Annual report and accounts 2014

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Front cover:
Primark Distribution Centre, Thrapston

LondonMetric aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values. It invests across the UK, primarily in out-of-town retail and distribution properties.

It employs an occupier-led approach to property investments through opportunistic acquisitions, joint ventures, active asset management and short-cycle developments.

The asset focus is on properties with enduring occupier appeal providing opportunities to improve both rental values and the security and longevity of income; and limited risk redevelopments with the aim of enhancing shareholder returns.

www.londonmetric.com

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Pages 10 and 11

Link to website:
londonmetric.com/investors/latest_results

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Financial highlights

£125.3m	**Reported profit** (2013: loss of £13.5m)
£755.9m	**Net assets** (2013: £676.7m)
4.2p	**EPRA earnings per share** (2013: 3.9p)
121.0p	**EPRA net assets per share** (2013: 109.4p)
7.0p	**Dividend per share** (2013: 7.0p)

Portfolio highlights[1]

£72.7[2]m	**Annualised rental income** (2013: £62.5m)
£95.9m	**Valuation uplift** (2013: £20.3m)
£1,219.8m	**Portfolio value** (2013: £1,216.8m)
£405.6m	**Acquisitions in the year** (Average yield 7.6%)
£568.4m	**Disposals in the year** (Average exit yield 4.4%)

1 Including share of joint ventures
2 Contracted rental income at 31 March 2014 is £78.0 million

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Chairman's statement

Our most important objective was to achieve a run rate of contracted net rental income to cover our dividend and we have achieved this.

Patrick Vaughan
Chairman

The year to 31 March 2014 has been an extremely busy period for all at LondonMetric. We set ourselves a demanding series of objectives for the year and I believe the team has worked remarkably hard and effectively to achieve them.

To remind ourselves of the tasks, they were to complete the successful integration of the newly merged London & Stamford and Metric Property businesses, to move to new combined premises without loss of focus, to restructure the portfolio, including particularly a material reduction in our residential programme and a material increase in our distribution weighting, to focus strongly on adding value through asset management and to focus on obtaining higher income yields and longer weighted average lease lengths.

A very high level of portfolio activity has taken place, with £405.6 million of purchases and £568.4 million of sales in the period. Our average purchase yield was 7.6% and our sales yield was 4.4%. The weighted average lease length has risen from 11.6 years to 12.7 years.

Beyond all of that our most important objective was to achieve a run rate of contracted net rental income to cover our dividend and we have achieved this. It will flow through to increasing earnings in the coming year. We also have the resources available to ensure that from the present position, further improvement can be achieved. Recurring income remains a core aim, but it is also balanced with a need to make the right investment and divestment decisions so that overall total returns are sustained.

Results

The results this year reflect the first full year for the enlarged LondonMetric Group.

The prior year comparatives reflect the activity of London & Stamford for the period from 1 April 2012 until the merger and then show the combined activity of the enlarged Group for the two months to 31 March 2013.

EPRA earnings for the year of £26.4 million is a 20% increase on 2013 and contributes to a retained profit of £125.3 million (2013: loss of £13.5 million).

The strength of the market and our own asset management activity has helped to generate a revaluation surplus of £95.9 million in the year (2013: £20.3 million) and, as advised to you last year, the results have been sustained by a significant reduction in exceptional items to only £14.1 million (2013: £53.4 million) as the impacts of the merger, the completion of the amortisation of the internalisation consideration and the write off of the Green Park intangible asset also created on internalisation, have been absorbed.

Net assets at 31 March 2014 were £755.9 million (2013: £676.7 million), an increase of £79.2 million (11.7%). This is equivalent to 120.8p per share (2013: 107.7p).

The Board has proposed a final dividend of 3.5p per share to be paid on 21 July 2014 which, when taken with the interim dividend of the same amount paid on 20 December 2013, will give a total dividend in respect of the year of 7.0p (2013: 7.0p).

We will continue to manage the portfolio with vigour, with a constant eye to improving income and the quality of the portfolio.

Portfolio

As a result of the investment activity in the year 86% of the portfolio is now core out-of-town retail and distribution.

At a property level, a total return of 17.0% comprising an 11.2% capital return and a 5.3% income return, has outperformed IPD by 360bps.

The Board

There are a number of changes to the Board. It is my great pleasure to welcome Rosalyn Wilton to the Board as a Non-Executive Director. Her financial acumen will make a very valuable addition to the Audit Committee. Humphrey Price has announced his intention to retire from the Board which will take effect from 31 March 2015.

As was the intention at the time of the merger, I am pleased to welcome our two senior members of the Executive Committee, Valentine Beresford and Mark Stirling, to the Board, who will join with immediate effect.

I can confirm that at the end of the half year, I propose to stand down as Executive Chairman and am delighted to continue to serve as Non-Executive Chairman and to be engaged with the Company for several days a week. I feel it is a good plan for the Company, given the very high quality of the Executive team.

Outlook

The market in the second half of the year has been very strong and rational pricing has returned to most sectors across the UK. In some areas pricing has strengthened further than we could have anticipated, which in certain instances will encourage us to sell sooner than we had expected. I remain confident that we will be able to find opportunities to reinvest in both on- and off-market transactions and seek out more attractive assets in those areas where we have a competitive advantage. We will continue to manage the portfolio with vigour, with a constant eye to improving income and the quality of the portfolio.

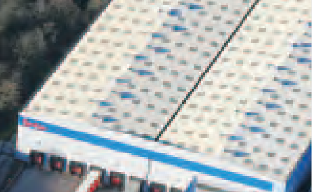
Patrick Vaughan
Chairman
3 June 2014

Re-shaping our portfolio

As a result of an active year with £405.6 million of acquisitions and £568.4 million of sales, 86% of the portfolio is now core, up from 59% a year ago.

Acquisitions:

WH Smith DC, Birmingham


Boden DC, Leicester

Wickes, Maldon

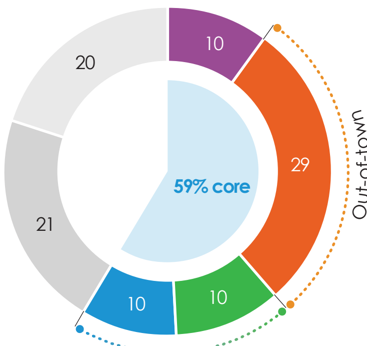
Argos DC, Bedford

Location	Sector	Tenant	No. of properties	Date[1]	Cost at share £m	Rent £m	Yield %	WAULT[2] (years)
Ipswich	Retail	Various	1	14-May-13	10.4	0.7	6.5	10.9
Birmingham	Distribution	WH Smith	1	01-Aug-13	10.1	0.8	7.9	21.0
Milton Keynes & Cardiff	Retail	Various	2	07-Aug-13	25.8	2.2	8.0	6.8
Eastbourne[3]	Retail	Various	1	13-Aug-13	3.0	0.2	7.2	11.5
Leicester	Distribution	Boden	1	05-Sep-13	5.2	0.5	8.3	4.0
Crick	Distribution	Norbert Dentressangle	1	13-Sep-13	17.9	1.3	7.0	10.0
Various[3]	Retail	Wickes	5	27-Sep-13	9.3	0.7	7.2	19.4
Dartford[3]	Retail	Various	1	15-Oct-13	3.2	0.2	6.6	10.3
Bedford	Distribution	Argos	1	18-Oct-13	51.7	3.8	7.0	9.4
Various	Leisure	Odeon	10	18-Nov-13	80.7	5.9	7.2	24.9
Brackmills	Distribution	Travis Perkins	1	21-Nov-13	9.0	0.8	8.8	0.3
Hertford[3]	Retail	Various	1	19-Dec-13	5.4	0.4	5.9	11.6
Bridgwater[3]	Retail	The Range	1	24-Jan-14	1.2	0.1	6.8	18.8
Daventry	Distribution	Royal Mail	1	13-Feb-14	36.0	2.4	6.5	9.6
Various[4]	Retail	DFS	27	25-Mar-14	53.4	5.3	9.4	16.0
Sheffield	Distribution	M&S	1	30-April-14	32.2	2.6	7.6	7.3
Swindon	Distribution	Oak Furniture	1	29-May-14	22.1	1.5	6.5	8.6
Doncaster	Distribution	Superdrug	1	24-June-14	13.0	1.0	7.6	6.9
Islip	Development	Land	1	Summer 2014	16.0	–	–	–
			59		**405.6**	**30.4**	**7.6**	**13.4**

Portfolio value
%

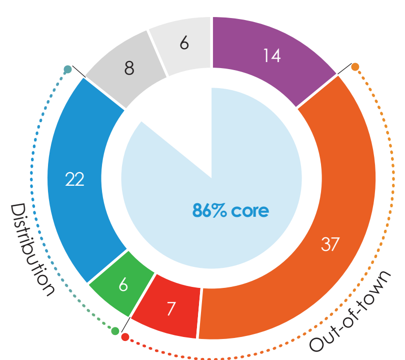
- Development
- Retail
- Leisure
- Distribution
- Retail distribution
- Residential
- Offices

March 2013



£1,217m
Portfolio value

March 2014



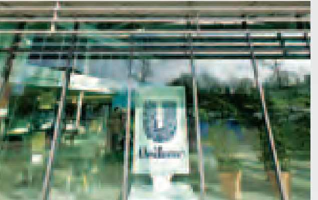
£1,220m
Portfolio value

Disposals:

Fleet Place, London

Clerkenwell Quarter, London

St Mary's Road, Sheffield


Unilever HQ, Leatherhead

Location	Sector	Tenant	No. of properties	Date[1]	Proceeds at share £m	Rent £m	Yield %	WAULT[2] (years)
Various	Distribution	Various	11	02-Jul-13	138.4	7.4	5.0	9.2
Gillingham	Development	Land	1	30-Aug-13	3.3	–	–	–
London – Fleet Place	Office	SNR Denton	1	17-Sep-13	112.5	6.1	5.1	12.0
Oxford[3]	Retail	Wickes	1	25-Oct-13	4.1	0.2	5.3	24.7
Sheffield, Mansfield	Retail	Various	2	27-Nov-13	19.2	1.4	6.8	12.2
Bedford	Retail	Various	1	18-Dec-13	6.5	0.4	6.2	9.8
Congleton	Retail	Various	1	20-Dec-13	16.4	1.0	5.8	7.0
Leatherhead	Office	Unilever	1	30-Jan-14	75.8	4.8	5.8	9.8
Dudley	Leisure	Odeon	1	31-Jan-14	7.7	0.5	6.0	24.4
Various[4]	Retail	DFS	8[5]	25-Mar-14	13.2	1.2	8.6	16.0
London	Residential	Various	341	Various	171.3	3.7	2.0	0.0
			369		**568.4**	**26.7**	**4.4**	**9.5**

1 Date of completion or expected completion
2 Weighted average unexpired lease term, to first break
3 MIPP joint venture, LondonMetric share 33.3%
4 DFS joint venture, LondonMetric share 30.5%
5 Rising to 10 post period end with two deferred completions for £1.1 million at share

We are focused on growth markets

Our core sectors are well placed for growth

As the economy continues to strengthen, both the investment and occupational markets are benefiting. Investor appetite is extending liquidity to the majority of the UK as equity inflows continue, both from UK institutions and overseas investors; primarily driven by pension funds and private equity. There is increasing appetite for long-let income which is forcing investors to look outside the south-east and is bringing liquidity to the majority of sectors and UK regions. This is evidenced across our own portfolio where we continue to receive unsolicited approaches. This has enabled us to realise value on some mature assets and capitalise on the back of this strong institutional demand.

Prime vs secondary spread contracting

Over the last 12 months the spread between prime and the best secondary assets has begun to contract. The yield gap between the two is still 200bps compared to 130bps at the peak.

Over the last year secondary yields have moved in by 100bps, whereas prime yields have only contracted by 25bps (CBRE). As a result secondary is firmly outperforming prime both at a capital as well as at an income level.

Good secondary outperforming

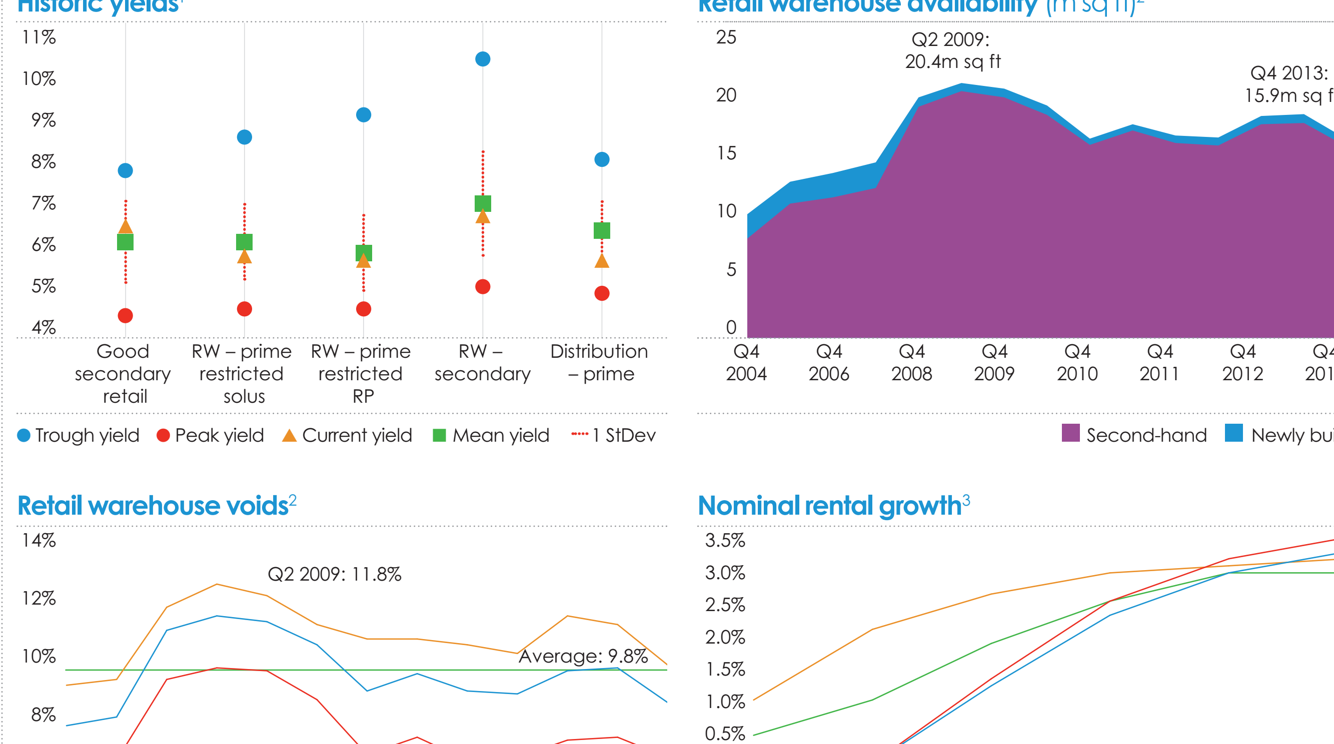
According to CBRE, the secondary retail warehouse sector has delivered a total return of 22.3%, with an income return of 8.0% and capital growth of 14.3% over the last year.

Prime Open A1 assets have produced a total return of 10.25%; with an income return of 5.25% and a capital return of 5.0%.

We expect this dynamic to continue as the spread between the two tightens further over the coming year.

Logistics trends driving growth

- Strong yield compression is supported by an expectation of real rental growth in the sector
- Continued strong floor space demand with 65% of logistics occupiers expecting their floor space to increase over the next three years and 63% of logistics occupiers indicated e-commerce and multi-channel retail is a top three trend (JLL and CoreNet Global Occupier Survey)
- Take-up by retailers forecast at 50 million sq ft over the next five years, up 21% over the last five years (Savills)



[1] CBRE [2] Trevor Wood [3] IPD, Real Estate Forecasting Limited

Yields sit above 2007 peak

Current yields across our core sectors continue to sit well above their 2007 peak, and in line with their 15-year mean based on CBRE historic yields. See CBRE historic yields chart above. This compares with other sectors, particularly prime shopping centres and City and West End offices where current yields are only 25bps away from their peak, and well below their 15-year mean.

Voids on the decline

As the economy has continued to strengthen, the vacancy rate across retail warehousing is down to 15.9 million sq ft – a 22% fall from its peak of 20.4 million sq ft in 2009. See retail warehouse availability chart above. Void rates are now 8.8% compared to a peak void rate of 11.8% in Q2 2009, and an average rate of 9.8% over the last seven years (Trevor Wood). See retail warehouse voids chart above.

First signs of rental growth

Across our own portfolio we are witnessing a strengthening occupier environment. Our voids are very low, we have seen a tightening of tenant incentives and there is limited new supply. We are already seeing the first signs of rental growth and these ingredients give us the confidence that it will continue to accelerate.

This is supported by future rental growth forecasts by Real Estate Forecasting Ltd which estimate retail warehousing is expected to move from rental declines in 2013 to outperform all property by 2017/18. Historically the distribution sector has under-performed the wider market, however it is expected to be the key beneficiary with the rise of online shopping and the growth in multi-channel retailing. See nominal rental growth chart above.

Return to equivalent yield pricing

Increasing confidence of real rental growth will also prompt a valuation shift away from initial to equivalent yield pricing, as we have witnessed in the West End retail and office markets.

Our focus on low average rents – £16.50 psf across our retail warehouse portfolio and £5.10 psf across distribution – where there is a sufficient gap between the passing and sustainable rents, will allow us to be an early beneficiary from this valuation move.

Our business model to create value

Investment

Recycle capital
Unemotional and disciplined disposal programme where value has been realised or asset no longer fits strategy.

Buy desirable real estate
Acquire properties offering attractive income and opportunities for value appreciation from asset management initiatives.

Occupier
Staying close to our customers to understand their needs and overall contentment in our buildings helps us assess the long-term income growth of all of our assets.

Focus on sustainable income
Target rents that have the potential to trend towards their sustainable level over the medium term.

Income

Deliver income growth
Grow and improve income through an extensive programme of asset management initiatives.

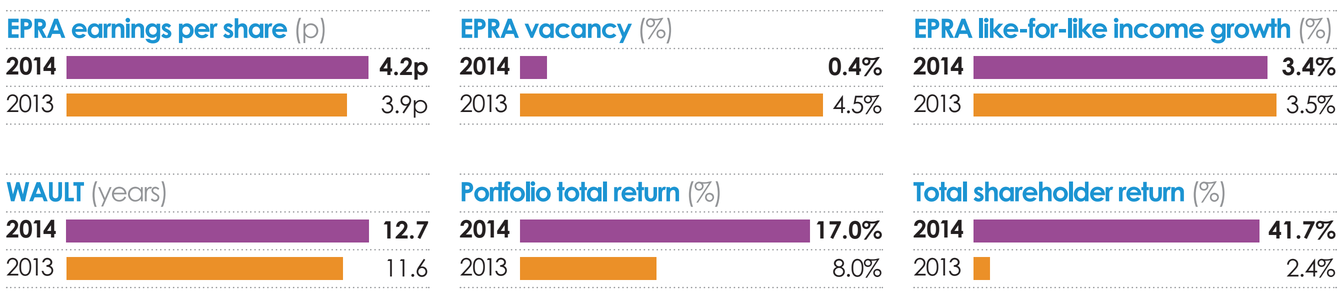
Asset management

	Investment		Income	Asset management	Short-cycle development
	Recycle capital	Buy desirable real estate	Focus on sustainable income	Deliver income growth	Refurbish/ redevelop/ build
Our strategic priorities:	• Review of future performance prospects for each property • Dispose of non core assets • Sell where value has been optimised and future asset management potential is limited	• Focus on out-of-town and retail distribution • Use bottom-up occupier-led approach • Buy assets that can be institutionalised • Acquire off-market	• Understand total needs and costs of occupier • Ensure relatively low rentals appeal to a range of occupiers • Offer the right location and space configuration	• Fixed rental uplifts and longer lease lengths • Pursue re-gears to lengthen income streams • Robust rental evidence for reviews and renewals	• Favourable planning • Delivery within 6–18 months • Work in partnership with occupiers • Reduce environmental impact
Our achievements:	• 11 disposals for £568.4 million off blended yield of 4.4% • Core sector weightings improved from 59% to 86% • Spread between purchases and sales generated a yield arbitrage of 320bps and WAULT arbitrage of 4.7 years (3.9 years to first break)	• 19 acquisitions for £405.6 million off blended yield of 7.6% in preferred sectors • Four portfolio acquisitions for £169.2 million off blended yields of 8.1% • 73% of acquisitions transacted off-market	• 48 occupier transactions across 2.3 million sq ft of space with 35 different occupiers • Low average rents of £16.50 psf (retail) and £5.10 psf (distribution) • Income return on asset management capital expenditure of 12%	• 33% of the income subject to fixed uplifts or benefit from income linked to RPI • 18 rent reviews and re-gears in the past 12 months delivered income growth of 5.4% • Like-for-like rental growth of 3.4%	• Pre-lets at 79% across committed developments • Planning determinations and submissions of 214,900 sq ft • BREEAM Very Good ratings on 155,000 sq ft of developments
Associated risks:	• Lack of liquidity • Debt restrictions on charged properties	• Property cycle and investor sentiment • Valuation risk • Increasing debt costs	• Weak letting market • Tenant default	• Low inflation outlook • Occupier low growth or contraction strategies	• Construction costs and delays • Level of pre-letting • Planning
Our focus:	• LTV corporate target of <50% • Non core residential to be sold within next 18–24 months	• Capitalise on market pricing anomalies in areas where we have expertise • Grow asset management and short-cycle development exposure	• Retain fully occupied status • Focus on fixed uplifts • Ancillary car park income	• Lease re-gears to grow income and improve lease length • Yield improvement through strengthening covenants • Add floor space to grow income and bring new operators	• Commence pipeline of two committed development across 1.2 million sq ft
Our key criteria:	• Hurdle Rate of ungeared IRR >7.0% • Positive yield gap between all in debt and EPRA net initial yield	• Core sector weighting >80% • Target cash on cash >8.0% • Single tenant exposure <15% of portfolio	• Target occupancy >98% • WAULT >12 years • >15% of investment portfolio subject to fix/ index linked rental uplifts	• Income growth >CPI • Return on asset management capex >10% • WAULT > seven years	• 150bps yield on cost spread to exit yield • Ungeared IRR target 12% to 20%

A strong performance

We use six principal key performance indicators to monitor the performance of the Group and its joint ventures and the delivery of our strategy.

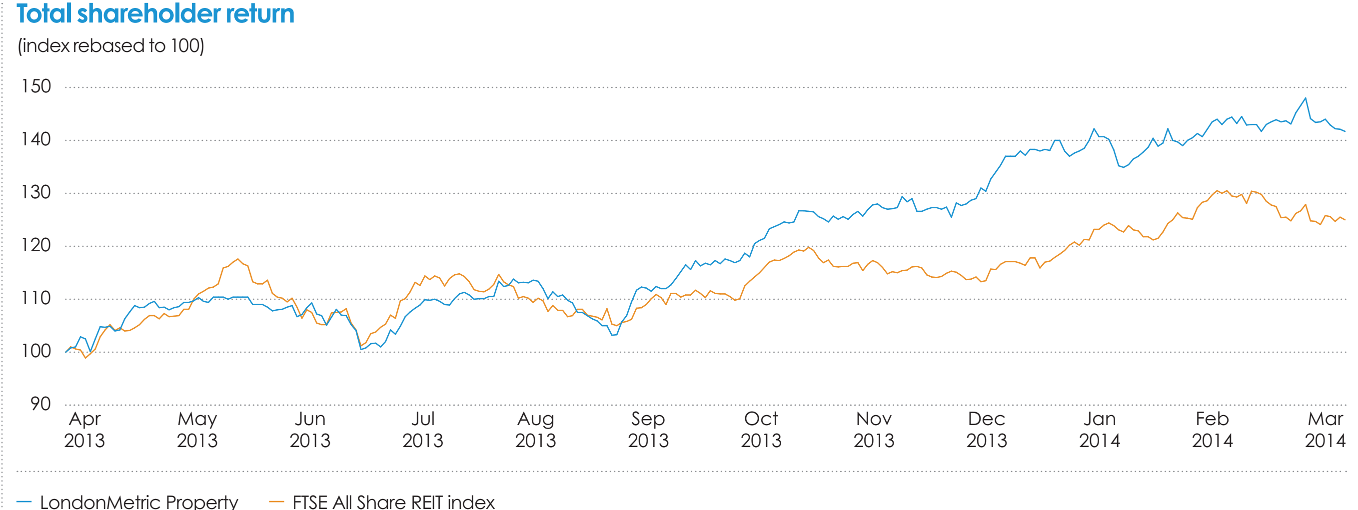
Key performance indicators



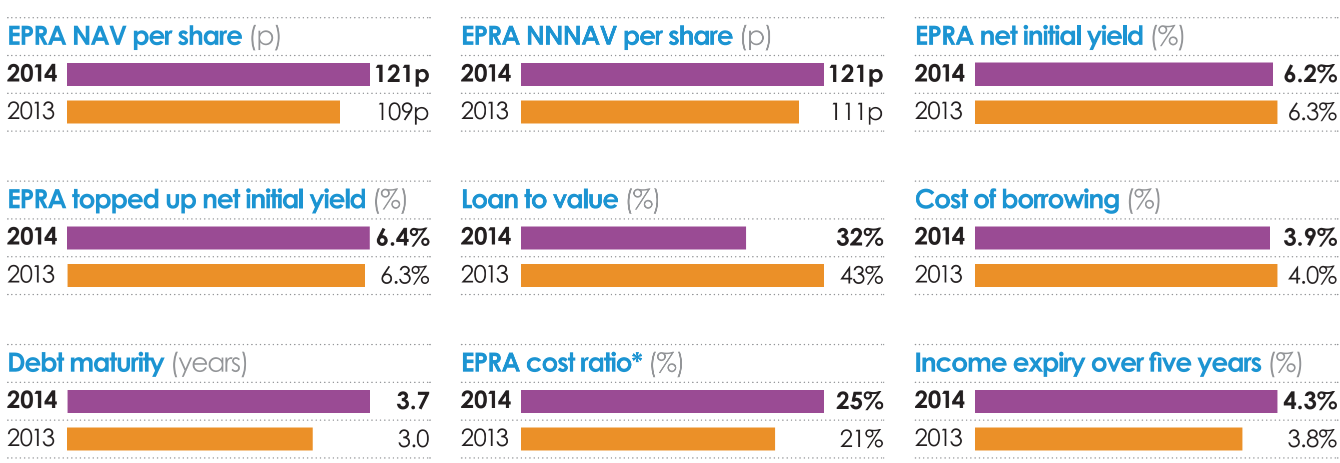
Performance measure	Definition	Page
EPRA earnings per share	Recurring earnings from core operational activities divided by the average number of shares in issue over the year.	45
EPRA vacancy	ERV of vacant space divided by ERV of the whole portfolio.	14
EPRA like-for-like income growth	Current year and prior year net rental income from properties owned through the current and prior year.	30
WAULT	Average unexpired lease term across the investment portfolio (excluding residential and development) weighted by net rental income.	25
Portfolio total return	Unleveraged weighted capital and income return of the total portfolio, including residential and development, held during the financial period.	25
Total shareholder return	Share price growth with dividend deemed to be reinvested on the ex-dividend date.	83

Total shareholder return

(index rebased to 100)



Other performance measures



Performance measure	Definition	Page
EPRA NAV per share	Balance sheet net assets excluding fair value of derivatives, revaluation of trading properties and deferred tax on revaluation divided by the number of shares in issue at the balance sheet date.	48
EPRA NNNAV per share	EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes divided by the number of shares in issue at the balance sheet date.	n/a
EPRA 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, including estimated purchaser's costs.	106
EPRA topped up net initial yield	Recurring earnings from core operational activities.	n/a
Loan to value	Net debt expressed as a percentage of the total value of investment and development properties including net share of joint ventures.	49
Cost of borrowing	The cost of finance (including the amortisation of finance costs) expressed as a percentage of Group and joint venture borrowings at the year-end.	49
Debt maturity	Weighted average period to expiry of Group and joint venture drawn debt.	50
EPRA cost ratio	Total operating costs as a percentage of gross rental income.	n/a
Income expiry over five years	Contracted net rental income of the investment portfolio (excluding residential and development) expiring over the next five years.	25

* Excluding direct vacancy costs

Link to another page:
Page 8
Link to further reading:
Page 6

Chief Executive's review

Retailers have a clear vision of the right size and shape of their store portfolios. Their distribution strategies are continuing to evolve.

Andrew Jones
Chief Executive

2013/14 has been an active year, repositioning our portfolio through nearly £1 billion of investment activity and 48 occupier transactions across 2.3 million sq ft. Our core assets now account for 86% of our portfolio.

Strategic priorities on track

Over one year on from the merger we have delivered on our strategic objectives to focus on our core sectors of out-of-town and retail distribution with a priority of growing income and investing in opportunities for creating value as part of a balanced contribution to our total returns.

Our strategic objectives remain on track and over the coming year we will focus on:

- Growing income, both in quality and quantum
- Completing our divestment programme across our remaining office and residential assets
- Investing in our core sectors by growing both our retail distribution and our out-of-town portfolios
- Recycling capital in our portfolio where value has been optimised and reinvesting in opportunities with more attractive asset management and redevelopment potential
- Delivering on our development programme

Significant achievements

Our investment and asset management teams have delivered to reposition both the investment and development portfolios with some noteworthy achievements:

- Four portfolio acquisitions totalling £309.5 million (LondonMetric share: £169.2 million) benefiting from a concurrent disposal strategy on three of the portfolios. Case studies on DFS, Odeon and Wickes portfolios are on pages 15, 16 and 19 and the acquisition metrics are on page 4
- Material disposals of our Fleet Place and Leatherhead offices for £188.3 million, reflecting a blended exit yield of 5.4%
- The disposal of our residential portfolio for £171.3 million – selling 341 units in total across our schemes at Clerkenwell Quarter, Battersea, Highbury, Stockwell and Moore House in the year, with a further 37 units for £20.4 million in solicitors' hands. A breakdown of disposals are listed on page 5 and the make-up of residential sales are summarised on page 22
- Considerable progress pre-letting Carter Lane now 72% pre-let, securing £4.8 million of rent roll in the period. Further details can be found on pages 27 and 39
- Intense level of occupier transactions delivering an increase in our rental income of £6.5 million per annum across the investment portfolio – including like-for-like rental growth of 3.4%. Refer to page 30 for further details

As a REIT, we are focused on distributable income forming a meaningful part of the total return equation.

121p
NAV per share

£72.7m
Annualised rental income

- Securing our first retail distribution development in Islip, Northamptonshire – the development is in excess of 1 million sq ft, is 100% pre-let at £5.3 million per annum on a new 25-year lease with annual fixed rental uplifts. Refer to Islip case study page 29.

Strong JV partnerships

Earlier this year we created a new DFS joint venture to acquire a portfolio of 27 DFS assets for £175 million, reflecting a net initial yield of 9.3%. Our stake is 30.5%. The transaction completed on 25 March and we simultaneously announced the disposal of ten of these properties. We have now sold a further three assets, bringing total disposals to £64.2 million, reflecting an exit yield of 8.4%. Refer to the case study on page 15 for more details.

Our MIPP joint venture had an active year, with £66.5 million of acquisitions (LondonMetric share £22.2 million) at a blended yield of 6.8% and average lease length of 15.5 years (15.3 years to first break). Refer to page 4 for details of acquisitions.

This includes the portfolio of five Wickes units acquired in September. Refer to the case study on page 19 for more details. The joint venture reached its target investment in December and post period end we agreed with USS to extend the joint venture to increase our stake to 50% from 33.3%. Refer to page 18 for further details.

Delivering robust results

EPRA net assets per share has grown by 11% to 121.0p (2013: 109.4p), driven by a very strong valuation surplus of 15.3p, recurring profit of 4.2p, offset by dividends paid of 7.0p. Refer to page 23 for a breakdown of contributions to our valuation movement and page 48 for the details of the NAV bridge.

