

# Annual report and accounts 2013



## Introduction to LondonMetric Property Plc

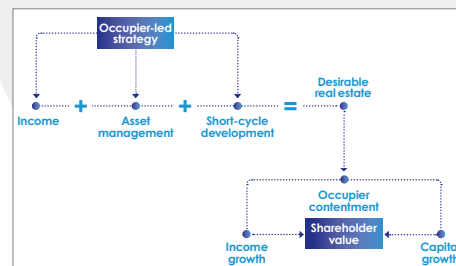
# LondonMetric brings together two outstanding property companies to become top 10 UK REIT with a broader and complementary asset base.

	2013	As restated 2012
Net income	<b>£39.6m</b>	£42.2m
Underlying profit <sup>(1)</sup>	<b>£21.3m</b>	£24.3m
Revaluation surplus <sup>(1)</sup>	<b>£20.3m</b>	£3.0m
Adjusted profit before tax <sup>(2)</sup>	<b>£39.9m</b>	£19.5m
Portfolio value <sup>(1)</sup>	<b>£1,216.8m</b>	£1,022.4m
Net assets	<b>£676.7m</b>	£630.9m
Net debt <sup>(1)</sup>	<b>£527.2m</b>	£353.6m
Loan to value <sup>(1)</sup>	<b>43%</b>	35%
EPRA earnings per share	<b>3.9p</b>	4.4p
Dividend per share	<b>7.0p</b>	7.0p
NAV per share	<b>108p</b>	116p
EPRA NAV per share	<b>109p</b>	119p
Adjusted NAV per share <sup>(2)</sup>	<b>116p</b>	119p

# Inside this report

## Overview 01–21

Inside this report	01
Chairman's statement	02
Multi-channel approach	04
How we've performed	06
Key performance indicators	07
Our business today	08
Our strategy and business model	09
Chief Executive's review	10
What makes us different	14
Our core strengths	17



Our strategy and business model  
Find out more on page 09

## Performance review 22–39

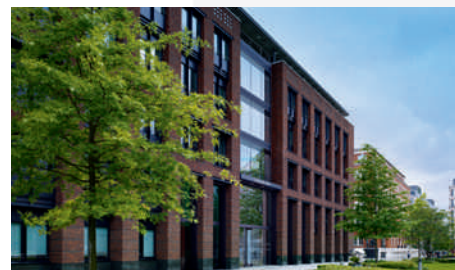
Investment	22
Asset management and development	25
Sustainability report	29
Finance report	34
Risk management	37



Sustainability report  
Find out more on page 29

## Governance 40–55

Board of Directors	40
Report of the Directors	42
Statement of Directors' responsibilities	44
Corporate governance	45
Audit Committee report	50
Remuneration Committee report	51



Remuneration Committee report  
Find out more on page 51

## Financial statements 56–95

Independent auditor's report on the Group accounts	56
Group financial statements	57
Notes forming part of the Group financial statements	61
Independent auditor's report on the Company accounts	81
Company financial statements	82
Notes forming part of the Company financial statements	83
Notice of Annual General Meeting	86
Financial calendar	94
Shareholder information	95



Notice of Annual General Meeting  
Find out more on page 86

## Chairman's statement

**Patrick Vaughan**  
Chairman



**I believe it is time to be bolder... the changes underway in the balance and mix of our business will provide the Company with a strong and exciting future**

The year to 31 March 2013 fell into two distinct halves. In the first half, we were still seeing an environment where caution was required while, in the second half, we began to see signs of improvement, which augur well for the coming year. In my predecessor's statement for the half year to September, he highlighted his belief that one must remain patient in our investment approach. While we will certainly remain cautious going forward, I believe it is also time to be bolder.

The second half of the year was very significant, because it involved a merger with Metric Property Investments plc ("Metric"). Since the year end, the merged business, renamed LondonMetric Property Plc, has come together in a single office at One Curzon Street with a dynamic "can do" approach.

I have known and worked for many years with Andrew Jones, Valentine Beresford and Mark Stirling. I believe the addition to our business of the Metric team will generate great progress. It was also the moment Raymond Mould decided it was time to retire, given this strengthening of the team. After working with him as my close business partner and friend for 44 years, that represents a big change, but one which I know from the early dynamics of the merger will nonetheless allow us to move ahead very successfully. On behalf of all of us, I offer him our very best wishes and thanks.

### Results

The income statement on page 57 of this report reflects the activity of London & Stamford for the period from 1 April 2012 until the merger and then shows the combined activity of the enlarged Group for the two months to 31 March 2013.

These results have been impacted over the year by an unusual weight of exceptional items which together amount to £49.5 million and are largely not recurring. These include the net loss on the sale of our investment in the Meadowhall Shopping Centre as a result of a debt mark to market adjustment which amounted to £23.2 million. It also includes a further £26.3 million of exceptional items, in respect of the amortisation of part of the purchase consideration paid for the acquisition and internalisation of LSI Management in 2010, the amortisation of the cost of the Green Park Property Advisory Agreement, and the merger costs. The bonds and merger costs are non-recurring items. One more half year of amortisation of the purchase consideration will occur this September, then that is finished. The Green Park intangible asset of £9.6 million will remain and will continue to be amortised to March 2015.

Profit before the deduction of these exceptional items and tax amounted to £39.9 million, which is an increase of £20.4 million, or +105% on last year. If that was adjusted to include the full year's activity of Metric to give a real year-on-year comparison, the total for the year would have been £45.6 million, a 39% increase in the proforma profits of the combined business over 2012.

With the exceptional costs falling away and the combined business operating at full steam, I believe you will see real progress in our current year.

Net assets at 31 March 2013 were £676.7 million for the combined business, after our return of £100 million of capital to shareholders, compared to £630.9 million in 2012. This is equivalent to 108p per share on our enlarged capital compared to 116p per share in 2012. The reduction of 8p in net asset value includes the deduction of 9p of exceptional items, as referred to above, and after the payment of 7p in dividend for the year.

At property level, the total return was +8.0%, compared to the IPD return of +3.0%. A further breakdown shows our income return was +5.6% versus +6.0% for IPD and our capital performance was +2.4% against -2.8% for IPD.

The Board has proposed a final dividend of 3.5p per share, to be paid on 12 July 2013 which, when taken with the interim dividend of the same amount paid on 7 December 2012, will give a total dividend in respect of the year of 7p.

### The portfolio

In addition to our merger, the year has been an extremely active one. We made a number of well reported disposals, including Meadowhall and the Triangle distribution portfolio which delivered returns on equity of 129% and 33% respectively. The two businesses made acquisitions totalling £522 million (LondonMetric share: £397 million), the most significant of which include the Saturn out-of-town retail park portfolio, the Leatherhead offices of Unilever, a major office scheme at Globe Park, Marlow, and a large Primark distribution centre. The average yield of these acquisitions was 7.4% with a WAULT of 12.9 years.

