WHAT WE DO

Our principal objective is to deliver above average long-term returns to shareholders by providing well-designed and affordable offices in central London.

A

Previous pages: 4 Hardwick Street EC1

1
ACQUIRE PROPERTIES AND UNLOCK THEIR VALUE

Purchase buildings in central London which can be improved or regenerated. Restructure leases to unlock additional value.

£130.2m
acquisitions of three properties

For more information see page 42

2
CREATE WELL-DESIGNED OFFICE SPACE

Transform properties to create adaptable, attractive, contemporary spaces for our tenants and the local community.

586,000SQ FT
currently under development or refurbishment

For more information see page 49

3
OPTIMISE INCOME

Employ our detailed knowledge of occupiers' needs to let to high-quality tenants from a wide range of businesses.

5.4%
increase in gross property income

For more information see page 44

A White Collar Factory, Old Street EC1
Work started at this site in January 2014 to create a 293,000 sq ft (27,220m²) campus

B Turnmill EC1
CGI of proposed façade and office entrance

C The Buckley Building EC1
Reception area of refurbished offices completed in 2013

For more information about the business model and strategy see page 24

4
RECYCLE CAPITAL

Identify properties for disposal where value has been optimised and sell those which do not fit the Group's long-term plans.

£151.3m
property sales

For more information see page 42

5
MAINTAIN ROBUST FINANCING

Negotiate flexible financing and retain a healthy level of interest cover and gearing.

279%
net interest cover ratio

For more information see page 62

KEY ACHIEVEMENTS

In 2013, we had a record year for lettings, added to and progressed our development pipeline and arranged £800m of refinancing.

20.0%
increase in EPRA net asset value per share

For more information see page 62

21.9%
total return

For more information see page 62

ACQUIRE PROPERTIES AND UNLOCK THEIR VALUE

We bought:

- Mark Square House, 1 Mark Square EC2, a 61,700 sq ft (5,730m^2) Shoreditch office building for £29.6m
- 19 Charterhouse Street EC1, a 63,700 sq ft (5,920m^2) office building in Clerkenwell for £41.3m
- 22 Kingsway WC2 comprising 91,400 sq ft (8,490m^2) of offices as well as a theatre for £59.3m

D 22 Kingsway WC2
91,400 sq ft of offices in an improving area of Holborn bought in December 2013

E 19 Charterhouse Street EC1
Exterior of building opposite new Crossrail entrance to Farringdon station

F Morelands Buildings EC1
Ongoing refurbishment. 17,800 sq ft pre-let to AHMM, which completed in 2013 and achieved BREEAM 'Outstanding'

CREATE WELL-DESIGNED OFFICE SPACE

Completed 248,100 sq ft (23,050m²) of major projects, with refurbishments of:

- 127,000 sq ft (11,800m²) at 1 Page Street SW1
- 85,000 sq ft (7,900m²) at The Buckley Building EC1
- 17,800 sq ft (1,650m²) at Morelands Buildings EC1

G 1 Page Street SW1
Refurbishment completed in 2013. New headquarters building for Burberry

H The Buckley Building EC1
Refurbished 85,000 sq ft of offices on Clerkenwell Green

I Mark Square House EC2
61,700 sq ft of offices. Let to Thomson Reuters. Acquired in 2013

OPTIMISE INCOME

- Let all of The Buckley Building within six months of completion
- Pre-let 155,600 sq ft (14,460m²) at 40 Chancery Lane WC2 and Turnmill EC1 to existing tenant Publicis Groupe
- Extended tenant's lease at the Grafton Hotel W1 from 77 to 150 years

RECYCLE CAPITAL

- Sold 1-5 Grosvenor Place SW1 for £131.4m, a 70% premium to December 2012 valuation
- Holdings in Commercial Road E1 sold for £16.7m