We have grown gross rental income as reported in the income statement[1] by 30% to £61.9 million (2013: £47.7 million) primarily by achieving a profitable spread between lower yields on disposals and higher reinvestment yields. The timing of acquisitions and disposals as well as transaction costs has resulted in EPRA earnings per share of 4.2p (2013: 3.9p).

Over the period there were £568.4 million of sales off average disposal yields of 4.4% and £405.6 million of purchases off average yields of 7.6%. These investment decisions as well as our asset management activity have increased our annualised rental income by £10.2 million to £72.7 million (2013: £62.5 million). Refer to the growing rental income table on page 27.

Looking forward, our development pipeline and further capital recycling, particularly of non core residential and office sectors, will continue to feature in our performance, helping to improve our income growth further.

Outperformed IPD by 360bps

We delivered a property level total return of 17.0%, comprised of a weighted income return of 5.3% and weighted capital return of 11.2%. This compares to IPD total return of 13.4% with an income return of 5.5% and a capital return of 7.5%. Both of our core retail and distribution portfolios outperformed their IPD benchmarks by 800bps and 900bps respectively. Refer to the performance against IPD table on page 25 for full details.

[1] As reflected in the proportionately consolidated income statement, see financial review on page 46.

We operate a customer-focused business and aim to be the partner of choice across the retail and distribution sectors.

Achieving dividend cover

Our annualised recurring profits now cover our dividend obligations of £44 million. We have been able to successfully deliver on this strategic objective set out last year by realising a 320bps arbitrage between the yields on purchases and sales increasing income by £3.7 million per annum and delivering additional income of £11.8 million per annum from asset management activity across the investment and development portfolios.

Occupier contentment

We operate a customer-focused business and aim to be the partner of choice across the retail and distribution sectors.

We build first-class relationships and leverage this knowledge to ensure that our properties have enduring occupier appeal. These deep relationships have allowed us not only to improve the operational performance of our existing portfolio but have also allowed us to intelligently acquire new investment and development opportunities that will benefit us over the next few years.

We undertook a total of 39 new lettings and re-gears during the period, granting on average new leases of 16.2 years (15.4 years to first break). Refer to page 27.

Our focus on lengthening and strengthening our income streams by actively engaging with our occupiers allowed us to increase the weighted average unexpired lease terms to 12.7 years (11.8 years to first break) across the investment portfolio, compared to last year's 11.6 years (10.8 years to first break). The passage of time makes that comparison even more favourable.

Only 4.3% of our rental income is due to expire over the next five years and we have materially improved the proportion of expiries in excess of 15 years. Refer to the lease expiry profile on page 25.

The intense asset management activity increased portfolio occupancy to 99.6% with only five units vacant across 30,500 sq ft (2013: 94.5%).

Andrew Jones
Chief Executive
3 June 2014

Creating comfort at DFS

In December 2013 we formed a new joint venture, to acquire a portfolio of 27 assets let to DFS from the administrators to Delphi Properties Limited.

Key features of the acquisition include:

- Portfolio purchase price £175.0 million, reflecting a net initial yield of 9.3%
- Portfolio composition: 22 retail warehouses, four industrial units and DFS' headquarters and distribution centre, covering a total area of 903,700 sq ft
- Rent roll £17.3 million per annum and co-terminus lease expiry in March 2030 (WAULT 16.3 years)
- LondonMetric share 30.5%
- In March 2014 and simultaneously with the closing of the transaction, the joint venture agreed the sale of ten of the portfolio assets in three separate transactions for a total consideration of £47.1 million (LondonMetric share £14.4 million), reflecting a blended exit yield of 8.6%. The sales generated a net profit of c. 13% after transaction costs

A further three assets have been sold post period end for £17.1 million (LondonMetric share £5.2 million), reflecting an exit yield on cost of 7.8%.

The remaining core portfolio:

- 14 assets with a book value of £140.1 million and running yield on cost of 7.8%
- The joint venture has agreed a £71.8 million five-year facility post period end. Debt will be provided across the portfolio of 14 assets at an LTV of 51%

The above sales have reduced LondonMetric's tenant exposure to DFS from 9.7% to 7.4%.

Fanatical about Odeon

In November 2013 LondonMetric acquired a portfolio of ten Odeon multiplex cinemas from Odeon Property Group LLP.

Key features of the acquisition include:

- Portfolio purchase price £80.7 million, reflecting a net initial yield of 7.2%. Acquisition part funded by a term facility of £43.5 million from Lloyds Bank plc
- Let to Odeon Cinema Limited on co-terminus leases of 24.9 years with no breaks
- Rent roll £5.9 million per annum and subject to annual rental uplifts of between 1% and 5% linked to the annual RPI index
- Portfolio comprises 384,220 sq ft located in: Chelmsford, Derby, Huddersfield, Lee Valley (London), Merryhill (Dudley), Preston, Tamworth, Taunton, Telford and Warrington

Since completion LondonMetric sold the Odeon in Dudley for £7.7 million to clients of Aberdeen Asset Management, reflecting a net initial yield of 6.0% and post period end sold the Odeon in Huddersfield for £15.2 million to clients of TIAA Henderson Real Estate, reflecting a net initial yield of 6.1%.

The remaining portfolio:

- Eight assets across 290,000 sq ft with a book value of £68.6 million and running yield of 6.1%
- Rent roll £4.4 million per annum, yield on cost 7.2%, WAULT 24 years across all the leases

The above sales have reduced the tenant exposure to Odeon from underwriting of 9.1% to 7.4%.

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Pages 4 and 5

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Investment

£974 million of investment activity capitalising on 320bps of positive yield arbitrage between acquisitions and disposals.

Valentine Beresford
Investment Director

We target out-of-town retail and distribution properties with a focus on strong income, asset management initiatives and short-cycle development opportunities.

We have materially transformed the portfolio over the last year. Acquisitions have targeted our preferred sectors of out-of-town retail parks and retail distribution centres, which benefit from our deep occupier relationships. Disposals have been made from our non core office and residential portfolios and selective sales across our out-of-town retail portfolio where value has been optimised or we have received appealing unsolicited approaches.

Benefiting from yield arbitrage between purchases and sales of 320bps

The sales of our low yielding offices and residential assets has allowed us to reinvest at significantly higher yields, generating a positive yield arbitrage of more than 320bps. Furthermore, the active recycling of our portfolio has also allowed us to materially improve the security of our income. The remaining lease lengths on our acquired assets are on average 4.7 years (3.9 years to first break) longer than on those we have disposed of.

Alongside our focus on retail parks and distribution centres, our reinvestment has primarily been targeting assets that provide strong income, asset management initiatives or short-cycle development opportunities, within those two sub-sectors. We continue to view real estate through these three lenses with occupier contentment a key ingredient in all of our acquisitions. We hold the firm view that the overall prosperity of the occupier is an essential requirement in our efforts to grow income and in turn create capital growth.

Over the period, we completed acquisitions across 19 transactions for £405.6 million (at share), generating a net initial yield of 7.6% and a contracted rental income of £30.4 million per annum. The average unexpired lease lengths stood at 14.3 years (13.4 years to first break), which included simultaneous re-gears on acquisition across several properties.

Out-of-town retail and leisure acquisitions for £192.4 million, NIY 8.0%

We completed nine out-of-town retail and leisure investment transactions covering 49 properties. Our share of the purchase price was £192.4 million at an average yield of 8.0% and a total rent of £15.6 million per annum. The average unexpired lease term stands at 17.8 years.

We acquired four separate portfolios during the year off attractive wholesale pricing totalling £169.2 million (at share) with an attractive unexpired lease length of 18.5 years and an average yield of 8.1%.

We have already begun to monetise several of the non core assets contained within these portfolios at prices materially ahead of their allocated acquisition prices. To date we have sold two Odeon cinemas from the portfolio of ten that we acquired and 13 DFS units from the 27 that we acquired in the joint venture. We have also sold the Wickes in Oxford following a lease re-gear which allowed us to extend their occupation from nine years to 25 years, refer to page 5.

Sub-sector breakdown of acquisitions

Sub-sector	No. of transactions	No. of assets	Cost at share £m	NIY %	WAULT[1] (years)
Retail	8	39	111.7	8.4	13.5
Leisure	1	10	80.7	7.2	24.9
Distribution	9	9	197.2	7.2	8.8
Total commercial	**18**	**58**	**389.6**	**7.6**	**13.4**
Development	1	1	16.0	–	–
Total including development	**19**	**59**	**405.6**	**7.6**	**13.4**

Four portfolio acquisitions

Portfolio	Date of completion	No. of assets	Cost at share £m	NIY %	WAULT[1] (years)
Milton Keynes & Cardiff	7-Aug-13	2	25.8	8.0	6.7
Wickes (MIPP JV[2])	27-Sep-13	5	9.3	7.2	19.4
Odeon	18-Nov-13	10	80.7	7.2	24.9
DFS (DFS JV[3])	25-Mar-13	27	53.4	9.3	16.0
Total		**44**	**169.2**	**8.1**	**18.5**

1 Weighted average unexpired lease term, to first break
2 MIPP JV, total purchase price £28.0 million
3 DFS JV, total purchase price £175.0 million

LondonMetric ownership in MIPP joint venture to increase to 50%

We acquired a further nine properties in five separate transactions during the year for £22.2 million (at share) on behalf of our MIPP joint venture with the Universities Superannuation Scheme ("USS"). We currently own 33.3% of this joint venture but have recently agreed terms to extend by a further two years and increase our ownership to 50% through a further equity investment of c. £28.5 million. This will allow us to increase the investment portfolio to £220 million.

MIPP has a current portfolio value of £160.6 million and a running yield of 6.3% across 18 properties. The unexpired lease term is 14.9 years with 25% of the rental income benefiting from fixed indexation tied to RPI-linked uplifts. The portfolio is 100% let off an average passing rent of £14.50 per sq ft. Looking ahead, the investment strategy will remain the same with a strong focus on well-let real estate occupied by the best retailers, where there is the opportunity to grow income through indexation, open market rent reviews or asset management initiatives.

Fixing things at Wickes

In September 2013 the Metric Income Plus Limited Partnership ("MIPP"), LondonMetric's £150 million joint venture with Universities Superannuation Scheme ("USS"), acquired a portfolio of five standalone Wickes retail warehouse units from clients of Aberdeen Asset Management.

Key features of the acquisition include:

- Portfolio purchase price £28.0 million (LondonMetric share £9.3 million), reflecting a net initial yield of 7.2%
- The five Wickes units were located in Oxford (28,200 sq ft), Chatham (24,900 sq ft), Maldon (27,000 sq ft), Oldham (25,000 sq ft) and Barnsley (25,900 sq ft)

Simultaneous with the acquisition the joint venture re-geared Oxford, Chatham and Barnsley, increasing the portfolio WAULT from 10.1 years to 19.4 years, at a yield on cost of 6.9%.

In October 2014 the joint venture completed on the sale of the Oxford Wickes unit for £12.4 million (LondonMetric share £4.1 million) to Lothbury Investment Management, reflecting a net initial yield of 5.3%.

Completed on nine distribution acquisitions for £197.2 million, NIY 7.2%

Over the year there has been a strong focus on growing our distribution portfolio, particularly those currently occupied by our retailer partners.

Retailers are putting an increased focus on their distribution infrastructure as they respond to evolving multi-channel supply chain requirements. As a result, we are keen to build up the UK's leading portfolio of retail distribution centres and extend our working relationship with our key partners to help them achieve their objectives.

We completed the acquisition of nine distribution centres totalling £197.2 million at an average yield of 7.2%, adding £14.8 million to the annual rent roll. The average unexpired lease term is 10.6 years (8.8 years to first break).

We acquired the WH Smith Distribution Centre ("DC") in Birmingham for £10.1 million, where we simultaneously re-geared their lease from 11 to 21 years off a NIY of 7.9% followed by the purchase of the Argos DC in Bedford for £51.7 million off a NIY of 7.0%.

Similarly, we acquired the Travis Perkins DC in Brackmills for £9.0 million, showing a net initial yield of 8.8%. Shortly after acquisition we surrendered their existing lease, which only had four months to expiry, and granted them a new ten-year lease. We also obtained our first exposure to the catalogue and internet fashion retailer Boden by acquiring their DC unit in Leicester for £5.2 million, NIY 8.3%.

During the period we announced three further retailer DC acquisitions totalling 1,220,000 sq ft for £67.3 million at a blended yield of 7.2%. These include the 626,000 sq ft Marks & Spencer DC in Sheffield, Superdrug's northern DC in Doncaster and Oak Furniture Land's only UK DC in Swindon. These purchases completed post period end. We have also acquired a second Royal Mail DC in Rotherham for a purchase price of £10.3 million, reflecting a NIY of 6.0% with fixed rental uplifts equating to 1.75% per annum. It is a very modern, well located unit with a 14-year unexpired lease term.

All these acquisitions increase the size of our retail DC portfolio and complement our 783,000 sq ft Primark DC in Thrapston which we acquired last year. We are now well placed to be the UK's largest owner of retailer distribution assets within the listed sector.

Post period end retail distribution completions

Location	Retailer	Date of completion	Cost at share £m	NIY %	WAULT[1] (years)
Sheffield	M&S	30-Apr-14	32.2	7.6	7.3
Rotherham	Royal Mail	13-May-14	10.3	6.0	13.9
Swindon	Oak Furniture Land	29-May-14	22.1	6.5	8.6
Doncaster	Superdrug	24-Jun-14	13.0	7.6	6.9
Total			**77.6**	**7.0**	**8.3**

[1] Weighted average unexpired lease term, to first break

One million sq ft distribution development

As part of our objective to actively increase our investment within the distribution sector, we have also been focusing on development opportunities with our key retail partners. During the year we acquired a 70-acre site in Islip, Northamptonshire, for £16.0 million, from a private property company. Post period end we have now received planning consent to develop a new 1.06 million sq ft retail distribution centre which we have pre-let to one of the UK's top 25 retailers. Preliminary site works are already underway and we expect to commence construction in summer 2014 with practical completion targeted for summer 2015. The total development cost is estimated at £77 million, generating a yield on cost of 6.9%. Refer to pages 29 and 30.

Commercial disposals across ten transactions for £397.1 million, NIY 5.5%

We sold 28 properties in ten separate transactions over the period for gross proceeds of £397.1 million (at share) at an average exit yield of 5.5%. The average lease lengths on disposals were 11.1 years (11.0 to first break). These sales generated equity for reinvestment of £141 million after repayment of cross collateralised debt on Carter Lane and Marlow. Refer to pages 5 and 21 for a detailed breakdown of sales.

Over the period we completed on two non core office disposals at Fleet Place in the City and Unilever's headquarters in Leatherhead for £112.5 million (NIY 5.1%) and £75.8 million (NIY 5.9%) respectively, and 3.5% ahead of previous valuation. Both sales went to foreign investors where demand for prime office continues unabated.

We are currently marketing the sale of Forest House and Elm Park Court in Crawley. Our remaining office investment, Marlow International, will be retained until we have concluded our various asset management initiatives.

We have recently completed the major refurbishment of our only remaining City of London office building in Carter Lane. This is already 72% pre-let and we are in negotiations on the remaining space. Carter Lane remains debt-free and upon disposal would generate significant funds for reinvestment.

Across the out-of-town retail portfolio, we have sold opportunistically as demand from institutional investors continues to grow outside the south-east and into the regions. Retail sales include a small portfolio sale of our Sheffield and Mansfield retail parks £19.2 million (NIY 6.8%), our Midland Road high street units in Bedford £6.5 million (NIY 6.2%), Congleton Retail Park £16.4 million (NIY 5.8%) and the Wickes unit in Oxford £12.4 million (share £4.1 million) (NIY 5.3%), which we sold a month after we acquired it following a lease re-gear. In January 2014 we sold the Odeon cinema in Dudley £7.7 million (NIY 6.0%) which we had acquired as part of a portfolio of ten Odeon cinemas purchased for £80.7 million (NIY 7.2%) in November 2013.

Simultaneous with the closing of our joint venture's purchase of 27 DFS assets for £175 million (share £53.4 million) (NIY 9.3%), we announced the sale of ten DFS assets for £47.1 million (share £14.4 million) (NIY 8.6%). LondonMetric has a 30.5% stake in the joint venture. Post period end we have exchanged on the sale of three further assets for £17.1 million (share £5.2m).

The remaining portfolio now comprises 14 assets with an unexpired lease term on the portfolio of 16.0 years, an investment value of £140.1 million (share £42.7 million) and a running yield of 7.8%, generating a rent roll of £11.6 million (share £3.5 million). The joint venture has also agreed a £71.8 million five-year facility across the remaining 14 assets, reflecting an LTV of 51%.

Sub-sector breakdown of commercial disposals

Sub-sector	No. of transactions	No. of assets	Proceeds at share £m	NIY %	WAULT[1] (years)
Office	2	2	188.3	5.4	11.0
Retail	5	13	59.4	6.8	12.5
Leisure	1	1	7.7	6.0	24.4
Distribution	1	11	138.4	5.0	9.2
Development	1	1	3.3	–	–
Total	**10**	**28**	**397.1**	**5.5**	**11.0**

[1] Weighted average unexpired lease term, to first break

We sold our recently completed M&S redevelopment of the former Post Office in Berkhamsted shortly after practical completion to Lothbury with one 3,000 sq ft restaurant unit remaining vacant. The sale price was £12.3 million, reflecting a disposal yield of 3.9% rising to 4.6% upon full occupancy.

We have also recently sold an Odeon cinema in Huddersfield for £15.2 million, reflecting NIY of 6.1%, as investor demand for long well-let income continues to strengthen. The remaining Odeon portfolio comprises eight assets with an investment value of £68.6 million, generating a rent roll of £4.4 million. The unexpired lease term is 24.4 years with no breaks and benefits from annual RPI index-linked increases between 1% and 5%.

Post period end disposals

Sub-sector	Location	Retailer	No. of assets	Proceeds at share £m	NIY %	WAULT[1] (years)
Retail	Berkhamsted	M&S	1	12.3	3.9	19.0
Retail	Various	DFS	3	5.2	7.8	16.0
Retail	Various	DFS	2	1.1	8.5	16.0
Leisure	Huddersfield	Odeon	1	15.2	6.1	24.4
Total			**7**	**33.8**	**5.6**	**20.8**

[1] Weighted average unexpired lease term, to first break

Residential sales of £171.3 million across 341 units

Residential sales were very strong over the year, with 341 units sold generating £171.3 million of gross sales receipts and releasing £121.8 million of equity for reinvestment into our preferred sectors. Post period end we transacted on a further 37 units for £20.4 million, releasing £12.0 million of equity. Sales in the period were 2.2% ahead of valuation. To date the sales programme has generated £191.7 million of gross sales across 378 units.

We now only have three remaining units in our wholly-owned residential portfolio and have successfully sold out all of our residential units at Clerkenwell Quarter, Highbury and Stockwell. This has been a tremendous achievement.

Our last remaining residential asset at Moore House is held in a joint venture with Green Park and PSP, where our 40% share had a book value at 31 March 2014 of £74.0 million. We have £48.0 million of equity.

We have recently commenced a targeted sales campaign on a number of units and to date have agreed the sales on 10% of the units at prices in line with our March 2014 valuations. We expect to be a patient seller of this property over the next 18–24 months as the area improves with the delivery of the adjoining Chelsea Barracks.

As at 31 March 2014

	Sales (units)		Gross sales (£m)			Total equity released
Location	Completed	Agreed	Completed	Agreed	Total	£m
Clerkenwell Quarter	107	–	61.2	–	61.2	59.4
Highbury	109	25	53.0	14.5	67.5	38.0
Battersea	43	5	23.9	2.7	26.6	15.8
Stockwell	72	2	28.9	0.9	29.8	16.6
Moore House (40%)	10	5	4.3	2.3	6.6	4.0
Total	**341**	**37**	**171.3**	**20.4**	**191.7**	**133.8**

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Asset management and development

Our 1.2 million sq ft development pipeline is now 79% pre-let highlighting our focus on attractive risk adjusted development returns.

Mark Stirling
Asset Director

Despite our activity, our core portfolio still contains significant asset management and development opportunities, with 80% of our total portfolio having been acquired over the last three years and 94% since March 2010.

Property portfolio

The commercial investment portfolio now comprises 86 assets valued at £952 million, generating a total annualised rental income of £65.0 million. Our portfolio is well-let with occupancy at 99.6% and an average lease length of 12.7 years (11.8 years to first break), which is one of the longest in the sector.

Valuation uplift of £95.9 million or 8.5%

The portfolio generated a valuation uplift in the period of £95.9 million or 8.5%; £35.6 million in H1 and £60.3 million in H2. This has contributed to the portfolio valuation as at 31 March 2014, including developments and residential, of £1,219.8 million.

This uplift was a combination of both intense asset management activity and a strong improvement in the investment market.

The portfolio benefited from an inward yield shift of 60bps, with 33bps from market yield movements and 27bps from our asset management initiatives.

Forty-eight occupier transactions generated uplift in rental income of £11.8 million per annum on average lease lengths of 16.2 years (15.4 years to first break). Our core sectors of retail and distribution made the greatest contributions.

Valuation contributors

	Valuation uplift %
New lettings and rent reviews	18
New space	9
Asset management yield shift	18
Market yield shift	55
Total	**100**

Valuation contributors by sector

	Valuation uplift £m
Distribution	24.9
Retail	35.9
Developments	26.8
Office	5.3
Residential	3.0
Total	**95.9**

360bps outperformance against IPD

Our weighted total property return was 17.0%, which compares to the IPD All Property Quarterly Index at 13.4%, with outperformance driven by distribution and retail. Our active management approach ensured that we continued to outperform IPD Retail at both the income and capital level, with a total outperformance of 800bps. Our distribution portfolio also outperformed IPD by 900bps at the total return level generated by a 26% capital return. Overall, we outperformed on capital return with an 11.2% return compared with IPD at 7.5%, a 370bps outperformance.

Serving up a treat at Berkhamsted

In March 2012 LondonMetric conditionally acquired the former Post Office site on Berkhamsted High Street to redevelop it into 22,500 sq ft of new retail and restaurant space (subject to planning).

LondonMetric acquired the site from Royal Mail in 2012 for £2.5 million and obtained planning and committed a further £5 million of development costs.

Key features of the development included:

- Pre-let to M&S (18,000 sq ft) on a 20-year lease at £25 psf and Costa (1,500 sq ft) on a 10-year lease at £33 psf, with an additional restaurant unit (3,000 sq ft) to be let
- Total costs of £7.5 million and with yield on cost of 8.0% based on a fully let rent roll of £0.6 million

Post period end we sold the development to Lothbury Property Trust for £12.3 million, reflecting an exit yield of 3.9% on the contracted income, rising to 4.6% when the vacant unit is let. This disposal delivers a total development profit of £4.5 million and profit on cost of 58%. The disposal completed at the end of May.

Performance against IPD[1] (%)

	Income return		Capital return		Total return		Outperformance
	LMP	IPD	LMP	IPD	LMP	IPD	(bps)
Retail	6.5	5.7	10.9	4.2	18.1	10.1	+800
Distribution[2]	6.5	6.7	18.2	9.4	25.8	16.7	+900
Office	4.6	4.8	15.8	12.9	21.0	18.3	+270
Residential	1.8	5.6	3.4	5.1	5.3	10.9	–560
Total	**5.3**	**5.5**	**11.2**	**7.5**	**17.0**	**13.4**	**+360**

1 IPD All Property Quarterly Index
2 Represents IPD All Industrials Index

Only 4.3% of income due to expire over the next five years

The portfolio weighted average unexpired lease term is 12.7 years (11.8 years to first break). This is an improvement of more than one year on March 2013 and credits the significant level of investment activity, acquiring long leases and selling shorter ones combined with new lettings, re-gears and renewals, all extending our average unexpired lease term. Only 4.3% of our income is due to expire in the next five years and our weighting towards 15+ year income has materially improved relative to our position last year.

Lease expiry profile – % of annualised rental income[3]

	31 March 2014	31 March 2013
0–5 years	4.3	3.8
5–10 years	36.5	31.3
10–15 years	29.7	51.6
15 years +	29.5	13.3
Total	**100.0**	**100.0**

3 Commercial investment portfolio annualised rental income

Fixed uplifts comprise 33% of annualised rental income[3]

Fixed uplifts provide security of income growth and are increasingly sought after by institutions, generating a positive premium yield. The split between sectors is set out below.

Including our development pre-let at Islip, 38% of our portfolio's income was subject to fixed rental uplifts (or 47.2% of the distribution sub-section).

Fixed uplifts

	% of annualised rental income[3]	% of sub-sector rental income
Distribution	11.8	34.5
Retail	8.0	14.1
Leisure	8.3	100.0
Office	4.5	48.5
Total portfolio	**32.6**	

Tenant diversity and covenant strength

One of our strategic priorities has been to rebalance the portfolio towards out-of-town and retail distribution and the table below shows the significant progress we have made recycling capital out of offices and residential into these sectors.

Sector exposure (%)

	31 March 2013	31 March 2014	Today[1]
Out of town			
Retail	29	37	38
Leisure	–	7	6
Distribution			
Retail distribution	10	22	23
Non-retail distribution	10	6	6
Office	20	6	6
Residential	21	8	8
Development	10	14	13
Total	**100**	**100**	**100**

[1] At 2 June 2014, including post period end acquisitions and disposals

Managing tenant exposure through sales

We continue to focus on balancing our tenant exposure, which has evolved over the year with intense activity in the investment market.

The wholesale acquisition of the Odeon and DFS portfolios materially extended our exposure to these two covenants. We have been conscious of this exposure and since acquisition have actively looked to manage this as part of a wider reinvestment strategy.

Since January we have now sold two of the Odeon cinemas and 13 DFS stores, crystallising material receipts over their wholesale purchase prices as well as reducing our income exposure to them. The DFS income exposure has reduced from 9.7% at acquisition to 6.7% today. Similarly, our Odeon exposure has reduced from 9.1% at acquisition to 6.1% post period end.

Tenant exposure (weighted by March 2014 annualised rental income)

Trading name	Rent per annum £m	% of total rent
1. Odeon Cinema Ltd	5.4	7.4
2. DFS	5.4	7.4
3. Argos	4.0	5.5
4. Primark	3.9	5.4
5. B&Q	3.7	5.2
6. M&S	3.6	5.0
7. Allergan	3.0	4.1
8. Royal Mail	2.4	3.3
9. SEB	2.4	3.3
10. MFS Global	2.4	3.2
Total top ten customers	36.2	49.8
Other	36.5	50.2
Total rental income	**72.7**	**100.0**

The proportion of rental income generated by retail occupiers has increased from 57% last year to 78% today. However, our tenant sector exposure remains well diversified across many occupiers, numerous locations and a number of sub-sectors. We would expect our exposure to the strongest retailers to increase as we invest further within the retail distribution portfolio.

Occupier transactions

£11.8 million rental income uplift across 48 occupier transactions

During the period we executed on 48 occupier transactions, generating £25.8 million of rental income, a net uplift of £11.8 million over the March 2013 passing rent roll of £62.5 million. This was £1.4 million or 5.7% ahead of management expectations and at average lease lengths of 16.2 years (15.4 years to first break). In addition, the positive contribution from rent roll gained on acquisitions less disposals has added a further £3.7 million, increasing the contracted rent roll by £15.5 million from £62.5 million to £78.0 million.

Growing rental income (£m)

	Contributors/ total increase	Rental income
Annualised rental income 31 March 2013		62.5
New lettings on existing space	5.9	5.9
Rent reviews/re-gears	0.6	0.6
Uplift over previous passing rent	6.5	69.0
Net new investment (acquisitions less disposals)	3.7	3.7
Annualised rental income 31 March 2014	**10.2**	**72.7**
Islip development	5.3	5.3
Contracted rental income 31 March 2014	**15.5**	**78.0**

Occupier transactions summary

	No. of transactions	Net uplift in income £m	WAULT (years)	
			To expiry	To first break
New lettings	30	11.2	19.1	17.8
Re-gears	9	0.4	12.3	12.3
Rent reviews	9	0.2	–	–
Total	**48**	**11.8**	**16.2**	**15.4**

New lettings have contributed an increase in contracted rental income of £11.2 million. These transactions have been let on average lease terms of 19.1 years (17.8 years to first break). This includes lettings to MFS and SEB at Carter Lane (rent roll £4.8m) and the 100% pre-let development at our 1.06 million sq ft distribution development at Islip (£5.3 million), which combined account for £10.1 million. These have been let with average lease lengths of 21.5 years (20.3 years to first break). The remaining 26 lettings generated an uplift in rental income of £1.1 million across 14 retail parks covering 330,000 sq ft.

New letting summary

	No. of transactions	Net uplift in income £m	WAULT (years)	
			To expiry	To first break
Retail	26	1.1	14.2	12.4
Islip development	1	5.3	25.0	25.0
Carter Lane	3	4.8	17.5	15.0
Total	**30**	**11.2**	**19.1**	**17.8**

Re-gears adding 4.3 years to WAULT

Re-gears were undertaken across 750,000 sq ft, achieving average lease terms of 12.3 years and securing £10.5 million of rental income and producing an annual uplift of £450,000. This includes the re-gears of the Wickes portfolio, the simultaneous acquisition and re-gear of the WH Smith DC in Birmingham and the re-gear of the Travis Perkins DC lease at Brackmills.

Re-gear summary

Scheme name	Asset management initiatives
Unilever House, Leatherhead	– Re-geared existing lease from 9 years to 10 years to expiry – Increased rent by 7.5% to £26.55 psf
Allergan, Marlow	– Re-geared existing lease from 6.8 years to 12.3 years to expiry
WH Smith DC, Birmingham	– Re-geared existing lease from 11 years to 21 years to expiry – Increased rent from £4.00 psf to £4.75 psf +18.8%
Travis Perkins DC, Brackmills	– Re-geared existing lease from 0.3 years to 10 years to expiry
Carpetright, Milton Keynes	– Re-geared existing lease from 6.1 years to 11.1 years to expiry
Carpetright, Christchurch	– Re-geared existing lease from 7.9 years to 12.9 years to expiry
Wickes, Barnsley (MIPP)	– Re-geared existing lease from 6 years to 17 years to expiry
Wickes, Chatham (MIPP)	– Re-geared existing lease from 5 years to 20 years to expiry
Wickes, Oxford (MIPP)	– Re-geared existing lease from 10 years to 25 years to expiry

Rent review showing 12.6% uplift over previous passing

Nine rent reviews were completed in the period at rents of 12.6% over the previous passing rent.

Delivering first mega-shed in Islip

In July 2013 LondonMetric commenced a phased acquisition of a 70-acre site off the A14 in Northamptonshire with outline planning in place.

Post period end, we announced the 1.06 million sq ft fully pre-let development to a top 25 retailer.

Key features of the development include:

- New 25-year lease at £5 psf with annual fixed uplift of 1.5%
- Agreed guaranteed maximum price build contract expected to deliver a yield on cost of 6.9%
- Significant groundworks are well advanced with construction of the building expected to start in summer 2014, with practical completion anticipated in summer 2015

Like-for-like income growth 3.4%

Our management activity delivered EPRA like-for-like income growth of 3.4%, driven by rent reviews and lettings in our retail portfolio.

Like-for-like rental growth – properties owned throughout 2013/14

	No. of properties	Opening rent roll £m	Like-for-like rental growth %
Retail	46	22.8	4.8
Distribution	15	7.2	2.2
Office	2	6.0	–0.6
Total	**63**	**36.0**	**3.4**

Development

Over the period we successfully achieved practical completion of phase 2 of our 27,000 sq ft extension at Bishop Auckland.

Following lettings to Home Bargains (11,100 sq ft), Vision Express (1,000 sq ft), Card Factory (1,400 sq ft) and TK Maxx (10,000 sq ft), the scheme is now over 92% let, with one unit of 6,200 sq ft remaining across the entire park.

Post period end we have successfully completed the 22,500 sq ft redevelopment as Berkhamsted. The scheme is anchored by an 18,000 sq ft M&S Simply Food with a 1,500 sq ft unit let to Costa and a 3,000 sq ft unit still available.

We have now successfully sold the development for £12.3 million, reflecting an initial yield of 3.9% rising to 4.6% upon letting of the last remaining unit. This has delivered an overall profit of £4.5 million and a profit on cost of 58%.