In the current year we expect to be busier. It is our primary objective to achieve a run rate of recurring net rents at the level of our current dividend, so we can move on from there. We shall be undertaking major reductions in our residential portfolio, which has grown strongly in value, but does not support our dividend policy. The time is also fast approaching when our business plan calls for a reduction in our City of London investments. These are not sector or market calls; they are the result of the planned evolution of those assets. We shall continue to focus on out-of-town retail to take full advantage of our expertise in the sector and we shall also concentrate on distribution, with emphasis, such as our Primark purchase, on where that distribution involves retail and the internet, so we can fully deploy our sector skills.

### The Board

Following the retirement of Richard Crowder at the merger, Andrew Huntley has decided not to stand for re-election to the Board at the AGM and Mark Burton has decided to retire. This is obviously very sad, as they have been very strong Non-Executive Directors and they will be much missed. It takes us from eight to six Non-Executive Directors, alongside our three Executive Directors. On behalf of all parties involved with the Company, I give them our thanks.

I believe the enlarged management team together with the changes underway in the balance and mix of our business will provide the Company with a strong and exciting future.



Patrick Vaughan  
Chairman

31 May 2013

## Multi-channel approach

We aim to rebalance the portfolio towards out of town retail and retailer distribution, what we call our 'multi-channel approach'. We believe as e-tailing continues to grow and retailers' multi-channel strategies evolve, there will be an increased emphasis towards distribution as an integral part of the supply chain. Both our Saturn portfolio acquisition and the Primark Distribution centre in Thrapston embody this approach.

## Retail



Christchurch Retail Park  
Christchurch



B&Q  
Leicester



Dunstable Rd Retail Park  
Luton



Mountbatten Retail Park  
Southampton



Cairngorm Retail Park  
Milton Keynes



B&Q/Halfords units  
Tonbridge

Saturn portfolio  
February 2013

Cost:

**£92.4m**

## Other activities

London Residential



Moore House, Chelsea  
July 2012 Cost: £147.1m<sup>(1)</sup>

London Residential



Clerkenwell Quarter, Islington  
December 2012 Cost: £45.7m

Offices



Unilever, Leatherhead  
June 2012 Cost: £61.2m

(1) LondonMetric 40.0% share £58.9m

LondonMetric invests in Retail and Distribution real estate across the UK as well as Office & Residential opportunities in London & the South East, with a £1,217 million portfolio across 6.2 million sq ft (578,600 m<sup>2</sup>).

# Distribution



**Primark Distribution Centre,  
Thrapston**  
March 2013

Cost:

**£60.5m**

**Key:**

Acquisition     Disposal

**Offices**



**Marlow International, Marlow**  
July 2012 Cost: £50.2m

(1) Image of Faustina Retail Park, Londonderry  
(3) LondonMetric 33.3% share £18.1m

**Retail – MIPP JV<sup>(1)</sup>**



**Portfolio of six assets<sup>(2)</sup>**  
Cost: £54.3m<sup>(3)</sup>

(2) Includes acquisitions in Londonderry, Camborne, Lichfield, Nottingham, Haverhill & Ashford  
(4) LondonMetric 15.7% share £239.4m

**Retail**



**Meadowhall Shopping Centre, Sheffield**  
October 2012 Gross proceeds: £1,525m<sup>(4)</sup>

## How we've performed

Our customer-centric approach ensures that we invest in and develop properties with enduring occupier appeal, that over time deliver superior income and capital growth opportunities for the benefits of our shareholders.

### How we've performed

	<b>2013</b> <b>LondonMetric</b>	As restated 2012 London & Stamford
Underlying profit <sup>(1)</sup>	<b>£21.3m</b>	£24.3m
Adjusted profit before tax <sup>(1)</sup>	<b>£39.9m</b>	£19.5m
Portfolio revaluation surplus <sup>(1)</sup>	<b>£20.3m</b>	£3.0m
Dividend per share	<b>7.0p</b>	7.0p
Loan to value <sup>(1)</sup>	<b>43%</b>	35%
Like-for-like income growth <sup>(2,3)</sup>	<b>3.5%</b>	-6.1%
Total portfolio return <sup>(2)</sup>	<b>8.0%</b>	6.6%
Total shareholder return	<b>2.4%</b>	-6.8%
Occupancy <sup>(3)</sup>	<b>95%</b>	94%

### EPRA performance measures

	<b>2013</b> <b>LondonMetric</b>	As restated 2012 London & Stamford
EPRA earnings per share	<b>3.9p</b>	4.4p
EPRA NAV per share	<b>109p</b>	119p
EPRA net initial yield	<b>6.3%</b>	5.6%
EPRA topped up net initial yield	<b>6.3%</b>	5.6%
EPRA vacancy rate	<b>5%</b>	6%

(1) Including share of joint ventures and associates

(2) Includes Metric for the full year to March 2013

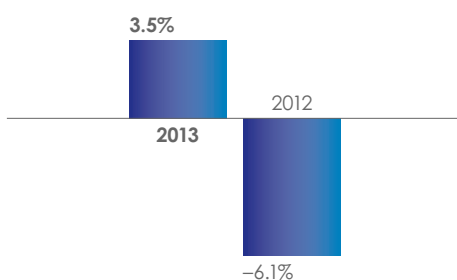
(3) Calculated for commercial investment portfolio excluding properties under development



# Key performance indicators

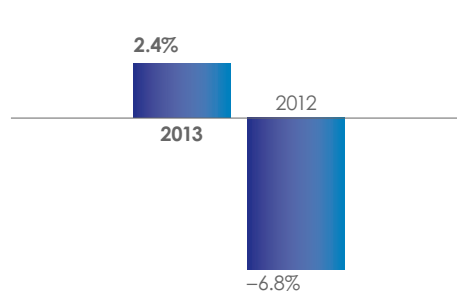
We use five principal measures against which we benchmark and monitor the performance of the Group and our Joint Ventures.

## Like-for-like income growth (%)



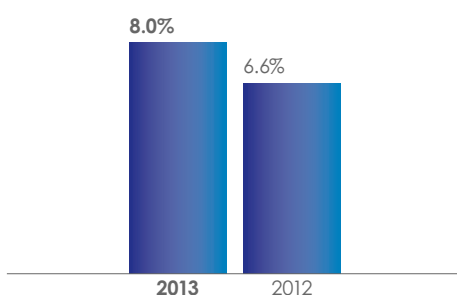
This measures contracted rental income growth on commercial properties, excluding those under development, which have been consistently owned throughout the current and previous periods. Being the key contributor to sustainable income, growth in like-for-like income measures the success of our asset management initiatives to retain tenants and add value. Like-for-like income in the year increased by 3.5% (2012 decreased by 6.1%).

## Total shareholder return (%)



Total shareholder return measures share price growth, with dividends deemed to be reinvested on the ex-dividend date. The Company's total shareholder return in 2013 was 2.4%, compared to -6.8% in 2012.