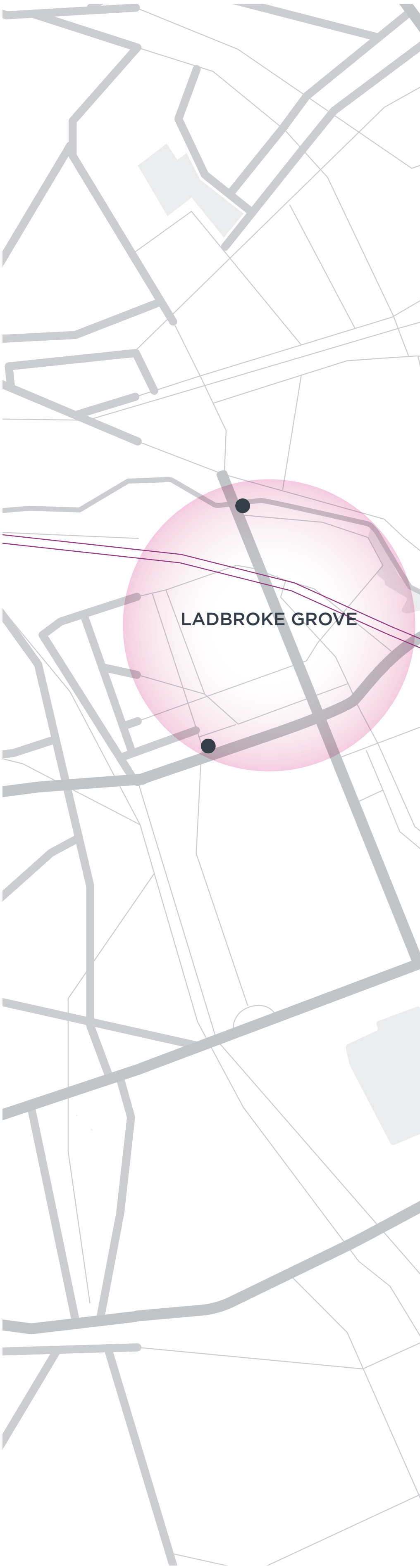
MAINTAIN ROBUST FINANCING

Completed £800m of unsecured refinancing:

- Issued £150m 1.125% convertible bonds due 2019 with a conversion price of £33.35 per share
- Completed £550m unsecured five-year revolving credit facility
- Signed £100m fixed rate unsecured private placement funding: £25m for 15 years at 4.41% and £75m for 20 years at 4.68%

OUR PORTFOLIO

Our portfolio comprises 5.7 million sq ft (530,000m^2) of properties valued at £3.4 billion. 97% of our properties are located in central London, grouped in 17 'villages', each with its own culture and identity. 71% can be found in the West End and 26% in the City borders. The balance relates to properties held in Scotland on the northern outskirts of Glasgow.