We have also recently just completed the refurbishment of our City of London office building at 1 Carter Lane (127,600 sq ft). We are already 72% pre-let, with 33,600 sq ft to let over the ground and first floors. We are in detailed negotiations on the remaining space.

These three developments have delivered a blended profit on cost of 21% over the last two years.

In April we announced the acquisition and pre-letting of our first retail distribution development. We have since secured the detailed planning consent and the site works are already underway. Completion of the site acquisition will take place in summer 2014. We have now signed a fixed price construction contract and expect to deliver the new building in the summer of 2015.

The development is already 100% pre-let on a new 25-year lease at an annual rent of £5.3 million subject to fixed annual uplifts of 1.5%. Total cost, including site purchase, is anticipated at £77 million, reflecting a yield on cost of 6.9%.

We announced the acquisition of the Oak Furniture Land DC in March, which completed at the end of May. Planning is in place for a 150,000 sq ft extension to Oak Furniture Land's existing 302,000 sq ft DC. We are in detailed discussions with them and remain hopeful of reaching an agreement to start construction later this year.

We have continued to make progress on our 120,000 sq ft shopping park development at Kirkstall, Leeds. We have agreed vacant possession with BHS for later this summer with construction to commence shortly thereafter.

At St Austell, our detailed planning application for a 171,000 sq ft Open A1 retail park was refused and we are in the process of submitting a new application for a smaller scheme. Our acquisition of the site is conditional on us achieving satisfactory planning consent and pre-lets.

Development summary

Scheme	Sector	Area sq ft	Pre-let %	Rent roll £m	Yield on cost %	Valuation yield %
Completed						
Carter Lane	Office	127,600	72	6.3	5.8	4.8
Berkhamsted	Retail	22,500	84	0.6	7.7	4.6
BA Phase 2	Retail	27,300	77	0.4	9.1	5.7
Total completed		**177,400**	**74**	**7.3**	**6.1**	**4.9**
Committed						
Islip	Distribution	1,062,000	100	5.3	6.9	5.6
Leeds	Retail	120,000	38	2.7	7.8	6.3
Total committed		**1,182,000**	**79**	**8.0**	**7.2**	**5.8**
Conditional						
St Austell	Retail	103,000				
Derby	Retail	22,000				
Swindon	Distribution	150,000				

Planning gains

We received ten planning consents across 214,900 sq ft, including for small pod units. Post period end planning permission was received for a 1.06 million sq ft pre-let development at Islip. We have also submitted 11 applications over 84,000 sq ft where we expect determination over the next six months.

Planning gains achieved

Scheme name	Planning success
Alban Retail Park, Bedford	– 1,000 sq ft A3 consent for pod unit
Tindale Crescent, Bishop Auckland	– 4,100 sq ft A3 consent for three pod units
Channons Hill, Bristol	– 23,900 sq ft D2 leisure consent for Xercise 4 Less – 6,000 sq ft Open A1 consent for Poundland
Airport Retail Park, Coventry	– 15,000 sq ft A1 consent for Smyths Toys
Pierpoint Retail Park, Kings Lynn	– 5,000 sq ft Open A1 consent for new unit
Damolly Retail Park, Newry	– 9,800 sq ft Open A1 consent for relaxation of use
Christchurch Retail Park, Christchurch	– 10,100 sq ft Open A1 consent on former Comet unit
Mountbatten Retail Park, Southampton	– 10,800 sq ft D2 leisure consent for Gym Group
Carter Lane, London	– 129,200 sq ft B1 office consent for refurbishment

Link to another page:
Page 39

Link to website:
londonmetric.com/responsibility

Link to further reading:
Page 60

Approach to responsible business

In 2013 I introduced our commitment to sustainable business practices as a key element of our operations and performance measurements. One year on, I am proud of the progress we have made, including the development of a robust Responsible Business Strategy which will add value to our business.

Developing and delivering responsible business practices supports our core business goals.

Andrew Jones
Chief Executive

Top-level sustainability highlights from the year:
Developed a Responsible Business Strategy and Policy
Prepared for CRC phase 2 and mandatory carbon reporting
Analysed EPC risk across our portfolio
Tracked environmental performance against key metrics
Achieved BREEAM Very Good for two developments: One Carter Lane and Bishop Auckland phase 2

We have developed a new approach to responsible business which is focused on managing the sustainability risks and opportunities that are most material for our business (see page 33 for further details). This strategy will be fully integrated with our core activities, enabling us to deliver a development pipeline that is fit for purpose in the future, generate sustainable value through our investments and respond to occupier needs whilst maintaining good risk management and excellent stakeholder relationships at all levels. In November 2013, we commissioned JLL's Upstream Sustainability Services team to support us to develop a new Responsible Business Strategy and to analyse our environmental performance data.

Having set ourselves a series of targets for the next three years, the past 12 months have seen us progress with our responsible business commitments: having qualified for CRC phase 2, we are now able to track the performance of our portfolio in terms of energy and carbon as well as other key environmental indicators; we are actively managing portfolio EPC and CRC risks, and we are focused on delivering new developments of high environmental quality and performance (in particular I can highlight the Bishop Auckland phase 2 extension and our One Carter Lane refurbishment in the City, featured in the case study on page 39). For an external evaluation of our progress, please refer to JLL's advisor's statement on page 44 of this report.

We are still in the early stages of our journey, and going forward we will build upon these achievements within our strategic framework, ensuring that the management of material environmental risks is embedded in investment processes; deploying actions to improve energy management; primarily refurbishing existing stock but also developing new buildings, to meet high sustainability standards.

Through these actions and others, we are anticipating future regulatory requirements, managing costs, focusing on investor interests and responding to our customers' needs. Overall, it is clear that developing and delivering responsible business practices supports our core business goals.

Our Responsible Business Strategy

With support from our external real estate sustainability advisors, we have developed a Responsible Business Strategy based around our core activities of investment, asset management and short-cycle development. It is supported by the foundations of good risk management and a focus on creating and maintaining excellent stakeholder relationships at all levels.

Following the merger and our renewed commitment to sustainable business, we identified great opportunities to adapt quickly and commercialise sustainability, whilst managing risks and related costs.

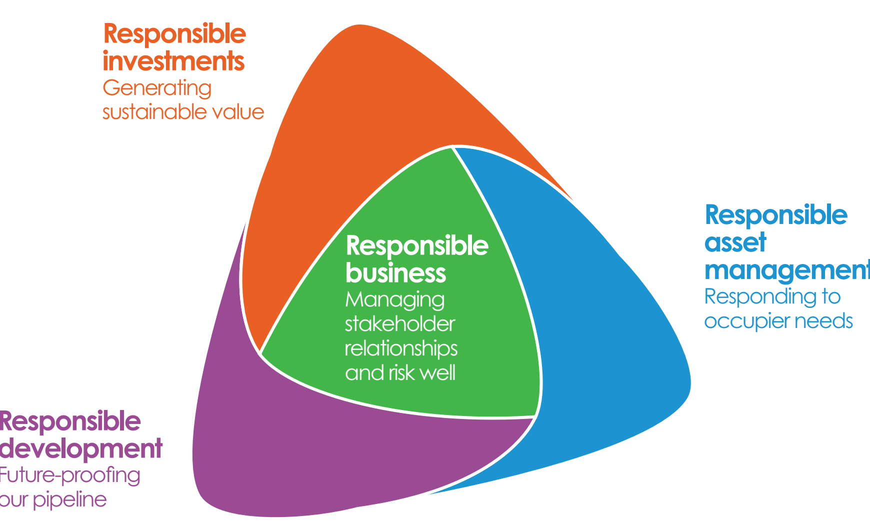
In the context of increased legislative pressure on environmental issues; growing demand from investors for sustainability disclosure; and potential long-term risk to asset value associated with less resource-efficient assets, our Responsible Business Strategy is designed to manage key sustainability risks, deliver short-term profitability and cost savings, strengthen relationships with our key stakeholders – in particular staff, investors, JV partners, occupiers, communities and local authorities; and enhance our brand value and long-term profitability.

Our approach to developing this strategy involved a baseline business review; an assessment of legislative risks; a review of investor expectations; an assessment of our peers' sustainability practices and an analysis of portfolio EPC risk. Together, these analyses enabled us to identify and prioritise a series of material issues for each of our core activities. They also highlighted some peculiarities for our business in terms of our sustainability approach; in particular, the fact that over 90% of our GHG emissions are generated by our office portfolio, which is non core, and the fact that we are only responsible for water and waste management at a minimal number of properties. These aspects are therefore less material to our business than they are for other property companies.

We have created a strategic framework that enables us to concentrate our efforts and investment on a small number of material issues and is designed to deliver added value to each of our core activities. Within the scope of this framework, we have developed and approved a Responsible Business Policy supported by our Responsible Business Roadmap, which encompasses both short- and medium-term targets, presented in the following sections of this report.

The governance and implementation of our Responsible Business Strategy is overseen by our Executive Committee. The Head of Responsible Business is responsible for day to day management and reports directly to the Executive Committee who will take high-level oversight of the establishment and delivery of our responsible business targets. We will report publicly on progress made against these targets and performance in relation to our KPIs on an annual basis.

The following sections of this report provide an overview of our strategy and details of actions implemented during the reporting year and future plans, both at a corporate level and with respect to each of our core activities.



More detail:
Pages 34 – 44

Focus on:

Responsible business

Managing stakeholder relationships and risk well

We have undertaken an assessment of environmental and social risks for our business and our Responsible Business Strategy has been tailored to manage those risks.

Within the framework of our Responsible Business Strategy, we are undertaking actions at a corporate level to support shareholder value creation through our three core areas of activities. These focus on sustainability risk management throughout our operations and effective engagement with key stakeholders, both internal and external to the business.

Our Responsible Business Strategy encompasses our approach to ongoing environmental impact reduction at our corporate head office and to management of HR issues such as staff retention and diversity. It also includes the work with our supply chain on labour conditions, health and safety, and human rights issues, and our commitment to society through our annual programme of sponsorships and charitable donations within the local communities in which we operate.

Our progress

Over the past financial year, we have undertaken an assessment of environmental and social risks for our business and ensured that our Responsible Business Strategy is tailored to managing these risks as a priority.

In particular, we mapped the scope of our expected liabilities under the CRC Energy Efficiency Scheme and prepared to report in line with mandatory carbon reporting requirements. In addition, we carried out a review of the Energy Performance Certificate ("EPC") risk across our portfolio.

EPC risk assessment:

- Identification of the ways in which EPCs are influencing the market
- Collection of EPC data from assets across our portfolio
- Analysis of EPC risk exposure by passing rent
- Comparison of LondonMetric's EPC risk exposure with peer benchmarks

Based on the findings of this review, we have made asset management decisions where assets are at risk, and made it a priority to obtain EPCs for properties which did not have one. Further information on the results of our EPC risk review can be found on page 40.

We delivered responsible business training to staff across our property teams as well as to senior personnel in our finance team. In response to investor interest, we undertook a targeted review of our scorecard results from the GRESB survey with a view to improving our level of sustainability disclosure going forwards. We have also engaged in over 70 meetings with our investors this year, and going forward we anticipate these meetings will increasingly involve discussions on our responsible business approach.

Honouring our commitment to communities, our charitable activities in 2013/14 involved a total of £22,080 in charitable donations, including a donation of £10,000 to LandAid, a £5,000 donation to Children In Need and sponsorship of Berkhamsted Raiders junior football team.

Berkhamsted Raiders Community Football Club aims to promote community participation in healthy recreation and to advance the education of children and young people whether or not in formal education.

LandAid

LandAid works to improve the lives of children and young people in the UK who experience disadvantage due to their economic or social circumstances. As a charitable foundation supported by the property industry, LandAid finds ways to apply the generosity and expertise of the industry to this cause.

Our future plans

Over the next financial year, we will seek to integrate cost-effective measures to uprate EPCs for relevant assets. We will also commission our external sustainability advisor, JLL, to deliver a responsible business training session for all staff, including our Directors, aiming to ensure that the strategy becomes fully embedded within the DNA of our Company.

Roadmap for responsible business

Focus area	Short-term targets	Medium-term targets
Corporate communications	Approve and publish a Responsible Business Policy	Include a more detailed Responsible Business section in the annual report, publishing data in line with the guidance provided by the EPRA sBPRs
	Create and launch a Responsible Business section on the LondonMetric website which includes the new policy and 2014/15 targets	
Investor surveys and communications	Share the Responsible Business Policy with existing and potential joint venture partners	Target a GRESB score above 50%
	Target a GRESB score above 30% and improve on the relative peer ranking against 2013 performance	
	Incorporate a responsible business update into investor road shows	
Staff training	Provide staff with training on our new "Responsible Business" Strategy	Ensure that responsible business training is integrated into the induction procedure for new recruits

Focus on:

Responsible investments

Generating sustainable value

Our customer-focused approach to real estate allows us to capitalise on our strong relationships with occupiers to invest in properties which have a long-term appeal. In keeping with our stakeholders' growing concern about the sustainability performance of real estate, we aim to ensure that material sustainability risks and opportunities are integrated into acquisition and disposal processes, with specific attention to issues such as energy & carbon liabilities, flood risk and sustainable transport options with good connectivity.

Our progress

With a portfolio that encompasses primarily a mix of retail and distribution properties as well as two large office properties, sustainability risks and opportunities for LondonMetric are diverse, potentially including land contamination; asbestos; vulnerability to flooding and other extreme weather events; accessibility; energy efficiency and energy costs; CRC liabilities; renewable energy generation; water efficiency; security and more. Across the real estate sector, environmental and social risks are being given increasing importance as part of the due diligence process for new acquisitions, and sustainability criteria are starting to influence investment decisions.

We are currently in the process of updating our pre-acquisition process to ensure that all material sustainability factors are appropriately factored in, and we are developing a procedure to ensure that our future investment decisions fully review risks to value from EPC and carbon liabilities, such as CRC legislation.

Our future plans

In future, we will also focus on making sure that relevant sustainability risks are addressed as part of asset sale preparation and include environmental performance information in asset marketing to support sales where appropriate.

Roadmap for responsible investments

Focus area	Short-term targets	Medium-term targets
Pre-Acquisition Sustainability Checklist	Update the pre-acquisition process with a specific sustainability checklist covering the following: assessment of energy performance; assessment of carbon (CRC) liabilities; EPC risk; flood risk; sustainable transport links	
Investment Decision Process	Develop a procedure to ensure that investment decisions fully review risks to value from both building EPC ratings and CRC liabilities	
Asset Sales & Marketing	Ensure asset readiness for sale by ensuring that at a minimum an EPC is in place – and where relevant flood risk has been assessed. Additionally, if EPC rating is an E or below, consider establishing cost of upgrade/ improvement works to avoid excessive price-chip on a riskier asset (ongoing target)	
	Include information on environmental efficiency in asset marketing information to support sales (ongoing target)	

Focus on:

Responsible development

Future-proofing our pipeline

We will continue to aim for all significant refurbishments and developments to reach BREEAM Very Good certification as a minimum.

Creating desirable real estate is fundamental to our business model and drives our leasing, planning and development strategies. We will aim to develop flexible buildings positioned to meet changing financial, environmental and social demands. In particular, all larger new developments will be designed to achieve a recognised sustainable building certification standard (such as BREEAM) and requirements will be put in place for contractors to guarantee the implementation of responsible property development practices (such as the Considerate Constructors Scheme).

Our progress

Redeveloping brownfield sites and exploiting the existing building stock for regeneration and redevelopment furnishes us with an opportunity to deliver development with lower environmental impacts and positive social benefits. In February 2014, we completed the second phase of the Bishop Auckland development, a 26,100 sq ft extension to the existing retail park, achieving a BREEAM Very Good rating and a 10% reduction in CO_2 emissions against Building Regulations for the new retail units. We engaged with tenants to develop and implement a Green Travel Plan and a Green Building User Guide, and provided £130,000 in funding to the local council to support the provision of apprenticeships and a local business advisory service.

We completed our One Carter Lane offices refurbishment in April 2014, also achieving BREEAM Very Good and delivering some significant improvements in terms of environmental performance (see case study on page 39 for further details).

Our future plans

In future, we will continue to aim for all significant new developments, expansions and major refurbishments to achieve a BREEAM Very Good certification as a minimum, and ensure that our contractors deliver sound management of key construction sustainability issues such as health and safety, and waste.

Roadmap for responsible development

Focus area	Short-term targets	Medium-term targets
Sustainable building certification standards	Large new developments, expansions and major refurbishments to achieve BREEAM Very Good	Regularise guidance for development teams on the application of sustainable building certification standards to ensure that they meet with the necessary requirements
Responsible business requirements for contractors	Develop minimum requirements for development contractors covering responsible business issues (e.g., health and safety and waste performance) and regularise how these are incorporated into new contracts signed	Monitor the implementation of contractors' responsible business requirements and engage with contractors to address any issues identified
Achieving higher sustainability standards on new builds		Where there is landlord control, monitor the environmental performance of new developments and major refurbishments once in operation
		Investigate how development projects in the pipeline will achieve the UK's 2019 "zero carbon requirement" for commercial buildings

80%
of existing structure reused

16%
reduction in carbon emissions post refurbishment

One Carter Lane

In 2013, we commenced the refurbishment of One Carter Lane, a 130,000 sq ft office building located in the City of London. This project involves replacing 75% of the shell and core base build engineering services; delivering a new Category A fit-out to the office areas and refurbishing several other internal areas; repairing the external façade and creating a new entrance canopy, allowing for higher levels of natural light and improving the user experience. In keeping with good practice in responsible development, we have sought to reduce the social and environmental impacts of the refurbishment process and to ensure that One Carter Lane will achieve a higher standard of sustainability performance following the works.

We applied the BREEAM Offices 2008 sustainability assessment standard to identify and deliver a number of interventions to meet a higher standard of eco-efficiency at One Carter Lane, and our project team worked to the Considerate Constructors Scheme requirements to minimise impact to the local community.

Sustainability targets:

- Install zone lighting and heating/cooling systems to allow for separate occupant control in different areas
- Replace manual switch lighting with daylight dimming and sensor lighting
- Deliver an improvement in the energy efficiency of the building's fabric and services, thereby achieving a lower level of CO_2 emissions
- Install water sub-meters and a leak detection system
- Integrate a mix of native and wildflower plants to enhance the ecology of the site
- Deliver best practice construction waste management
- Implement a Green Travel Plan

Achievements:

- Achieved a BREEAM Very Good rating based on the interim design stage assessment
- Achieved an EPC rating of 'C', compared to a 'D' rating prior to the refurbishment
- Reused more than 50% of the total building façade (by area); more than 80% of the existing primary structure and responsibly sourced 100% of insulation material
- Minimised construction waste, with at least 75% by weight of non hazardous construction waste diverted from landfill
- Provided 115 cycle parking spaces and shower facilities in accordance with our Green Travel Plan

Furthermore, an energy analysis of the building was carried out to assess the impact of the proposed sustainable and low energy technologies. The analysis was performed utilising a three-dimensional thermal model, which indicated that the new sustainable and low energy technologies included in the refurbishment will result in a 16.3% reduction in carbon emissions post-refurbishment.

We will continue to optimise the building systems through seasonal commissioning and deliver a tenant fit-out guide and user manual for the technology installed to ensure that it is used most effectively.

Focus on:

Responsible asset management

Responding to occupier needs

Our asset management objective is to invest in a portfolio of properties with enduring occupier appeal, which provides opportunities to improve both rental values and the security and longevity of income, including limited risk short-cycle developments to improve the quality of assets.

To support this objective, we engage in practical actions with our occupiers to understand and establish sustainable rental levels, grow future income streams and mitigate material risks. These actions encompass monitoring, targeting and improving energy, water and waste management; tenant engagement on a range of issues including improving accessibility; implementation of responsible property management requirements for managing agents; assessment and management of EPC risk; and exploration of the feasibility of renewable energy technology, for energy security and long-term cost and carbon management purposes.

Our actions are designed to promote the long-term sustainability of our assets and their value.

Our progress

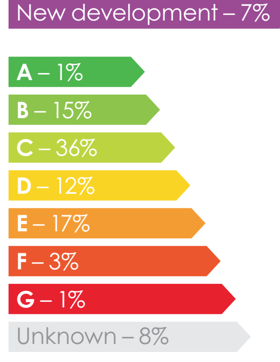
At this stage, we have environmental reporting procedures in place which are aligned across our business. Consequently, we have been able to establish baseline data for key performance metrics, which are presented on page 42.

Furthermore, we have undertaken a review of the EPC ratings across our portfolio. This process has enabled us to identify that a maximum of 12% of assets in rental value present potential risk. During 2014/15, we will be developing plans to further assess the risk of this pool by undertaking EPCs where we do not currently have one in place and upgrading assets, where appropriate and relevant, as part of our asset management plans, taking account of void periods and lease events. EPCs present a range of risks to property owners – including obsolescence, improvement costs and minimum occupier requirements. We are confident that taking a pro-active approach to managing EPC risk can help to sustain asset values and maintain the appeal of our assets to customers.

88%

EPC ratings by passing rent classified as no risk

EPC ratings by passing rent



Our focus will be on managing risk and reducing operational cost.

Our future plans

Going forwards, we will aim to identify and implement actions to improve environmental performance (in particular energy, which is more material to our business) at relevant owned and managed assets, with a focus on managing risk and reducing operational costs. Leveraging our strong relationships with property managers and customers, we will collaborate with both managing agents and occupiers to make sure that our buildings are used as efficiently as possible, and we will explore options for alternative energy solutions including on-site renewables at selected assets.

Roadmap for responsible asset management

Focus area	Short-term targets	Medium-term targets
Monitoring, targeting and improving energy, water and waste management	Establish baseline data for annual energy consumption; GHG emissions; water consumption and waste generation at all relevant owned and managed assets and use this data to set targets to improve performance in 2015/16	Identify and implement actions to improve energy consumption; GHG emissions; water consumption and waste management performance at relevant owned and managed assets in accordance with the targets set; continue to monitor performance
EPC risk management	Following the analysis of EPC rating risk across the portfolio, review and action opportunities to reduce risk in the context of the asset business plan (ongoing target)	
Renewable energy feasibility	Carry out a feasibility study on renewable energy opportunities	If applicable, proceed with the implementation of on-site renewable energy at assets where this was deemed feasible
Responsible management requirements for managing agents	Update managing agents' contracts to incorporate responsible procurement requirements	Monitor the implementation of managing agents' responsible business requirements and engage with them to address any issues identified
Occupier engagement	Incorporate discussions on responsible business topics at occupier meetings to identify opportunities for implementing mutually beneficial asset management initiatives (ongoing target)	

Performance data

92%

of our carbon emissions arise from our office portfolio

As per our reported ambition last year, we have been working hard over the past year to collate and analyse as much sustainability performance data as possible. Table 1 reports our energy and carbon footprint related to the financial year 2013/14. Table 2 reports a selection of our social performance data as of the end of the same financial year.

Data table 1: Energy and carbon performance data

EPRA indicator	Sustainability performance measures		2013/14
3.1	Electricity	for landlord shared services	7,120 MWh
		(sub)metered exclusively to tenants	2,852 MWh
		Total landlord-obtained electricity	9,972 MWh
3.2	District heating and cooling	for landlord shared services	N/A
		(sub)metered exclusively to tenants	N/A
		Total landlord-obtained district heating and cooling	N/A
3.3	Fuels	for landlord shared services	3,845 MWh
		(sub)metered exclusively to tenants	N/A
		Total landlord-obtained fuels	3,845 MWh
	Proportion of energy (MWh) estimated		24%
	Coverage of data disclosed by asset number[1]		72 of 77
3.5	Direct greenhouse gas emissions	Scope 1 – emissions from gas use and facility operations[2]	708 tCO_2
3.6	Indirect greenhouse gas emissions	Scope 2 – emissions from electricity purchased for own use	3,172 tCO_2
3.6	Indirect greenhouse gas emissions	Scope 3 – emissions from third parties in value chain[3]	1,650 tCO_2
	Scope 1 and 2 intensity: tonnes CO_2 per £m net income after administrative costs[4]		99

Data qualifying notes

We have used the main requirements of ISO14064 Part 1 and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for our methodology, using energy consumption data from our owned and occupied properties. We have chosen to report greenhouse gas emissions under our operational control, rather than financial control; this may mean that the scope of our greenhouse gas emissions disclosure differs from that of the consolidated financial statements.

We have used emissions factors from the UK Government conversion factors for company reporting.

In this disclosure, estimation refers to filling invoice gaps, not to whether invoices are based on estimated or actual readings.

1 Landlord-controlled emissions from our wholly-owned residential portfolio (Clerkenwell Quarter, Highbury, Stockwell and Battersea) are not included in this disclosure as they are not material to our total carbon footprint (represent <2% of total emissions). Emissions from our joint venture residential property at Moore House are excluded because we were unable to obtain comprehensive data for the reporting period – we are working to improve data collection for future reporting, if the data transpires to be materially relevant to our footprint.

2 Scope 1 does not include refrigerant emissions as these have been determined to not be material (represent <2% of total emissions); owned fleet does not apply.

3 Scope 3 includes landlord-obtained energy (only if sub-metered to tenants), all transmission and distribution losses, and tenant-obtained energy where applicable and tenant provides data.

4 Net income after administrative costs are as reported in these financial statements on page 92.

We will be setting energy and carbon reduction targets over the coming year.

During 2014/15 we will be developing meaningful energy and carbon performance indicators for each property and asset type, which demonstrate the energy and carbon intensity of each asset in the most appropriate way, such that performance can be tracked over time. Note that the vast majority of our emissions (92% in 2013/14) arise from our office portfolio, with only 8% from our retail portfolio in the same period. We will also be setting internal energy and GHG reduction targets for the two-year period April 2014 to March 2016, against a 2013/14 baseline.

Data table 2: Social performance data

Indicator	2013/14
The number of persons of each sex who were Directors of the Company	Female: 1; Male: 9
The number of persons of each sex who were senior managers of the Company (other than persons identified as Directors)	Female: 3; Male: 4
The number of persons of each sex who were employees of the Company	Female: 20; Male: 22

Human rights concerns reported to the Executive Committee

Our operations are based solely in the UK and are very low risk in relation to human rights issues. No human rights concerns have arisen within our direct operations or our supply chain during 2013/14.

Advisor's statement

The Responsible Business Policy approved at Board level is a testament to the Company's commitment to deliver responsible business practices.

JLL has been engaged by LondonMetric to support the development of its Responsible Business Strategy and prepare the responsible business section of its annual report and accounts 2014.

JLL provides industry-leading strategic advice on sustainable property and on environmental sustainability. Its team has extensive experience in producing and assuring sustainability reports, data, information, systems and processes. This Advisor's statement provides an external evaluation of LondonMetric's reported performance but does not constitute fully independent assurance or verification. Any errors and misstatements identified by JLL during the report drafting process were amended accordingly by LondonMetric.

JLL would like to highlight the following areas as evidence of progress made by LondonMetric with respect to responsible business during the financial year 2013/14:

- Development of a robust Responsible Business Framework and Policy, supported by a comprehensive review of the most significant sustainability risks and opportunities for LondonMetric's business
- Responsible Business Framework and Policy approved at Board level as a testament to the Company's commitment to deliver responsible business practices
- Implementation of environmental reporting procedures across the business, and the reporting of key environmental metrics, including GHG emissions data, in accordance with industry protocols

For the remainder of 2014 and beyond, we believe that LondonMetric should focus on:

- Delivering training to staff on the Responsible Business Strategy, thereby guaranteeing that responsible business practices are fully integrated into day to day activities
- Making sure that key risks (including EPC and CRC liabilities) are reviewed as part of the investment process
- Continuing to implement actions to manage EPC risk and increase energy efficiency across the operational portfolio
- Continuing to ensure that environmental data is accurately reported on an ongoing basis and that opportunities to improve performance are identified and acted upon
- Engaging with occupiers to gain feedback, identifying potential opportunities for collaboration in delivering responsible business commitments

Sophie Walker
Director, JLL

Financial review

On a contracted basis at 31 March 2014 the dividend is now fully covered.

Martin McGann
Finance Director

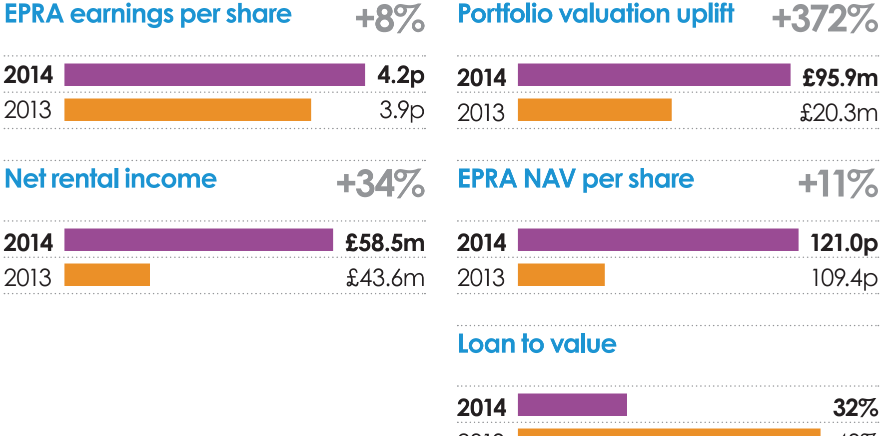
Since the merger of the two former businesses of London & Stamford and Metric in January 2013, the key strategic focus has been to reposition the portfolio, increase dividend cover and enhance EPRA earnings per share.

The Group has had a very successful post-merger year with EPRA earnings per share increasing by 8% to 4.2p and EPRA NAV per share by 11% to 121.0p. EPRA measures are used as alternatives to IFRS equivalent measures as they highlight the underlying recurring performance of the property rental business.

The dividend has been maintained at 7.0p per share and the charge in the year is 60% covered by EPRA earnings compared to 52% a year ago. On contracted basis at 31 March 2014 the dividend is now fully covered.

There has been a significant number of transactions in the year which have repositioned the portfolio into our core out-of-town and retail distribution property sectors.

Highlights



Income statement

A full reconciliation between EPRA earnings and IFRS reported profit is provided in note 9 to the accounts. A summary of the key items is as follows:

	Group £m	JV £m	2014 £m	2013 £m
EPRA earnings	**23.3**	**3.1**	**26.4**	**22.0**
Adjustments: Surplus on revaluation	87.5	8.4	95.9	20.3
Movement in fair value of derivatives	8.4	2.8	11.2	(2.8)
Profit on disposal[1]	12.2	2.3	14.5	1.1
Cost of closing out derivatives	(6.2)	(2.1)	(8.3)	–
Current tax and other	(0.2)	(0.1)	(0.3)	(0.7)
Profit before tax and exceptional items	**125.0**	**14.4**	**139.4**	**39.9**
Exceptional items and tax[2]	(14.1)	–	(14.1)	(53.4)
Reported profit/(loss) after tax	**110.9**	**14.4**	**125.3**	**(13.5)**

[1] Comprises profit on sale of investment property of £14.0 million and trading property of £0.5 million in 2014

[2] Comprises share-based payments, amortisation of intangible assets relating to the internalisation of management in 2010 and taxation. The previous year included the impairment of an investment

The Group's profit before tax and exceptional items on a proportionately consolidated basis was £139.4 million compared with £39.9 million last year, an increase of 249%. This excludes the accounting impact of the internalisation of management in 2010 of £12.6 million (2013: £14.4 million) which has now been fully charged to the income statement.

Additional costs of £0.2 million associated with the merger with Metric (2013: £11.9 million) and tax of £1.3 million (2013: £3.9 million) were other exceptional items in the year. Last year the Group impaired the carrying value of its investment in the Meadowhall Shopping Centre held with Green Park Investments by £23.2 million.

Favourable valuation yield movements, careful investment and value enhancing initiatives have all contributed to the £95.9 million valuation gains reported in the year, being the major contributor to the increased profit before tax and exceptional items noted above.

