs and the share of joint ventures' overheads and operating expenses (net of any service charge costs), adjusted for service charge costs recovered through rents and management fees.

- **EPRA cost ratio (excluding direct vacancy costs)**

Calculated as above, but with an adjustment to exclude direct vacancy costs.

- **EPRA net initial yield (NIY)**

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs.

- **EPRA "topped up" net initial yield**

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

- **EPRA vacancy rate**

Estimated rental value (ERV) of immediately available space divided by ERV of the EPRA portfolio.

- **EPRA like-for-like rental income growth**

The growth in rental income on properties owned throughout the current and previous year under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes properties held for development in either year and properties acquired or disposed of in either year.

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

Global Real Estate Sustainability Benchmark (GRESB)
The Global Real Estate Sustainability Benchmark is an initiative set up to assess the environmental and social performance of public and private real estate investments and allow investors to understand their performance.

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

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

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

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

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

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

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

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

NAV gearing
Net debt divided by net assets.

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

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

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

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

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

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

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

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

REITs must distribute at least 90% of the Group's income profits from its tax exempt property rental business, by way of dividend, known as a property income distribution. Property income distributions from the tax exempt property rental business will suffer withholding tax at 20% with withholding tax exemption for certain UK resident companies and tax exempt bodies.

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

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

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

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

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 return
The movement in EPRA net asset value per share on a diluted basis between the beginning and the end of each financial year plus the dividend per share paid during the year expressed as a percentage of the EPRA net asset value per share on a diluted basis at the beginning of the year.

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

Underlying portfolio
Properties that have been held for the whole of the year, i.e. excluding any acquisitions or disposals made during the year.

Underlying valuation increase
The valuation increase on the underlying portfolio.

Yields

- **Net initial yield**

Annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased by estimated purchasers' costs.

- **Reversionary yield**

The anticipated yield, which the net initial yield will rise to once the rent reaches the estimated rental values.

- **True equivalent yield**

The constant capitalisation rate which, if applied to all cash flows from the portfolio, including current rent, reversions to valuers' estimated rental value and such items as voids and expenditures, equates to the valuation having taken into account notional purchasers' costs. Rent is assumed to be received quarterly in advance.

- **Yield shift**

A movement in the yield of a property asset, or like-for-like portfolio, over a given year. Yield compression is a commonly-used term for a reduction in yields.

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

Notes to editors

Derwent London plc

Derwent London plc owns a portfolio of commercial real estate predominantly in central London valued at £5.0 billion as at 31 December 2015, making it the largest London-focused real estate investment trust (REIT).

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

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

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

Landmark schemes in our 6.2 million sq ft portfolio include Angel Building EC1, The Buckley Building EC1, White Collar Factory EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

In 2015 the Group has won awards by Architects' Journal, British Council for Offices, Civic Trust and RIBA and achieved EPRA Gold for corporate and sustainability reporting. In December, Derwent London topped the real estate sector for the sixth year in a row and was placed third overall in the Management Today 2015 awards for 'Britain's Most Admired Companies'.

As part of its wider sustainability programme, in 2013 Derwent London launched a dedicated £250,000 voluntary Community Fund and, in 2016, announced a further commitment of £300,000 for the next three years for Fitzrovia and the Tech Belt.

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

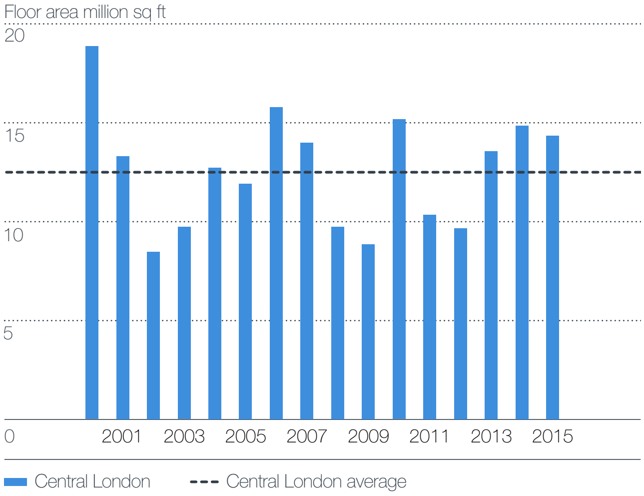
Forward-looking statements

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.