114
buildings

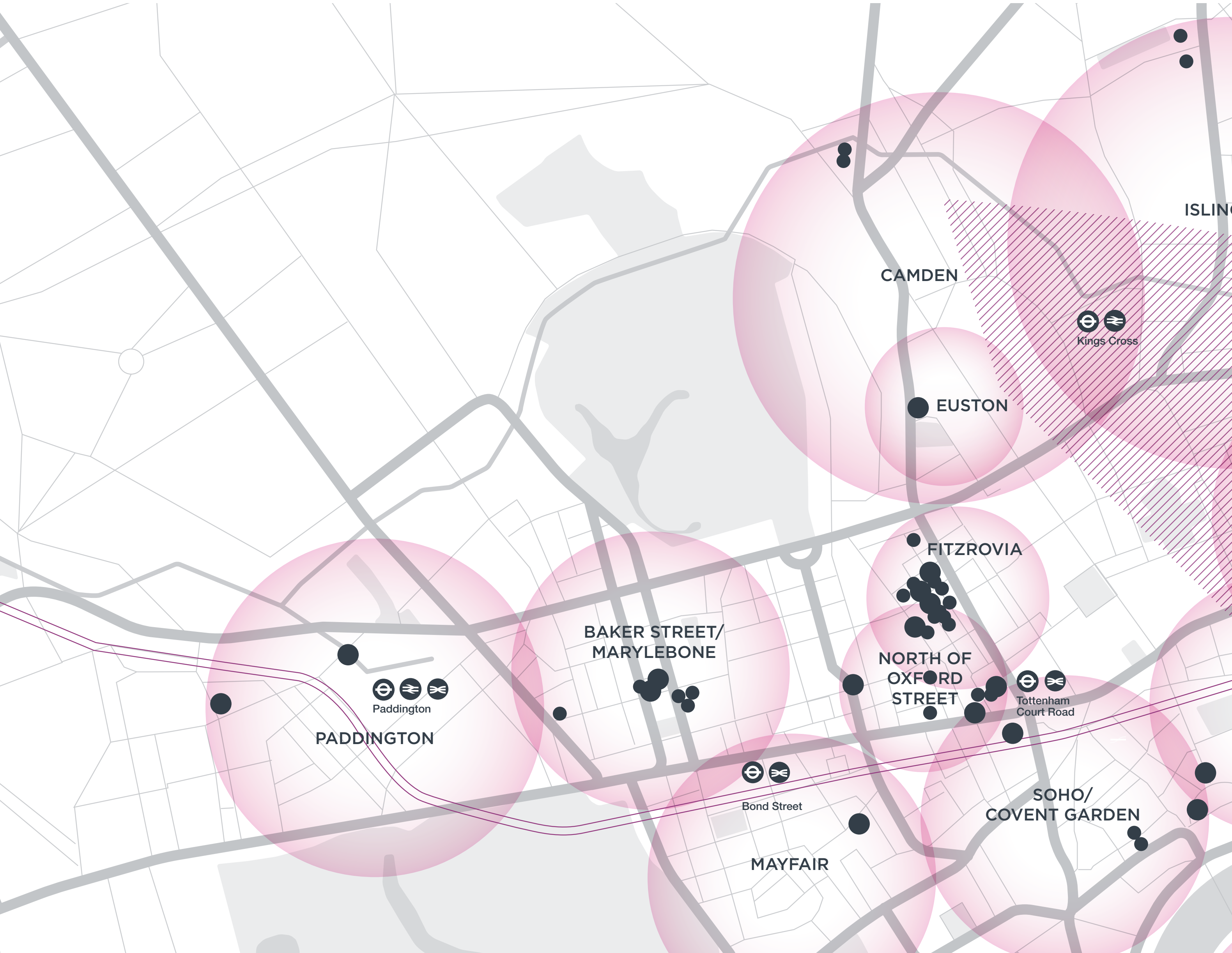
c.500
tenants

30%
portfolio weighting in Tech Belt

£3.4bn
portfolio valuation

£126.0m
net contracted rental income

£197.0m
estimated rental value



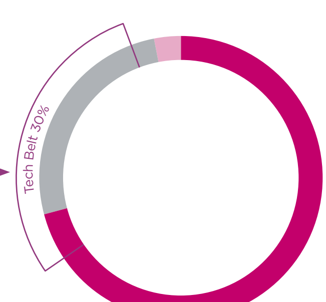
OUR VILLAGES

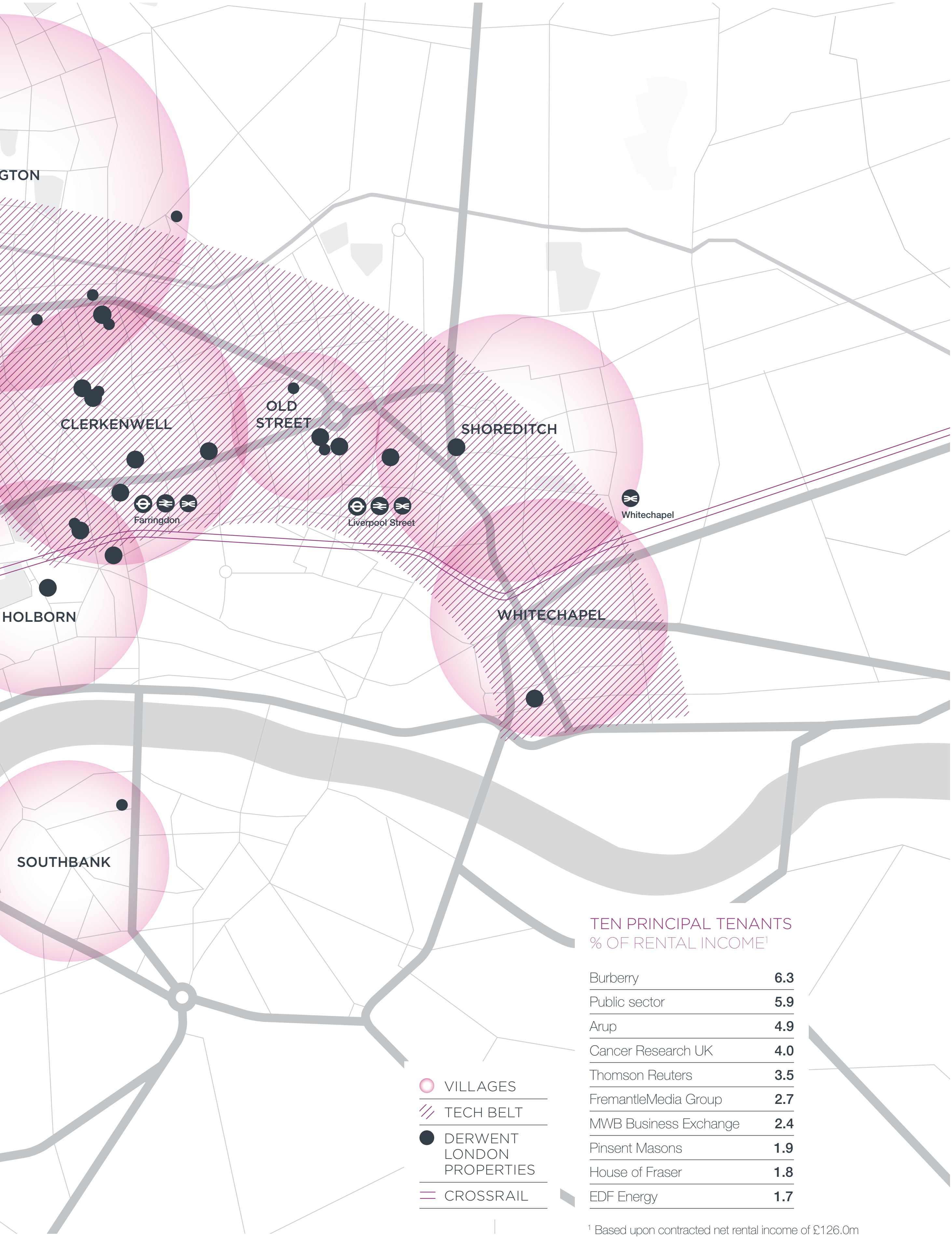
Fitzrovia[1]	37%
Victoria	12%
Baker Street/Marylebone	5%
Soho/Covent Garden	4%
Mayfair	2%
Paddington	2%
Islington/Camden (non Tech Belt)	1%
West End other	1%
Islington/Camden	7%
Clerkenwell	9%
Old Street	5%
Shoreditch/Whitechapel	5%
Holborn	4%
Holborn (non Tech Belt)	3%
Provincial	3%