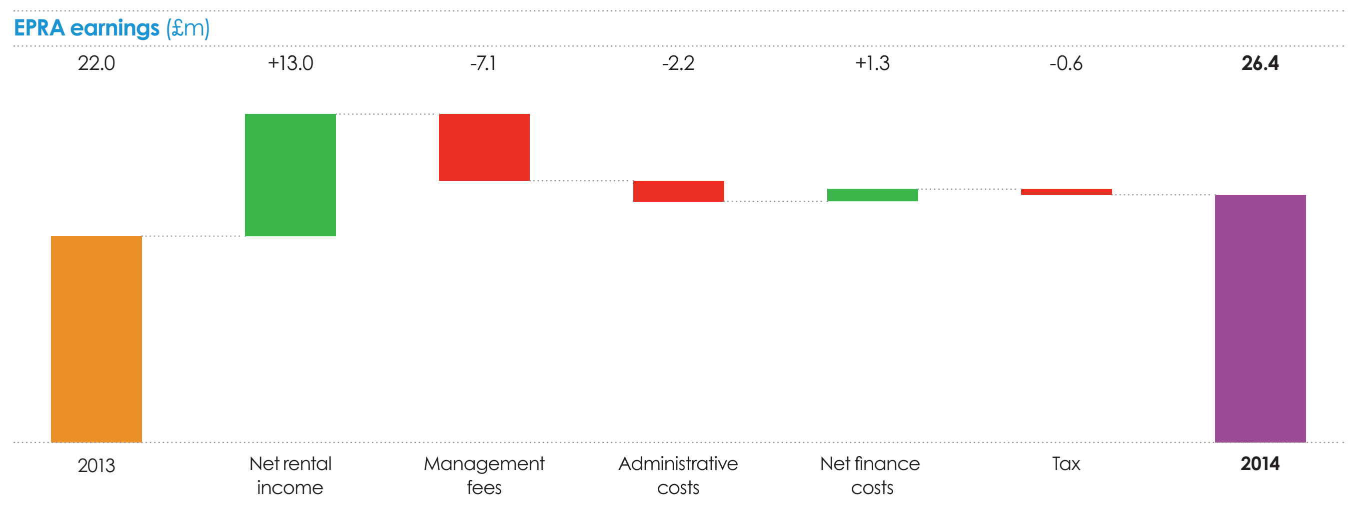
EPRA earnings

The proportionally consolidated EPRA income statement for the current and previous year is as follows:

	Group £m	JV £m	2014 £m	Group £m	JV £m	2013 £m
Gross rental income	54.1	7.8	61.9	32.7	15.0	47.7
Property costs	(2.8)	(0.6)	(3.4)	(3.5)	(0.6)	(4.1)
Other income	–	–	–	1.9	–	1.9
Net income	51.3	7.2	58.5	31.1	14.4	45.5
Management fees	0.8	(0.8)	–	8.5	(1.4)	7.1
Administrative costs	(13.5)	(0.4)	(13.9)	(11.0)	(0.7)	(11.7)
Net finance costs	(15.4)	(2.9)	(18.3)	(11.7)	(7.9)	(19.6)
Current tax credit	0.1	–	0.1	–	0.7	0.7
EPRA earnings	**23.3**	**3.1**	**26.4**	**16.9**	**5.1**	**22.0**

A detailed analysis of EPRA earnings for the Group's share of its individual joint ventures is shown in note 11 to the accounts. The movements in the proportionally consolidated income statement from the previous year can be summarised as follows:

EPRA earnings (£m)



Gross rental income increased by £14.2 million or 30% to £61.9 million. Like-for-like gross rental income reported on a statutory basis increased by £19.3 million due to a full year's contribution from the Saturn portfolio, the Primark distribution unit in Thrapston and the Metric portfolio of assets, all acquired late in the previous year, offset by the loss of rent at Carter Lane during its redevelopment phase. Income foregone from disposals in the year of £13.5 million was offset in part by income of £8.4 million generated by acquisitions made throughout the year.

Management fees have fallen following the sale of joint venture investments last year and in the early part of this year, and also as a result of an adjustment of £0.8 million to performance fees accrued in the previous year. Performance fees earned in the previous year amounted to £3.5 million.

Group only administrative expenses have increased by £2.5 million when compared with the previous year, reflecting the higher overhead cost of the combined post-merger Group for the whole year. The combined administrative expense of the pre-merged companies was £15.6 million, excluding share of joint ventures. At the time of the merger, we anticipated cost synergies in excess of £2.5 million. Cost synergies achieved of £2.1 million are lower than expected as a result of increased bonus payments following a very successful post-merger year.

EPRA earnings from joint ventures of £3.1 million has fallen by £2.0 million as a result of the sale of ten distribution assets early in the year and the sale of Meadowhall in the previous year. A full year's contribution from MIPP, the joint venture acquired on merger with Metric, offset in part this loss.

Net finance costs, excluding the costs associated with repaying debt and terminating derivative arrangements following sales in the year, was £18.3 million, a reduction of £1.3 million over the previous year.

Our interest rate exposure is hedged by a combination of fixed interest rate swaps and caps. We take independent advice from J C Rathbone Associates before entering into derivative arrangements. The favourable derivative movement of £11.2 million on a proportionally consolidated basis comprises the release of provisions on termination of derivative products following sales in the year and movements in future swap rates.

Balance sheet

	2014 £m	2013 £m
Reported IFRS net assets	**755.9**	**676.7**
Adjustments: Fair value of derivatives	1.3	12.6
Deferred tax	–	(2.3)
Other adjustments	(0.2)	0.3
EPRA net assets	**757.0**	**687.3**
EPRA NAV per share	**121.0p**	**109.4p**

The Group has seen EPRA net assets increase by £69.7 million to £757.0 million or 121.0p per share. The increase comprises EPRA earnings for the year of 4.2p per share, the property revaluation surplus of 15.3p per share and a net profit on disposals after finance break charges of 1.0p per share, offset by dividends paid of 7.0p per share and other exceptional items of 1.9p per share.

Portfolio valuation

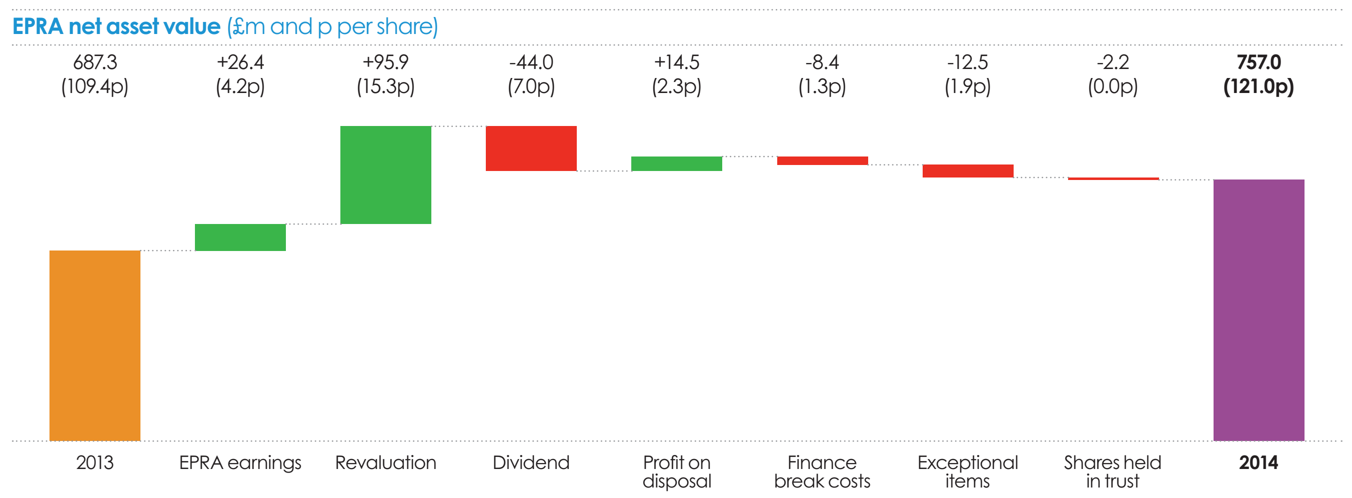
	Group £m	JV £m	2014 £m
Opening valuation	990.6	226.2	1,216.8
Acquisitions	335.3	79.5	414.8
Capital expenditure	27.3	0.2	27.5
Disposals	(418.1)	(125.2)	(543.3)
Revaluation	87.5	8.4	95.9
Lease incentives	8.0	0.1	8.1
Total	**1.030.6**	**189.2**	**1,219.8**

The Group's portfolio was valued at £1,219.8 million at 31 March 2014 including its share of joint ventures, an increase of £3.0 million over the previous year. Underpinning this net increase is a significant amount of transactional activity.

The Group spent £414.8 million (including acquisition costs) on property acquisitions and £27.5 million on capital expenditure, which principally related to the redevelopment of property at Carter Lane, London. The Group disposed of 28 commercial and 341 residential assets generating proceeds of £568.4 million, principally offices at Fleet Place, London, and Leatherhead and London residential flats. The acquisitions and disposals reshape the portfolio into the out-of-town and retail distribution sectors in accordance with our strategy.

Our core portfolio of retail, distribution and developments now accounts for 86% of the portfolio valuation as opposed to 59% last year. Properties under development have increased following the acquisition of a 70-acre site at Northamptonshire which has been pre-let on a new 25-year lease. The development is expected to commence late summer, with practical completion targeted for summer 2015. The total cost of the development, including the site purchase is anticipated to be c. £77 million.

EPRA net asset value (£m and p per share)



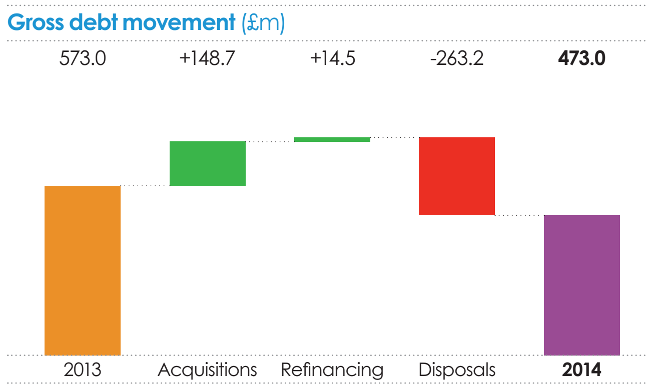
Financing

Our on balance sheet debt at 31 March 2014 was £415.5 million compared with £464.5 million last year. On a look-through basis, taking account of our joint venture debt, gross debt at 31 March 2014 was £473.0 million compared with £573.0 million this time last year.

	Group	JV	2014 Total	Group	JV	2013 Total
Gross debt	£415.5m	£57.5m	£473.0m	£464.5m	£108.5m	£573.0m
Cash	£78.4m	£9.0m	£87.4m	£37.6m	£8.3m	£45.9m
Loan to value	33%	26%	32%	43%	44%	43%
Average cost of debt[1]	3.9%	4.2%	3.9%	4.0%	4.2%	4.0%
Hedging	86%	75%	85%	80%	76%	79%
Maturity	3.8 years	3.0 years	3.7 years	3.0 years	3.1 years	3.0 years
Undrawn facilities	£96.0m	–	£96.0m	£37.0m	£16.7m	£53.7m

[1] Includes the amortisation of finance arrangement fees

Gross debt movement (£m)



Debt of £263.2 million was repaid following sales that completed in the year. The £96.0 million investment facility used to finance both City office assets at Fleet Place and Carter Lane was repaid following the sale of Fleet Place and the commencement of development at Carter Lane.

During the year two new five-year facilities were completed with Helaba and RBS totalling £283.1 million and have been used to finance the acquisition of nine properties in the year and refinance seven assets acquired in the previous year as well as the former Metric retail portfolio.

A further new £43.5 million four-year facility was agreed with Lloyds to finance the acquisition in November 2013 of the Odeon Cinema portfolio and £40.5 million was drawn under our revolving facility with Lloyds to refinance property at Marlow.

The new facilities have increased debt maturity to 3.7 years from 3.0 years in March 2013.

Loan to Value at the year-end, including our share of joint ventures and net of cash resources, was 32% compared with 43% last year.

Following the completion of debt facilities agreed post year-end, the Group's LTV increases to 35%.

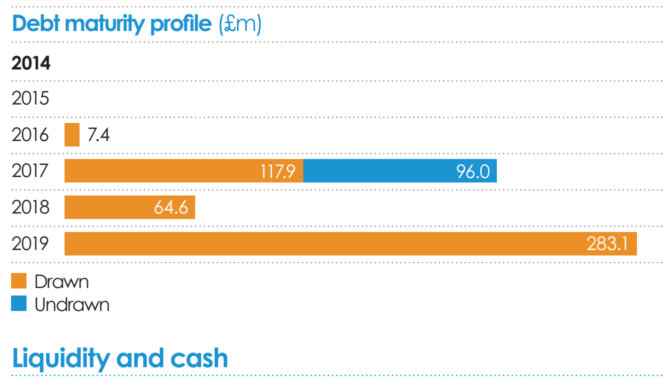
The Group has undrawn facilities of £96 million available at 31 March 2014. Its weighted average cost of borrowing, including the amortisation of arrangement fees, was 3.9% (2013: 4.0%). The weighted average interest rate alone was 3.5% (2013: 3.6%). Hedging in place equates to 85% of current gross debt including its share of joint ventures. The Group has complied comfortably throughout the year with all of its loan covenants.

Post period end we have drawn the remainder of the Lloyds revolving credit facility and extended our £80 million RBS revolving credit facility by a further 2.5 years, now expiring June 2019.

The Group's gross debt as at 31 March 2014 can be summarised as follows:

Lender	Sector	Debt drawn £m	Maturity (years)
Group			
Helaba	Distribution	143.1	4.3
Metlife	Residential	17.6	2.3
Lloyds	Office	40.5	2.2
RBS	Retail	140.0	4.4
Wells Fargo	Retail	34.7	2.1
Lloyds	Leisure	39.6	3.6
JV (at share)			
Metlife	Distribution	7.4	1.9
RBS	Residential	25.1	2.4
Pfandbrief	Retail	25.0	3.8
Total		**473.0**	**3.7**

Debt maturity profile (£m)



Liquidity and cash

The Group had cash resources, including its share of joint ventures, of £87.4 million (2013: £45.8 million). Cash deposits are placed with a diverse mix of institutions taking into account credit rating, rates of return and funding requirements across the Group.

Risk management

The Board's approach to managing risk

The Board has overall responsibility for risk management within the Group, including its joint ventures. It recognises that risk is inherent in the operation of the business and that effective management of risk is key to the success of the organisation whilst it aims to maximise shareholder returns. The Board has delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the Audit Committee. The Executive Committee assisted by senior management is responsible for the design, implementation and maintenance of the systems of internal controls.

The Company has a risk register which identifies principal risks, the impact of each risk, the likelihood of it occurring and the strength of the mitigating controls in place. This register is updated annually or more frequently if circumstances require it. The risk register was last presented to the Audit Committee and Board in March 2014.

The significance and probability of each risk identified to the Group is rated by senior management as having either a high, medium or low impact. Greater weighting is applied the higher the significance and probability of a risk. These weightings are then combined to produce an overall gross risk rating. Specific risk management safeguards for each risk are identified, detailed and rated by senior management as strong, medium or weak with greater weighting applied the stronger the safeguard. The gross risk rating and strength of safeguards against that risk are then combined to produce a resultant overall net risk. Consideration is given to the implementation of further action to reduce risk where it is considered necessary. Finally, each risk is allocated an owner and details of how the safeguards are evidenced are noted. The Board recognises that risk cannot be eliminated completely from the business at an acceptable cost but maintains a low appetite for risk across each area of the business consistent with its strategic objectives.

The risk register has been updated over the last year to take into account changes in the business of the Group following the Company's merger in January 2013 with Metric Property Investments Plc, the £100 million tender offer in February 2013, the implementation of the integration plan including the consolidation of staff into one new office in May 2013 and the consolidation of accounting systems in June 2013. The Group has undergone a strategic repositioning of its portfolio since merger and the impact of this as well as market and economic changes have been considered. As part of the portfolio repositioning a significantly higher proportion of the Group's acquisitions and divestments have been by way of corporate transactions with increased inherent risk. The Group has also undertaken significant loan refinancing over the past year and is poised to commence a number of large developments within the next 12 months. In December 2013 a joint venture with new partners was created to acquire a DFS portfolio of 27 assets. The Company has also had to consider an increasing burden of new regulation.

Risk framework

LondonMetric Board
Overall responsibility for risk management and internal controls.

↑

Audit Committee
Monitors and reviews risk register and internal financial control framework. Reports findings to the Board.

↑

Executive Committee and senior management team
Prepares risk register and Internal Control Evaluation Questionnaire. Considers and challenges mitigating controls.

The summary overleaf includes the principal uncertainties and risks facing the Group:
Pages 52 – 56

Key:	
Risk exposure increased	(up arrow, red)
Risk exposure reduced	(down arrow, green)
No significant change in risk exposure	(right arrow, yellow)

The table below summarises the principal uncertainties and risks facing the Group.

Strategic and economic risks

The risk that the Group's strategy is unsuitable for delivering expected shareholder returns in the current market.

Risk and impact	Controls and mitigation	Commentary	Change since 2013 annual report
Unclear strategy An unclear and unrealistic strategy in the economic climate and property cycle leads to suboptimal returns for shareholders and poor investment decisions. The Board considers that this risk has remained broadly unchanged from last year.	The Company has an entrepreneurial approach and its management team have extensive experience in the real estate sector. The Executive Committee are closely involved in transactions and day to day management and operate from one office location which enables them and the Board to review and update strategy on a regular basis, adapting to changes in economic conditions and new opportunities as they arise. The Group's financial forecasts are updated in the light of strategic changes and regular reporting of strategy and objectives takes place at Board and Executive Committee meetings. The Group has a rolling three-year forecast. Research is commissioned into economic and occupational markets to assist in strategic decisions. The Company's staffing plan is focused on experience and expertise necessary to deliver its business plans.	The market review on pages 6 to 7 contains details on the current property market outlook. The Group portfolio has been significantly repositioned since merger as shown on page 5. It now benefits from longer lease expiry dates, higher yields and higher occupancy. The retailer-led logistics sector in which the Group has invested significantly over the course of the last year is one of the sectors which has experienced the highest levels of yield compression as evidenced by the recent valuation increase of £95.9 million and split noted on page 23. A new Asset Management Committee headed by Mark Stirling was formed during the course of the year to enhance the provision of information to the Executive Committee and Board. The post-merger relocation of both companies into one office has also improved communication and review processes.	No significant change in risk exposure
Economic conditions The property market and economic conditions are not in the Group's control.	The Group only invests in the UK. This minimises exposure to weaker economies.	Further details on the impact of the strengthening economy and investor appetite is given in the market review on pages 6 to 7.	No significant change in risk exposure

Transactional risks

The risk that the Group may not be able to source investment opportunities to fulfil its strategy or acquires assets which subsequently fall in value or otherwise underperform.

Risk and impact	Controls and mitigation	Commentary	Change since 2013 annual report
Investment opportunities Investment opportunities are missed. The Board considers the risk of identifying appropriately priced investment opportunities has increased given investor appetite in the market and recent yield compression.	The extensive experience of the Executive, Investment and Asset Management Committees and their network of connections provide a privileged insight into the property market and opportunities. The Group ensures it has sufficient funds in place to take advantage of investment opportunities by selling assets which have achieved target returns and monitoring its cash flow closely. Joint venture arrangements are in place with a number of well funded partners, particularly for larger acquisitions, and the Company maintains good relationships with a wide range of debt providers.	The Company has extended its MIPP joint venture arrangements with USS which reached full investment during the course of the year. It has also agreed terms to extend its joint venture arrangements with its Middle Eastern partner, Green Park Investments, which are due to expire next year and entered into a joint venture with a new partner to acquire a portfolio of DFS assets. The DFS portfolio and a significant number of other acquisitions were acquired off-market. See case study on page 15.	Increased
Valuation risk There is no certainty that property values will be realised. This is a continuous risk inherent to the property industry.	The property cycle is continually monitored with investment and divestment decisions being made strategically in anticipation of changing conditions. The property portfolio performance is regularly reviewed and benchmarked on an individual basis. Focus on secure income, let to high quality tenants within a diversified portfolio of well located assets with increased weighted average lease lengths reduces the risk of negative movements in a downturn. Acquisitions which have opportunities to enhance value by undertaking asset management initiatives and playing to the strengths of the asset management team and their connections are favoured as well as assets which are considered to be mis-priced.	The Group has undertaken a number of acquisitions during the course of the year where management's skills and contacts have been used to re-gear leases with tenants between exchange and completion. See re-gear summary on page 28.	Unchanged

Key:

Risk exposure increased	⌃
Risk exposure reduced	⌄
No significant change in risk exposure	›

Risk and impact	Controls and mitigation	Commentary	Change since 2013 annual report
Investments underperform Investments underperform financial objectives. The Board consider that this risk has remained broadly unchanged from last year.	Acquisitions are thoroughly evaluated by undertaking a detailed financial, legal and operational appraisal prior to Board approval.		No significant change in risk exposure
Development returns Development projects fail to deliver expected returns due to inconsistent timing with the economic cycle and adverse letting conditions or increased costs, planning or construction delays. The Board considers this residual risk to be low.	The Company only considers short-cycle development and its Executive Committee has significant experience of development. Exposure to developments and phasing of projects is considered as part of the quarterly financial forecasting process for the Board. Standardised appraisals and cost budgets are prepared for all developments with regular monitoring of actual expenditure against budget to highlight potential overruns at an early stage. The procurement process includes tendering and the use of highly regarded firms to minimise uncertainty over costs. Developments are only undertaken in areas of high occupier demand and significant pre-lets are secured where possible before development work commences to de-risk projects.	The Company has used its relationship with one of its key operators to enable it to pre-let a 1 million sq ft distribution centre development. See case study on page 29. The redevelopment of Carter Lane in the City has secured pre-lets on the majority of space (72%). This development was initially undertaken speculatively on the basis of a shortage of grade A space being released to the market versus demand.	Risk exposure reduced
Corporate transactions Corporate acquisitions import the risk of unforeseen actual and contingent liabilities for which there is no recourse. The Board considers the residual risk to be low given the enhanced due diligence process which is undertaken for corporate transactions.	Similarly to asset acquisitions a large amount of due diligence is undertaken with the assistance of advisors from major legal and accounting firms. Guarantees and indemnities are sought for potential liabilities which may arise in the future and where the credit worthiness of the counterparty is of insufficient strength insurance or lodging funds into an escrow account is a consideration.		No significant change in risk exposure

Financial risks

The risk that the Group cannot access debt on terms that facilitate the implementation of its strategy.

Risk and impact	Controls and mitigation	Commentary	Change since 2013 annual report
Interest rates Adverse interest rate movements can significantly increase financing costs on debt, reduce profitability and increase the risk of a loan covenant breach. The Board considers this risk broadly unchanged from last year.	The Group uses interest rate derivatives to fix or cap its exposure to such movements.	At 31 March 2014 the Group had £358 million of hedges in place on its debt covering 86% of total debt. Average cost has fallen to 3.9%. Further information is provided in the Financial review on pages 45 to 50.	
Availability of finance The inability to raise debt could prohibit the Group's investment strategy or significantly increase borrowing costs. The Board considers this risk to have decreased from last year.	The Group nurtures its relationships with a diversified range of banks and alternative lenders and regularly reviews its loan facilities. The availability of debt and its respective terms are considered as part of the analysis for each acquisition.	The availability of debt for the real estate sector and its pricing has improved during the course of the year with increased competition amongst banks and newcomers into the market. The Group has undrawn loan facilities of £96 million as at 31 March 2014 and undertook a number of loan refinancings during the year and post period end as detailed in the Financial review on pages 45 to 50.	
Loan covenants A breach of loan covenant could result from a substantial decline in property values, a material loss of rental income or increased borrowing costs. The Board considers this risk broadly unchanged from last year.	Headroom in loan covenants is actively monitored and incorporated into the Group's financial forecasting. Non financial covenants are also closely monitored. Gearing levels are carefully considered and stress tested before entering into new arrangements. The impact of disposals on loan facilities covering multiple assets are also considered as part of the strategic decision making process. The Group's loan facilities incorporate covenant headroom, cure provisions and sufficient flexibility to implement known asset management initiatives.	The Group has a modest level of gearing of 32% and has comfortably complied with its financial covenants during the year. The Group's business model is predicated on an LTV target of less than 50% as detailed on pages 8 to 9.	

Key:	
Risk exposure increased	(up arrow)
Risk exposure reduced	(down arrow)
No significant change in risk exposure	(right arrow)

Operational risks

The risk that operational issues pose to delivering the Group's strategy.

Risk and impact	Controls and mitigation	Commentary	Change since 2013 annual report
Tenant default Tenant default and failure to let vacant units leads to a loss of recurring net income and dividend cover. The Board considers this risk to have reduced since last year as a result of improving economic conditions.	Tenant covenant strength and concentration are assessed for all acquisitions and leasing transactions. The Group's dedicated and experienced property management team work closely with tenants and consider action for slow payers. Rent collection is closely monitored and reported to the property management team to identify potential issues. The Group has a diversified tenant base.	The Group has a very low level of tenant default within the industry and occupancy levels have increased since the previous year to 99.6%.	Risk exposure reduced
Staff An inability to attract, motivate and retain high calibre skilled staff will impact the delivery of the Company's strategy. Executive succession planning is vital to the long-term success of the business. The Board considers this risk broadly unchanged from last year.	The remuneration structure for all staff is aligned to the long-term key performance targets of the business with long-term share-based incentive arrangements in place. The Executive Directors have a substantial investment in the Company. Annual appraisals identify training requirements and access performance. Specialist agencies are contracted where appropriate if there are perceived short-term skills shortfalls, for example in the acquisition of the Odeon portfolio.	The Company has announced the promotion of new Executive Directors to the Board from the Executive Committee and the transition of the Chairman into a Non-Executive capacity. See Governance report on page 61 for further details. The Group has rationalised its investment and asset management teams post-merger and has a team with sufficient relevant skills to effectively manage a bigger portfolio.	No significant change in risk exposure

On behalf of the Board

Andrew Jones
Chief Executive
3 June 2014

Governance

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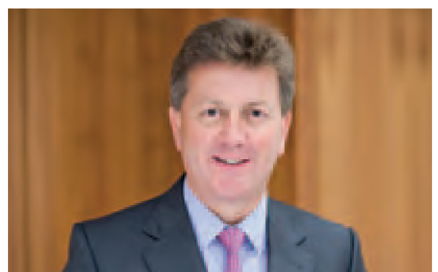
Board of Directors

Patrick Vaughan
Executive Chairman

Patrick has been involved in the UK property market since 1970. He was a co-founder and CEO of Arlington; of Pillar, and of London & Stamford, leading all three of the companies to successful listings on the FTSE main market. Upon completion of London & Stamford's merger with Metric in January 2013, he was appointed Executive Chairman. Patrick also served as an Executive Director of British Land 2005 to 2006, following its acquisition of Pillar.

Andrew Jones
Chief Executive

Andrew was a co-founder and CEO of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. On completion of the merger, Andrew became Chief Executive of LondonMetric. Andrew was previously Executive Director and Head of Retail at British Land. Andrew joined British Land in 2005 following the acquisition of Pillar and served on the main board with responsibilities for shopping centres, retail park investment and asset management. Andrew is a Non-Executive Director of The Unite Group Plc.



Martin McGann
Finance Director

Martin joined London & Stamford as Finance Director in September 2008 until its merger with Metric in January 2013, when he became Finance Director of LondonMetric. Between 2005 and 2008, Martin was a Director of Kandahar Real Estate. From 2002 to 2005 Martin worked for Pillar, latterly as Finance Director. Prior to joining Pillar, Martin was Finance Director of the Strategic Rail Authority. Martin is a qualified chartered accountant, having trained and qualified with Deloitte.

Valentine Beresford
Investment Director

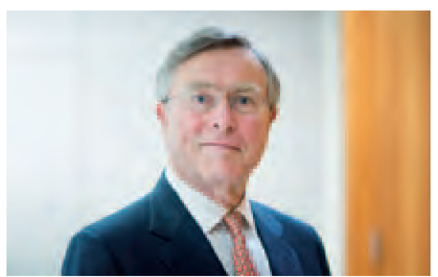
Valentine was appointed Investment Director following the merger in January 2013 of Metric, of which he was a founder and Board member, and London & Stamford and joined the Board of LondonMetric on 3 June 2014. Prior to the setting up of Metric, Valentine was on the executive committee of British Land and was responsible for all British Land's European retail/leisure developments and investments. Valentine joined British Land in July 2005, following the acquisition of Pillar, where he served as Investment Director with responsibility for the Company's out-of-town UK and European retail investment activities.

Mark Stirling
Asset Director

Mark Stirling was appointed Asset Management Director following the merger in January 2013 of Metric, of which he was a founder and Board member, and London & Stamford and joined the Board of LondonMetric on 3 June 2014. Prior to the setting up of Metric, Mark was on the Executive Committee of British Land and as Asset Management Director was responsible for the planning, development and asset management of the retail portfolio. Mark joined British Land in July 2005 following British Land's acquisition of Pillar where he was Managing Director of Pillar Retail Parks Limited from 2002 until 2005.

Charles Cayzer
Senior Independent Director, Chairman of Nomination Committee, member of Audit and Remuneration Committees

Charles joined the Board of London & Stamford in July 2010. He has considerable experience of merchant banking, commercial banking and corporate and project finance from his career at Baring Brothers, Cayzer Irvine and Cayzer Limited and was appointed a Director of Caledonia Investments in 1985. Charles is also Chairman of The Cayzer Trust Company Ltd and The Sloane Club, and a Non-Executive Director of Eredene Capital and Quintain Estates & Development Plc.



Humphrey Price
Chairman of Audit Committee

Humphrey was Finance Director of Arlington from 1982 to 1992, he then became a Director of Pillar in 1991 and Finance Director from 1993 to 2004, resigning from the Board in 2005 upon its sale to British Land. He was a Director of London & Stamford from incorporation until April 2009 and was appointed to the Board of London & Stamford Property Plc as a Non-Executive Director in July 2010. Humphrey is a Non-Executive Director of Hansteen Holdings Plc and Chairman of their Audit Committee. Humphrey is a qualified Chartered Accountant.

Andrew Varley
Member of Audit and Remuneration Committees

Andrew joined the Board of Metric at the Company's inception in March 2010. He was, until recently, Group Property Director and an Executive Director of NEXT, with the responsibility for property, franchise, corporate responsibility and code of practice related issues. Andrew joined NEXT in 1985 and was appointed to its Board in 1990. His previous experience includes 12 years in retail and commercial property. From 1999 to 2007, Andrew was a non-executive member of the British Heart Foundation's shops committee.

Philip Watson
Member of Remuneration and Nomination Committees

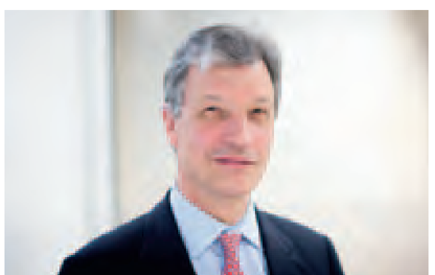
Philip joined the Board of Metric at the Company's inception in March 2010. He is the Chief Investment Officer of Mirabaud Investment Management Limited. Philip joined Hill Samuel in 1971 and then Robert Fleming in 1972 on the UK desk, where he worked as an investment analyst and fund manager. Philip left Robert Fleming in 1982 to found TWH Asset Management Limited (now Mirabaud Investment Management Limited) in which he and his partners sold a controlling interest to Mirabaud Pereire Holdings Limited in 1991.

Alec Pelmore
Member of Audit and Nomination Committees

Alec joined the Board of Metric at the Company's inception in March 2010. He has been a member of the supervisory board of Unibail-Rodamco SE, one of Europe's largest property companies, since 2008 and is currently a member of its Audit Committee. Alec held positions as an equity investment analyst specialising in property companies from 1981 to 2007. The majority of his career as an investment analyst was spent at Dresdner Kleinwort Benson and Merrill Lynch, where his teams were voted number one for property in Europe by the Institutional Investor European Property Research Survey for 12 out of 13 years from 1995 to 2007.