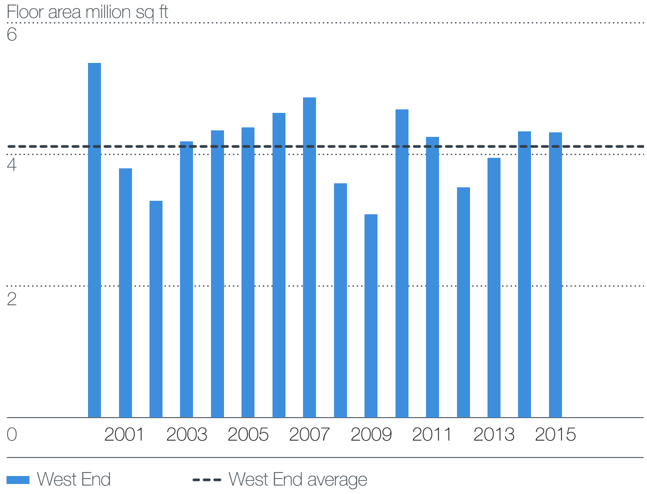
APPENDIX 1
OUR MARKET

Central London office take-up



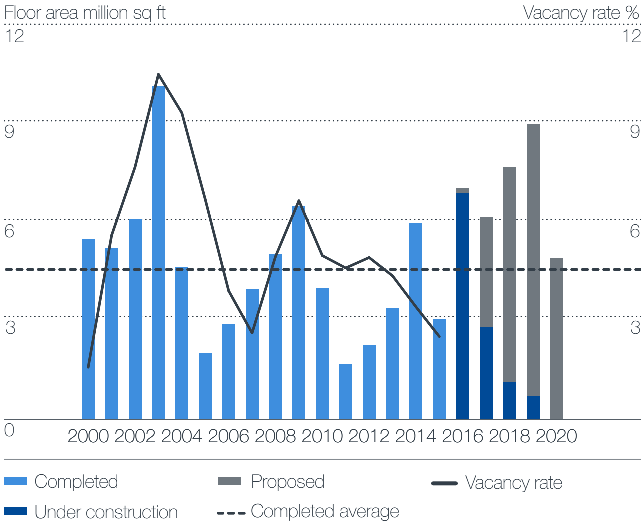
Source: CBRE

West End office take-up



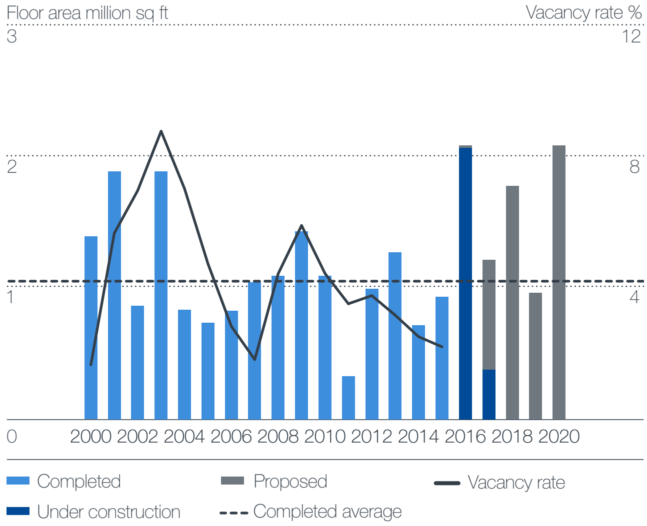
Source: CBRE

Central London office development pipeline



Source: CBRE

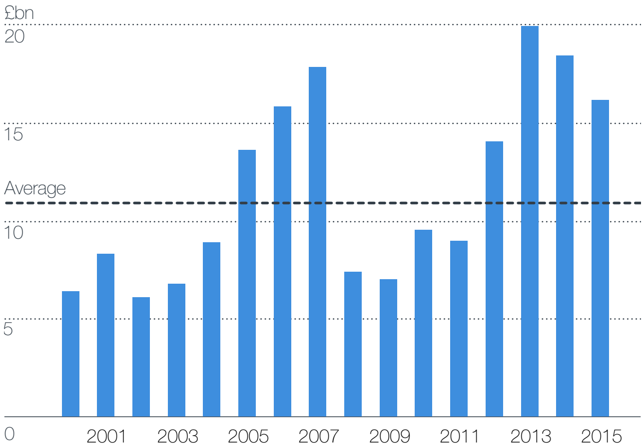
West End office development pipeline



Source: CBRE

APPENDIX 1
OUR MARKET

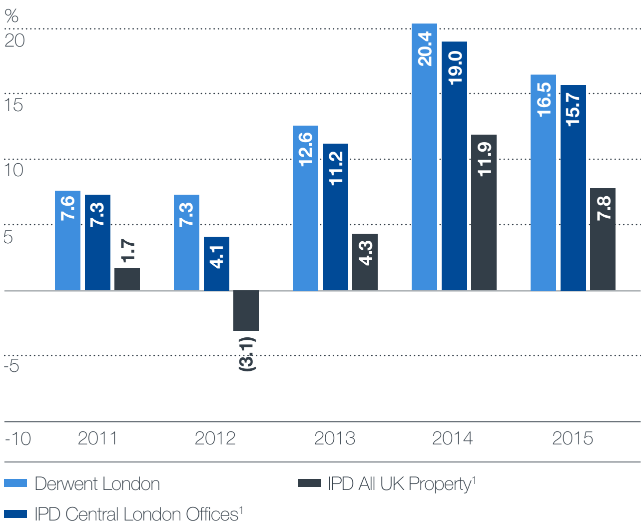
Central London office investment transactions