[1] Includes North of Oxford Street and Euston

PORTFOLIO WEIGHTING

West End	71%
City borders	26%
Provincial	3%



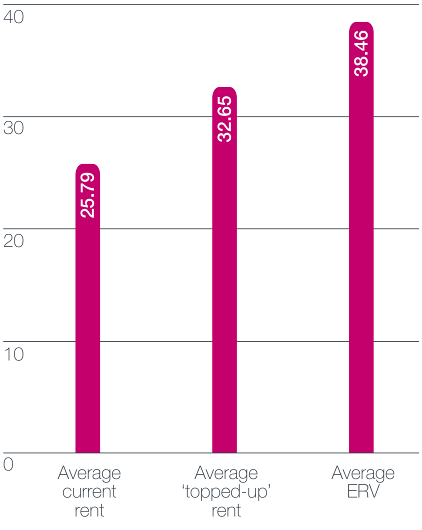


TEN PRINCIPAL TENANTS
% OF RENTAL INCOME[1]

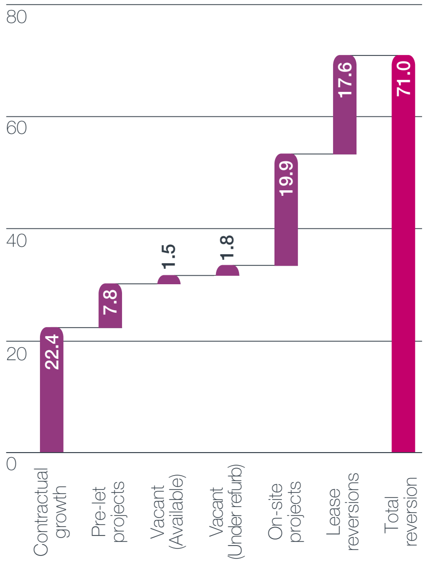
Burberry	6.3
Public sector	5.9
Arup	4.9
Cancer Research UK	4.0
Thomson Reuters	3.5
FremantleMedia Group	2.7
MWB Business Exchange	2.4
Pinsent Masons	1.9
House of Fraser	1.8
EDF Energy	1.7

[1] Based upon contracted net rental income of £126.0m

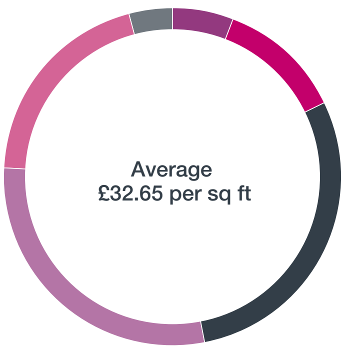
Central London office rent profile
£ per sq ft