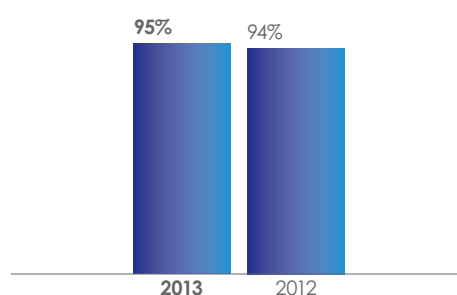
## Total portfolio return (%)



This measures the overall return generated by our investment portfolio on a leveraged basis calculated in accordance with and benchmarked against IPD All Property Quarterly Index of 3.0%.

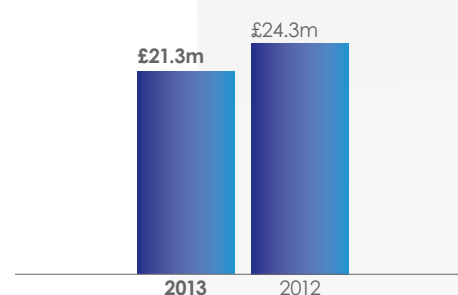
Total property returns were 8.0% (2012 6.6%) outperforming IPD by 5.0%. Our income return was 5.6% and capital return 2.4%. By investing in high quality, well located assets with strong tenant covenants we are in a strong position to continue the trend of outperforming the market and our competitors.

## Occupancy (%)



This measures the contracted rental income of the commercial portfolio space currently let as a percentage of the total portfolio. It is a key measure of performance as it has a direct impact on profitability and dividend cover. A small amount of vacant space is considered necessary to obtain the optimal tenant mix and maximise future income.

## Underlying profit (£m)



This measures the level of recurring profit available for distribution to shareholders and is the key support for the Group's dividend payments. Underlying profit in the year including our share of joint ventures and associates was £21.3 million, a decrease of 12%.

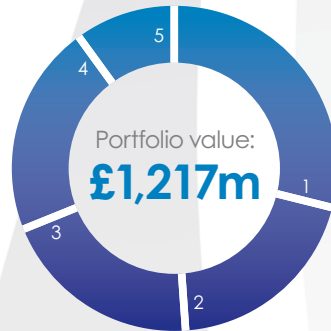
# Our business today

The combined portfolio provides a broader and complimentary asset base with greater opportunities to leverage existing relationships and skills particularly in the retail and distribution sectors.

## A broader portfolio

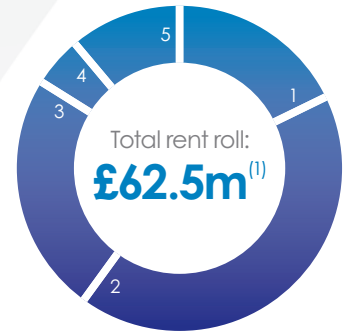
### Portfolio split

1. Retail	29%	£349m
2. Distribution	20%	£244m
3. Office	20%	£242m
4. Residential	21%	£259m
5. Developments	10%	£123m











### Regional split

1. London	18%	£11.1m
2. South East	42%	£26.3m
3. Midlands	24%	£15.1m
3. North	5%	£3.1m
5. Rest of UK	11%	£6.9m



(1) Includes a deduction of £1.5 million for residential running costs

## Investment strategy

	Income	Asset management	Short-cycle development
<b>Retail</b> Retailer led	 Leicester	 Coventry	 Bishop Auckland
<b>Distribution</b> Strong cashflow	 Primark Distribution Centre, Thrapston	 Tesco, Harlow	<b>In solicitor's hands</b>
<b>London</b> Opportunity driven	 Unilever HQ, Leatherhead	 Clerkenwell Quarter, London	 Carter Lane, City of London

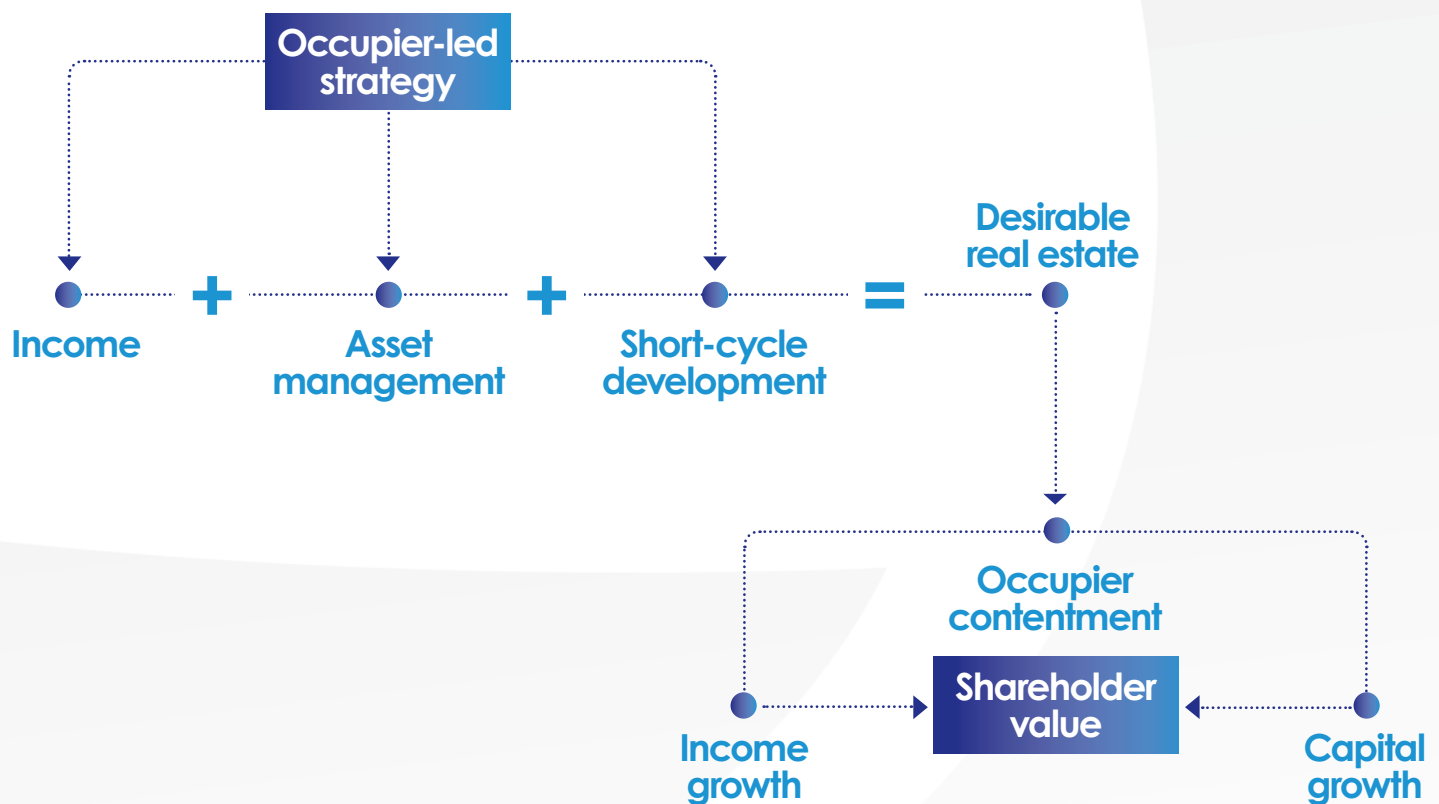
## Our strategy and business model

We employ an occupier led approach to property investments across our acquisitions, asset management initiatives and short-cycle developments. This improves our ability to generate a superior return, and provide us with an attractive margin of safety that compensates us for risk.