Source: CBRE

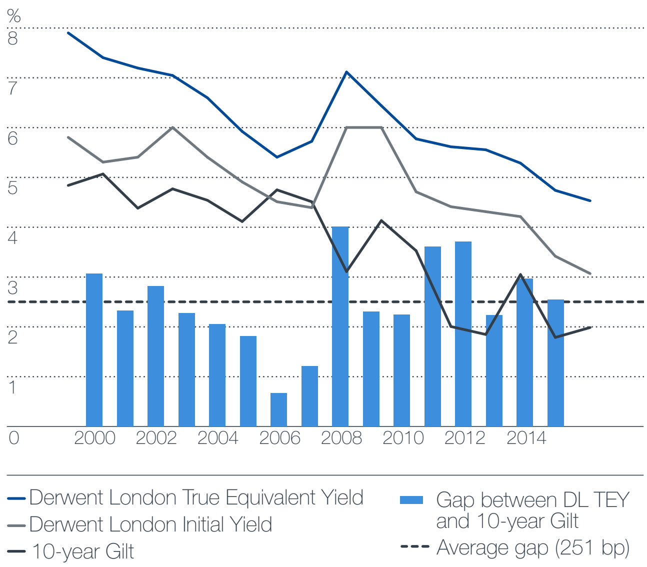
APPENDIX 2
VALUATION

Valuation performance

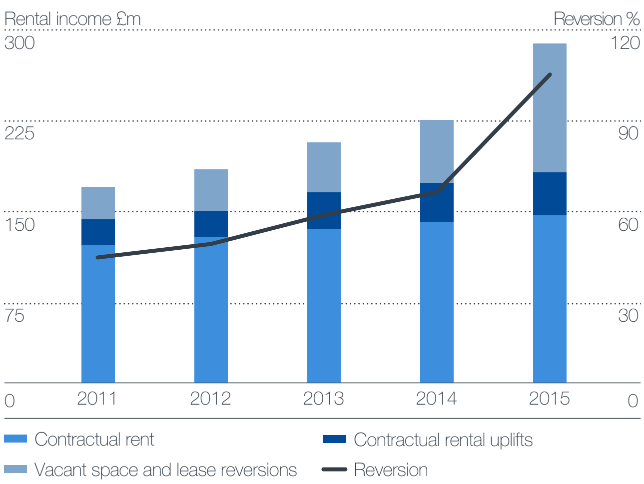


[1]Quarterly Index

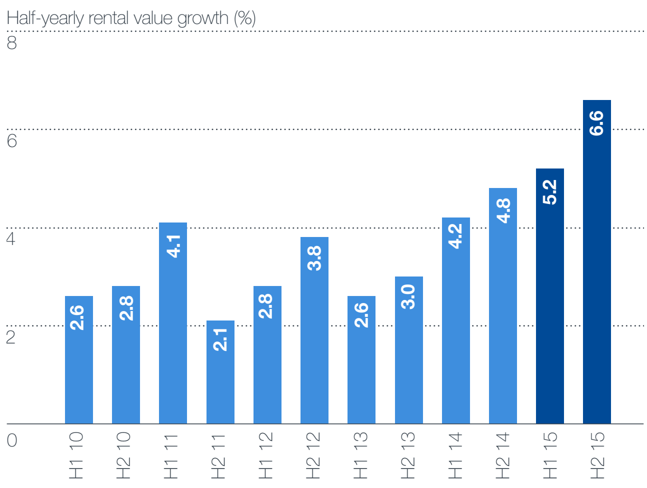
Valuation yields



Portfolio income potential



Rental value growth



APPENDIX 2
VALUATION

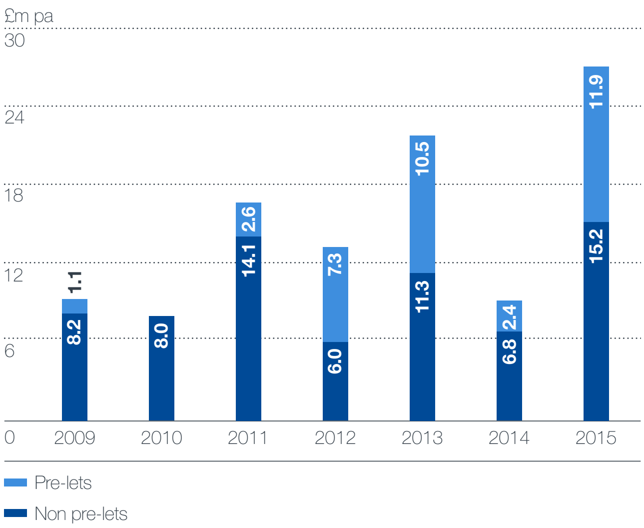
Portfolio statistics – valuation

	Valuation £m	Weighting %	Valuation[1] performance %	Valuation performance £m	Occupied floor area '000 sq ft	Available floor area '000 sq ft	Minor refurbishment floor area '000 sq ft	Vacant project floor area '000 sq ft	Total floor area '000 sq ft
West End									
Central	2,818.0	57	13.8	343.2	2,345	54	69	725	3,193
Borders	471.0	9	19.8	77.7	538	13	33	–	584
	3,289.0	66	14.6	420.9	2,883	67	102	725	3,777
City									
Borders	1,599.4	32	22.5	254.8	1,526	1	316	209	2,052
Central London	4,888.4	98	16.8	675.7	4,409	68	418	934	5,829
Provincial	100.1	2	1.3	1.3	336	1	3	–	340
Total portfolio 2015	**4,988.5**	**100**	**16.5**	**677.0**	**4,745**	**69**	**421**	**934**	**6,169**