Rosalyn Wilton
Member of Audit Committee

Rosalyn was appointed to the Board of LondonMetric in March 2014. She is a Non-Executive Director of Axa UK Ltd where she acts as Chairman of the Risk Committee and of Optos Plc where she Chairs the Remuneration Committee. Until 2009, she was Chairman of Ipreo Holdings LLC, the US-based financial data and solutions group formed following the merger of i Deal LLC and Hemscott Group Ltd. Before the merger, Rosalyn was Chief Executive Officer of Hemscott plc. Prior to this, she worked for Reuters Group leaving the Company as Managing Director, Reuters Information in 1999. Rosalyn has held Non-Executive Directorship positions with Scottish Widows and the London International Financial Futures Exchange. She has previously served as a Senior Advisor to 3i Investments and Providence Equity Partners.



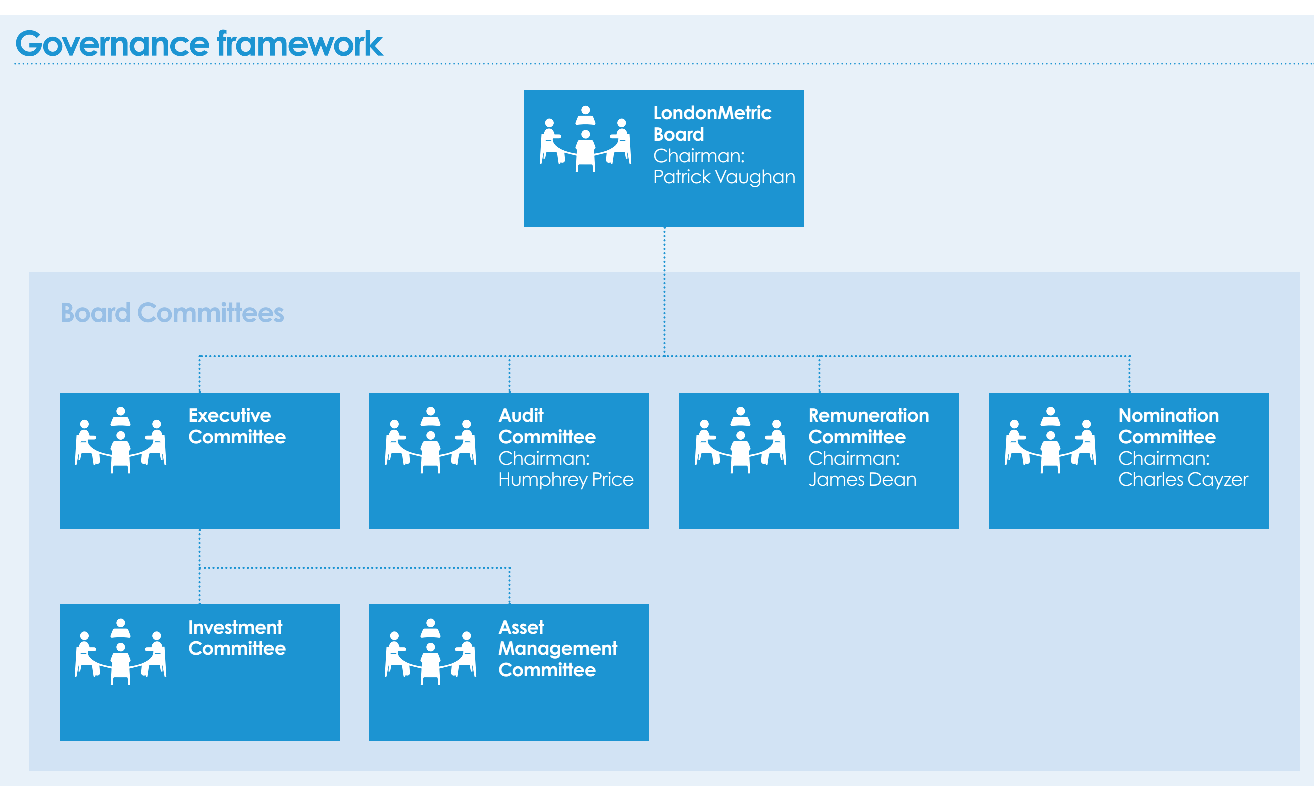
James Dean
Chairman of Remuneration Committee

James was appointed to the Board of London & Stamford in July 2010. He is a Chartered Surveyor and has worked with Savills plc since 1973, serving as a director from 1988 to 1999. James is a Non-Executive Director of Branston Holdings and Chairman of Pearlcrown Ltd, London & Lincoln Properties Ltd and Patrick Dean Ltd.

Corporate governance

The Board continues to be committed to maintaining high standards of corporate governance which it considers underpins the successful management of the business and the delivery of its strategic objectives.

Governance framework



Board Committee members

Member	Capacity	Audit Committee	Remuneration Committee	Nomination Committee
Patrick Vaughan	Executive			✓
Charles Cayzer	Non-Executive	✓	✓	✓
James Dean	Non-Executive		✓	
Alec Pelmore	Non-Executive	✓		✓
Humphrey Price	Non-Executive	✓		
Andrew Varley	Non-Executive	✓	✓	
Philip Watson	Non-Executive		✓	✓
Rosalyn Wilton	Non-Executive	✓		

The Board has considered the Company's compliance with the main principles and provisions of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council in September 2012 and has sought to put in place practices to enable full compliance. The Board fully supports the principles set out in the Code and can confirm that it applied all of the principles of the Code for the year under review and to the date of this report except as explained below.

Good governance is a key strategic priority and compliance with the Code has been the subject of significant debate. As a result the Board has decided that, with effect from 1 October 2014, Patrick Vaughan will undertake his role as Chairman in a non-executive capacity.

Future succession planning has led to a further three Board appointments, as discussed below, and the planned retirement of Humphrey Price in March 2015.

This report sets out the Company's principal governance policies and practices and explains how it complies with the provisions of the Code.

The Board of Directors

Composition

The Nomination Committee keeps the composition of the Board under review and makes recommendations on the appointment of Directors.

The Board has comprised throughout the year of the Executive Chairman, two other Executive Directors and six Non-Executive Directors. A further Non-Executive Director and two further Executive Directors were appointed to the Board in March 2014 and June 2014 respectively. The biographies of all members of the Board are set out on pages 58 to 59.

Following the merger of the Company with Metric Property Investments plc ("Metric") last year, Patrick Vaughan was appointed as Executive Chairman. Although this did not comply with Provision A.3.1, which discourages a chief executive becoming chairman of the same company, the Board considered it an appropriate exception to maintain continuity of leadership and to facilitate the combination of the two businesses given his excellent prior working relationship with the newly appointed Chief Executive, Andrew Jones. His experience as a founder of London & Stamford and his relationship with key joint venture partners was considered to be crucial for their continued support and to provide shareholders with a balanced and effective Board. Leading shareholders of both former companies were consulted at the time and the reasons for his appointment explained to them. His executive capacity represented a commitment previously given to the shareholders on the internalisation of the management company in 2010, to continue at least until 30 September 2013, at which time the three-year lock-in period created on the internalisation came to an end. The Board now feels that it is appropriate, a year on from the successful merger of the two businesses and repositioning of the portfolio, that best governance practice be adopted and that the Chairman's role should operate in a non-executive capacity. This will take effect from October 2014.

The composition of the Board changed following last year's AGM when both Mark Burton and Andrew Huntley decided not to offer themselves for re-election. The remaining Board members, comprising three Executive and six Non-Executive Directors, held office throughout the year. The Board's composition is continually reviewed to ensure it has the correct balance of skills required for proper stewardship of the business and to plan for future succession. Consequently, a new female member, Rosalyn Wilton, was appointed to the Board and Audit Committee on 25 March 2014. Rosalyn's full biography is on page 59. Being a Non-Executive Director, Chairman of the Risk Committee and member of the Audit Committee at AXA UK Limited, Rosalyn brings extensive experience to complement the existing expertise of the Board members.

In addition, it was decided on 3 June 2014 to promote Valentine Beresford and Mark Stirling to the Executive Board. Valentine and Mark were founders and former Directors of Metric Property Investments plc and have worked with the existing Executive Board for many years previously at Pillar Property Plc and British Land. Valentine is responsible for Investment and Mark for Asset Management and both are considered instrumental to the successful future of the business. Both have served throughout the year as members of the Executive Committee to which the Board delegates responsibility for the day to day running of the Group.

Humphrey Price has announced his intention to retire in March 2015. Humphrey has had a long and successful working relationship with the Executive Board, who would like to thank him for the valuable contribution he has made.

The Board is collectively responsible to the shareholders for the strategy, control and effective leadership of the Group.

Member	Date appointed	Meetings attended	Meetings eligible to attend
Patrick Vaughan	13 January 2010	7	7
Andrew Jones	25 January 2013	7	7
Martin McGann	13 January 2010	7	7
Charles Cayzer	29 July 2010	7	7
James Dean	29 July 2010	6	7
Humphrey Price	29 July 2010	7	7
Andrew Varley	25 January 2013	7	7
Alec Pelmore	25 January 2013	7	7
Philip Watson	25 January 2013	7	7
Rosalyn Wilton	25 March 2014	–	–
Mark Burton	29 July 2010 Resigned 10 July 2013	1	1
Andrew Huntley	25 January 2013 Resigned 10 July 2013	–	1

Following the proposed changes to the composition of the Board, there will be four Executive and six independent Non-Executive Directors, excluding the Chairman and Humphrey Price, who is not considered to be independent. The Board's composition meets the Code's requirement that at least half of its members, excluding the Chairman, are independent Non-Executive Directors.

There is a division of responsibility between the Executive Chairman and Chief Executive which has been approved by the Board. The Chairman is responsible for leading the Board and monitoring its effectiveness and the Chief Executive is responsible for the day to day management of the Group and the implementation and delivery of its agreed strategic objectives. The Chairman is responsible for ensuring a constructive relationship between Executive and Non-Executive Directors and for encouraging and fostering a culture of Boardroom challenge and debate.

Attendance at Board meetings

The Board has a regular schedule of meetings together with further ad hoc meetings as required to deal with transactional matters. Non-Executive Directors are encouraged to communicate directly with the Executive Directors and senior management between scheduled Board meetings, as part of each Director's contribution to the delivery of strategy and enhanced shareholder returns. The following table shows Directors' attendance at Board meetings they were eligible to attend during the year:

All Directors are expected to attend all meetings of the Board and of the Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. Where Directors are unable to attend meetings, their comments are provided to the Board prior to the meeting.

Board activities

The Board is collectively responsible to the shareholders for the strategy, control and effective leadership of the Group. The Executive Directors are responsible for the business strategy and transactions. The Non-Executive Directors are responsible for ensuring strategies proposed by the Executive Board are fully considered and for bringing independent judgement and scrutiny to decisions taken. There is a formal schedule of matters reserved for the Board's approval, which is reviewed and updated annually, including the following;

- Setting and monitoring of overall strategy
- Ensuring there are adequate resources to meet objectives
- Approving property and corporate acquisitions and disposals
- Approving major capital expenditure projects
- Approving interim and annual financial statements and dividends
- Reviewing property valuations
- Reviewing treasury and financing arrangements
- Internal control and risk management
- Reviewing corporate governance arrangements and succession planning
- Evaluating the performance of the Board and Committees

The Board delegates authority to its committees to assist in meeting its business objectives and to maintain a sound system of internal control and risk management.

The day to day running of the Group is delegated by the Board to the Executive Committee, comprising the Executive Directors and Valentine Beresford (Head of Investments) and Mark Stirling (Head of Asset Management).

The Executive Committee meets monthly to discuss property investment/divestment, development and asset management activities and the operational management of the Group. The Executive Committee supports the Chief Executive in the delivery of strategy, the achievement of financial and operating targets and the assessment and management of business risks. The minutes of these meetings are made available to the Board. There are informal meetings between the Executive Directors at other times and they are involved in all significant business discussions and decisions due to the size of the organisation.

The Executive Committee has established two sub Committees; the Investment Committee, chaired by Valentine Beresford, and the Asset Management Committee, chaired by Mark Stirling. Both Committees comprise members of the Executive Committee and senior management team and meet at least monthly.

Information flow

The Chairman, together with the Company Secretary, ensure that the Directors receive clear information on all relevant matters on a timely basis. Comprehensive reports and briefing papers are circulated one week prior to Board and Committee meetings to give the Directors time to thoroughly digest the information provided and promote an informed Boardroom debate.

The Board papers contain property and financial updates as well as other specific papers relating to agenda items. The Board receives other ad hoc papers of a transactional nature at other times, circulated by email, for their review and approval.

Presentations on current and prospective property portfolios are made to the Board by senior management where appropriate and property visits are arranged.

Independent advice

All Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and governance regulations are complied with. The Directors may, in the furtherance of their duties, take independent professional advice at the expense of the Company. None of the Directors sought such advice in the year.

Time commitment

The commitments of each Director outside of the Company are kept under review by the Board to ensure that sufficient time is available to enable them to discharge their responsibilities effectively. The Board must be informed of any changes to Directors' other appointments.

Induction and professional development

The Chairman is responsible for ensuring that induction and ongoing training is provided to Directors. The Company arranges an induction programme for all new Directors to help them develop an understanding of the business including its strategy, processes, people, assets, finances, risks and controls. Following the appointment of Rosalyn Wilton, a comprehensive briefing pack was prepared which included a summary of key transactions and assets, financial budgets and results, debt facilities, risks and controls. This was presented by the senior management team who were available to answer any questions raised. Further meetings were held individually with the Chairman of the Audit Committee, Chief Executive, Finance Director, Audit Partner and other members of the senior management team, including a property tour.

Training and information updates in relation to the Group's business and regulatory responsibilities is provided to the Directors through Board briefing papers, reports from advisors, presentations by senior executives and property visits. Each Director is expected to maintain his or her professional skills and take responsibility for identifying their individual training needs to ensure they are adequately informed about the Group's strategy, business and responsibilities.

Non-Executive Directors are encouraged to familiarise themselves with the Group's business through regular communications with the Executive Directors and senior management.

Re-election of Directors

All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment and in accordance with the Code all Directors will stand for re-election at the forthcoming AGM.

Non-Executive Directors

The Non-Executive Board is a diverse group with a wide range of experience encompassing property, finance, fund management, investment and risk management and retailing. They are responsible for bringing independent and objective scrutiny and judgement to all matters raised and considered. Each of the Directors, other than Humphrey Price, is considered to be independent in accordance with the provisions of the Code. Some investors may consider that Humphrey Price's long working relationship with the Executive Directors, particularly at Pillar Property Plc and London & Stamford, could compromise his independence. The Board maintains that his knowledge, experience and contribution at Board and Committee meetings and his ability to contribute to unbiased and independent debates make him a most qualified and appropriate Non-Executive Director and Chairman of the Audit Committee. Humphrey Price has announced his intention to retire from the Board in March 2015 and Rosalyn Wilton was appointed as Non-Executive Director in March 2014.

Charles Cayzer is a Non-Executive Director of Caledonia Investments Plc, a shareholder of the Company holding a 2.48% interest as at 16 May 2014. Charles Cayzer himself is not a shareholder in the Company and the Board is satisfied that there are procedures in place at Caledonia Investments to address this potential conflict. The Board does not believe Charles Cayzer's independence is compromised by his position and is satisfied that he is able to carry out his function as Senior Independent Director effectively. The Non-Executive Directors have met without the Executive Directors present and will continue to do so as necessary, and at least annually, to address any matters which they may wish to raise and to appraise the performance of the Chairman. The outcome of these discussions is conveyed to the Chairman by the Senior Independent Director. The Senior Independent Director acts as an intermediary to the Executive Directors for the Non-Executive Directors and shareholders as required. He has met with a number of significant shareholders during the year and he is available to meet with shareholders at their request to address concerns or, if other communication channels fail, to resolve queries raised. No such requests were received from shareholders in the year. The Senior Independent Director also leads the annual performance appraisal of the Chairman.

Positions held by the Non-Executive Directors are set out in their biographies on pages 58 to 59. On appointment they are advised of the likely time commitment to fulfil the role. The ability of individual Directors to allocate sufficient time to discharge their responsibilities is considered as part of the annual evaluation process, overseen by the Chairman. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business.

Communication with shareholders is given very high priority and the Company undertakes a regular dialogue with major shareholders and fund managers.

Board Committees

The Board has three Committees, the Audit, Remuneration and Nomination Committees, each having written terms of reference which are reviewed annually by the Board and which are available on written request and on the Company's website: www.londonmetric.com.

The Audit and Remuneration Committees are composed entirely of Non-Executive Directors. The Company Secretary acts as secretary to each Committee and minutes of meetings are circulated to all Directors. The Chairman of each Committee reports the outcome of meetings to the Board. Reports from each of the Committees follow on pages 66 to 83.

Relations with shareholders

Communication with shareholders is given very high priority and the Company undertakes a regular dialogue with major shareholders and fund managers. The Chief Executive and Finance Director are the Group's principal representatives with investors, analysts, fund managers and other interested parties and manage the Group's investor relations programme assisted by the Head of Investor Relations and the Company's brokers. The Senior Independent Director is available for shareholders to contact if other channels of communication with the Company are not available or appropriate.

During the past year, the Company has held over 70 meetings with its top shareholders, analysts and potential investors in addition to its usual full year and interim results presentations. The meetings comprised individual meetings, Group presentations and a number of property tours.

Feedback from presentations and meetings is provided to the Board, together with any published brokers' reports.

In addition, the Chairman of the Remuneration Committee and Finance Director liaised with the corporate governance

officers of the Company's major shareholders, representing 31% of the Company's share capital. Meetings were offered to shareholders to discuss the changes to the composition of the Board, the independence of Directors, corporate social responsibility and the Remuneration Policy. The key Remuneration Policy proposals were circulated by letter to major shareholders in April 2014. Feedback from the governance officers was positive and the Board's efforts to improve corporate governance processes was acknowledged and commended.

The Company's website is an important source of information for shareholders and the presentations made to analysts following the announcement of the Group's results and other ad hoc presentations are made available immediately.

Shareholders are kept informed of the Company's progress through results statements and other announcements released through the London Stock Exchange. Company announcements are made available on the website affording all shareholders full access to material information. The website includes a comprehensive investor relations section containing all RNS announcements, share price information and annual reports available for download.

Shareholders can raise questions directly with the Company at any time through a facility on the website.

The Executive Directors and Senior Independent Director are available as a contact for shareholders and the whole Board attends and is available to answer shareholder questions at the Company's Annual General Meeting, which provides a forum for communication with both private and institutional shareholders alike. Full interim and annual reports are sent to all shareholders at least 20 working days before the AGM and details of the resolutions to be proposed can be found in the Notice of Meeting which has been sent separately to shareholders. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed at the meeting and posted on the Company's website.

Internal controls

The Board is responsible for establishing and maintaining the Group's system of internal controls and risk management and for reviewing its effectiveness at least annually. The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the Strategic report on pages 52 to 56.

The system is designed to give the Board confidence that the risks are mitigated or managed as far as possible. However, it should be noted that no system can eliminate the risk of failure to achieve the Group's objectives entirely and can only provide reasonable but not absolute assurance against material misstatement or loss.

Executive Directors and senior management meet annually to review the risks facing the business and the controls in place to minimise such risks. Following these reviews, reports are submitted to the Audit Committee to assess the effectiveness of the process, compliance with the Turnbull Guidance on Internal Control and to report any recommendations for improvement to the Board.

The Audit Committee has not identified any material weaknesses in the Group's control structure following their review in the year and is satisfied that the Group has in place effective risk management and internal control systems.

The key elements of the internal control framework are:

- A defined schedule of matters reserved for the Board's attention
- A comprehensive system of financial budgeting and forecasting
- Measurement of the Group's quarterly financial performance against budget and long-term financial plans
- Short-term cash flow forecasting that is updated, reviewed and considered weekly in light of investment and development opportunities
- A formal whistle-blowing policy
- A management structure with clearly defined roles, responsibilities and limits of authority that enable effective and efficient decision making
- Close involvement of the Executive Directors in day to day operations including regular meetings with senior management on all operational aspects of the business
- Monthly meetings of the Executive, Investment and Asset Management Committees, which assess and monitor strategic and operational risk
- The maintenance of a risk register and a financial reporting procedures memorandum, both of which identify key financial and other internal controls
- A documented appraisal and approval process for all significant capital expenditure

The Group's internal control processes accord with the Turnbull guidance.

Report and accounts

The Board has considered the Group's report and accounts and, taking into account the recommendation of the Audit Committee, is satisfied that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for the shareholders to assess the Company's performance, business model and strategy.

Jadzia Duzniak
Company Secretary
3 June 2014

Nomination Committee report

Charles Cayzer
Chairman, Nomination Committee

The Committee is responsible for reviewing the size, structure and composition of the Board, including diversity and the balance of Executive and Non-Executive Directors.

The Committee comprised throughout the year of the Chairman and three independent Non-Executive Directors and was chaired by Charles Cayzer.

The Committee considers succession planning for Directors and other senior executive positions and reviews the leadership of the Company. It is responsible for identifying and approving candidates to fill Board vacancies using external search consultants where appropriate. Recommendations on Committee membership changes are made to the Board.

Members of Committee

Member	Date appointed	Meetings attended	Meetings eligible to attend
Patrick Vaughan	1 November 2012	2	2
Charles Cayzer	1 November 2012	2	2
Alec Pelmore	25 January 2013	2	2
Philip Watson	25 January 2013	1	2

Meetings and activities during the year

The Committee met twice during the year to consider changes to the Remuneration Committee composition following the resignations of Andrew Huntley and Mark Burton, the external Non-Executive appointment of Rosalyn Wilton to the Board and Audit Committee and the internal executive appointments of Valentine Beresford and Mark Stirling to the Board.

Certain members met and the Committee reviewed Rosalyn Wilton's CV and references and satisfied itself that she had no former links to the Company or Board. It considered her extensive corporate and risk management experience would complement and improve the existing skill set of the Non-Executive Directors. Valentine Beresford and Mark Stirling were founders and former Directors of Metric Property Investments plc and have worked with the Executive Board previously at Pillar Property Plc and British Land. Valentine is responsible for Investment and Mark for Asset Management and both are considered instrumental to the successful future of the business. Both have served throughout the year as members of the Executive Committee to which the Board delegates responsibility for the day to day running of the Group.

The Committee considered the need to maintain the appropriate balance of skills, experience and knowledge of the industry regarding these appointments and the balance of Executive and Non-Executive Directors. It did not believe it was necessary to engage an external search agency in this process and was satisfied that the Board's composition following the appointments met the Code's requirements.

Diversity

The Nomination Committee acknowledges all aspects of diversity including gender, ethnic origin, age, business skills and experience throughout the Company at every level of recruitment.

The Board is committed to a culture that attracts and retains talented individuals to deliver outstanding results and as part of this it promotes diversity across a range of criteria including skills, knowledge, experience, gender and ethnicity. It supports the Davies report recommendations to promote greater female representation. It does not believe, however, given the size of the Company and Board, that setting diversity targets is appropriate. This will be kept under review in light of the requirements for Board succession and development.

Board performance and evaluation

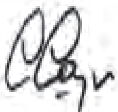
The Board undertakes an annual evaluation of its performance and that of the Committees to ensure each continues to operate effectively. It considers the balance of skills, knowledge and diversity of the Board and how it works together as a unit. This process is led by the Chairman and involves the completion of a questionnaire in advance of a series of individual meetings. The questionnaire is based on the components of good governance and focuses on the objectives, composition and performance of the Board, individuals and Committees. The Company Secretary collates the results and reports them to the Nomination Committee for review.

The results of the internal evaluation were positive and indicated the Board, its Committees and individual Directors were operating effectively. Their key findings were as follows:

- Committees were reporting any findings to the Board following their meetings
- Business strategy was clearly communicated and performance was aligned with strategy
- Regular and open communication with shareholders exists

The review of the Chairman's performance was led by the Senior Independent Director who concluded that the Chairman's leadership was of a high standard and a key contributor to the success of the business in the year.

The Board has decided to undertake an externally facilitated evaluation of its performance and of its Committees this year and has started the process.



Charles Cayzer
Chairman, Nomination Committee
3 June 2014

The Board is committed to a culture that attracts and retains talented individuals to deliver outstanding results and as part of this it promotes diversity across a range of criteria.

Audit Committee report

Humphrey Price
Chairman of Audit Committee

This year the Audit Committee has focused on the audit tender process and appointment of external auditors as well as reviewing changes to the narrative reporting and corporate governance disclosures in the annual report.

The Board asked the Committee to advise on the statement by the Directors that the annual report, when read as a whole, is fair, balanced and understandable and provides the requisite information for shareholders to assess the Group's performance and business strategy. The Committee was satisfied that taken as a whole the 2014 report is fair, balanced and understandable and confirmed this to the Board, whose statement in this regard is set out on page 87.

Membership

The Committee currently comprises entirely of five Non-Executive Directors chaired by Humphrey Price. Mark Burton retired from the Board and Committee on 10 July 2013 and Rosalyn Wilton was appointed to the Board and Committee on 25 March 2014. Members have no day to day involvement with the Company.

Members	Date appointed	Meetings attended	Meetings eligible to attend
Humphrey Price	1 October 2010	4	4
Charles Cayzer	1 October 2010	4	4
Andrew Varley	25 January 2013	4	4
Alec Pelmore	25 January 2013	4	4
Mark Burton	1 October 2010 (resigned 10 July 2013)	1	1
Rosalyn Wilton	25 March 2014	–	–

Humphrey Price brings recent and relevant financial experience as required by the UK Corporate Governance code as a Chartered Accountant, former Finance Director and Audit Committee Chairman of Hansteen Holdings Plc.

Meetings

The Committee met four times last year, with meetings aligned to the Company's financial reporting timetable. Meetings are attended by the Committee members and, by invitation, the Group's external auditor, independent property valuers (CBRE Ltd and Savills Advisory Services Limited), the Finance Director and senior management. Time is allocated for the Committee to meet the external auditor without management present. In addition, the Chairman has separate and ad hoc meetings with the audit partner.

Activities during the year

During the year, the work undertaken by the Committee has included the following:

- A formal external audit tender process in September 2013. A recommendation was made to the Board to appoint Deloitte LLP ("Deloitte") as new auditors of the Group and its subsidiaries
- Considered and discussed with the external auditors at audit planning meetings the key accounting treatments and significant reporting judgements in advance of interim and annual results
- Reviewed interim and annual financial statements, including consideration of key accounting issues and areas of significant judgement, compliance with statutory obligations and accounting standards and consistency throughout the report
- Reviewed the processes undertaken to ensure that the Board is able to confirm that the annual financial statements are "fair, balanced and understandable"
- Met the independent property valuers to discuss the interim and annual portfolio valuations on a property by property basis
- Assessed the effectiveness of the external auditor which included reviewing their independence, objectivity, terms of engagement, the scope of their audit and effectiveness of the audit process
- Monitored the level of non audit fees and the scope of non audit services provided in the year

The Committee monitors the integrity of the financial information published in the interim and annual statements.

- Considered the need for an internal audit function and concluded it was unnecessary at present, given the size and complexity of the business, but agreed to keep the matter under regular review
- Reviewed the Group's internal controls and risk management systems, whistle-blowing arrangements and procedures for detecting and preventing fraud and bribery. A detailed internal control evaluation questionnaire and risk assessment matrix was completed by management and reviewed by the Committee. The risk register identified key risks and the management and operational framework in place to address, monitor and minimise the key risks. The Committee reported their findings to the Board
- Considered the appropriateness of the going concern assumption
- Reviewed its own effectiveness, Terms of Reference, constitution and performance

Financial reporting and significant judgements

The Committee monitors the integrity of the financial information published in the interim and annual statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed. In assessing this, it considers whether management has made suitable and appropriate estimates and judgements, and seeks support from the external auditors to assess them. In particular, it considers those estimates material to the Group's results and those involving a high level of complexity or judgement. The significant areas of judgement considered by the Committee and assessed with the external auditors during the year were as follows:

Property valuations

All of the Group's investment properties are externally valued by independent property valuers. As the property valuation is a significant part of the Group's reported performance it is a key area of focus. Property valuations are inherently subjective and require significant judgement. The Committee met twice with the property valuers without management present to discuss the interim and annual valuations and to assess the integrity of the valuation process. The key judgements applied to individual valuations and any issues raised with management were considered and discussed.

The ERV growth and yield compression assumptions were challenged and supporting market evidence was provided to enable the Committee to conclude that the assumptions applied to the valuations were appropriate.

As part of their audit work, Deloitte valuation specialists met the external valuers without management present and had an open dialogue and exchange of information that is independent of management.

Property transactions

The accounting treatment for corporate acquisitions was considered to ensure compliance with IFRS3 (Business Combinations). This included the acquisition of ten Odeon cinemas, the Royal Mail Distribution Unit in Daventry, the Argos Distribution Unit in Bedford and the Norbert Dentressengle Distribution Unit at Crick. All transactions were considered to be property acquisitions in accordance with IFRS3.

Investments in joint ventures

The Committee considered the accounting treatment for the Group's 30.5% interest in 27 DFS retail units acquired in the year by LMP Retail Warehouse JV Property Unit Trust, a joint venture created with LVS II Lux x S.a.r.l. The Committee was satisfied that the Group's interest was accounted for as a joint venture under the equity method and with the presentation of information in note 11 to the accounts.

Intangible assets

The Committee considered the carrying value of the Group's intangible asset created in 2010 on the acquisition of the Property Advisory Agreement for LSP Green Park Property Trust and the impairment review undertaken by management in the year. It was satisfied that the asset had been fully impaired in the year as no significant further investment had been made since the sale of the majority of assets held by the joint venture to support the level of management fees receivable.

A number of other judgements made by management were considered including those applied to the charge for equity settled remuneration, bad debt provisions and the recoverability of financial assets, none of which had a material impact on the financial statements. In addition, the presentation of recurring and exceptional items in the income statement was reviewed and considered to be appropriate.

Management confirmed that they were not aware of any material mis-statements and the auditors confirmed they had not found any material mis-statements in the course of their work.

After reviewing reports from management and following its discussions with the auditors and valuers, the Committee is satisfied that the key financial judgements and estimates have been appropriately and adequately addressed by the Executive Directors, reviewed by the external auditor and reported in these financial statements.

External audit

Following the merger of the Company with Metric Property Investments plc in January 2013, the Directors felt it was appropriate to formally tender the audit of the Group and its subsidiaries. In August 2013, four firms were invited to tender. Three submissions were made and all firms presented to the Committee Chairman, the Finance Director and senior management. A comparison of the salient points was undertaken, including consideration of sector-related exposure and experience at firm and lead partner level, technical and advisory support teams, audit approach, extent of transitionary work and proposed fees.

Following their review, the Committee made a recommendation to the Board to appoint Deloitte LLP as external auditor of the Company and the Group.

Current UK regulations require rotation of the lead audit partner every five years and a formal tender of the auditors every ten years. The Committee is supportive of these regulatory requirements.

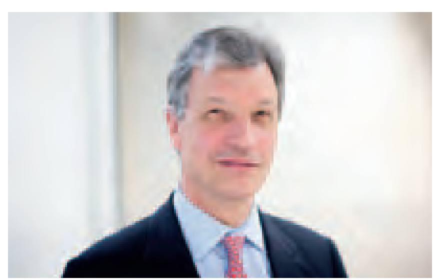
Since the appointment the Committee has assessed the performance, independence and objectivity of the external auditors in conjunction with the senior management team. In making this assessment the Committee considers the qualifications, expertise and resources of the audit team as well as the quality of the audit deliverables. It recognises the importance of auditor objectivity and has reviewed the level of non audit fees paid in the year of £45,000 to ensure their independence was not compromised. It took into account the fact that taxation services and advice is provided separately by PwC and corporate due diligence work is undertaken by BDO LLP. It is satisfied that the audit is an effective process and an appropriate independent challenge and review.