## Our strategic priorities

1. Continued focus on income, asset management and developments:
  - Out of town retail
  - Retailer distribution
2. Divestment of low yielding assets:
  - Wholly-owned residential investments
  - City offices
3. Continue to leverage strong joint venture relationships
4. Emphasis on growing income and underlying profits to cover the dividend
5. Exploit enlarged group synergies, both value creation and costs

## Our approach to creating value



# Chief Executive's review

**Andrew Jones**  
Chief Executive



**We are more focused yet remain opportunistic, operating in areas where we have a high level of expertise, that help create key points of difference**

The merger has led to transformational change both in respect of the newly integrated LondonMetric and in reshaping the portfolio to meet our new strategic priorities.

## **Bringing together capital and complementary skill sets**

One of the key objectives of the merger was to capitalise on the combined skill sets across both organisations to allow LondonMetric to execute on opportunities that neither predecessor could have achieved on its own.

## **Retail and retailer distribution... a multi-channel approach to asset allocation**

Shortly after completing the merger we acquired a portfolio of six retail parks, the "Saturn" portfolio, for £92.4 million, at a net initial yield of 7.8%.

We are expanding our presence in the retailer-led distribution market where we believe there are considerable opportunities for growth as retailers look to satisfy consumers' insatiable demand for multi-channel shopping. We acquired Primark's main distribution centre in Thrapston for £60.5 million in March, at a net initial yield of 6.4% and expect to make further investments in this sector over the next few months.

## **Significant capital recycling and reducing our exposure to lower yielding, shorter lease length income**

We have a divestment programme across selected assets which allows us to release relatively low yielding capital and recycle the proceeds into higher yielding, stronger covenant assets where we have an exciting pipeline of retail and retailer-led distribution opportunities. This is evidenced by the spread between our disposals and acquisitions where we have generated a positive yield spread of 150bps, improved the portfolio's average lease length by 6.1 years and occupancy by 7 percentage points.

Across our residential portfolio, terms have been agreed for the sale of 116 units for £59.6 million, releasing c. £48 million of equity.

We have recently begun formal marketing of One Fleet Place, EC4 at an asking yield of 5.25% and are pleased by the strong interest from overseas buyers.

## **Positive momentum on residential lettings and unit sales**

Our prime central London residential portfolio comprises 520 units with a capital value of £374 million (LondonMetric share: £259 million) and generates net rents of £4.9 million.

Seward Street (rebranded the Clerkenwell Quarter), our 107 unit development in Islington, was acquired in December 2012 for £45.7 million. We have recently launched a successful marketing programme in both Asia and London and to date have agreed 57 sales for £32.1 million at a premium over book value of 2.7%. We remain on target to release over £60 million of equity from this investment over the next six months.

## Deals since merger

# £171m<sup>(1)</sup>

Our residential investment portfolio is 98% let having agreed 141 new lettings for £3 million, at rents 1.1% ahead of previous passing and concluding 147 lease renewals, 4.3% ahead of previous passing rents securing £2.8 million. We have commenced a divestment programme of individual unit sales within this wholly-owned residential portfolio and expect to have largely monetised this investment over the next year. To date we have agreed 59 sales generating £27.5 million.

In July 2012 we acquired Moore House, Chelsea for £147.1 million (LondonMetric share: £58.9 million) on behalf of our joint venture with Green Park Investments and the Public Sector Pension Investment Board. We continue our letting programme and have let 81 units over the period, increasing occupancy to 54%.

### Valuation surplus +1.7% or £20.3 million

The portfolio was valued at £1,217 million delivering a valuation surplus (net of acquisition costs) for the year of £20.3 million, up from the £3.0 million surplus delivered last year. Asset management actions made a considerable valuation contribution of +2.0% which was partly offset by an outward movement in market yields of 6bps, or -0.3%. By sector, the largest contributor to the valuation movement was residential, in particular Moore House.

### Total return of 8.0% = 500bps outperformance

We outperformed the IPD All Property Quarterly Index by 500bps, delivering a property level total return of 8.0% compared with IPD at 3.0%. We generated a capital return of 2.4% against the IPD index which witnessed capital declines of 2.8% overall. On a total return basis we are pleased to have outperformed at each sector level, with retail generating the largest outperformance of 500bps followed by residential at 490bps.

### Robust portfolio metrics

Our occupancy at the end of the period was 95%<sup>(2)</sup> rising to 98% post period end. The average unexpired lease term is 11.6 years (10.8 years to first break). There are no temporary lettings and 19% of portfolio income benefits from fixed rental uplifts.

### Like-for-like rental growth of 3.5%<sup>(2)</sup>

We are a total return business and, as a REIT, income forms an important component. In a year of tremendous activity we have continued to focus on income growth and delivered like-for-like rental growth of 3.5%. The retail portfolio delivered like-for-like rental growth of 5.7% with the office and industrial portfolio delivering 1.7% and the residential portfolio 2.6%.

## Like-for-like rental growth

# +3.5%

Our contracted rent roll as at 31 March 2013 was £62.5 million<sup>(3)</sup> with the investment portfolio contributing £55.5 million in annualised rents and the development and residential portfolio the remaining £7 million. Net rental income for the year is £29.2 million, which includes two months of Metric's contribution. Proforma net income for the full year is £39.4 million when combining both businesses for the full 12 months. Looking forward our financial position next year will reflect the full-year's contribution for acquisitions in the last two months of this year.

EPRA EPS of 3.9p includes two months of Metric's contribution and is down 11.4% year-on-year.

### Stable dividend of 7.0p

We have announced a final dividend of 3.5p per share to be paid on 12 July 2013, bringing total dividends for the year to 7.0p, flat over the previous year. The Board have agreed to pursue a stable dividend policy which will be reviewed once the dividend is sufficiently covered.

### Path to achieving dividend cover

We aim to achieve an attractive spread between the lower yields on disposal and higher reinvestment yields to grow income. We will also generate additional income from new lettings and the letting up of our developments. We expect each to contribute meaningfully to our cumulative income to ensure that our recurring profits cover the dividend.