2014	4,168.1	100	20.4	683.8	5,144	129	108	363	5,744

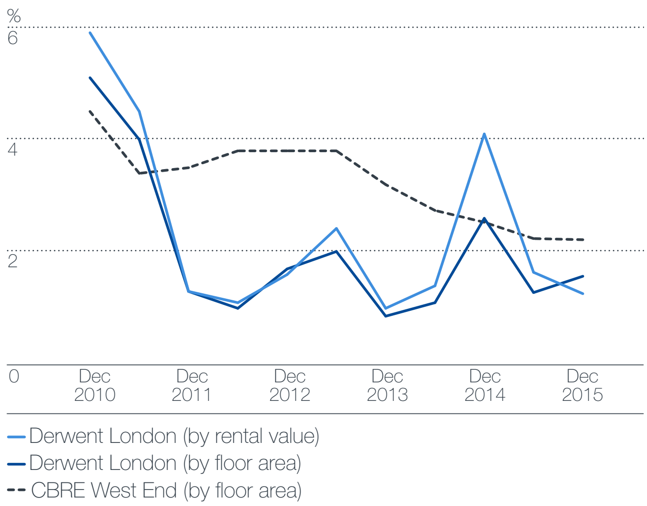
[1] Underlying – properties held throughout the year

APPENDIX 3
PORTFOLIO MANAGEMENT

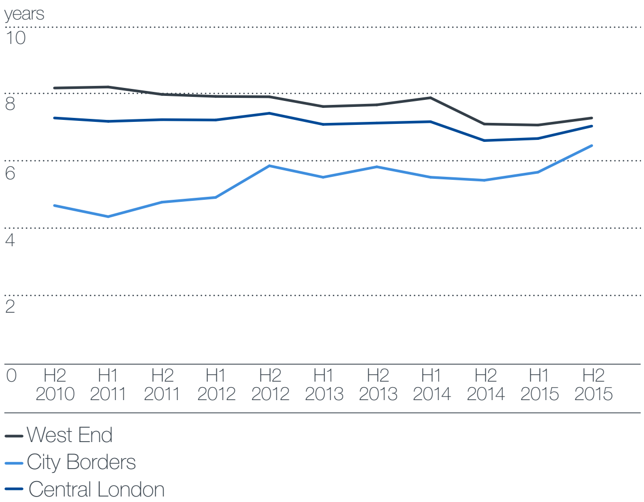
Letting activity by rental income



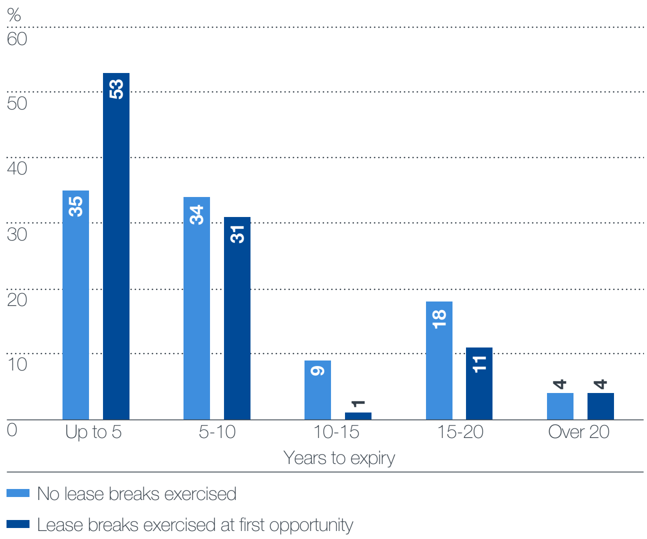
Five-year vacancy trend



Average unexpired lease length



Profile of rental income expiry[1]



[1]Based upon annualised net contracted rental income of £137.1m

APPENDIX 3
PORTFOLIO MANAGEMENT

Rental income profile

	Rental uplift £m	Rental per annum £m
Annualised contracted rental income, net of ground rents		137.1
Contractual rental increases across the portfolio	35.5	
Letting 69,000 sq ft available floor area	2.4	
Completion and letting 421,000 sq ft of minor refurbishments	16.7	
Completion and letting 934,000 sq ft of major projects	57.3	
Anticipated rent review and lease renewal reversions	29.1	
Portfolio reversion		141.0
Potential portfolio rental value		278.1