The Company's policy governing the provision of non audit services considers each appointment on a case by case basis. Taxation, valuation, due diligence and remuneration services are generally provided by other professions but other advisory services, including but not limited to taxation, REIT compliance, regulatory and shareholder circulars, may be undertaken by the external auditor given their knowledge of the Group's business. The Executive Directors can authorise an engagement up to a fee limit of £100,000, above which the engagement is referred to the Audit Committee for review and approval. Deloitte LLP has confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

Humphrey Price
Chairman of the Audit Committee
3 June 2014

The Committee met four times last year, with meetings aligned to the Company's financial reporting timetable.

Remuneration Committee report



James Dean
Chairman of Remuneration Committee

The Remuneration Committee's key role is to determine a reward structure that incentivises the Executive Directors to deliver the Group's long-term business plan and strategy of enhanced shareholder returns.

Chairman's statement

This report details the activities of the Remuneration Committee for the year to 31 March 2014. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors and has been prepared in accordance with Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. This is the first report prepared in accordance with these amended regulations and is split into two sections:

- The Directors' remuneration policy report, which sets out the framework for executive remuneration. This sets out the policy we propose to apply from the 2014 AGM and is subject to a binding shareholder vote
- The annual remuneration report, which provides details on executive remuneration in the year and is subject to an advisory shareholder vote at the 2014 AGM

The Group's remuneration policy has not changed in the year and is as proposed in the Policy report. The Committee felt it was important to consult with major shareholders during the year to ensure the policy continues to meet investor expectations. The feedback received was carefully considered and reported to the Board and supports the remuneration policy as proposed. The Group welcomes continued dialogue with shareholders on these and other governance matters.

The overriding objective is to attract, motivate and retain individuals of the highest calibre through simple and transparent arrangements which align rewards with the Group's key strategic priorities, long-term growth and the delivery of attractive shareholder returns.

The Group has performed well this year, meeting a demanding set of objectives and delivering a very good set of financial results. EPRA earnings per share has increased by 8% to 4.2p and EPRA NAV per share by 11% to 121p. Group like-for-like net rental income increased by 3.4% and the Group's total property return of 17.0% outperformed the IPD Composite Index of 13.4% by 3.6%. Its key strategic priority to reposition the portfolio towards out-of-town retail and retailer distribution, with focus on growing income, asset management and short-cycle, de-risked development, has allowed full dividend cover to be met as EPRA earnings on an annualised basis now cover the Group's target dividend of 7p per annum. Reflecting the performance of the Group in the year, the Committee has calculated annual bonuses for the Executive Directors to be at their respective maximum levels.

The Committee approved base pay increases of 2.5% for the Executive Directors, effective from 1 June 2014 and consistent with the increases for employees generally.

Delivery of long-term growth in shareholder value is rewarded through the Group's LTIP arrangements and the Executive Directors already hold and are encouraged to retain significant shareholdings to align their interests with those of shareholders (see table on page 82).

James Dean
Chairman
3 June 2014

Remuneration policy

This part of the Remuneration Committee report sets out the remuneration policy for the Group. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 (the "Code") and the view of major shareholders and describes the policy to be applied in relation to the three-year period from the 2014 AGM.

Remuneration principles and structure

The Committee has adopted remuneration principles which are designed to ensure Executive Director and senior executive remuneration:

- Is aligned to the business strategy and achievement of business goals
- Is aligned with the interests of shareholders by encouraging high levels of share ownership
- Attracts, motivates and retains high calibre individuals
- Is competitive in relation to other comparable property companies
- Encourages high and sustainable long-term performance by ensuring a substantial proportion of the remuneration package consists of LTIP awards which are linked to the Group's total shareholder return and EPRA earnings per share
- Is set in the context of pay and employment conditions of other employees

The table on pages 72 to 75 sets out the remuneration policy that the Group intends to apply, for a term of up to three years, subject to shareholder approval, from 17 July 2014, the date of the Annual General Meeting of the Company.

Any commitments made by the Group prior to the approval and implementation of the proposed policy are consistent with the policy and can be honoured.

Executive Directors' remuneration

Base salary	
Purpose and link to strategy	Provide a competitive level of fixed pay to attract and retain Directors of the required calibre to deliver the Group's strategy. Level of pay reflects individuals' skills, seniority and experience and complexity of the role.
Operation	Normally reviewed annually with changes effective from 1 June, with reference to inflation, responsibilities, performance and market rates. In determining the base salary, consideration is given to pay increases for other employees and for other comparable property companies.
Maximum opportunity	Directors' salaries for the year ahead are stated in the annual remuneration report on pages 78 to 83. The Committee considers average wage increases across the Group, prevailing rates of inflation, the Directors' development, performance and role, and comparable market data. In normal circumstances the Directors' salaries will not increase by more than the range offered to the wider workforce. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity) or if it is necessary to remain competitive to retain a Director.
Performance measures	The Directors are subject to an annual performance assessment, the outcome of which is taken account of in setting base salaries.

Annual bonus	
Purpose and link to strategy	Incentivise the achievement of annual financial targets consistent with the Group's business plan for the relevant financial year with particular focus on total property return (TPR) and EPRA earnings per share as well as the delivery of agreed personal objectives. Partial award in shares aligns interests with shareholders.
Operation	Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long-term strategy of growth in EPRA earnings per share and TPR. At least half of the bonus will be linked to the key property and financial metrics. Non financial targets are set to measure individual personal performance and contribution to the achievement of portfolio management initiatives and other operational management objectives. The annual bonuses for the Chief Executive and other Executive Directors will be paid 50% in cash and 50% in deferred shares, which will vest in three equal instalments over three years and will be subject to continued employment, save as in the leaver circumstances described in the Payment for loss of office section of this policy. The bonus for the Executive Chairman will be paid 100% in cash due to his existing substantial shareholding in the Group. No further performance conditions apply and dividend equivalents are paid out at the end of each vesting period. The Committee has the discretion to exercise standard clawback provisions to share-based elements of the bonus in the event of gross misconduct or material mis-statement in the accounts.
Maximum opportunity	The maximum bonus limit is capped at 200% of base salary. Within this limit, the following individual limits currently apply: 100% of salary for the Executive Chairman 150% of salary for the Chief Executive 125% of salary for the other Executive Directors If the Committee wishes to increase these within the maximum bonus limit, then it would first consult with leading shareholders and their representative bodies.
Performance measures	The Committee will set challenging annual targets consistent with the Group's business strategy that are appropriately stretching, but achievable. Performance is assessed against target financial and non financial measures which may vary each year depending on the annual priorities of the business. At least half of the bonus payment is subject to financial and/or property performance targets. There is no payment in respect of TPR if it is negative. The Committee retains discretion to amend the vesting level where it considers it to be appropriate but not so as to exceed the maximum bonus potential. Further details of the targets set and measures applied for the year to 31 March 2014 are provided in the annual remuneration report on pages 78 to 83.

Long-term incentives	
Purpose and link to strategy	Incentivise and reward the delivery of long-term Group performance and sustained growth in line with business strategy, thereby building a shareholding in the Group and aligning Directors' interests with shareholders'.
Operation	The LTIP rules were approved by the shareholders at the 2013 AGM. Awards made are discretionary and vesting is dependent upon the achievement of performance conditions over three years starting at the beginning of the financial year in which the award is made. If employment ceases during the vesting period, awards will normally lapse, save in the leaver circumstances as described in the Payment for loss of office section of this policy. Awards granted are subject to clawback conditions in the event of gross misconduct or material mis-statement in the accounts. Awards include dividend equivalent (in cash or shares) in lieu of dividends forgone between the day of grant and the vesting of the award based on the number of shares which have vested.
Maximum opportunity	Maximum overall limit on LTIP awards of 200% of salary. Within this limit, the following current individual caps apply: 175% of basic salary for the Chief Executive 140% of basic salary for other Executive Directors. If the Committee wishes to increase these within the maximum policy limit then it would first consult with leading shareholders and their representative bodies The Executive Chairman has a very significant shareholding in the Company and will not receive awards under the LTIP.
Performance measures	The Committee will review the appropriateness of performance measures on an annual basis and set challenging targets consistent with the business strategy. This review may result in changes to weightings or the introduction of new measures which are more closely aligned to the Group's business strategy at the time. At present, two measures apply as follows: 75% of any award is subject to a total shareholder return (TSR) exceeding the index of the FTSE 350 Real Estate Companies TSR and 25% of any award is on the basis of EPRA EPS growth versus RPI. The Committee retains the discretion to amend the performance conditions and/or weightings of each of the future awards. However, it is the current intention of the Committee that future awards be granted with the same performance measures and conditions as for the 2014/15 awards detailed on page 81. Further details of the targets set and measures applied for the year ahead are provided in the annual remuneration report on pages 78 to 83.

Pension	
Purpose and link to strategy	Provide a competitive post-retirement benefit to attract and retain individuals.
Operation	The pension allowance is a 15% monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply.
Maximum opportunity	The maximum contribution is 15% of salary. No element other than base salary is pensionable.
Performance measures	None.

Benefits	
Purpose and link to strategy	Provide a comprehensive and competitive benefit package to aid recruitment and the retention of high quality executives.
Operation	Each Executive Director receives the following: • Car allowance • Private medical insurance • Life insurance • Permanent health insurance The Committee may wish to offer Executive Directors other benefits on broadly similar terms as other employees.
Maximum opportunity	Car allowance is £20,000 per annum for each Executive Director. Other benefits are provided at the market rate and therefore the cost will vary from year to year based on the cost from third party providers (e.g. reflecting changes in insurance premiums).
Performance measures	None.

Notes: The Committee will operate the Company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include making awards and setting performance criteria each year, dealing with leavers, adjustments to awards and performance criteria following acquisitions, disposals, changes in share capital and to take account of the impact of other M&A activity.

The Committee also retains discretion within the policy to adjust the targets, set different measures and/or alter weightings for the annual bonus plan and, in exceptional circumstances, under the rules of the long-term incentive plan to adjust targets to ensure that the awards fulfil their original purposes. All assessments of performance are ultimately subject to the Committee's judgement.

Any discretion exercised (and the rationale) will be disclosed in the annual remuneration report.

Non-Executive Directors' remuneration:

Fees and benefits	
Purpose and link to strategy	To attract and retain suitably qualified Non-Executive Directors by ensuring fees are competitive. Non-Executive Directors are not eligible to receive benefits other than travel, hospitality related or other incidental benefits linked to the performance of their duties as a Director.
Operation	Normally, fees payable are reviewed annually by the Board and reflect the time commitment and responsibility taken by them. Where appropriate, the Board considers fees paid by comparative companies of similar scale.
Maximum opportunity	The current fee levels are set out in the annual remuneration report on page 82. Increases may be greater than those of Company employees in a particular year (in percentage terms) given the periodic nature of increases and changes in responsibilities or time commitments. The maximum level of fees set out in the Articles of Association for Non-Executive Directors is currently £500,000 per annum and will be increased to £1,000,000 per annum subject to shareholder approval at the forthcoming AGM.

Consistency with remuneration for other employees

The remuneration policy for Executive Directors is in line with the remuneration philosophy and principles for the Group's other employees. The individual elements of the remuneration package for employees below Board level are the same as those offered to the Board. The Board sets individual salary levels, annual bonus levels, LTIP awards and benefits at its discretion and according to the employees' level of responsibility and performance and in light of other comparable market rates.

When considering salary increases, bonus and LTIP awards for Executive Directors, the Committee considers increases, bonuses and LTIP awards offered to other employees.

Communication with shareholders and employees

The Board has communicated with shareholders representing c. 31% of the Group's issued share capital during the year on governance issues including its remuneration policy. The key remuneration proposals were circulated by letter to major shareholders in April 2014.

The Committee will continue to consult with its major shareholders in advance of any significant policy changes. It receives the reports received from shareholders relating to remuneration matters when their approval is sought at the AGM and it follows up any concerns raised.

The Committee has not consulted with employees on setting the remuneration policy for the Executive Directors as the policy is consistent throughout the organisation. The Committee does however consider the remuneration arrangements for all employees when determining remuneration policy for the Executive Directors.

Recruitment remuneration arrangements

The Committee will seek to apply the same remuneration policy and principles when setting the remuneration package for a new Executive Director as listed in the policy table on pages 72 to 75.

Salary will be set at a level appropriate to the role, the experience of the Director being appointed and their current salary, and may initially be set below the perceived market rate, with phased multi-year increases (which may be above those offered to wider employees) to bring it into line with market subject to their continued development in the role. Ongoing benefits and pension provision will be no more than that offered to Executive Directors.

The Committee may make awards on hiring an external candidate to buy out remuneration packages forfeited on leaving a previous employer. This may take the form of cash and/or share awards. The maximum payment under any such arrangement, which would be in addition to the normal variable remuneration, should be no more than the Committee considers is required to provide reasonable compensation to the incoming Director and would not exceed an estimate of the expected value being forfeited, taking into account the time period to expected vesting and any relevant performance criteria. The Committee may therefore rely on exemption 9.4.2 of the Listing Rules which allow for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director. If an external appointment requires a Director to relocate, a relocation payment can be paid at the discretion of the Committee which it feels is reasonable and appropriate.

The maximum level of ongoing variable remuneration granted to newly appointed Directors would be in line with the existing level of variable remuneration granted to the current Executive Directors. Depending on the timing and nature of the appointment, the Committee may wish to set different annual bonus performance measures and targets to those of current Executive Directors, although this will only be in respect of the bonus year in which he/she is appointed.

The emphasis on linking pay with performance through the Company's LTIP will continue so as to align the Directors' and shareholders' interests.

In the case of an internal appointment, any pre-existing remuneration commitments would be honoured in accordance with their terms. Otherwise the policy will be consistent with that for external appointees.

New Non-Executive Directors will be appointed through letters of appointment and fees set at a competitive market level and in line with the other existing Non-Executive Directors. Letters of appointment are normally for an initial term of three years and are subject to a notice period of three months by either party.

Service contracts and payment for loss of office

The service contracts for the Executive Directors were reviewed and revised following the merger in 2013. Service contracts are terminable by either party with notice of 12 months. The Committee considers this appropriate for all existing and newly appointed Directors.

Provision for payments on termination are contained in the Directors' service contracts which stipulate that compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period. Non-Executive Directors' appointments are normally for an initial three-year term and may be terminated on three months' notice without compensation.

The Committee will exercise discretion when calculating termination payments and will take into consideration individual and Group performance, mitigation of loss and the length of service undertaken. It believes discretion on such payments is required to recruit and retain the highest calibre Directors.

If a claim is made against the Group in relation to a termination (e.g. for unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such claims as considered in the best interests of the Group. Additional payments in connection with any statutory entitlements (e.g. in relation to redundancy), departing Directors' legal fees and out placement services may be made as the Committee deems reasonable and as required.

If the departing Director is deemed a "good leaver", i.e. if he or she dies or leaves employment through illness, injury or disability, retirement, sale of the Company for which he or she works, or for any other reason approved by the Committee, a discretionary bonus may be payable for the period worked, subject to the achievements of the relevant performance condition. Deferred shares which have not vested shall vest although the vesting of share awards under the Group's LTIP is not automatic and the Committee would retain discretion to allow partial vesting depending on the extent to which performance conditions had been met and the length of time the awards had been held.

Change of control

In the event of a change of control such as a takeover or other capital event, vesting of award shares under the LTIP depends on the extent to which performance conditions had been met at that time. Early vesting would normally be on a time pro-rata basis. The Committee may vary the level of vesting if it believes the circumstances at the time warranted this. Deferred bonus shares awarded will vest in full upon a change of control. Annual bonuses may be awarded based on performance to the date of the change of control and unless the Committee determines otherwise would be time pro-rated. In the event of a variation of share capital, the Committee may make adjustments to awards under the LTIP and deferred bonus plan as it considers appropriate.

Shareholding guidelines

The remuneration policy places significant importance on aligning the long-term interests of shareholders with those of management by long-term incentives and share awards. To support this, the Committee has established share ownership guidelines for the Executive Directors that encourage them to build up a shareholding in the Company over a five-year period, a holding equivalent to at least four years' salary.

There are no shareholding requirements for Non-Executive Directors.

Current levels of share ownership are shown in the table on page 82.

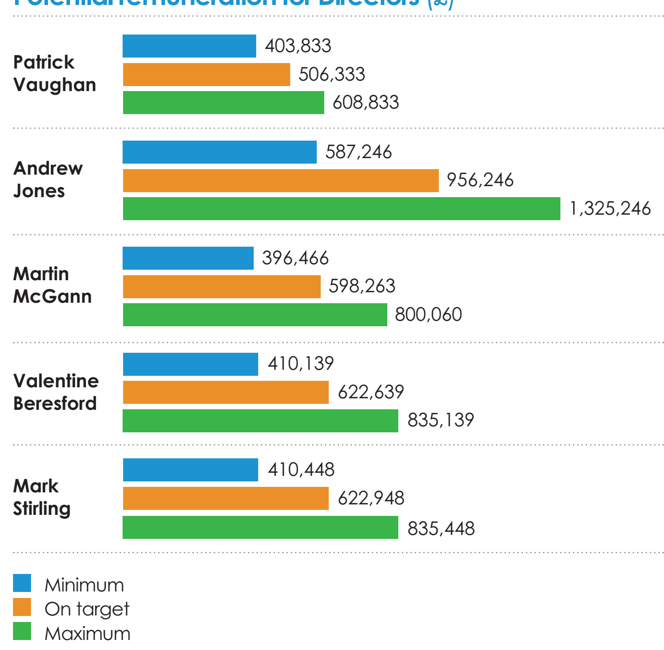
Other Directorships

Executive Directors are permitted to accept external, non-executive appointments with the prior approval of the Board where such appointments are not considered to have an adverse impact on their role within the Group. Fees earned may be retained by the Director. Andrew Jones was appointed a Non-Executive Director of Unite Plc in 1 February 2013 and receives fees of £41,000 per annum.

Illustration of potential remuneration for Directors

The charts below set out the potential remuneration receivable by the Executive Directors based on the 2014 remuneration policy and base salaries proposed for the year commencing 1 April 2014 as reflected on page 79 and as increased from 1 June 2014.

Potential remuneration for Directors (£)



The minimum scenario reflects fixed remuneration of salary, pension and benefits only as the other elements are linked to future performance. Base salary is that to be paid in 2014/15. Benefits are as shown in the single figure remuneration table for 2013/14 on page 79. The remuneration for the Chairman has been reduced to £320,000 per annum in fees from October 2014.

The on-target scenario reflects fixed remuneration as above plus 50% of the maximum annual bonus entitlement and the threshold level of vesting for the LTIP awards, being 25% for both the TSR and EPS performance requirements.

The maximum scenario reflects the fixed remuneration plus the maximum payout of all other incentive arrangements.

Annual remuneration report

The role of the Remuneration Committee

The Committee's responsibilities are set out in its terms of reference which are reviewed annually by the Board and are available on the Company's website: www.londonmetric.com.

The Committee's responsibilities include the following:

- Setting and reviewing the Group's overall remuneration policy and strategy
- Determining and reviewing individual remuneration packages
- Determining and approving the rules for the Long-Term Incentive Plan (LTIP) and Deferred Bonus Plan arrangements
- Approving salaries, bonuses and share awards for the Executive Directors

All members are Non-Executive Directors of the Company, which is an important pre-requisite to ensure Executive Directors' and senior executives' pay is set by Board members who have no personal financial interest in the Company other than as potential shareholders. The Committee meets regularly without the Executive Directors being present and is independently advised by New Bridge Street (a trading name of Aon plc), a signatory of the Remuneration Consultants' Code of Conduct and who has no connection with the Group other than in the provision of advice on executive and employee remuneration matters. For the financial year under review, total fees paid to New Bridge Street were £56,000 (including design, operation and administration of remuneration policy). No Executive Director is involved in the determination of his own remuneration and fees for non-executives are determined by the Board as a whole. The Board recognises that it is ultimately accountable for executive remuneration but has delegated this responsibility to the Committee. The Chairman reports to the Board on proceedings and outcomes following each Committee meeting. The Committee met on four occasions during the year.

The main activities of the Committee during the year and to the date of this report were as follows:

- Approved new LTIP arrangements for the Executive Directors and staff
- Approved Executive Directors' share awards under the LTIP following the announcement of the Company's 2013 results
- Set a base EPS target for the 2013 LTIP and annual bonus awards
- Assessed the performance of Executive Directors against targets set and determined annual bonuses for 2013/14
- Reviewed and approved annual salary increases effective from 1 June 2014
- Reviewed the revised remuneration reporting regulations and prepared the annual remuneration report
- Approved the updated Terms of Reference for the Committee
- Consulted with major shareholders on the proposed remuneration policy

Members of Committee

Member	Date appointed	Meetings attended	Eligible to attend
James Dean	1 October 2010	6	6
Charles Cayzer	1 October 2010	6	6
Philip Watson	25 January 2013	6	6
Andrew Varley	30 May 2013	3	3

The following section of the annual remuneration report provides details of the implementation of the remuneration policy for all Directors for the year to 31 March 2014. All of the information set out in this section of the report has been audited.

Single total figure of remuneration for each Director

Director	Salary and fees		Taxable benefits[2]		Pension benefits[5]		Annual bonus[6]		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Executive										
Patrick Vaughan	400	335	20	8	60	36	362	325	842	704
Andrew Jones[3]	480	59	24	5	72	12	720	90	1,296	166
Martin McGann[4]	315	258	27	5	39	50	332	271	713	584
Non-Executive										
Mark Burton[1]	14	50	–	–	–	–	–	–	14	50
Charles Cayzer	60	54	–	–	–	–	–	–	60	54
James Dean	59	58	–	–	–	–	–	–	59	58
Andrew Huntley[1,3]	15	11	–	–	–	–	–	–	15	11
Alec Pelmore[3]	50	9	–	–	–	–	–	–	50	9
Humphrey Price	60	60	–	–	–	–	–	–	60	60
Andrew Varley[3]	50	9	–	–	–	–	–	–	50	9
Philip Watson[3]	50	9	–	–	–	–	–	–	50	9
Rosalyn Wilton[7]	1	–	–	–	–	–	–	–	1	–

1 Andrew Huntley and Mark Burton resigned from the Board on 10 July 2013
2 Taxable benefits include the provision of a car allowance and private medical insurance
3 Directors appointed to the Board following the merger with Metric Property Investments Plc on 25 January 2013. Prior year comparatives represent the two-month post merger cost
4 Salary sacrifice arrangements in place whereby additional pension contributions are paid in lieu of salary
5 Pension contribution is 15% of salary (excluding any salary sacrifice) and may be taken partly or entirely in cash
6 Annual bonus payable in respect of the financial year ending 31 March 2014 determined in accordance with the performance measures outlined in the policy table and further discussed in the additional disclosures below
7 Appointed to the Board on 25 March 2014

Additional notes to the single total figure of remuneration

Base salary

Base salaries post the merger in 2013 were set with effect from 1 February 2013 to reflect new roles and responsibilities.

On 22 May 2014 the Committee approved increases of 2.5% for the Chairman, Chief Executive and Finance Director with effect from 1 June 2014. The average base salary increase for other employees was 2.5%. The Chairman will undertake his role in a non-executive capacity from 1 October 2014 and his remuneration will be reduced to £320,000 per annum in fees. He will receive no bonus, LTIP, benefits or pension benefit/allowance for the period from when he undertakes this new role. The Committee also agreed salary levels for the two new Executive Directors, Valentine Beresford and Mark Stirling, from their date of appointment.

The salaries for the year ahead are therefore as follows:

Directors' remuneration for 2014/15

Executive Director	Base salary from 1 February 2013	Base salary from 1 June 2014/ date of appointment	% increase
Patrick Vaughan	£400,000	£410,000[1]	2.5
Andrew Jones	£480,000	£492,000	2.5
Martin McGann	£315,000	£322,875	2.5
Valentine Beresford	n/a	£340,000	n/a
Mark Stirling	n/a	£340,000	n/a

1 Reducing to £320,000 per annum from 1 October 2014 when the role becomes non-executive

Annual Bonus Plan

The table below details the performance conditions and composition of targets for the annual bonus:

Year of award	Proportion deferred in shares	Weighting of performance measures	Composition of financial targets
2014/15	50%	70% financial targets	35% EPRA EPS
			35% total property return
		30% personal objectives	
2013/14	50%	70% financial targets	35% EPRA EPS
			35% total property return
		30% personal objectives	

Total property return (TPR) is compared with the IPD Composite Index TPR. A full payout in respect of TPR is made if it is at least 120% of the IPD Index. A 50% payout is made if TPR is at least 110% of the IPD benchmark and a 25% payout if it is equal to the IPD benchmark, with straight-line interpolation between these limits. No payout is made if TPR is negative.

The following table summarises the annual performance measures and performance assessment undertaken by the Committee in respect of the 2013/14 annual bonus. The Committee set the EPS targets from a prior year pro forma of 6.3p which was higher than had been indicated during consultations with shareholders prior to the 2013 AGM.

Group financial targets

Performance measure	Maximum % of bonus	Target to achieve 100% bonus	Actual performance	Total bonus
Annualised EPRA earnings per share	35%	6.62p	7.0p	100%
Total property return	35%	16.0%	17.0%	100%

Individual non financial targets

Executive Directors' non financial targets accounted for 30% of the maximum bonus award. Personal objectives were designed around the delivery of the business plan and the Group's key strategic objectives, specifically the repositioning of the portfolio towards out-of-town retail and leisure and retailer-led distribution and maximising recurring income through investment and asset management initiatives. The Committee felt that all Executive Directors had fully achieved their individual personal objectives and approved the maximum level of payout.

The table below outlines the key personal objectives set for each of the Executive Directors for the 2013/14 annual bonus:

	Performance measure	Maximum % of bonus	Personal objectives
Patrick Vaughan	Portfolio management	10%	Reposition portfolio to core sectors
	Management objectives	20%	Manage the merger and integration process
Andrew Jones	Portfolio management	15%	Reposition portfolio into core sectors Grow contracted income Maximise yield arbitrage between acquisitions and disposals Extend portfolio lease lengths Maintain high occupancy levels
	Management objectives	15%	Build and maintain good relationships with investors and analysts
Martin McGann	Management objectives	30%	Build and maintain good relationships with investors and analysts Manage the merger and integration process Comply with the regulatory reporting framework

In the opinion of the Board, the annual bonus performance conditions and individual objectives for the year ahead are commercially sensitive and accordingly are not disclosed. These will be reported upon with disclosure next year.

Based on the performance assessments above, the resulting 2014 annual bonus payments are as follows:

	Financial objectives	Individual objectives	Total bonus	Total bonus £000
Patrick Vaughan	100%	100%	100%	362
Andrew Jones	100%	100%	100%	720
Martin McGann	100%	100%	100%	332

In accordance with the remuneration policy, 50% of the annual bonuses for the Executive Directors, but excluding the Chairman, will be deferred and paid by way of shares in the Group in three equal instalments over three years and are subject to continued employment.

In accordance with the circular issued to shareholders dated 27 November 2012, in respect of the merger, the bonuses for Patrick Vaughan and Martin McGann have been calculated on the basis of pre-merger arrangements up until 30 September 2013 and only in accordance with the enlarged Group policy from 1 October 2013.

Long-Term Incentive Plan

Awards granted in the year were as follows:

Director	Date of grant	Share awards number	Face value per share	Face value £000
Andrew Jones[1]	21 August 2013	839,895	114.3p	960
Martin McGann[2]	27 November 2013	167,885	131.3p	220

1 As explained in the shareholders' circular dated 27 November 2012, additional LTIP performance shares were awarded as settlement of former Metric share scheme arrangements which were terminated. The face value of this award is 25% of salary, which is in addition, to the grant of 175% of his salary

2 With effect from 1 October 2013, he received 125% of his salary (pro-rated)

The face value is based on a weighted average price per share, being the average share price over the five business days immediately preceding the date of the award for all awards other than awards made to Andrew Jones on 21 August 2013, where the face value is based on a weighted average price per share over the five business days post announcement of the 2013 results.

The Committee has resolved that grants to Andrew Jones, Martin McGann, Valentine Beresford and Mark Stirling will be at the levels of 160%, 125%, 125% and 125% of salary respectively for 2014/15.

Awards will vest after three years subject to continued service and the achievement of performance conditions.

75% of awards will be subject to a TSR measure against an index of FTSE 350 Real Estate companies. 25% of this element will pay out for performance equal to the index, rising on a straight-line basis to full payout for outperforming the index by 50% of the index growth. No part of the TSR award will pay out unless TSR performance is positive.

25% of awards will be subject to an EPRA EPS growth measure against RPI. 25% of this element of the award will pay out for EPRA EPS performance equal to RPI plus 3% over three years, rising on a straight-line basis to full payout for EPRA EPS growth of RPI plus 8% over three years. The base EPRA EPS for the 2013/14 awards was set at 6.3p and for 2014/15 awards the base EPRA EPS will be set materially higher than the EPRA EPS for the year ended 31 March 2014.

The overriding objective is to attract, motivate and retain individuals of the highest calibre through simple and transparent arrangements.

James Dean
Chairman of Remuneration Committee

Non-Executive Directors' fees

The fees for Non-Executive Directors (excluding the Chairman) are determined and reviewed by the Board. The following fees for Non-Executive Directors excluding the Chairman have been set for the year ahead:

Base fee – £45,000 per annum

Additional fee for Audit/Remuneration Committee Chairmanship – £10,000 per annum

Additional fee for Audit/Remuneration Committee member and Senior Independent Director – £5,000 per annum

Non-Executive Directors are not eligible for performance-related bonuses, participation in the staff incentive plan, pensions or any other benefits from the Company other than travel, hospitality-related benefits or other incidental benefits linked to the performance of their duties as a Director.

The fee payable to the Non-Executive Chairman from 1 October 2014 is £320,000 per annum.

Payments to past Directors and for loss of office

There have been no payments made to retiring Directors or for loss of office in the year.

Directors' shareholdings and share interests

The beneficial interests in the ordinary shares of the Group held by the Directors and their families who were in office during the year or at the date of this report are set out below:

	31 March 2014 Ordinary shares of 10p each	31 March 2013 Ordinary shares of 10p each	**31 March 2014 Share ownership as % of salary[1]**	Shareholding guideline met
Executive Directors				
Patrick Vaughan	**16,337,997**	16,619,997	**5,788**	Yes
Andrew Jones	**2,243,479**	2,178,979	**662**	Yes
Martin McGann	**2,341,585**	3,341,585	**1,053**	Yes
Non-Executive Directors				
Mark Burton	**–**	–		
Charles Cayzer	**–**	–		
James Dean	**20,000**	–		
Andrew Huntley	**114,000**	114,000		
Alec Pelmore	**120,500**	120,500		
Humphrey Price	**2,015,733**	2,015,733		
Andrew Varley	**47,000**	47,000		
Philip Watson	**174,000**	94,000		
Rosalyn Wilton	**–**	–		

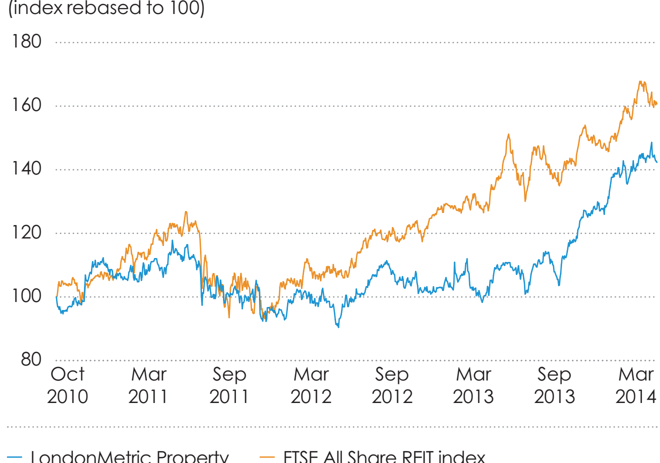
[1] Based on the Company's share price at 31 March 2014 of 141.7p

There were no movements in Directors' shareholdings between 31 March 2014 and the date of this report. The shareholding guidelines recommend Executive Directors build up a shareholding in the Company at least equal to four times salary. All Executive Directors complied with this requirement at 31 March 2014 and as at the date of this report. No Director had any interest or contract with the Company or any subsidiary undertaking during the year.