### £100 million tender offer taken up

The share capital has changed substantially as a result of the merger, adding 178.6 million shares to the register on 28 January, representing the 190 million Metric shares at the agreed exchange ratio of 0.94. As part of the merger in February, we offered shareholders a £100 million tender offer which was taken up in full and reduced the register by 88.6 million shares, resulting in a position at the year end of 628.0 million shares. The full take-up of the tender offer allowed us to right-size our balance sheet and start LondonMetric in a more financially efficient position.

### EPRA NAV of 109p, NAV adjusted for exceptional items of 116p

EPRA NAV per share of 109p is 10p or -8.4% lower than last year's 119p. The EPRA NAV is reduced by dividends paid, the merger costs and exceptional items of which the impairment recognised on the sale of Meadowhall Shopping Centre was the largest.

(1) London Metric share £166 million

(2) For the commercial investment portfolio excluding properties under development

(3) Includes a deduction of £1.5 million for residential running costs

# Chief Executive's review continued

Tender offer

## £100m

Excluding the exceptional items, the NAV would have been 116p compared to the previous year's NAV per share.

The EPRA NAV movement is driven by positive movements in valuation surplus of 3.7p, underlying profits of 3.8p offset by dividends paid of -7.0p, the impairment recognised on the sale of Meadowhall Shopping Centre of -4.1p and other exceptional items of -4.7p and other items of -0.9p.

### LTV of 43% with undrawn facilities of £54 million

As at 31 March 2013, the LTV ratio was 43% with committed undrawn facilities of £53.6 million. Our average cost of debt over the year was 3.62%. Going forward, assuming the facilities were fully drawn, our all-in cost of debt today based on current LIBOR swap rates would be 3.58%.

### Market outlook

Over the last few months we have seen a noticeable increase in both the number of parties and quantum of money looking across all sectors of the real estate market.

### Rising investor appetite

The outward yield shift that we witnessed in the first half of our financial year was not repeated in the second half and the depth and breadth of investor interest today is now beginning to put downward pressure on yields across the various sectors. This is partly owing to an increased appetite for risk across most sectors with more investors moving up the risk curve in search of higher income returns. As a result, the divergence between prime and good secondary assets is widely expected to contract, although conversely the yield gap to poorer secondary assets will continue to widen.

We continue to believe that assets with long and strong income offer good value relative to the low cost of borrowing; especially where there is high occupier contentment, limited asset obsolescence, sustainable rental levels and no income "leakage".

These disciplines continue to drive our approach to new opportunities, as we focus our capital on higher yielding, sustainable income opportunities and new short-cycle redevelopments which offer us a margin of safety. This will ensure that we will only invest in assets that we are happy to own, even if the market were to shut down for many years.

Annualised rent roll

## £62.5m

### Retailers are reassessing the extent of their store portfolios and distribution warehouse requirements

Retailers' real estate portfolios are coming under ever increasing focus as the retail market continues to evolve with polarisation of shopping habits and a drive towards a multi-channel strategy. The impact is not only on retailers' shop networks but also significantly affects their distribution requirements which will play an increasing role within their supply chains. This evolution will continue over the next few years as many occupational leases expire, allowing retailers to reduce the number of existing shops.

We expect retail vacancies to increase putting downward pressure on rental values, particularly in-town, as impending lease expiries allow retailers to vacate poorly performing shop units. A number of the weaker retailers have already failed, so we anticipate the rate of failures will start to decline and the retailers who have survived will continue to benefit from the reduced capacity and grow their market share. We believe that lease expiries rather than administrations are now the chief risk to rental income.

Retailers have a clear vision of the right size and shape of their store portfolios, however, distribution strategies are continuing to evolve. These will be increasingly driven by the needs of e-tailing as retailers reconfigure supply chains to cater for multi-channel retailing.

Understanding these occupier trends is critical to succeeding in the real estate sector today. The dynamic nature of the retail market is such that increased occupier mobility will undoubtedly create opportunities for those able to build and deliver modern space that is fit for purpose in today's market. We continue to try to position ourselves as the preferred real estate provider of choice and will continue to stay close to our customers across these asset classes.



Andrew Jones  
Chief Executive

31 May 2013

---

**We are a customer-focused business and aim to be the partner of choice across the retail and distribution sector.**

We have a bottom up approach to selecting our investments. We build first-class relationships and leverage this knowledge to ensure our properties have enduring occupier appeal.

# Capitalising on strong retail relationships

Our deep long-standing relationship with Next, not previously represented in Bishop Auckland, allowed us to partner with them at our development scheme Bishop Auckland Shopping Park and secure a corner-stone pre-letting and assist us in securing an Open A1 retail planning consent.

---

Developed by Metric Property  
Opened for trade January 2013

---

**Bishop Auckland Shopping Park**

Location: Bishop Auckland





next

next

PAY HERE



**Congleton Retail Park**  
Congleton



**Dunelm Unit Alban Park**  
St Albans



**French Connection Distribution Unit**  
Dolphin Park, Thurrock



**Kuehne & Nagel Distribution Unit**  
Greenford



**Dunstable Retail Park**  
Luton



**Next Distribution Unit**  
Eastman Way, Hemel Hempstead



**Alban Retail Park**  
Bedford

## Our core strengths

# Rebalance towards retail and retailer distribution

Our portfolio is broadly split between distribution, office and residential with retail making up an increasingly larger proportion and developments generally comprising about 10% of the mix. We aim a rebalance with an increased focus on retail and retailer distribution, whilst remaining opportunistic.

---

**A disciplined approach of focusing on assets that are well let with high occupier contentment**

---

**Portfolio value: £1,217 million**

---

We are extending our breadth of experience and deep occupier relationships into retailer-led distribution, which is benefiting from strong occupier interest as retailers' multi-channel strategies continue to evolve.

# Crystallising our residential investments

We have commenced a divestment programme of our wholly-owned residential investments, in London comprising our income-producing portfolio at Battersea, Stockwell and Highbury and recent acquisition at Clerkenwell Quarter, Islington. We expect to monetise our holdings over the next year.

---

**Buying wholesale and selling retail**

---

**Wholly-owned London residential portfolio value £182 million**

---

We have agreed the sale of 116 units for £59.6 million

**Bridges Wharf**  
Battersea



**Clerkenwell Quarter**  
Islington



**Clapham Road**  
Stockwell



**North Stand at Highbury**  
Islington



Before...



and after...



## Our core strengths

# Creating occupier appeal

Longwell Green, Bristol was acquired within our MIPP joint venture and provided an exciting partnership opportunity with the existing tenant, Carpetright, to refurbish and extend its unit and create a new DFS store. We agreed new 15 and 20-year leases, respectively. The new design facilitated the construction of two pod units let to Costa and Subway, which in turn has increased footfall.