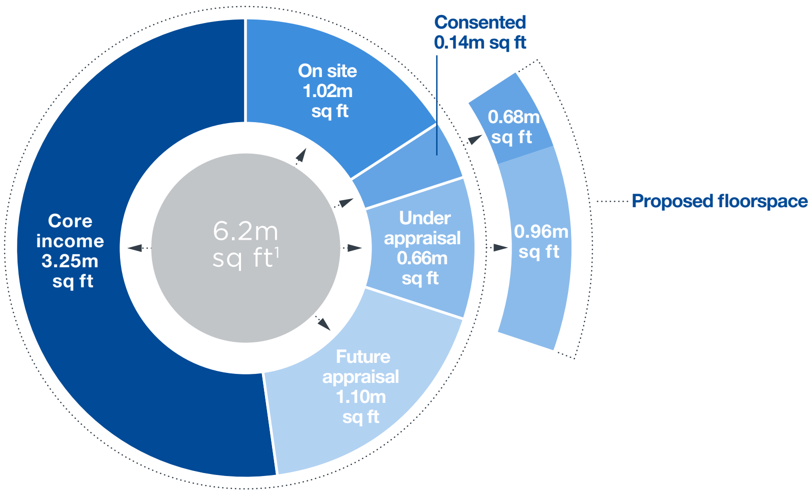
Portfolio statistics – rental income

	Net contracted rental income per annum £m	Average rental income £ per sq ft	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	75.9	32.78	51.4	30.3	157.6	7.4
Borders	17.7	32.93	0.8	5.6	24.1	7.1
	93.6	32.81	52.2	35.9	181.7	7.3
City						
Borders	38.5	25.81	24.2	28.4	91.1	6.5
Central London	132.1	30.38	76.4	64.3	272.8	7.1
Provincial	5.0	14.80	–	0.3	5.3	4.5
Total portfolio 2015	**137.1**	**29.28**	**76.4**	**64.6**	**278.1**	**7.0**
2014	131.7	25.77	28.4	55.5	215.6	6.6

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

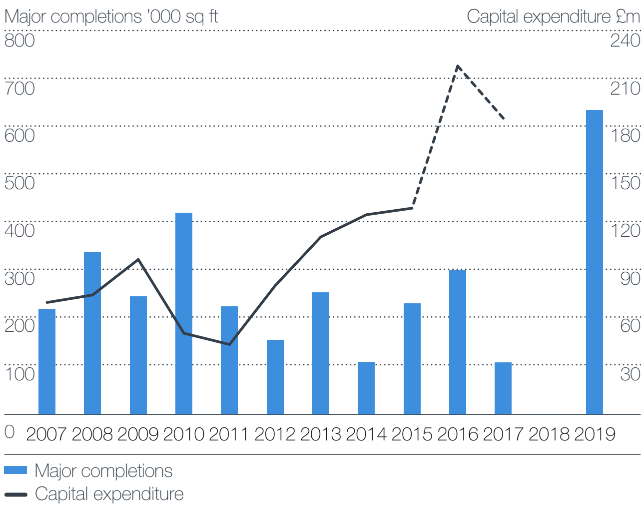
APPENDIX 4
PROJECTS

Portfolio composition
By area

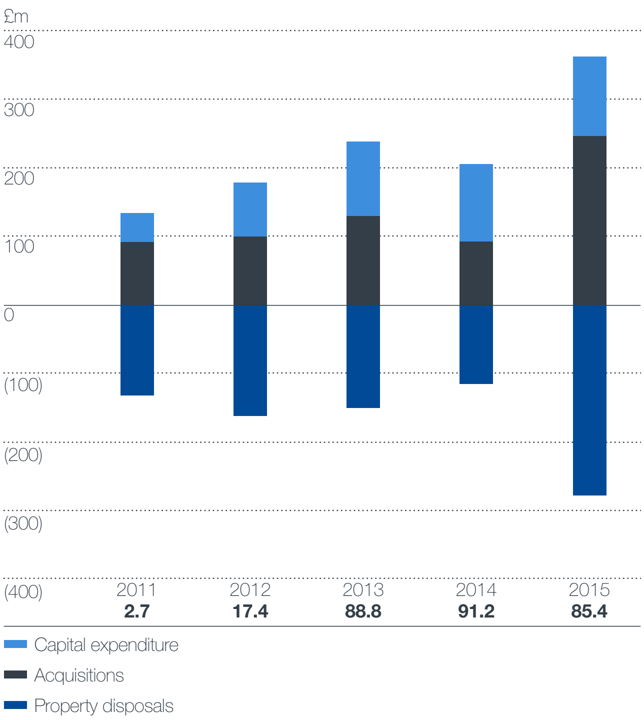


[1]Comprises 5.2m sq ft of existing buildings plus 1.0m sq ft of on-site developments