Performance graph

The graph below shows the Group's total shareholder return (TSR) for the period from 1 October 2010, when the Company listed on the Main Market of the London Stock Exchange, to 31 March 2014, compared to the FTSE All Share REIT Index. This Index has been chosen by the Committee as it is considered the most appropriate and relevant benchmark against which to assess the performance of the Company. The starting point required by the remuneration regulations was close to the bottom of the property cycle where a number of property companies launched rights issues while the Company did not. The Company's share price had not fallen as much as the average share price of the FTSE REIT sector prior to this starting point, thereby setting a higher initial base price for this graph. The share price has outperformed the same index over the last year as shown in the graph on page 11.

Total shareholder return measures price growth with dividends deemed to be reinvested on the ex-dividend date.



Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive for the period from the Company's listing on the main market of the London Stock Exchange on 1 October 2010 to 31 March 2014.

Year to 31 March 2014	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2014	1,296	100	–
2013 (Andrew Jones)[1]	166	100	–
2013 (Patrick Vaughan)[1]	583	100	–
2012	664	100	–
2011[2]	323	100	–

1 Andrew Jones became Chief Executive and Patrick Vaughan became Chairman on 25 January 2013 following the merger of the Company with Metric Property Investments plc
2 For the six months from the Company's listing on 1 October 2010 to 31 March 2011

Percentage change in Chief Executive remuneration

The percentage change in the role of the Chief Executive's remuneration from the previous year compared to the average percentage change in remuneration for all other employees is as follows:

	% change		
	Salary and fees	Taxable benefits	Annual bonus
Chief Executive[1]	47	77	100
Other employees[2]	47	36	30

1 Patrick Vaughan for the period 1 April 2012 to 25 January 2013, thereafter Andrew Jones, so the analysis is not on a comparable basis between the two years
2 Excludes Chief Executive

Relative importance of spend on pay

The table below shows the expenditure and percentage change in spend on employee remuneration compared to other key financial indicators:

	2014 £000	2013 £000	% change
Employee costs[1]	9,857	6,894	43
Dividends paid[2]	43,964	37,996	16

1 Figures taken from note 5 Employee costs on page 102
2 Figures taken from note 8 Dividends on page 103

Statement of voting at AGM

At the AGM on 10 July 2013, the Remuneration Committee report received the following votes from shareholders representing 70% of the issued share capital of the Company.

	Number of votes	% of votes cast
For	230,240,057	61.54
Against	143,879,801	38.46
Withheld	65,571,288	
Total	**439,691,146**	

The key area of criticism was in relation to the level of disclosure of performance targets relating to the annual bonus arrangements prior to the merger. Bonus performance targets for the post-merger firm was not an area of criticism and the Company has addressed all key concerns raised by shareholders last year.

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2014.

The principal activity of the Group continues to be property investment and development, both directly and through unit trusts and joint venture arrangements.

Principal activities and business review

The purpose of the annual report is to provide information to the members of the Company which is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, its principal risks and uncertainties and its business model and strategy is contained in the Strategic report on pages 1 to 56 and should be read as part of this report.

The annual report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report. Nothing in this Annual Report should be construed as a profit forecast.

Results and dividends

The Group reported a profit for the year of £125.3 million (2013: loss of £13.5 million) as shown on page 92. An interim dividend for 2014 of 3.5p per share was paid on 20 December 2013 and the Directors propose a final dividend of 3.5p per share, resulting in a total dividend of 7.0p per share for the year to 31 March 2014 (2013: 7.0p per share). The final dividend will be paid following approval at the Annual General Meeting on 17 July 2014 to ordinary shareholders on the register at the close of business on 11 June 2014.

As disclosed in note 8, 1.5p of the final dividend payment will comprise a Property Income Distribution (PID) which is paid, as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 2.0p will be paid as an ordinary dividend which is not subject to withholding tax.

Investment properties

A valuation of the Group's investment properties at 31 March 2014 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £1,030.6 million as reflected in note 10 to these accounts.

Share capital

As at 31 March 2014, there were 628,043,905 ordinary shares of 10p in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the size of a holding or on the transfer of shares. None of the shares carry any special rights of control over the Company. There were no persons with significant direct or indirect holdings in the Company other than those listed as substantial shareholders on page 85.

There were no changes to the Company's share capital during the year or since the year-end.

The rules governing appointments, replacement and powers of Directors are contained in the Company's Articles of Association. These include powers to authorise the issue and buy back of shares by the Company.

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2013 to purchase its own shares up to an aggregate nominal value of 10% of the issued nominal capital. That authority expires at this year's Annual General Meeting ("AGM") and a resolution will be proposed for its renewal. No ordinary shares were purchased under this authority during the year.

Directors

The present membership of the Board and biographical details of Directors are set out on pages 58 to 59.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 82.

Rosalyn Wilton was appointed to the Board as a Non-Executive Director on 25 March 2014 and Valentine Beresford and Mark Stirling were appointed Directors on 3 June 2014.

In accordance with the UK Corporate Governance Code, all of the Directors will retire and offer themselves for re-election at the forthcoming AGM on 17 July 2014.

Directors' and Officers' liability insurance

The Company has arranged Directors' and Officers' liability insurance cover in respect of legal action against its Directors, which is reviewed and renewed annually and remains in force at the date of this report.

Substantial shareholders

The Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company at the date of this report:

	Number of shares	%
Rathbone Investment Management	36,515,214	5.81
Blackrock Investment Management Ltd	34,763,918	5.54
Threadneedle Asset Management	31,617,465	5.03

Suppliers

The Group aims to settle supplier accounts in accordance with their individual terms of business.

The number of creditor days outstanding for the Group at 31 March 2014 was 19 days (2013: 22 days).

Provisions on change of control

Under the Group's credit facilities, the lending banks may require repayment of the outstanding amounts on any change of control.

The Group's Long Term Incentive Plan and Deferred Share Bonus Plan contain provisions relating to the vesting of awards in the event of a change of control of the Group.

Essential contracts

The Company has no contractual or other arrangements which are considered essential to the business.

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in notes 1 and 16 and in the review of Risk management on page 55.

Charitable and political contributions

During the year, the Group made charitable donations of £24,080 (2012: £40,900). No political donations were made during the year (2013: £nil).

Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are on pages 51 to 56. The Group's borrowings, undrawn facilities, hedging and liquidity are described in note 16 to the accounts. The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Post-balance sheet events

Details of the Group's post-balance sheet events are reflected in note 21 to these financial statements on page 115.

Employees

The Group currently has 43 employees. The Group's employment and environmental policies are summarised in the Responsible Business section on pages 32 to 43.

Greenhouse gas reporting

In accordance with Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on page 42.

Disclosure of information to auditors

So far as the Directors who held office at the date of approval of this Directors' report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Deloitte LLP is willing to be reappointed as the external auditor to the Company and Group. Their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the AGM on 17 July 2014.

Annual General Meeting

The AGM of the Company will be held at the Connaught, Carlos Place, Mayfair, London W1K 2AL at 10 am on 17 July 2014.

The Notice of Meeting sent separately to shareholders sets out the proposed resolutions and voting details.

Transfer of listing category

The Company intends to propose a transfer of the listing category of the whole of the Company's issued share capital from a premium listed closed-ended investment fund under Chapter 15 of the Listing Rules, to a premium listed commercial company under Chapter 6 of the Listing Rules. Such a transfer would only change the listing category of the Company and would not affect its status as either a premium listed company or a UK REIT.

However, as a company with a Chapter 6 listing does not require an investment policy, the Board intends to ask shareholders to approve the removal of its investment policy, which was adopted in 2010 and is set out below. The Company will instead pursue the business strategy set out on pages 8 to 9.

Further information in relation to a resolution to effect this proposed transfer will be sent separately to shareholders.

Investment Policy (adopted in 2010)

Key principles of the investment policy

The Group is focused on investing in commercial and residential property, including office, retail and industrial real estate assets, principally in the UK, and may also consider opportunities overseas, where the Directors consider the opportunity exists to extract above-average returns for shareholders. The Group is an active investor and has implemented strategies to enhance the quality and value of acquired assets and improve annual rental values.

Investment criteria

The Group looks for opportunities in the UK property market, offering double-digit cash on equity yields. Strict selection criteria are applied in assessing investment opportunities.

Properties are considered and evaluated to identify potential for value enhancement as a result of physical improvements, lease restructurings, optimising tenant mix or new build opportunities. The Group works closely with existing tenants with regard to such issues to ensure that the Group understands the demands of tenants in order to anticipate and benefit from future requirements.

The Directors look to identify latent potential in the Group's property portfolio and realise value, by making sales, when investments have fulfilled expectations or no longer meet the Group's performance criteria or investment needs.

The Group is able to make investments in property via a number of methods which include:

(a) direct investment in or acquisition of the real estate asset or portfolio of assets

(b) direct investment in or acquisition of the holding company of the real estate asset or portfolio of assets

(c) direct investment in or acquisition of a joint venture vehicle which has a direct investment in or holds the real estate assets or the holding company of the real estate asset or portfolio of assets

Gearing

The level of gearing of the Group is governed by careful consideration of the cost of borrowing and the ability to mitigate the risk of interest rate increases and the effect of leverage on the returns generated from assets acquired. The Group's level of borrowing will not exceed 100%. of the gross value of the Group's real estate assets at any one time.

Restrictions

The Group has the following investment restrictions:

(a) not more than 30% of the Group's gross assets will be invested in non-UK real estate assets

(b) not more than 40% of its gross assets will be invested in non-commercial real estate assets

(c) the Group will not acquire a single property unit with a value greater than 40% of the Group's gross assets

On behalf of the Board

Martin McGann
Finance Director
3 June 2014

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company 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 UK Accounting Standards 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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

Martin McGann
Finance Director
3 June 2014

Andrew Jones
Chief Executive
3 June 2014

Financial statements

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Auditor's report

Opinion on financial statements of LondonMetric Property Plc

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

The financial statements comprise the Group income statement, the Group and Parent Company balance sheets, the Group statement of changes in equity, the Group cash flow statement, and the related notes 1 to 21 for the Group financial statements and the related notes (i) to (vii) for the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on page 85 that the Group is a going concern. We confirm that:

- We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- We have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material mis-statement

The assessed risks of material mis-statement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Property valuation (see note 10) The Group owns a portfolio of retail and distribution property assets. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions including (i) capitalisation yields; (ii) future lease income; and (iii) with reference to development properties, costs to complete. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the same methodology with a deduction for all costs necessary to complete the development together with an allowance for remaining risk. The valuation exercise also relies on the accuracy of the underlying lease and financial information provided to the valuers by management.	– We assessed management's process for reviewing and assessing the work of the external valuer and development appraisals – We met with the external valuers of the portfolio to discuss the results of their work. We discussed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, break clauses, future lease income and yields – We assessed the competence, objectivity and integrity of the external valuer – We tested a sample of properties through benchmarking, understanding the valuation methodology and wider market analysis together with testing the integrity of a sample of the information provided to the independent valuer by agreeing that information to underlying lease agreements

Property transaction accounting (see note 10) The Group has undertaken a large number of property acquisitions and disposals including the acquisition of the DFS portfolio, the Odeon cinema portfolio and a number of distribution warehouses. The disposal of offices at Fleet Place, London and Leatherhead as well as a significant proportion of the residential portfolio were also undertaken during the course of the year. These transactions can include complexities such as rental top-up payments, conditionality and deferred completion mechanics or joint venture contractual obligations, requiring judgement as to the appropriate accounting to be applied.	– We assessed the fair value of consideration and confirmed key transaction terms by reference to acquisition or disposal agreements and other external evidence for all significant acquisitions and disposals in the year – We considered the date at which the transactions completed based on the timing of the transfer of risks and rewards of ownership per the acquisition or disposal agreements, and considered the impact of these transactions on revenue recognition – We considered the adequacy of the disclosure of the transactions in the financial statements – We recalculated the profit or loss on disposals based on the terms of the transaction
Revenue recognition (see note 3) Accounting for unusual or more complex items including rent-free periods and capital incentives is complex, requiring an understanding of specific terms and conditions which vary between contracts.	As part of our audit of revenue, we focused on any unusual and complex adjustments to revenue, agreeing the lease incentives for a sample of items to the underlying leases. We recalculated the required adjustment to the annual rent in relation to these items to determine whether the correct amount of revenue had been recognised in the year.
Impairment of intangible assets (see note 12) The intangible assets held on the balance sheet reflect the value attributed to asset management agreements on internalisation of London & Stamford and the acquisition of Metric. The audit risk relates to the potential impairment of the balance where there have been indicators of impairment during the year.	– We considered the performance of the underlying asset management agreements together with income projections, having regard to the existing assets subject to management and future transactions – We considered any indicators of impairment and management's impairment analysis – We assessed the impairment booked during the year to fully impair the Green Park intangible, in light of the impairment analysis prepared by management

The Audit Committee's consideration of these risks is set out on pages 69 and 70.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of mis-statement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £15.2 million which is 2% of shareholders' equity. In addition to net assets, we consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £1.3 million based on 5% of that measure for testing of all balances and classes of transactions which impact that measure, primarily transactions recorded in the income statement other than fair value movements on investment property, development property and derivatives.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material mis-statement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor, responsible for the audit of the Company and each of its subsidiaries and joint ventures. Our audit work on subsidiaries and joint ventures is carried out to a materiality which is lower than, and in most cases substantially lower than, Group materiality as set out above. Our audit also included testing of the consolidation process and Group-wide controls.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006

– The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006, we are required to report to you if, in our opinion:

– We have not received all the information and explanations we require for our audit

– Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us

– The Parent Company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate governance statement

Under the Listing Rules we are also required to review the part of the Corporate governance statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the annual report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

– Materially inconsistent with the information in the audited financial statements

– Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit

– Otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report.

Claire Faulkner
Senior Statutory Auditor
For and on behalf of Deloitte LLP, statutory auditor
London
United Kingdom
3 June 2014

Group income statement
For the year ended 31 March

	Note	**2014 £000**	2013 £000
Gross rental income	3	**54,061**	32,752
Property operating expenses		**(2,789)**	(3,511)
Net rental income		**51,272**	29,241
Property advisory fee income		**799**	8,466
Net proceeds from sales of trading properties	3	**499**	–
Other operating income		**–**	1,913
Net income		**52,570**	39,620
Administrative costs		**(13,484)**	(10,956)
Share-based payments	4	**(3,790)**	(10,484)
Write down of goodwill on acquisition of subsidiaries		**–**	(6,251)
Amortisation of intangible asset		**(8,794)**	(3,954)
Acquisition costs		**(189)**	(5,661)
Total administrative costs		**(26,257)**	(37,306)
Profit on revaluation of investment properties	10	**87,519**	8,394
Profit on sale of investment properties and subsidiaries		**11,682**	1,076
Impairment of investment in associate		**–**	(23,178)
Share of profits of associates and joint ventures	11	**14,424**	15,969
Operating profit	4	**139,938**	4,575
Finance income	6	**162**	730
Finance costs	6	**(21,794)**	(12,553)
Change in fair value of derivative financial instruments	6	**8,383**	(1,704)
Profit/(loss) before tax		**126,689**	(8,952)
Taxation	7	**(1,352)**	(4,441)
Profit/(loss) after tax		**125,337**	(13,393)
Profit/(loss) for the year and total comprehensive income attributable to:			
Equity shareholders		**125,337**	(13,456)
Non controlling interest		**–**	63
		125,337	(13,393)
Earnings/(loss) per share			
Basic and diluted	9	**20.0p**	(2.4)p
EPRA	9	**4.2p**	3.9p

All amounts relate to continuing activities.

The notes on pages 96 to 115 form part of these financial statements.

Group balance sheet
As at 31 March

	Note	2014 £000	2013 £000
Non current assets			
Investment properties	10	**1,030,553**	986,793
Investment in equity accounted associates and joint ventures	11	**108,990**	120,919
Intangible assets	12	**844**	9,638
Other tangible assets		**451**	311
Deferred tax assets	7	**829**	2,311
		1,141,667	1,119,972
Current assets			
Trading properties		**–**	3,837
Trade and other receivables	13	**44,050**	11,731
Cash and cash equivalents	14	**78,357**	37,572
		122,407	53,140
Total assets		**1,264,074**	1,173,112
Current liabilities			
Trade and other payables	15	**96,839**	26,232
		96,839	26,232
Non current liabilities			
Borrowings	16	**409,938**	460,328
Derivative financial instruments	16	**1,443**	9,883
		411,381	470,211
Total liabilities		**508,220**	496,443
Net assets		**755,854**	676,669
Equity			
Called up share capital	18	**62,804**	62,804
Capital redemption reserve		**9,636**	9,636
Other reserve		**225,420**	227,920
Retained earnings		**457,994**	376,309
Equity shareholders' funds		**755,854**	676,669
Net asset value per share	9	**120.8p**	107.7p
EPRA net asset value per share	9	**121.0p**	109.4p

The financial statements were approved and authorised for issue by the Board of Directors on 3 June 2014 and were signed on its behalf by:

Martin McGann

Martin McGann
Finance Director
Registered in England, No 7124797

The notes on pages 96 to 115 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Subtotal £000	Non controlling interest £000	Total £000
At 1 April 2013		**62,804**	**9,636**	**227,920**	**376,309**	**676,669**	**–**	**676,669**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**125,337**	**125,337**	**–**	**125,337**
Purchase of shares held in trust		**–**	**–**	**(2,500)**	**–**	**(2,500)**	**–**	**(2,500)**
Share-based awards		**–**	**–**	**–**	**311**	**311**	**–**	**311**
Dividends paid	8	**–**	**–**	**–**	**(43,963)**	**(43,963)**	**–**	**(43,963)**
At 31 March 2014		**62,804**	**9,636**	**225,420**	**457,994**	**755,854**	**–**	**755,854**

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Subtotal £000	Non controlling interest £000	Total £000
At 1 April 2012 (as previously reported)		54,280	300	47,069	531,905	633,554	5,783	639,337
Restatement	10	–	–	–	(2,650)	(2,650)	–	(2,650)
At 1 April 2012 (after restatement)		54,280	300	47,069	529,255	630,904	5,783	636,687
Loss for the year and total comprehensive income		–	–	–	(13,456)	(13,456)	63	(13,393)
Share issue on merger with Metric		17,860	–	184,851	–	202,711	–	202,711
Clawback and cancellation of own shares		(479)	479	(5,015)	(479)	(5,494)	–	(5,494)
Purchase and cancellation of own shares following Tender Offer		(8,857)	8,857	–	(100,650)	(100,650)	–	(100,650)
Share-based awards		–	–	1,015	(365)	650	–	650
Distribution paid to non controlling interest		–	–	–	–	–	(5,846)	(5,846)
Dividends paid	8	–	–	–	(37,996)	(37,996)	–	(37,996)
At 31 March 2013		62,804	9,636	227,920	376,309	676,669	–	676,669

The notes on pages 96 to 115 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	2014 £000	2013 £000
Cash flows from operating activities		
Profit/(loss) before tax	**126,689**	(8,952)
Adjustments for non cash items:		
Profit on revaluation of investment properties	**(87,519)**	(8,394)
Profit on sale of investment properties and subsidiaries	**(11,682)**	(1,076)
Share of post-tax profit of associates and joint ventures	**(14,424)**	(15,969)
Share-based payment	**3,790**	10,484
Impairment of investment	**–**	23,178
Write down of intangible asset	**8,794**	3,954
Write down of positive goodwill on acquisition of subsidiary	**–**	6,251
Net finance costs	**13,249**	13,527
Cash flows from operations before changes in working capital	**38,897**	23,003
Change in trade and other receivables	**777**	(2,774)
Movement in lease incentives	**(7,881)**	(604)
Change in trade and other payables	**(2,610)**	1,304
Disposal of trading properties	**3,837**	–
Cash flows from operations	**33,020**	20,929
Interest received	**162**	743
Interest paid	**(12,722)**	(9,775)
Tax (received)/paid	**(114)**	454
Financial arrangement fees and break costs	**(10,436)**	(2,682)
Cash flows from operating activities	**9,910**	9,669
Investing activities		
Purchase of investment properties and subsidiaries	**(263,871)**	(315,614)
Purchase of other tangible assets	**(257)**	–
Capital expenditure on investment properties	**(26,157)**	(712)
Sale of investment properties and subsidiaries	**422,171**	73,044
Investments in associates and joint ventures	**(52,597)**	(44,297)
Distributions from associates and joint ventures	**46,829**	101,449
Cash flow from investing activities	**126,118**	(186,130)
Financing activities		
Dividends paid	**(43,963)**	(37,996)
(Purchase)/sale of shares held in trust	**(2,190)**	650
Purchase of own shares	**–**	(100,650)
New borrowings	**292,870**	215,095
Repayment of loan facilities	**(341,960)**	–
Cash flows from financing activities	**(95,243)**	77,099
Net increase/(decrease) in cash and cash equivalents	**40,785**	(99,362)
Opening cash and cash equivalents	**37,572**	136,934
Closing cash and cash equivalents	**78,357**	37,572

The notes on pages 96 to 115 form part of these financial statements.

1 Accounting policies

a) General information

In 2013 the Company (previously named London & Stamford Property Plc) merged with Metric Property Investments plc ("Metric") by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

c) Basis of preparation

The functional and presentational currency of the Company and all subsidiaries ("the Group") is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently in all material respects.

i) Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to such assumptions and estimates include the fair value of investment properties, amortisation of intangible assets and the fair value of derivative financial instruments. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to property valuation, intangible assets, investment in associates and joint ventures, derivative financial instruments and taxation, and these are discussed in the policies below. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

ii) Adoption of new and revised standards

Standards and interpretations effective in the current period

During the year the following new and revised Standards and Interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements:

Name	Description
IFRS 13	Fair value measurement
IFRS 7	Amendments to IFRS 7 disclosures
IAS 1	Amendments to IAS 1 presentation
Various	Annual improvements to IFRSs (2009–2011 cycle)

Standards and interpretations in issue not yet adopted

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that are mandatory for later accounting periods and which have not been adopted early. These are:

Name	Description	Effective date
IAS 36	Amendments to IAS 36	1 January 2014
IAS 39	Financial instruments	1 January 2014
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Amendments to IAS 32	1 January 2014
IFRS 9	Financial instruments	31 December 2017

With the exception of IFRS 9, statements and interpretations, when applied, are not expected to have a material impact on the financial statements, other than on presentation and disclosure. IFRS 9 will impact the measurement and classification of the Group's financial assets and financial liabilities. The Group has not yet completed its evaluation of the effect of adoption.

1 Accounting policies (continued)

d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries using the purchase method. Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity to gain benefits from its activities. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition, in other cases the purchase method is used.

ii) Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control. Associates are those entities over whose activities the Group is in a position to exercise significant influence but does not have the power to jointly control.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

The Group's joint ventures and associates adopt the accounting policies of the Group for inclusion in the Group financial statements.

iii) Intangible assets

Intangible assets, such as property advisory and management agreements acquired through business combinations, are measured initially at fair value and are amortised on a straight-line basis over their estimated useful lives. Intangible assets are subject to regular reviews for impairment.

iv) Goodwill

Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in income statement within administration expenses and is not subsequently reversed.

Any excess of the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon over the purchase price of business combinations is recognised immediately in the income statement.

e) Property portfolio

i) Investment properties

Investment properties are properties owned or leased by the Group which are held for long-term rental income and for capital appreciation. Investment property includes property that is being constructed, developed or redeveloped for future use as an investment property. Investment property is initially recognised at cost, including related transaction costs. It is subsequently carried at each published balance sheet date at fair value on an open market basis as determined by professionally qualified independent external valuers. Where a property held for investment is appropriated to development property, it is transferred at fair value. A property ceases to be treated as a development property on practical completion.

The determination of the fair value of each property requires, to the extent applicable, the use of estimates and assumptions in relation to factors such as future rental income, current market rental yields, future development costs and the appropriate discount rate. In addition, to the extent possible, the valuers make reference to market evidence of transaction prices for similar properties. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise.

In accordance with IAS 40 "Investment Property", no depreciation is provided in respect of investment properties.

Investment property is recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the Group
- There are no material conditions precedent which could prevent completion
- The cost of the investment property can be measured reliably

All costs directly associated with the purchase of an investment property are capitalised. Capital expenditure that is directly attributable to the redevelopment or refurbishment of investment property, up to the point of it being completed for its intended use, is capitalised in the carrying value of the property.

1 Accounting policies (continued)

ii) Assets held for sale

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition, management expect the sale to complete within one year from the date of its classification and are committed to the sale.

iii) Trading properties

Trading properties are initially recognised at cost and subsequently at the lower of cost and net realisable value.

iv) Tenant leases

Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 for all properties leased to tenants and has determined that such leases are operating leases.

v) Net rental income

Revenue comprises rental income.

Rental income from investment property leased out under an operating lease is recognised in the profit or loss on a straight-line basis over the lease term.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

Revenue from the sale of trading properties is recognised in the period within which there is an unconditional exchange of contracts.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to profit or loss.

vi) Surplus on sale of investment properties

Surpluses on sales of investment properties are calculated by reference to the carrying value at the previous year-end valuation date, adjusted for subsequent capital expenditure.

f) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of the financial assets and liabilities are a reasonable approximation of their fair values.

i) Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade and other receivables, intra-group loans and cash and cash equivalents. Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

ii) Other financial assets

These comprise deposits held with banks where the original maturity was more than three months.

iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

iv) Other financial liabilities

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

v) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks.

Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in profit or loss.

1 Accounting policies (continued)

g) Finance costs

Net finance costs include interest payable on borrowings, net of interest capitalised and finance costs amortised.

Interest is capitalised if it is directly attributable to the acquisition, construction or redevelopment of development properties from the start of the development work until practical completion of the property. Capitalised interest is calculated with reference to the actual interest rate payable on specific borrowings for the purposes of development or, for that part of the borrowings financed out of general funds, with reference to the Group's weighted average cost of borrowings.

h) Finance income

Finance income includes interest receivable on funds invested, measured at the effective rate of interest on the underlying sum invested.

i) Dividends

Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

j) Tax

Tax is included in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

The following differences are not provided for:

– The initial recognition of goodwill

– Goodwill for which amortisation is not tax deductible

– The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit

– Investments in subsidiaries, associates and jointly-controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

k) Share-based payments

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

l) Shares held in Trust

The cost of the Company's shares held by the Employee Benefit Trust is deducted from equity in the Group balance sheet. Any shares held by the Trust are not included in the calculation of earnings per share.

m) Capital management policy

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

n) Operating lease commitments

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group, the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

2 Segmental information

Property value As at 31 March	**2014** **100% owned £000**	**Share of JV £000**	**Total £000**	2013 100% owned £000	Trading property £000	Share of JV £000	Total £000
Retail	**437,745**	**102,045**	**539,790**	347,540	–	30,567	378,107
Distribution	**322,800**	**13,200**	**336,000**	125,075	–	118,763	243,838
Offices	**75,900**	**–**	**75,900**	242,438	–	–	242,438
Residential	**22,223**	**73,960**	**96,183**	178,165	3,837	76,800	258,802
Development	**171,885**	**–**	**171,885**	82,624	–	–	82,624
Other	**–**	**–**	**–**	10,951	–	–	10,951
	1,030,553	**189,205**	**1,219,758**	986,793	3,837	226,130	1,216,760

Gross rental income For the year to 31 March	**2014** **100% owned £000**	**Share of JV £000**	**Total £000**	2013 100% owned £000	Share of JV £000	Total £000
Retail	**27,921**	**2,880**	**30,801**	3,476	6,119	9,595
Distribution	**10,659**	**2,923**	**13,582**	3,668	8,279	11,947
Offices	**12,679**	**–**	**12,679**	20,310	–	20,310
Residential	**2,618**	**1,970**	**4,588**	5,180	547	5,727
Development	**184**	**–**	**184**	–	–	–
Other	**–**	**–**	**–**	118	–	118
	54,061	**7,773**	**61,834**	32,752	14,945	47,697

Net rental income For the year to 31 March	**2014** **100% owned £000**	**Share of JV £000**	**Total £000**	2013 100% owned £000	Share of JV £000	Total £000
Retail	**27,044**	**2,876**	**29,920**	3,450	5,987	9,437
Distribution	**10,180**	**2,929**	**13,109**	2,922	8,257	11,179
Offices	**12,499**	**–**	**12,499**	19,681	–	19,681
Residential	**1,383**	**1,368**	**2,751**	3,373	152	3,525
Development	**166**	**–**	**166**	–	–	–
Other	**–**	**–**	**–**	(185)	–	(185)
	51,272	**7,173**	**58,445**	29,241	14,396	43,637

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's chief operating decision makers and for which discrete financial information is available. Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates entirely in the UK and no geographical split is provided in information reported to the Board.

3 Net income

For the year to 31 March	2014 £000	2013 £000
Gross rental income	**54,061**	32,752
Property operating expenses	**(2,789)**	(3,511)
	51,272	29,241
Proceeds from sales of trading properties	**4,426**	–
Cost of sales of trading properties	**(3,927)**	–
	499	–

For the year ended 31 March 2013, 19%, 19% and 10% of the Group's gross rental income was receivable from three tenants included within the offices sector of the portfolio. For the year ended 31 March 2014 no single tenant contributed more than 10% of the Group's gross rental income.

4 Profit from operations

For the year to 31 March	2014 £000	2013 £000
This has been arrived at after charging:		
Share-based payments	**3,790**	14,759
Effect of cancellation of Consideration Shares	**–**	(4,275)
	3,790	10,484
Operating lease expense	**663**	674
Auditor's remuneration:		
Audit of the Group and Company financial statements, pursuant to legislation	**60**	189
Fees payable to the Company's auditor for other services to the Group:		
– Statutory audit of subsidiary accounts, pursuant to legislation	**118**	32
– Corporate advisory services	**–**	326
– Other advisory services	**45**	30

A share-based payment prepayment was created for £39.5 million of the total purchase consideration payable under the LSI Acquisition Agreement as reported in the 2011 financial statements. This was based on a total of 34,346,378 Consideration Shares issued to the members of the former Property Advisor (LSI Management LLP) at the market price on the date of its acquisition of 115p per share, of which 6,244,796 were subject to clawback provisions. In addition, bad leaver provisions and lock-in arrangements prohibiting the disposal of such Consideration Shares applied for the three years to September 2013.

On 25 January 2013 the Company acquired and then cancelled 4,777,268 of the Consideration Shares pursuant to the terms of the Existing Management Incentive Termination Agreement. This has resulted in the reversal of share-based payments charged in previous periods of £4.3 million. The remaining 1,467,258 Consideration Shares were awarded to members.

Raymond Mould was deemed a good leaver on his resignation from the Company and retained 9,916,367 of the total Consideration Shares. The remaining 19,652,743 Consideration Shares were subject to bad leaver provisions and the reduced share-based payment prepayment of £3.8 million was charged to the profit and loss account in the current year.

5 Employee costs

For the year to 31 March	2014 £000	2013 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**8,188**	5,719
Social security costs	**1,143**	780
Other pension costs	**526**	395
	9,857	6,894
Share-based payment	**311**	(365)
	10,168	6,529

The emoluments and pension benefits of the Directors are set out in detail within the Remuneration Committee report on pages 71 to 83.

The long-term share incentive scheme that was created following the merger in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share and total property return of the Group over a three-year vesting period. The Group expenses the estimated number of shares likely to vest over the three-year period based on the market price at the date of grant. In the current year the charge was £311,000.

The Company awarded 2,247,366 shares during the year, 1,007,780 of which were awarded to Executive Directors as shown in the Remuneration Committee report on page 81. The cost of acquiring the shares of £2,500,000 has been charged to reserves.

The average number of employees including Executive Directors during the year was:

	2014 Number	2013 Number
Head office and property management	**35**	27

6 Finance income and costs

For the year to 31 March	2014 £000	2013 £000
Finance income		
Interest on short-term deposits	**162**	730
	162	730
Finance costs		
Interest payable on bank loans	**12,715**	11,261
Loan break costs and amortisation of loan issue costs	**9,079**	1,292
	21,794	12,553
Fair value (gain)/loss on derivative financial instruments	**(8,383)**	1,704
	13,411	14,257

Interest capitalised in the year amounted to £2.2 million (2013: nil).