---

**Partnering with our customers means we can enter a deal that is profitable to both parties and maximises the value of the scheme**

---

**Developed by Metric Property  
Opened for trade March 2013**

---

**Longwell Green Retail Park**

---

Location: Bristol

## Investment

**Valentine Beresford**  
Investment Director



**Reshaping the portfolio and monetising selected assets will generate a strong platform to grow the portfolio and its income potential**

### **Nine assets acquired since completion of the merger**

To date we have made 20 acquisitions (19 during the period) across the retail, distribution, residential and office sectors for £532 million (LondonMetric share: £408 million) at average yields of 7.4%. We were also actively recycling capital divesting 18 assets which generated total sales proceeds of £1,028 million (LondonMetric share: £489 million) at average disposal yields of 5.9%. The table summarises our activity over the year, including post-period end transactions.

We have consciously worked towards improving the portfolio metrics by divesting across selected assets that allow us to release relatively low yielding capital and recycle the proceeds into higher yielding, stronger covenant schemes. The 150bps positive yield spread between our disposals and acquisitions, improved lease length of 6.1 years and improved occupancy spread of 7 percentage points are all evidence that we are creating a stronger platform to grow income.

Since the merger we have spent £170.6 million (LondonMetric share: £165.7 million) acquiring nine properties in the retail and retailer distribution sectors at average yields of 7.2% with unexpired lease terms of 13.9 years and occupancy of 98%.

Shortly after completing the merger we acquired a portfolio of six retail parks, the Saturn portfolio, for £92.4 million, at a net initial yield of 7.8%. Five of the parks are fully occupied with Luton at 89% occupancy. The purchase offers secure, well-let income with additional asset management opportunities and the ability to add value.



Average acquisition yield

**7.4%**

Average disposal yield

**5.9%**

## Investment activity

Acquisitions	Sector	No. of assets	Date	Cost £m	NIY %
Ipswich – post year end	Retail	1	May 2013	10.4	6.5
Thrapston	Distribution	1	Mar 2013	60.5	6.4
Saturn portfolio	Retail	6	Feb 2013	92.4	7.8
Clerkenwell Quarter	Residential	107 units	Dec 2012	45.7	–
Marlow International	Office	1	Jul 2012	50.2	8.9
MIPP JV	Retail	6	Various	54.5	7.1
Leatherhead	Office	1	Jun 2012	61.2	6.9
Retail parks	Retail	2	Various	10.3	7.4
Moore House	Residential	149 units	Jul 2012	147.1	–
Subtotal		20		532.3	7.4

Disposals	Sector	No. of assets	Date	Proceeds £m	NIY %
Meadowhall Shopping Centre	Retail	1	Oct 2012	762.5 <sup>(1)</sup>	5.1
Triangle portfolio	Distribution	17	Apr 2012	265.0	6.6
Subtotal		18		1,027.5	5.9

## Saturn portfolio

	NIY	Occupancy	WAULT years	Area
1. Christchurch	7.1%	100%	7.9	101,700 sq ft
2. Leicester	7.2%	100%	14.4	77,300 sq ft
3. Luton	8.5%	89%	9.2	47,100 sq ft
4. Milton Keynes	8.4%	100%	9.4	57,400 sq ft
5. Southampton	9.4%	100%	8.8	52,300 sq ft
6. Tonbridge	7.3%	100%	10.1	57,400 sq ft



(1) Represents 50% of the gross sales proceeds of £1.525 billion; LondonMetric 15.7% Share £239.4 million

# Investment continued

## Extending our occupier relationships

The occupier is at the centre of our business model impacting every investment decision we make. As such, we are extending our breadth of experience and deep occupier relationships into retailer-led distribution, which is benefiting from strong occupier interest as retailers' multi-channel strategies continue to evolve. Our investment activity since completion of the merger illustrates our desire to grow both the retail and retailer-led distribution segments of the portfolio, where we have an attractive pipeline of opportunities.

We are primarily targeting retailer-led distribution where we have a competitive advantage as a result of our strong retailer relationships. Our acquisition of the Primark Distribution Centre, Thrapston, which we acquired for £60.5 million at a net initial yield of 6.4%, illustrates the attractive lease terms afforded by retailers. The lease term is just under 20 years with annual fixed uplifts of 1.5% and upward only open market rent reviews every five years.

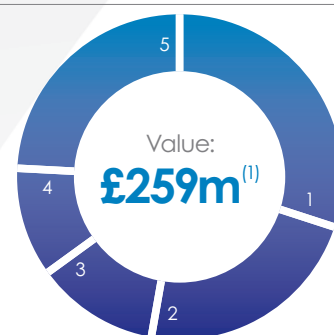
We have recently begun formal marketing of One Fleet Place, EC4 and are pleased by the strong interest from overseas buyers. The property comprises 170,000 sq ft and is primarily let to the law firm SNR Denton LLP with 12.3 years unexpired. We acquired the asset in January 2009 for £74 million and are marketing at a disposal yield of 5.25% reflecting a price of £109.3 million. The investment market appears to be receptive to this prime offering and we aim to conclude the sale in the summer.

## Positive momentum on residential unit sales

Our prime Central London residential portfolio comprises 520 units with a capital value of £374 million (LondonMetric share: £259 million) and generates net rents of £6.3 million (LondonMetric share: £4.9 million). We have commenced a divestment programme with terms agreed for the sale of 116 units for £59.6 million, at 1% over book values. We expect to monetise our residential investments over the next year.

## Residential portfolio

1.	Moore House, 149 units	30%
2.	Clerkenwell Quarter, 107 units	23%
3.	Bridges Wharf, 56 units	12%
4.	Clapham Road, 74 units	11%
5.	Highbury Stadium Square, 134 units	24%



(1) LondonMetric net share

Our residential investment portfolio comprising Bridges Wharf, Battersea, Highbury Stadium Square, Islington and Clapham Road, Stockwell is 98% let having agreed 141 new lettings for £3 million, at rents 1.1% ahead of previous passing and concluding 147 lease renewals, 4.3% ahead of previous passing rents securing £2.8 million. We commenced a programme of individual unit sales in February 2013 and to date have agreed 59 sales generating £27.5 million.

In July 2012 we acquired Moore House, Chelsea for £147.1 million (LondonMetric's 40% share: £58.9 million) on behalf of the joint venture with Green Park Investments and Public Sector Pension Investment Board. We continue our letting programme and have let 81 units over the period, increasing occupancy to 54%.

In December 2012 we acquired the Clerkenwell Quarter development in Islington for £45.7 million. We launched a successful marketing programme in April in both Asia and London and to date have agreed 57 sales for £32.1 million at a premium over book value of 2.6%. We remain on target to release over £60 million of equity from this investment over the next six months.

## Deep pipeline of opportunities

Our acquisitions have predominantly been off market and we continue to find this a good source of product, particularly for retailer partnering deals in both the retail and distribution sectors. We are seeing a strong pipeline of opportunities primarily from institutions and bank "motivated" vendors. We have a good pipeline of product for both our wholly owned and joint venture portfolios and are in a position to quickly reinvest the proceeds from the residential sales. We are already undertaking due diligence on a pipeline of c. £100 million at average yields in excess of 7%.