Completions and capital expenditure



Net investment



APPENDIX 4
PROJECTS

Project summary 2016-2017

Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	2016 capex £m	2017 capex £m	2018+ capex £m	Total capex to complete £m	Delivery date	Current office c.ERV psf
On-site projects									
White Collar Factory EC1	–	124	293	60	2	–	62	Q4 2016	£60
The Copyright Building W1	(0.2)	86	105[1]	28	20	1	49	H2 2017	£80
80 Charlotte Street W1	–	234	380	22	99	86	207	H1 2019	£75
Brunel Building W2	(0.1)	78	240	29	34	59	122	H1 2019	£62.50
	(0.3)	**522**	**1,018**	**139**	**155**	**146**	**440**		
General									
The White Chapel Building E1	–	255	242	18	–	–	18	Q4 2016	£45
20 Farringdon Road EC1	–	88	88	10	–	–	10	Q4 2016	£50
Planning and Design	–	–	–	9	8	1	18		
Other	–	–	–	22	6	7	35		
		343	**330**	**59**	**14**	**8**	**81**		
Total	**–**	**–**	**–**	**198**	**169**	**154**	**521**		
Capitalised interest	**–**	**–**	**–**	**15**	**12**	**21**	**48**		
Total including interest	**(0.3)**	**865**	**1,348**	**213**	**181**	**175**	**569**		

[1] Excludes reception area

Project summary 2017 onwards

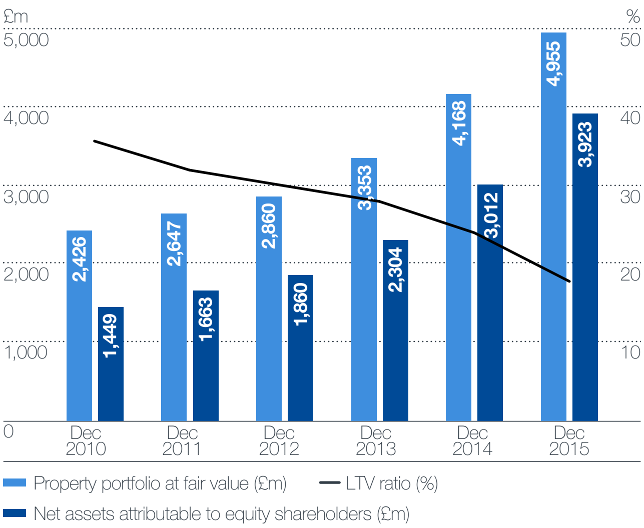
Property	Current net income £m pa	Pre-scheme area '000 sq ft	Proposed area '000 sq ft	Earliest possession year	Comment
Consented					
1 Oxford Street W1	–	–	275	2018	Offices, retail and theatre
Monmouth House[1] EC1	1.7	69	125	2017	Opposite White Collar Factory – Feb 2016 consent
Balmoral Grove N7	0.4	67	280	–	Sale exchanged
	2.1	**136**	**680**		
Appraisals[2]					
19-35 Baker Street W1	5.4	146	250	2018	Joint venture – 55% Derwent London interest
Premier House SW1	2.2	62	80	2018	
Angel Square EC1	2.9	127	190	2020	
20 Farringdon Road EC1	1.0	171	200	2021	
Network Building W1	1.4	64	100	2021	
Holden House W1	4.7	91	137	TBC	
	17.6	661	957		
Adjustment for JVs	(2.4)	(66)	(113)		19-35 Baker Street W1
	15.2	**595**	**844**		
Consented and appraisals	**17.3**	**731**	**1,524**		
On-site projects	**(0.3)**	**865**	**1,348**		Appendix 29
Pipeline	**17.0**	**1,596**	**2,872**		

[1] Includes 19-23 Featherstone Street EC1

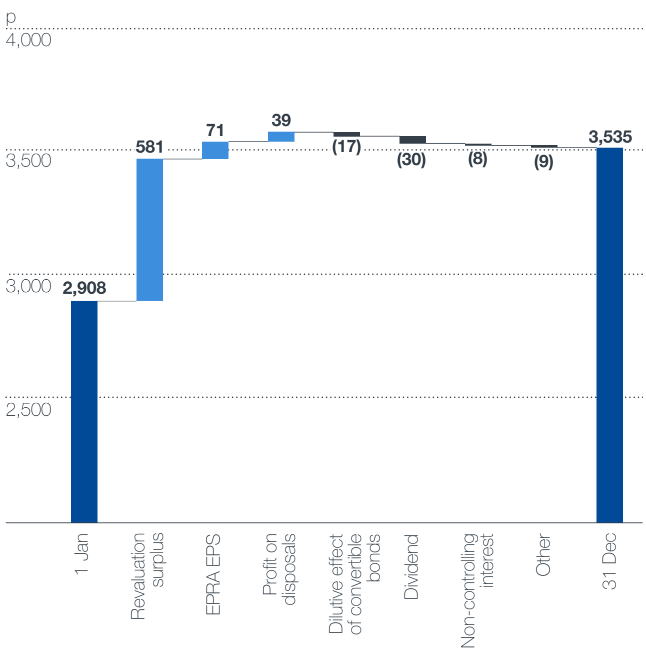
[2] Areas proposed are estimated from initial studies