Build up of reversion rental uplift
£m



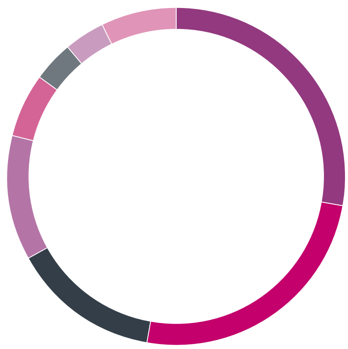
Office rent banding – 'topped-up' income[1] %



£0 – £20 per sq ft	6
£20 – £30 per sq ft	12
£30 – £40 per sq ft	29
£40 – £50 per sq ft	29
£50 – £60 per sq ft	20
£60+ per sq ft	4

[1] Expressed as a percentage of annualised 'topped-up' rental income

Profile of tenants' business sectors[1]
%



Media, TV, marketing and advertising	28
Professional and business services	25
Retail head offices, showrooms	14
Retail sales	12
Public sector	6
Charities	4
Financial	4
Other	7

[1] Expressed as a percentage of annualised rental income

OPEN HERE TO SEE
LONDON PORTFOLIO

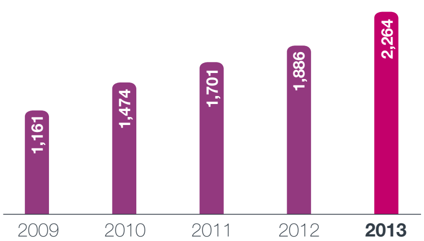
FINANCIAL HIGHLIGHTS EPRA MEASURES

For more information please see finance review on page 62 and note 17 for calculations

EPRA NAV per share

2,264p

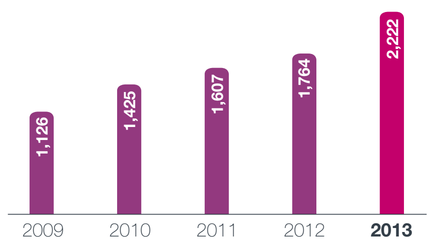
2012: 1,886p



EPRA NNNAV per share

2,222p

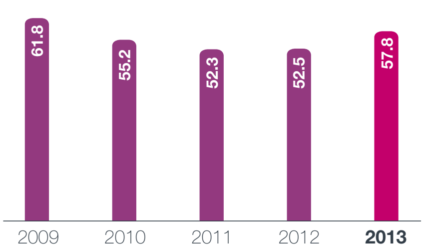
2012: 1,764p



EPRA profit before tax

£57.8m

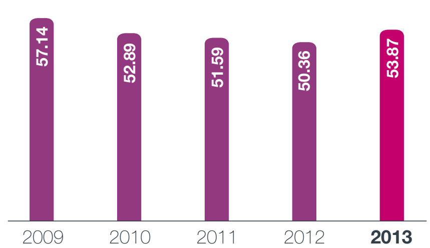
2012: £52.5m



EPRA earnings per share

53.87p

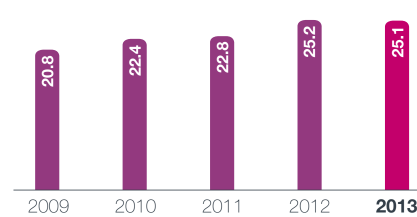
2012: 50.36p



EPRA cost ratio[1]