7 Taxation

For the year to 31 March	2014 £000	2013 £000
The tax charge comprises:		
Current tax		
UK tax (credit)/charge on profit	**(130)**	32
Deferred tax		
Change in deferred tax	**1,482**	4,409
	1,352	4,441

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £000	2013 £000
Profit/(loss) before tax	**126,689**	(8,952)
Tax at the standard rate of corporation tax in the UK of 23% (2013: 24%)	**29,138**	(2,148)
Effects of:		
Expenses not deductible for tax purposes	**2,938**	10,790
Tax effect of income not subject to tax	**(28,758)**	(4,809)
Share of post-tax profit of associates and joint ventures	**(3,318)**	(3,833)
Temporary differences	**1,482**	1,978
Utilisation of tax losses	**–**	2,431
Prior year tax adjustments	**(130)**	32
UK tax charge on profit/(loss)	**1,352**	4,441

Deferred tax asset

	Intangible assets £000
Opening balance	2,311
Charged during the year	(1,482)
At 31 March 2014	**829**

As the Group is a UK-REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

8 Dividends

For the year to 31 March	2014 £000	2013 £000
Ordinary dividends paid		
2012 Final dividend: 3.5p per share	**–**	18,998
2013 Interim dividend: 3.5p per share	**–**	18,998
2013 Final dividend: 3.5p per share	**21,982**	–
2014 Interim dividend: 3.5p per share	**21,982**	–
	43,964	37,996
Proposed for approval by shareholders at Annual General Meeting		
Dividend: 3.5p per share	**21,982**	21,982

The proposed final dividend was approved by the Board on 28 May 2014 and is subject to approval at the Annual General Meeting on 17 July 2014. It has not been included as a liability nor deducted from retained earnings as at 31 March 2014. The proposed final dividend of 3.5p per share, of which 1.5p per share is a Property Income Distribution, is payable on 21 July 2014 to ordinary shareholders on the register at the close of business on 13 June 2014 and will be recognised as an appropriation of retained earnings in 2015.

9 Earnings and net assets per share

Earnings per share of 20.0p (2013: loss per share of 2.4p) is calculated on a weighted average of 626,896,563 (2013: 561,508,387) ordinary shares of 10p each and is based on profits attributable to ordinary shareholders of £125.3 million (2013: loss of £13.5 million). There are no potentially dilutive or anti-dilutive share options in the year.

Net assets per share is based on equity shareholders' funds at 31 March 2014 of £755.9 million (2013: £676.7 million) and 625,796,539 ordinary shares in issue excluding those held by the Employee Benefit Trust at that date (2013: 628,043,905).

Adjusted profit and adjusted net assets per share are calculated in accordance with the Best Practice Recommendations of the European Public Real Estate Association (EPRA) as follows:

For the year to 31 March	Group £000	Share of JV £000	**2014 £000**	2013 £000
Basic and adjusted earnings				
Basic earnings attributable to ordinary shareholders	110,913	14,424	**125,337**	(13,456)
Revaluation of investment property	(87,519)	(8,360)	**(95,879)**	(20,320)
Fair value of derivatives	(8,383)	(2,838)	**(11,221)**	2,803
Goodwill on acquisitions	–	–	**–**	6,251
Amortisation of intangible assets	8,794	–	**8,794**	3,954
Share-based payments[1]	3,790	–	**3,790**	10,484
Acquisition costs	189	–	**189**	5,661
Deferred tax	1,482	–	**1,482**	4,409
Cost on closing out derivatives	6,228	2,121	**8,349**	–
Profit on disposal[2]	(12,181)	(2,291)	**(14,472)**	(1,076)
Impairment of investments held for sale	–	–	**–**	23,178
Minority interest in respect of the above	–	–	**–**	63
EPRA earnings	23,313	3,056	**26,369**	21,951

[1] The amortisation of amounts classified as share-based payments has been reflected as an EPRA earnings adjustment as it is akin to an intangible asset and arose alongside the intangible asset as a result of the internalisation of the London & Stamford management business in 2010

[2] Profit on disposal of investment and trading property and subsidiaries

As at 31 March	**2014 Number of shares**	2013 Number of shares
Number of shares		
Opening ordinary share capital	**628,043,905**	542,795,171
Shares held in employee trust	**(1,147,342)**	(863,424)
Issue of 178,599,912 ordinary shares (28 January 2013)	**–**	30,337,519
Clawback and cancellation of 4,777,268 shares (28 January 2013)	**–**	(811,481)
Purchase and cancellation of tender offer shares (18 February 2013)	**–**	(9,949,398)
Weighted average number of ordinary shares	**626,896,563**	561,508,387
Basic and diluted earnings/(loss) per share	**20.0p**	(2.4)p
EPRA earnings per share	**4.2p**	3.9p

9 Earnings and net assets per share (continued)

As at 31 March	2014 £000	2013 £000
Net assets per share		
Equity shareholders' funds	**755,854**	676,669
Fair value of derivatives	**1,443**	9,883
Cost of cap and swaption	**(212)**	(336)
Revaluation of trading properties	**–**	633
Fair value of associate and joint ventures' derivatives	**(115)**	2,723
Deferred tax	**–**	(2,311)
EPRA net assets	**756,970**	687,261
Basic net assets per share	**120.8p**	107.7p
EPRA net assets per share	**121.0p**	109.4p

10 Investment properties

a) Investment property

As at 31 March	2014 Freehold £000	2014 Long leasehold £000	2014 Total £000	2013 Freehold £000	2013 Long leasehold £000	2013 Total £000
Opening balance	**710,864**	**193,305**	**904,169**	474,435	185,587	660,022
Acquisitions	**256,795**	**61,518**	**318,313**	487,979	81,319	569,298
Other capital expenditure	**6,900**	**763**	**7,663**	857	(168)	689
Disposals	**(280,775)**	**(130,136)**	**(410,911)**	(242,151)	(6,198)	(248,349)
Transfer to investment property under development	**(25,935)**	**(600)**	**(26,535)**	–	(77,000)	(77,000)
Revaluation movement	**49,502**	**8,586**	**58,088**	(1,606)	9,760	8,154
Movement in tenant incentives and rent-free uplifts	**7,789**	**92**	**7,881**	(8,650)	5	(8,645)
	725,140	**133,528**	**858,668**	710,864	193,305	904,169

b) Investment property under development

As at 31 March	2014 Freehold £000	2014 Long leasehold £000	2014 Total £000	2013 Freehold £000	2013 Long leasehold £000	2013 Total £000
Opening balance	**5,624**	**77,000**	**82,624**	–	–	–
Acquisitions	**17,015**	**–**	**17,015**	5,360	–	5,360
Other capital expenditure	**4,809**	**14,862**	**19,671**	24	–	24
Disposals	**(3,391)**	**–**	**(3,391)**	–	–	–
Transfer from investment property	**25,935**	**600**	**26,535**	–	77,000	77,000
Revaluation movement	**15,093**	**14,338**	**29,431**	240	–	240
	65,085	**106,800**	**171,885**	5,624	77,000	82,624
Total investment properties	**790,225**	**240,328**	**1,030,553**	716,488	270,305	986,793

At 31 March 2014, the Group's freehold and leasehold investment properties were externally valued by the Royal Institution of Chartered Surveyors (RICS) Registered Valuers of CBRE Limited ("CBRE") and Savills Advisory Services Limited ("Savills"), both Chartered Surveyors, at £1,030.6 million. The valuation of property held for sale at 31 March 2014 was £22.2 million (2013: £58.8 million).

10 Investment properties (continued)

The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The total fees earned by CBRE and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

In the 2012 financial statements, investment property in the course of construction at Clerkenwell Quarter, Islington was valued by the Directors at £10.4 million. At the request of the Financial Reporting Council the Company agreed to restate the valuation for this property in its comparative figures for 2013.

c) Valuation technique and quantitative information

			ERV		Net Initial Yield		Reversionary Yield	
Asset type	**Fair Value 2014 £000**	Valuation Technique	Weighted Average (£ per sq ft)	Range (£ per sq ft)	Weighted Average %	Range %	Weighted Average %	Range
Retail	**437,745**	Yield capitalisation	15.21	9.96–26.73	6.3	4.7–8.1	5.9	4.7–8.1
Distribution	**322,800**	Yield capitalisation	5.00	3.42–8.81	6.1	5.2–7.3	6.0	5.0–7.2
Office	**75,900**	Yield capitalisation	19.78	17.84–20.35	6.9	6.7–7.4	6.8	6.6–6.8
Residential	**22,223**	Comparison	n/a	n/a	n/a	n/a	n/a	n/a
Development	**171,885**	Residual	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
	1,030,553							

[1] Capitalised market rental values calculated using estimated rentals and market capitalisation rates derived from prior transactions and for comparable transactions in the market

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2014. The fair value at 31 March 2014 represents the highest and best use.

i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant "unobservable" inputs. There have been no changes in valuation techniques since the prior year.

Yield capitalisation – for commercial investment properties, market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the net initial yields and the fair market values per square foot derived from recent market transactions.

Residual – for investment properties under development, the fair value of the property is calculated by estimating the fair value of the completed property using the yield capitalisation technique less estimated costs to completion and a risk premium.

Comparison – for residential properties the fair value is calculated by using data from recent market transactions.

ii) Sensitivity

An increase or decrease in ERV will increase or decrease the fair value of the Group's investment properties.

An increase or decrease to the net initial yields and reversionary yields will decrease or increase the fair value of the Group's investment properties.

An increase or decrease in the estimated costs of development will decrease or increase the fair value of the Group's investment properties under development.

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could magnify or mitigate the impact on the valuation.

10 Investment properties (continued)

iii) Process

The valuation reports produced by CBRE and Savills are based on:

- Information provided by the Group, such as current rents, lease terms, capital expenditure and comparable sales information, which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment
- Assumptions applied by the valuers such as ERVs and yields which are based on market observation and their professional judgement

CBRE and Savills separately meet the Auditors and the Audit Committee semi-annually.

Included within the investment property valuation is £9.2 million (2013: £1.3 million) in respect of lease incentives and rent-free periods.

The historical cost of all of the Group's investment properties at 31 March 2014 was £946.7 million (2013: £934.0 million).

Capital commitments have been entered into amounting to £56.0 million (2013: £5.6 million) which have not been provided for in the financial statements.

11 Investment in associate and joint venture

As at 31 March	**2014 £000**	2013 £000
Opening balance	**120,919**	161,575
Additions at cost	**20,476**	68,002
Share of profit in the year	**14,424**	15,969
Disposals	**(43,968)**	(119,165)
Profit distributions received	**(2,861)**	(5,462)
	108,990	120,919

In July 2013 LSP Green Park Distribution Holdings Limited, in which the Group has a 50% interest, disposed of 10 out of its 11 assets by way of a corporate disposal of three companies.

The Group's one-third interest in Metric Income Plus Limited Partnership (MIPP) acquired nine properties for £23.4 million (including purchase costs) in the year.

In December 2013 the Group established a new joint venture with LVS II Lux X S.a.r.l called LMP Retail Warehouse JV Property Unit Trust, in which it has a 30.5% interest. The joint venture acquired 27 DFS assets from the administrator of Delphi Properties Limited for £175 million (Group share £53.4 million). Simultaneously with the closing of the transaction the joint venture sold eight of the assets for total proceeds of £43.4 million (Group share £13.2 million).

All Group interests are equity accounted for in these financial statements.

11 Investment in associate and joint venture (continued)

The Group's share of the profit after tax and net assets of its associates and joint ventures is as follows:

	LMP Retail Warehouse JV Holdings £000	LSP Green Park Distribution Holdings £000	LSP London Residential Investments £000	Metric Income Plus £000	2014 £000	LSP Green Park Property Trust £000	LSP Green Park Distribution Holdings £000	LSP London Residential Investments £000	Metric Income Plus £000	2013 £000
Summarised income statement										
Net rental income	84	2,929	1,368	2,792	**7,173**	5,628	8,257	152	359	**14,396**
Administration expenses	(64)	(99)	(268)	(25)	**(456)**	(396)	(182)	(141)	(4)	**(723)**
Management fees	(54)	(307)	(232)	(163)	**(756)**	(513)	(713)	(138)	(21)	**(1,385)**
Revaluation gain/(loss)	3,639	475	1,173	3,073	**8,360**	–	(2,075)	13,948	53	**11,926**
Net interest payable	–	(3,130)	(1,082)	(814)	**(5,026)**	(3,938)	(3,179)	(634)	(106)	**(7,857)**
Movement in derivatives	–	2,429	243	166	**2,838**	(544)	(329)	(151)	(75)	**(1,099)**
Profit on disposal	1,675	326	3	287	**2,291**	–	–	–	–	**–**
Tax	–	–	–	–	**–**	226	485	–	–	**711**
Profit after tax	5,280	2,623	1,205	5,316	**14,424**	463	2,264	13,036	206	**15,969**
EPRA adjustments										
Revaluation gain/(loss)	(3,639)	(475)	(1,173)	(3,073)	**(8,360)**	–	2,075	(13,948)	(53)	**(11,926)**
Movement in derivatives	–	(2,429)	(243)	(166)	**(2,838)**	544	329	151	75	**1,099**
Profit on disposal	(1,675)	(326)	(3)	(287)	**(2,291)**	–	–	–	–	**–**
Cost of closing out derivatives	–	2,121	–	–	**2,121**	–	–	–	–	**–**
EPRA earnings	(34)	1,514	(214)	1,790	**3,056**	1,007	4,668	(761)	228	**5,142**

	LMP Retail Warehouse JV Holdings £000	LSP Green Park Distribution Holdings £000	LSP London Residential Investments £000	Metric Income Plus £000	2014 £000	LSP Green Park Property Trust £000	LSP Green Park Distribution Holdings £000	LSP London Residential Investments £000	Metric Income Plus £000	2013 £000
Summarised balance sheet										
Investment properties	48,495	13,200	73,960	53,550	**189,205**	–	118,763	76,800	30,567	**226,130**
Other current assets	4,697	10	879	51	**5,637**	–	358	310	–	**668**
Cash	3,949	620	3,389	1,104	**9,062**	–	4,209	1,970	2,085	**8,264**
Current liabilities	(36,297)	(347)	(529)	(1,008)	**(38,181)**	–	(3,251)	(487)	(544)	**(4,282)**
Bank debt	–	(7,445)	(25,106)	(25,000)	**(57,551)**	–	(74,040)	(26,000)	(8,433)	**(108,473)**
Unamortised finance costs	–	69	282	352	**703**	–	621	399	315	**1,335**
Derivative financial instruments	–	(63)	91	87	**115**	–	(2,493)	(151)	(79)	**(2,723)**
Net assets	20,844	6,044	52,966	29,136	**108,990**	–	44,167	52,841	23,911	**120,919**

At 31 March 2014, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors (RICS) Registered Valuers of CBRE Limited and Savills Advisory Services Limited.

12 Intangible assets

As at 31 March	2014 £000	2013 £000
Cost		
Opening balance	**54,428**	53,260
Additions	**–**	1,168
	54,428	54,428
Amortisation		
Opening balance	**44,790**	40,836
Amortisation during the year	**8,794**	3,954
	53,584	44,790
Net carrying amount	**844**	9,638

An intangible asset of £53.3 million was created on the acquisition by the Company of the LSP Green Park Property Trust Property Advisory Agreement on 1 October 2010 and was being amortised on a straight-line basis over the contract period to May 2015. However this asset was fully impaired in the year to 31 March 2014 following the sale of assets and reduction in fees receivable.

As part of the merger with Metric the Group created a further intangible asset of £1.2 million, representing the fair valuation of the Management Agreement with Metric Income Plus Limited Partnership. This is being amortised on a straight-line basis over the remaining period of the contract to November 2016.

13 Trade and other receivables

As at 31 March	2014 £000	2013 £000
Trade receivables	**2,386**	1,942
Performance fees receivable	**2,712**	3,457
Amounts receivable from property sales	**4,420**	–
Share-based payment prepayment	**–**	3,789
Taxation	**227**	–
Prepayments and accrued income	**1,556**	1,057
Other receivables	**32,749**	1,486
	44,050	11,731

All amounts fall due for payment in less than one year.

Trade receivables comprise rental income which is due on contractual quarter days with no credit period.

At 31 March 2014 there were trade receivables of £405,000 which were overdue and considered at risk. A full provision has been made against these trade receivables.

Included within other debtors is a short-term loan to the LMP Retail Warehouse Holdings Limited joint venture of £32.1 million which is repayable on demand.

14 Cash and cash equivalents

Cash and cash equivalents include £30.7 million (2013: £9.6 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

15 Trade and other payables

As at 31 March	2014 £000	2013 £000
Trade payables	**1,139**	2,096
Amounts payable on property acquisitions and disposals	**77,740**	4,499
Rent received in advance	**8,577**	8,051
Accrued interest	**2,732**	2,739
Other payables	**996**	1,263
Other accruals	**5,655**	7,584
	96,839	26,232

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	2014 £000	2013 £000
Secured bank loans	**415,474**	464,564
Unamortised finance costs	**(5,536)**	(4,236)
	409,938	460,328

The bank loans are secured by fixed charges over certain of the Group's investment properties with a carrying value of £778 million and are repayable within five years of the balance sheet date.

b) Financial risk management

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's financial risk management objectives are to minimise the effect of risks it is exposed to through its operations and the use of debt financing.

The principal financial risks to the Group and the policies it has in place to manage these risks are summarised below:

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

The Group mitigates financial loss from tenant defaults by dealing with only creditworthy tenants. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Cash is placed on deposit with a diverse mix of institutions with suitable credit ratings and rates of return and for varying periods of time. The credit ratings of the banks are monitored and changes are made where necessary to manage risk.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures with a maximum exposure equal to the carrying amount of these instruments. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

16 Borrowings and financial instruments (continued)

ii) 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 actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's funding sources are diversified across a range of banks. Weekly cash flow forecasts are prepared for the Executive Committee to ensure sufficient resources of cash and undrawn borrowing facilities are in place to meet liabilities as they fall due.

The Group had cash reserves of £78.4 million (2013: £37.6 million) and available and undrawn bank loan facilities at 31 March 2014 of £96.0 million (2013: £37.0 million).

The following table shows the contractual maturity profile of the Group's financial liabilities on an undiscounted cash flow basis and assuming settlement on the earliest repayment date.

	Less than one year £000	**One to two years £000**	**Two to five years £000**	**Total £000**
At 31 March 2014				
Bank loans	**12,531**	**12,566**	**437,550**	**462,647**
Derivative financial instruments	**2,997**	**3,005**	**6,528**	**12,530**
	15,528	**15,571**	**444,078**	**475,177**

	Less than one year £000	One to two years £000	Two to five years £000	Total £000
At 31 March 2013				
Bank loans	41,622	41,243	420,708	503,573
Derivative financial instruments	4,507	3,750	2,792	11,049
	46,129	44,993	423,500	514,622

iii) Market risk – interest rate risk

The Group is exposed to interest rate risk from the use of debt financing at a variable rate. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. It is Group policy that a reasonable portion of external borrowings are at a fixed interest rate in order to manage this risk.

The Group uses interest rate swaps and caps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. 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 the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

At 31 March 2014 the Group (excluding share of joint ventures) had £358 million (2013: £370 million) of hedges in place, and its debt of £415.5 million was 86% (2013: 80%) hedged by way of interest rate swaps and caps. Consequently, based on year-end debt levels, a 1% change in interest rates would decrease or increase the Group's annual loss before tax by £2.4 million and £1.2 million respectively. Including its share of joint ventures the Group had £401 million (2013: £454 million) of hedges in place and its debt of £473.0 million (2013: £573.0 million) was 85% (2013: 79%) fixed.

The average interest rate payable by the Group (excluding share of joint ventures) on all bank borrowings at 31 March 2014 excluding undrawn facility commitment fees and the amortisation of finance arrangement fees was 3.51% (2013: 3.59%). Including its share of joint ventures the average interest rate at 31 March 2014 excluding undrawn facility commitment fees and the amortisation of finance arrangement fees was 3.54% (2013: 3.62%). The average borrowing rate including the amortisation of finance costs was 3.89% (2013: 3.97%) for the Group and 3.93% (2013: 4.00%) for the Group and its share of joint ventures.

16 Borrowings and financial instruments (continued)

iv) Capital risk management

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern so that it can provide returns to shareholders and as such it seeks to maintain an appropriate mix of debt and equity. The capital structure of the Group consists of debt, which includes long-term borrowings and undrawn debt facilities, and equity comprising issued capital, reserves and retained earnings. The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

c) Financial instruments

i) Categories of financial instruments

	Loans and receivables	
As at 31 March	**2014 £000**	2013 £000
Current assets		
Cash and cash equivalents	**78,357**	37,572
Trade receivables (note 13)	**2,386**	1,942
Performance fees receivable (note 13)	**2,712**	3,457
Taxation receivable (note 13)	**227**	–
Other receivables (note 13)	**628**	1,486
	84,310	44,457

	Measured at amortised cost		Measured at fair value	
As at 31 March	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Non current liabilities				
Borrowings (note 16a)	**409,938**	460,328	**–**	–
Current liabilities				
Trade payables (note 15)	**1,139**	2,096	**–**	–
Accrued interest (note 15)	**2,732**	2,739	**–**	–
Other accruals (note 15)	**5,655**	7,584	**–**	–
Other payables (note 15)	**996**	1,263	**–**	–
Derivative financial instruments (see 16c(iii))	**–**	–	**1,443**	9,883
	420,460	474,010	**1,443**	9,883

ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the Consolidated Balance Sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2014.

16 Borrowings and financial instruments (continued)

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2014 are provided below:

	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**2014 %**	2013 %	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Less than one year	**4.0**	0.0	**26,500**	–	**–**	–
One to two years	**4.0**	4.0	**4,000**	26,500	**–**	–
Two to five years	**2.2**	2.6	**167,313**	45,000	**2,660**	117
	2.4	3.1	**197,813**	71,500	**2,660**	117

	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2014 %**	2013 %	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Less than one year	**0.0**	0.0	**–**	–	**–**	–
One to two years	**0.0**	3.3	**–**	93,368	**–**	(4,352)
Two to five years	**2.2**	2.3	**221,504**	325,543	**(4,103)**	(5,648)
	2.2	2.5	**221,504**	418,911	**(4,103)**	(10,000)
Total fair value					**(1,443)**	(9,883)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2014 by J C Rathbone Associates Limited.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

17 Commitments under operating leases

The Group's minimum lease rentals receivable under non cancellable operating leases, excluding associates and joint ventures, are as follows:

	2014 £000	2013 £000
Less than one year	**57,114**	49,728
Between one and five years	**246,218**	186,337
Between six and ten years	**247,872**	182,679
Between 11 and 15 years	**139,369**	76,158
Between 16 and 20 years	**75,802**	22,716
Over 20 years	**50,438**	–
	816,813	517,618

17 Commitments under operating leases (continued)

The Group's minimum lease payments under non cancellable operating leases, excluding associates and joint ventures, are as follows:

	2014 £000	2013 £000
Less than one year	**810**	213
Between one and five years	**2,770**	3,240
After five years	**–**	339
	3,580	3,792

18 Share capital

As at 31 March	**2014 Number**	**2014 £000**	2013 Number	2013 £000
Authorised				
Ordinary shares of 10p each	**Unlimited**	**Unlimited**	Unlimited	Unlimited

As at 31 March	**2014 Number**	**2014 £000**	2013 Number	2013 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**628,043,905**	**62,804**	628,043,905	62,804

19 Reserves

The Statement of changes in equity is shown on page 94.

The following describes the nature and purpose of each reserve within equity:

Share capital	The nominal value of shares issued.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LSI Management Limited and Metric Property Investments plc by the Company, the cost of the Company's shares held in treasury and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

20 Related party transactions and balances

Management fees receivable from the Group's joint venture arrangements in which it has an equity interest were as follows:

	Group interest	**Year to 31 March 2014 £000**	Year to 31 March 2013 £000
LSP Green Park Property Trust	31.4%	**(745)**	6,731
LPS Green Park Distribution Holdings	50.0%	**614**	1,426
LSP London Residential Investments	40.0%	**483**	344
Metric Income Plus Partnership	33.3%	**489**	62
LMP Retail Warehouse	30.5%	**177**	–
Group non recoverable VAT		**(219)**	(97)
		799	8,466

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation.

21 Events after the balance sheet date

On 25 April 2014 the Group's LMP Retail Warehouse joint venture completed a further two DFS sales for £3.7 million (£1.1 million at share).

On 30 April 2014 the Group completed the acquisition of the Marks & Spencer Distribution Centre in Sheffield for £32.2 million (excluding acquisition costs). This acquisition was accrued in the financial statements at 31 March 2014.

On 13 May 2014 the Group completed the acquisition of Magna 34, Business Park, Rotherham for £10.3 million (excluding acquisition costs).

On 29 May 2014 the Group completed the acquisition of the Oak Furniture Land Distribution Centre in South Marston Park, Swindon for £22.1 million (excluding acquisition costs) funded by additional debt of £14.5 million and equity. This acquisition was accrued in the financial statements at 31 March 2014.

On 30 May 2014 the Group completed the sale of its development at Berkhamsted for £12.3 million.

On 2 June the Group extended its MIPP joint venture with partner USS for a further two years and agreed to increase its ownership to 50% through further investment of £28.5 million.

On 2 June 2014 the Group extended its £80 million revolving credit facility with RBS by a further 2.5 years.

Company Balance Sheet
As at 31 March

	Note	2014 £000	2013 £000
Fixed assets			
Investment in subsidiaries	iii	**743,943**	667,628
		743,943	667,628
Current assets			
Debtors	iv	**193**	669
Cash at bank		**42,225**	15,555
		42,418	16,224
Current liabilities			
Creditors: amounts falling due within one year	v	**95,347**	3,683
Net current (liabilities)/assets		**(52,929)**	12,541
Total assets less current liabilities		**691,014**	680,169
Net assets		**691,014**	680,169
Capital and reserves			
Called up share capital	vi	**62,804**	62,804
Capital redemption reserve	vi	**9,636**	9,636
Other reserve	vi	**114,484**	403,356
Retained earnings	vi	**504,090**	204,373
Shareholders' funds		**691,014**	680,169

The financial statements were approved and authorised for issue by the Board of Directors on 3 June 2014 and were signed on its behalf by:

Martin McGann
Finance Director
Registered in England, No 7124797

The notes on pages 117 to 119 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2014

i Accounting policies

Accounting convention

Although the consolidated Group accounts are prepared under IFRS the Company financial statements are prepared under UK GAAP.

The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group, except as noted below.

Subsidiary undertakings

Investments in subsidiary companies are stated at cost less any provision for impairment.

ii Profit attributable to members of the parent undertaking

As permitted by Section 408 Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit dealt within the accounts of the Company was £57.0 million (2013: loss of £33.5 million).

Audit fees in relation to the Company only were £60,000 in the year (2013: £189,000).

iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2013	667,628
Additions to cost	362,688
Impairment of investment	(286,373)
At 31 March 2014	**743,943**

The Company is incorporated in England and is the ultimate holding company of the Group and has the following principal subsidiary undertakings:

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
London & Stamford Property Limited	Guernsey	100%	Intermediate holding company
LondonMetric Management Limited	Guernsey	100%	Management company
LSI (Investments) Limited	England	100%	Property investment
LondonMetric Saturn Limited	England	100%	Property investment
Metric Property Investments plc	England	100%	Property investment
London & Stamford Investments Limited*	England	100%	Intermediate holding company
LSI Developments Limited*	England	100%	Property investment and development
London & Stamford Property Subsidiary Limited*	Guernsey	100%	Intermediate holding company
L&S Business Space Limited*	Guernsey	100%	Property investment
L&S Highbury Limited*	Guernsey	100%	Property investment
L&S Battersea Limited*	Guernsey	100%	Property investment
L&S Clapham Road Limited*	Guernsey	100%	Property investment
London & Stamford Offices II Limited*	Guernsey	100%	Property investment
LSP Marlow Limited*	Guernsey	100%	Property investment

iii Fixed asset investments (continued)

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
Metric Property Newry Limited*	England	100%	Property investment
Metric Property Launceston Limited*	England	100%	Property investment
Metric Property Loughborough Limited*	England	100%	Property investment
Metric Property Coventry Limited*	England	100%	Property investment
Wick Retail Limited*	Scotland	100%	Property investment
Metric Property Bedford Limited*	England	100%	Property investment
Metric Property Milford Haven Limited*	England	100%	Property investment
Metric Property Bristol Limited*	England	100%	Property investment
Metric Property Hove Limited*	England	100%	Property investment
Metric Property Kirkstall Limited*	England	100%	Property investment
Metric Property Inverness Limited*	Scotland	100%	Property investment
Metric Property Bishop Auckland Limited*	England	100%	Property investment
Metric Property Kings Lynn Limited*	England	100%	Property investment
Metric Property Finance 1 Limited*	England	100%	Intermediate holding company
Metric Property Finance 2 Limited*	England	100%	Intermediate holding company
Metric Property Berkhamsted Limited*	England	100%	Property investment
LondonMetric Retail Distribution I Limited	England	100%	Property investment
LondonMetric Saturn II Limited	England	100%	Property investment
LondonMetric Retail Finance Limited	England	100%	Intermediate holding company
LondonMetric Retail Distribution II Limited	England	100%	Property investment
LondonMetric Retail Distribution III Limited	England	100%	Property investment
LMP Green Park Cinemas Limited*	Guernsey	100%	Intermediate holding company
LMP Chelmsford Limited*	England	100%	Property investment
LMP Derby Limited*	England	100%	Property investment
LMP Taunton Limited*	England	100%	Property investment
LMP Telford Limited*	England	100%	Property investment
LMP Warrington Limited*	England	100%	Property investment
LMP Huddersfield Limited*	England	100%	Property investment
LMP Lee Valley Limited*	England	100%	Property investment
LMP Preston Limited*	England	100%	Property investment
LMP Tamworth Limited*	England	100%	Property investment
LMP Thrapston Limited*	Guernsey	100%	Property investment
Metric Property Launceston 3 Limited*	England	100%	Property investment
Metric Property St Albans Limited*	England	100%	Property investment
Metric Property Cannock Limited*	England	100%	Property investment

* Undertakings held indirectly by the Company

The principal subsidiaries are those undertakings whose results or financial position, in the opinion of the Directors, principally affect the Group results. To avoid a statement of excessive length, details of investments which are not significant have been omitted. All of the undertakings listed above operate in their country of incorporation except those who are tax resident in the UK. All shares held are ordinary shares.

iv Debtors

As at 31 March	2014 £000	2013 £000
Trade debtors	**4**	516
Prepayments and accrued income	**32**	23
Other receivables	**157**	130
	193	669

All amounts under receivables fall due for payment in less than one year.

v Creditors: amounts falling due within one year

As at 31 March	2014 £000	2013 £000
Trade payables	**972**	58
Other payables	**–**	105
Other accruals and deferred income	**1,000**	597
Amounts due to subsidiary undertakings	**93,375**	2,923
	95,347	3,683

vi Reserves

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000
At 1 April 2013	62,804	9,636	403,356	204,373
Retained profit for the year	–	–	–	56,997
Share-based awards	–	–	(2,500)	311
Reserve transfer of impairment in subsidiary	–	–	(286,372)	286,372
Dividends paid	–	–	–	(43,963)
At 31 March 2014	**62,804**	**9,636**	**114,484**	**504,090**

vii Related party transactions

The Company has received short-term non interest bearing loans from subsidiaries in the year and £53.4 million is outstanding as at 31 March 2014 (2013: £2.9 million).

Other related party transactions for the Company are as noted for the Group in note 20 to the Group financial statements.

Financial calendar

Announcement of results		3 June 2014
Financial dividend	– Ex dividend date	11 June 2014
	– Record date	13 June 2014
	– Payable on	21 July 2014
Annual General Meeting		17 July 2014
Anticipated 2014 Interim dividend		December 2014

Shareholder information

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Registrar

Capita Registrars
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Beckenham
Kent BR3 4TU

Secretary and Registered Address
Jadzia Duzniak
One Curzon Street
London W1J 5HB
londonmetric.com

REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions (PIDs) and non PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Capita Registrars. Tax vouchers will continue to be sent to the shareholder's registered address.

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