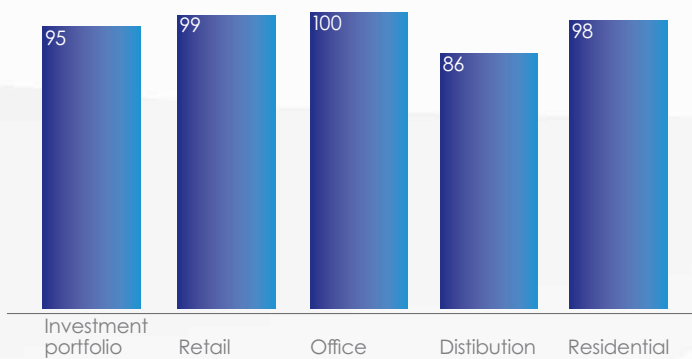
# Asset management and development

**Mark Stirling**  
Asset Director



**Creating desirable real estate is fundamental to our business model and drives our leasing, planning and development strategies**

**Occupancy – Investment portfolio (%)**



The commercial investment portfolio generates a rent roll of £55.5 million, has a capital value of £834.7 million and benefits from unexpired lease terms of 11.6 years (10.8 years to first break) and occupancy of 95%.

A significant level of activity has been generated across all asset management fronts, having completed 14 new lettings across 526,000 sq ft securing £1.7 million, 4.8% ahead of anticipated levels. We concluded new lettings on average lease terms of 11.8 years (10 years to first break). We have also completed 12 rent reviews and re-gears over the same time period across 236,300 sq ft securing £2.7 million, 7.5% ahead of previous passing rents.

Post-period end an additional seven deals were contracted across 670,000 sq ft securing £3.9 million of rental income on average lease lengths of 10.0 years (7.8 years to first break).

At Carter Lane we have agreed pre-lets on 58% of the building by income. Encouragingly, all rents agreed to date have been at levels in excess of £60 psf.

## **Valuation uplift of £20.3 million**

The portfolio was valued at £1,217 million at 31 March 2013, reflecting a valuation uplift of 1.7% over the 12 month period. Our weighted capital return for the period was 2.4% which compares to -2.8% for the IPD All Property Quarterly Index.

Asset management actions made a considerable valuation contribution of +2.0% which was only partly offset by an outward movement in market yields of 6bps, or -0.3%. Asset management actions include occupier transactions (new lettings, re-gears and lease renewals), development of new space and improving the quality of the lease, by extending the lease length, enhancing the terms of the lease or improving the lease covenant. Asset management yield shift, or improving the quality of the lease, generated 15bps of inward yield shift. By sector, the largest contributor to the valuation movement was residential, in particular Moore House. The largest valuation declines came from our legacy portfolio, primarily of land, and our distribution joint venture.

# Asset management and development continued

## Retail

No. of assets: 32	Occupancy: 99%
Capital value: £409.6m (LondonMetric share: £348.4m)	WAULT: 11.1 years (10.3 years to first break)

The portfolio continues to perform well with an intense level of activity. There are a number of future opportunities on the existing portfolio and the newly added six retail warehouses acquired towards the end of the financial year in the Saturn portfolio.

- 23 occupier transactions (12 lettings and 11 rent reviews) securing £3.4 million of rental income, at terms 8.3% ahead of existing rental levels on average WAULT of 13.7 years (11.2 years to first break)
- Additional three lettings currently in solicitors' hands securing a further £0.6 million of rental income
- 11 rent reviews agreed at terms 9.1% ahead of previous passing
- 26% of income subject to fixed uplift
- Like-for-like rental income growth of 5.7%
- Planning gains of 161,500 sq ft with a further 205,000 sq ft of retail planning consents submitted

## Valuation contributors

Contributors	Valuation change £m	% contribution to valuation uplift
Occupational deals	10.7	52.6
New space	4.2	20.7
Asset management yield shift	9.4	46.3
Market yield shift	-4.0	-19.6
Valuation surplus	20.3	100.0

## Distribution

No. of assets: 15	Occupancy: 86%
Capital value: £362.6m (LondonMetric share: £243.8m)	WAULT: 12.9 years (12.8 years to first break)

The distribution portfolio comprises 15 warehouses with a retail focus, 11 of which are owned in joint venture with Green Park Investments. Tenants include Tesco (Harlow), Hillary's Blinds (Nottingham), Primark (Thrapston) and Co-op (Wellingborough). We expect to execute on an attractive pipeline of opportunities to grow this sector over the near term.

## Offices

No. of assets: 4	Occupancy: 100%
Capital value: £242.4m	WAULT: 11.1 years (9.9 years to first break)

- At One Fleet Place, EC4 we are targeting a yield on disposal of 5.25% and have received early positive interest from mainly overseas buyers.
- At Leatherhead, Unilever have received a planning consent for a decked car park providing an additional 136 car parking spaces. We have now agreed to contribute to developing the car park in exchange for a re-gear lease and a rental increase. This initiative delivers a return on marginal capex of almost 15%.

Total return outperformance against IPD<sup>(1)</sup>

**500** bps

(1) IPD All Property Quarterly Universe

## Residential

No. of assets: 5	Occupancy: 82%
Capital value: £374m (LondonMetric share: £258.8m)	Number of units: 520

Occupancy across the residential investment portfolio (Highbury, Clapham Road and Battersea) remains robust at 98% and reflects a period of intense activity.

- At Clerkenwell Quarter, post-period end we have launched the sales of individual units both in London and Asia. We have now agreed sales on 57 units for £32.1 million at 2.6% over book value
- Sales agreed for £27.5 million on 59 units, in line with book value
- Concluded 147 lease renewals securing £2.8 million of rental income at 4.3% ahead of previous passing rents
- Agreed 141 new lettings, securing rental income of £3.0 million, 1.1% ahead of previous passing rents

Moore House, held in a joint venture, represents an opportunistic hold as we believe further capital appreciation is to come owing to its prime location and proximity to the Chelsea Barracks, where we expect a future luxury residential development to be valued significantly higher. We have let 81 of the available flats bringing occupancy to 54% and generating a net rent of £2.4 million (LondonMetric share: £1.0 million).