25.1%

2012: 25.2%

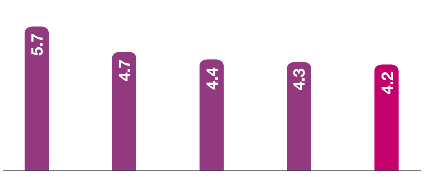


[1] Including direct vacancy costs

EPRA net initial yield

4.2%

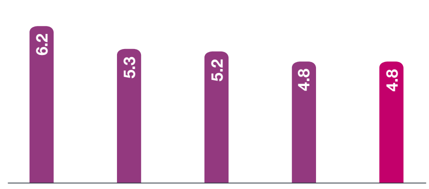
2012: 4.3%



EPRA 'topped-up' net initial yield

4.8%

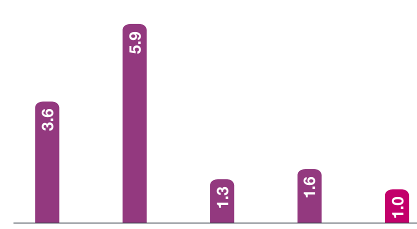
2012: 4.8%



EPRA vacancy rate

1.0%

2012: 1.6%

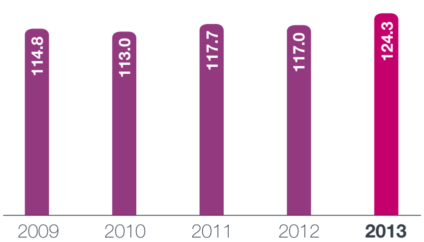


OTHER MEASURES

Net property income

£124.3m

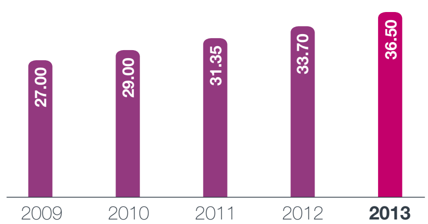
2012: £117.0m



Dividend per share

36.50p

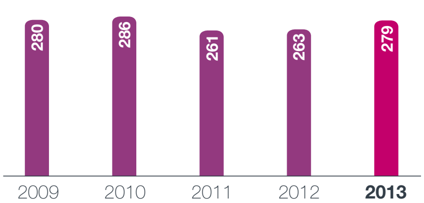
2012: 33.70p



Net interest cover ratio

279%

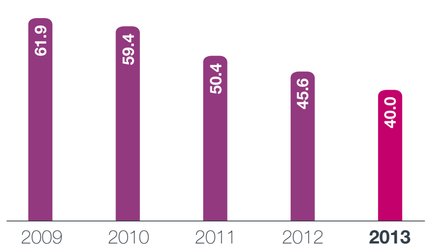
2012: 263%



NAV gearing

40.0%

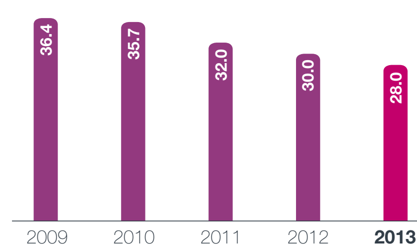
2012: 45.6%



Loan-to-value ratio

28.0%

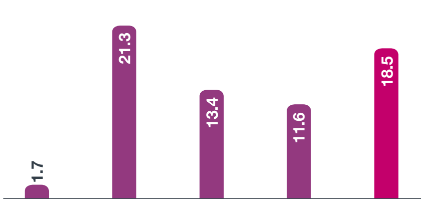
2012: 30.0%



Total property return

18.5%

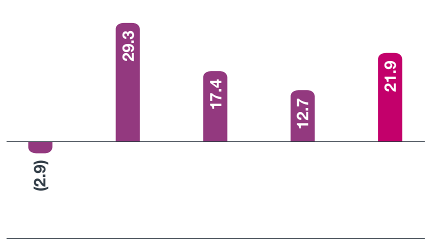
2012: 11.6%



Total return

21.9%

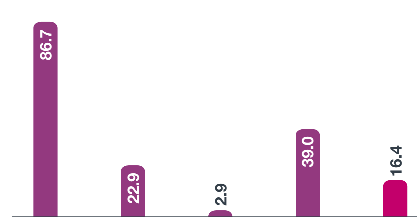
2012: 12.7%



Total shareholder return

16.4%

2012: 39.0%



CHAIRMAN'S STATEMENT

During the year we made excellent progress in all five aspects of our business model. Our consistent and successful strategy combined with buoyant markets to produce a very strong performance for the Group.

In 2013 we increased EPRA net asset value ('NAV') per share to 2,264p from 1,886p, a rise of 20.0% in the year. In addition EPRA profit before tax rose 10.1% despite a further acceleration in development activity during the year.

Over the last three years we have steadily expanded our development programme which has contributed to the 59% advance in our net asset value during this period. Over the same time our EPRA earnings have increased, we have raised our dividend by 26%, both gearing and cost of debt have been reduced and we have moved to a predominantly unsecured debt model.

Our overall aim is to deliver long-term total returns and during the year we made excellent progress in all five aspects of our business model that drive this objective:

Optimising income
The letting markets for our distinctive space were vibrant throughout 2013 and this has continued into 2014. We achieved record new lettings on 643,200 sq ft (59,750m^2) achieving a gross rent of £21.8m pa, or £20.8m pa after deducting ground rents. On average these transactions were agreed at 8.4% above December 2012 estimated rental value ('ERV').

For Derwent London, it was also an outstanding year for pre-lets, dominated by Publicis Groupe agreeing to take 155,600 sq ft (14,460m^2) of offices at Turnmill EC1 and 40 Chancery Lane WC2 for a rent of £7.8m pa, allowing for the ground rent at Chancery Lane. Publicis Groupe will remain at our 80 Charlotte Street W1 property until these buildings are completed in the second half of 2014.

In addition we let the regenerated Buckley Building EC1 within six months of completion, at rents over 30% ahead of those in our original appraisals and to high quality tenants such as Deloitte, Unilever and WPP.