APPENDIX 5
FINANCE

Property portfolio value, net assets and gearing

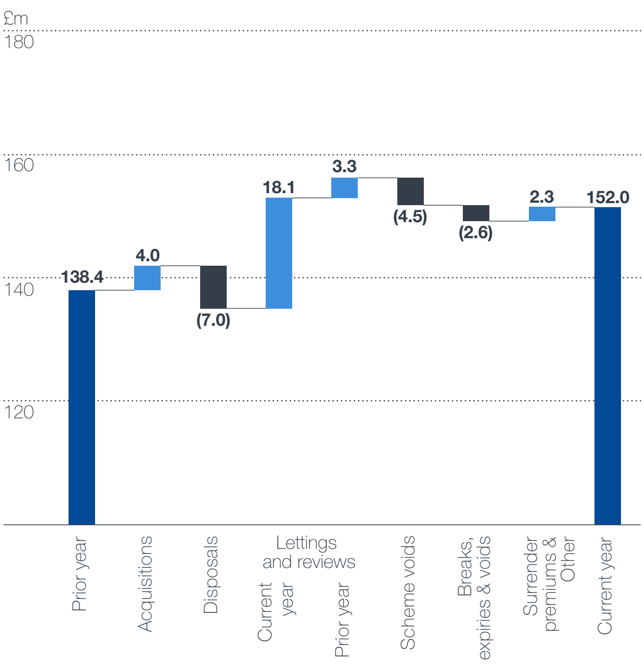


EPRA net asset value per share



2015	**2,908**	**581**	**71**	**39**	**(17)**	**(30)**	**(8)**	**(9)**	**3,535**
2014	2,264	654	57	33	(46)	(35)	(10)	(9)	2,908

Gross property income



2015	**138.4**	**4.0**	**(7.0)**	**18.1**	**3.3**	**(4.5)**	**(2.6)**	**2.3**	**152.0**
2014	131.6	5.3	(2.9)	5.3	6.5	(2.7)	(5.7)	1.0	138.4

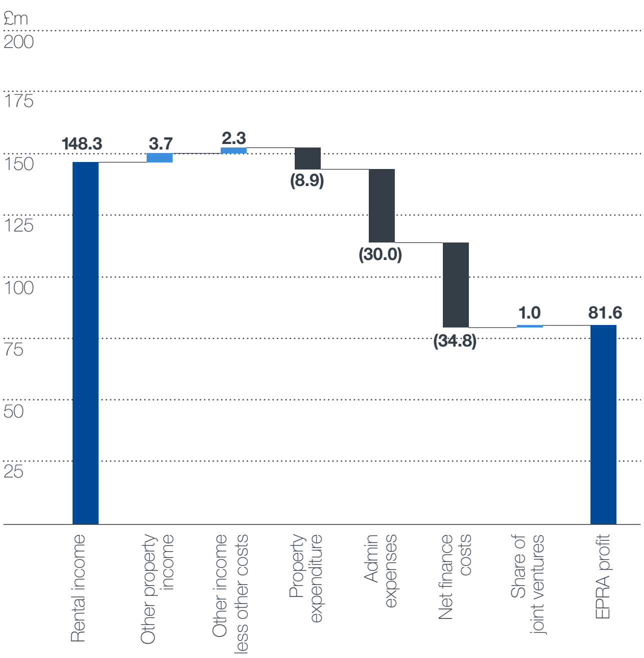
APPENDIX 5
FINANCE

EPRA like-for-like rental income

	Properties owned throughout the year £m	Acquisitions £m	Disposals £m	Development property £m	Total £m
2015					
Gross rental income	114.9	6.4	3.5	23.5	148.3
Property expenditure	(4.5)	(0.5)	(0.8)	(3.8)	(9.6)
Net rental income	**110.4**	**5.9**	**2.7**	**19.7**	**138.7**
Profit on disposal of trading properties	–	–	3.2	–	3.2
Other[1]	2.7	–	0.6	3.4	6.7
Net property and other income	**113.1**	**5.9**	**6.5**	**23.1**	**148.6**
2014					
Gross rental income	109.4	0.4	9.7	17.2	136.7
Property expenditure	(4.5)	–	(0.7)	(2.8)	(8.0)
Net rental income	104.9	0.4	9.0	14.4	128.7
Profit on disposal of trading properties	–	–	3.9	–	3.9
Other[1]	3.4	–	–	0.1	3.5
Net property and other income	108.3	0.4	12.9	14.5	136.1
Increase based on gross rental income	**5.0%**				**8.5%**
Increase based on net rental income	**5.2%**				**7.8%**
Increase based on net property income	**4.4%**				**9.2%**

[1] Includes surrender premiums paid or received, dilapidation receipts, compensation for lost rent and other income