20.0%
increase in EPRA net asset value per share

10.1%
increase in EPRA profit before tax

8.3%
increase in dividend for the year

Creating well-designed office space
We have expanded our development pipeline to capitalise on the strong occupational market. In 2013 our capital expenditure was £103.0m, a 33% increase on 2012. Major projects totalling 248,100 sq ft (23,050m^2) were completed, and all were either pre-let or let within six months of completion.

The Group currently has 586,000 sq ft (54,450m^2) of major projects under construction, half of which is represented by the White Collar Factory EC1. We are on course to start a major development in each of the next two years, namely 80 Charlotte Street W1 in 2015 and 55-65 North Wharf Road W2 in 2016. There is substantial capital expenditure associated with our development programme, with around £280m forecast to be spent over the two years to the end of 2015.

In total we have 1.0 million sq ft (94,000m^2) of consented future development and another 0.9 million sq ft (84,000m^2) under active appraisal, all of which could be delivered by the end of the decade. This programme is comprised of a number of schemes at properties that remain income-producing and therefore gives us considerable flexibility in the timing of delivery.

Recycling capital
We constantly review the portfolio for opportunities to recycle capital. In July we sold our interest in 1-5 Grosvenor Place SW1 for £132.5m before costs, a 70% premium to the December 2012 valuation and contributing 14% of the overall NAV uplift in 2013. The price reflects the unique nature of the site and its value to a special purchaser. The sale achieved nearly all of the development gain that we expected to achieve, five to six years ahead of the earliest potential completion date and without exposure to the inherent risks of planning and development. The net proceeds of this and the other smaller sales we made in the year, which total £149.8m and generated a profit on disposal of £53.5m, make a significant contribution to financing our development pipeline and acquisitions.

Acquiring properties and unlocking their potential
During the year, we acquired an aggregate 216,800 sq ft (20,140m^2) of income-generating properties in emerging locations at a total cost of £130m (representing £601 per sq ft or £6,469 per m^2). These transactions broadened our footprint in Shoreditch and Clerkenwell in the Tech Belt as well as in the Midtown village of Holborn. Our strategy of buying buildings off-market which are occupied and have the scope for improvement has provided an array of income-producing assets bought off reasonable yields. Each possesses regeneration opportunities in the medium to long-term. We continue to look for properties meeting these criteria to add to the portfolio.

The redevelopment of 55-65 North Wharf Road W2 was enabled by the regearing of the headlease in early 2013 and we continue to examine opportunities where we can unlock further development potential at other locations.

Maintaining robust financing

Our overall net debt rose 8.5% to £949.2m but, due to the strong valuation performance of our portfolio, our loan-to-value ratio fell from 30.0% to 28.0% over the year. The Group's net interest cover remains a comfortable 279% at December 2013.

During the year we arranged £800m of new debt, all on an unsecured basis. We issued £150m of 1.125% convertible bonds due in 2019, arranged a new £550m five-year revolving bank facility and agreed a £100m long-term fixed rate US private placement loan which was drawn in January 2014.

The proportion of total facilities that are unsecured rose to 72% on a proforma basis, adjusting for the private placement that was drawn in early January, from 15% at the end of 2012. On the same basis the weighted average unexpired duration of debt increased to 7.7 years. At the year end we had undrawn facilities totalling almost £400m, including the private placement funds, giving us both the headroom to meet our committed capital expenditure requirements and the flexibility to consider further acquisitions.

Financial performance and dividend

The strong business performance in 2013 has been reflected in Derwent London's financial results. The Group's NAV increased by £452.5m during the year and EPRA NAV rose 20.0% to 2,264p per share, driven by the revaluation surplus which contributed 326p per share and 52p per share profit from the disposal of properties.

The valuation performance of the portfolio, with an underlying increase of 12.6%, outperformed that of the IPD Central London Offices Index which rose 11.2%. The valuation benefited from a 27 basis point tightening in true equivalent yield, 24 basis points of which were generated in the second half of 2013, together with a 5.7% underlying growth in ERV on average across the portfolio. This ERV growth was at the top of the 4-6% range we predicted at the beginning of 2013.

Despite a further acceleration in development activity during the year, we saw a 10% rise in recurring earnings, with EPRA profit before tax of £57.8m against £52.5m in the previous year. This reflects the significant progress made in generating incremental income from letting and asset management activity over recent years.