EPRA profit



	Rental income	Other property income	Other income less other costs	Property expenditure	Admin expenses	Net finance costs	Share of joint ventures	EPRA profit
2015	**148.3**	**3.7**	**2.3**	**(8.9)**	**(30.0)**	**(34.8)**	**1.0**	**81.6**
2014	136.7	1.7	2.0	(8.2)	(28.1)	(42.4)	0.6	62.3
Variance	11.6	2.0	0.3	(0.7)	(1.9)	7.6	0.4	19.3

APPENDIX 5
FINANCE

Debt facilities

	£m	£m	Maturity
6.5% secured bonds		175	March 2026
3.99% secured loan		83	October 2024
1.125% unsecured convertible bonds		150	July 2019
4.41% unsecured private placement notes		25	January 2029
4.68% unsecured private placement notes		75	January 2034
Committed bank facilities			
Term – secured	28		June 2018
Bilateral revolving credit – unsecured	75		July 2020
Club revolving credit – unsecured	550		January 2021
		653	
At 31 December 2015		**1,161**	

Net debt

	2015 £m	2014 £m
Cash	**(6.5)**	(14.8)
Bank facilities	**390.5**	347.0
3.99% secured loan 2024	**83.0**	83.0
6.5% secured bonds 2026	**175.0**	175.0
Acquired fair value of secured bonds less amortisation	**15.0**	16.0
4.41% unsecured private placement notes 2029	**25.0**	25.0
4.68% unsecured private placement notes 2034	**75.0**	75.0
2.75% unsecured convertible bonds 2016	**–**	175.0
1.125% unsecured convertible bonds 2019	**150.0**	150.0
Equity components and unwinding of discounts on convertible bonds	**(7.7)**	(12.9)
Leasehold liabilities	**23.2**	8.3
Unamortised issue and arrangement costs	**(10.8)**	(13.3)
Net debt	**911.7**	1,013.3

Gearing and interest cover ratio

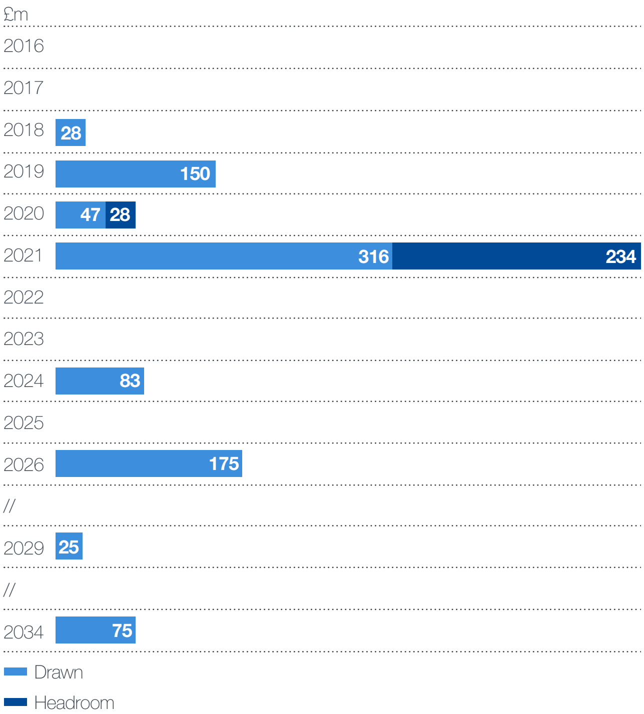
	2015 %	2014 %
Loan-to-value ratio	**17.8**	24.0
NAV gearing	**22.8**	32.9
Net interest cover ratio	**362**	286

APPENDIX 5
FINANCE

Debt summary

	2015 £m	2014 £m
Bank loans		
Floating rate	**137.5**	64.0
Swapped	**253.0**	283.0
	390.5	347.0
Non-bank debt		
3.99% secured loan 2024	**83.0**	83.0
6.5% secured bonds 2026	**175.0**	175.0
2.75% unsecured convertible bonds 2016	**–**	175.0
1.125% unsecured convertible bonds 2019	**150.0**	150.0
4.41% unsecured private placement notes 2029	**25.0**	25.0
4.68% unsecured private placement notes 2034	**75.0**	75.0
	508.0	683.0
Total	**898.5**	1,030.0
Hedging profile (%)		
Fixed	**57**	66
Swaps	**28**	28
	85	94
Percentage of debt that is unsecured (%)	**68**	65
Percentage of non-bank debt (%)	**57**	66
Weighted average interest rate – cash basis (%)	**3.68**	3.78
Weighted average interest rate – IFRS basis (%)	**3.93**	4.22
Weighted average maturity of facilities (years)	**6.8**	6.2
Weighted average maturity of borrowings (years)	**7.3**	6.6
Undrawn facilities	**262**	321
Uncharged properties	**3,709**	2,718

Maturity profile of debt facilities as at 31 December 2015



Maturity profile of fixed rates and swaps as at 31 December 2015