Given our current outlook, we are recommending a final dividend for the year of 25.75p, an increase of 8.4% on last year, to be paid on 13 June 2014 to shareholders on the register on 9 May 2014. Of this, 23.50p will be paid as a PID under the UK REIT regime and there will be a scrip alternative. This gives a total dividend for the year of 36.50p, which is 8.3% higher than in 2012 and is covered 1.5 times by EPRA profit.

London – a leading global city

London remains a magnet for business and investment. Employment in the capital has been increasing and with business confidence rising, it is expected to continue to do so. A recent report by Deloitte highlighted that London is the global city with the largest number of highly skilled employees: 1.5 million employed across 22 sectors. As a wide range of businesses compete for these skilled staff, offering well-designed space in which to work is one way to attract and retain talented people. Derwent London's brand of office space continues to demonstrate its appeal to such businesses.

The arc we call the Tech Belt, running north of the City from King's Cross to Whitechapel, is an increasingly important subsector of the London office market and 30% of our portfolio by value is now located in this area. It has proven the perfect habitat for the creative industries that have grown significantly in recent years and are now estimated by Tech City UK to employ 0.6 million people in London. In 2013 the area was responsible for 44% of our new letting income, mostly to established businesses wanting to tap into its vibrancy. This includes Unilever's product innovation unit which is now located in The Buckley Building. We believe the White Collar Factory project will consolidate the area's position as a centre of entrepreneurial excellence by providing suitable modern office space on a scale previously unavailable.

Derwent London team

To achieve these results we rely on the commitment and skill of our talented and experienced management team. It was gratifying to see that this was once again recognised externally in the 2013 Management Today awards for 'Britain's Most Admired Companies', where we topped the property sector for the fourth year in a row and were ranked tenth overall.

"Letting and asset management initiatives over the last two years are being reflected in growing earnings and £800m of debt refinancing has further improved the resilience and flexibility of our strong balance sheet".

ROBERT RAYNE
NON-EXECUTIVE CHAIRMAN

The Board
In August, we were pleased to welcome Richard Dakin to the Board as an independent non-executive Director. Richard has been at Lloyds Bank since 1982 and his extensive knowledge of property finance and the real estate sector will enable him to make a valuable contribution to the Board.

At the end of the year, John Ivey, who was Chairman of the Company until 2007, retired from the Board. Following the merger with London Merchant Securities, John has served as Deputy Chairman. His wise counsel and valued contribution, which has been much appreciated by the Board over his many years as a non-executive Director, will be missed.

Outlook
The prospects for London's commercial property market are good, with above average levels of both occupier and investment demand from a wide range of sources. As a result we expect our rental values to rise by around 5% to 7% in 2014 and overall property yields to remain stable, though in some of our markets yields may tighten even further. The strength of our capital city is very apparent, attracting businesses and people from around the world. London is a global leader in a diverse range of high-skill sectors and growth here continues to outpace other parts of the UK as well as nearly all of the rest of Europe.

London office values have been steadily rising for over four years, and with strong occupier demand and the prospects of continued rental growth, yields are now down to levels last seen at the previous peak in 2007. Circumstances today are different: business confidence is improving so the prospects for letting with rising rents are excellent. At the same time, income returns from other asset classes remain constrained which, together with the rental outlook, are stimulating very high investment demand for real estate in the capital. Although the current market environment is favourable, we will continue to monitor conditions to anticipate changes and maintain our long-term principles of buying where we can add value and selling those assets where growth prospects are lower.

In 2014 we have commenced the White Collar Factory development and will shortly be starting on the regeneration and expansion of the retail space on Tottenham Court Road W1 to form Tottenham Court Walk. We expect to complete a further 277,500 sq ft (25,790m^2) of major projects in the year, namely the next phase of the 1-2 Stephen Street office refurbishment, Turnmill, 40 Chancery Lane and our Queens residential scheme.

Our long-term business model has put us in a strong position with 71% of the portfolio in the resilient West End market. In addition 80% of the portfolio is either in the Tech Belt or close to Crossrail, both seeing above average growth. Our income stream continues to be based off low average office rents of £25.79 per sq ft (£278 per m^2) and is highly reversionary. Under our largest development programme to date we will be ready to start a 200,000-400,000 sq ft (20,000-35,000m^2) project in each of the next three years. Our financing remains resilient, but is now even more flexible, of longer duration and at a lower cost, giving us the capacity to fund our developments and make new acquisitions.

We enter 2014 strongly positioned to take advantage of the current buoyant market conditions and to deliver above average returns to shareholders.

ROBERT A. RAYNE
27 FEBRUARY 2014

£21.8m
of new lettings

248,100 sq ft
of major projects completed in the year

£800m
of new debt arranged