Valuation surplus

**£20.3m**

## Developments

No. of assets: 5	Level of pre-lets on retail assets under development: 78%
Capital value: £112.2m	

The development portfolio comprises of five schemes (Berkhamsted, Bristol – Channons Hill, Bishop Auckland Phases II and III, Leeds and One Carter Lane, EC3). Achievements over the period include:

- Completed developments at Sheffield, Bristol (Longwell Green), Bishop Auckland Phase I and Cannock, delivering a return on capital expenditure of 16%
- Onsite retail development portfolio (comprising Berkhamsted and Bristol) is now 78% pre-let securing £1.0 million of rent
- Invested £14.5 million across seven retail assets in development and asset management capital expenditure delivering a return of 15.7%
- At One Carter Lane, EC3 the building remains vacant and is undergoing a substantial refurbishment and leasing exercise. 58% of the space has now been agreed at rents in excess of £60 psf and on average lease lengths of 15 years
- Planned capital expenditure pipeline of £36.8 million across four assets (Berkhamsted, Bristol – Channon Hill, Leatherhead and One Carter Lane)
- Conditional capital expenditure pipeline across three schemes (Bishop Auckland Phases II and III, Leeds and St Austell) for £57.2 million
- Planning gains achieved over 161,500 sq ft with a further 205,000 sq ft of planning applications submitted

# Asset management and development continued

## Legacy

No. of assets: 5	Income producing: 2
Capital value: £10.95m	Plots of land: 3

The legacy portfolio comprises of a retail park in Newcastle, a distribution warehouse in Stoke on Trent and parcels of land in Gillingham, Nottingham and Yeovil. We will look to monetise the value of this portfolio over the near term.

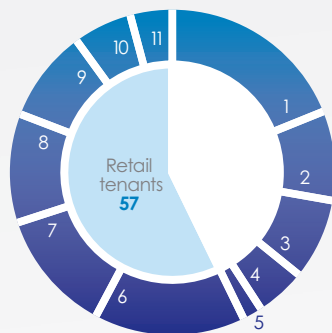
- Post-year-end we have conditionally exchanged to sell Gillingham for £3.4 million, reflecting March 2013 book value
- At Newcastle, we let the former Cannons Fitness unit (previously vacant for four years) on a new 15 year lease to exercise4less, at a rental of £175,000 per annum
- At Stoke on Trent we have let the former Michelin Factory to WRS Ltd on a two year lease at a rental of £297,000 to generate income whilst we pursue planning

## Diverse tenant mix and robust portfolio metrics

The merger has dramatically improved the level of tenant diversity across the portfolio; with our top ten tenants accounting for only 49% of total contracted rent and 19% of rental income is subject to fixed rental uplifts. Our lease expiry profile is well staggered with only 4% of rental income due to expire over the next five years.

## Sector exposure (% of contracted rental income)

1. Professional Services	19
2. DIY	9
3. Residential	8
4. 3PL	5
5. Government	2
6. General Merchandise	15
7. Furniture	12
8. Food	11
9. Consumer Goods	9
10. Electrical	6
11. Other Retailers	4



## Lease expiry profile (% of contracted rental income)

1. 0–5 years	4
2. 5–10 years	31
3. 10–15 years	52
4. 15 years +	13



## Tenant exposure (% of contracted rental income)

Tenant	Rent £m	%
SNR Denton	5.9	9.4
Unilever UK	4.4	7.1
Primark	3.9	6.2
B&Q	3.8	6.0
DSG	3.2	5.1
Allergan	2.4	3.8
Somerfield	1.8	2.9
DFS	1.8	2.8
Next	1.7	2.7
Dun & Bradstreet	1.6	2.5
<b>Total top ten tenants</b>	<b>30.4</b>	<b>48.5</b>
Other	32.1	51.5
<b>Total income</b>	<b>62.5</b>	<b>100.0</b>

**Andrew Jones**  
Chief Executive



**Bringing together London & Stamford and Metric Property has given us the opportunity to rebase our environmental and social policies and draw out best practices from both organisations**

We are committed to establishing best practice targets and improving our performance measurements, including setting out sustainability KPIs. We will aim to implement clear and transparent targets for the benefit and accountability to all our stakeholders – our investors, customers, employees, suppliers and communities we operate in.

### **Committed to sustainable business practices as key elements of our operations and performance measurements**

The formation of LondonMetric brings together a range of property types, challenges and opportunities from an environmental and sustainability perspective. As part of our commitment to improving our processes and enhancing the reporting for the Group, WSP Environmental were appointed to undertake an environmental appraisal.

### **Business case for sustainability**

There are strong alignments between sustainable business practices and our aim to deliver attractive returns to our shareholders. Committing to responsible business practices, both socially and which respect the environments of the communities we operate in, allows us to work in partnership with all stakeholders. Aligning our principles to those of our occupiers, employees, partners and local communities enhance the occupier appeal of our properties, and in turn our economic success, by contributing to both the income and capital growth returns across our portfolio and creating sustainable shareholder value.

### **Addressing the key issues**

Key issues include health and safety; a commitment to people – be it our occupiers, employees, partners or the communities we serve; land contamination and climate change.

# Sustainability report continued

## Health and safety

We recognise the importance of health and safety and look to promote a level of awareness allowing health and safety matters to be addressed through all our business activities, from design and construction, ongoing management of our properties and at our head office.

## Our occupiers

Our occupier-led approach is at the centre of our strategy and meeting their needs so that they choose to lease, stay and recommend us to others is paramount. This places us in a stronger position to improve the rental values across our portfolio and improve occupancy levels, all maximising rental income and improving property values. We continue to be committed to addressing issues identified by our occupiers.

## Our staff

Employing staff who are engaged, motivated and add value across the business underpins our success. We employ the best candidates available in every position, regardless of gender, ethnic group or background. Training is provided to all employees to help them develop their skills and reach their potential.

## Our partners

Our joint venture partners have strong sustainability credentials. Both Universities Superannuation Scheme (USS) and Public Sector Pension (PSP) Investments are members and signatories in various leading institutional organisations focused on sustainability and good governance.

Strong supplier relationships are paramount to our ability to deliver our business model as we have a small corporate head office and outsource a significant portion of our property management. We manage our relationships with our suppliers in a fair, consistent and transparent manner. We manage our property portfolio through managing agents. This is both cost-efficient and effective, enabling us to adapt the level of management provided, as appropriate, to respond quickly to the purchase and sale of properties. We work closely with our managing agents to deliver consistently high performance. Our portfolio is managed by Savills Advisory Services Limited, Osborne King CBRE Limited and Montagu Evans.

## Our communities

We have sponsored the Kirkstall Festival at our development in Leeds and the Mayor of Milford Haven Christmas charity fund in support of the community around our investment at Havens Head Retail Park in Milford Haven. Our charitable donations include the Wheelpower Charity, Animal Lifeline and the Jewish Care Business breakfast.

## Land contamination

Environmental audits are carried out prior to the acquisition of new properties to identify any potential contamination and if present, agree any measures required to control or reduce.



## Addressing climate change

We believe a significant impact can be made to address climate change by working towards improving the energy efficiency of existing buildings as the annual replacement rates across the UK are very low. We have made the improvement of existing building energy efficiency and sustainability alongside the short-term redevelopment of brownfield sites a priority in our portfolio. Better use of existing building stock rather than replacement provides greater reduction in construction waste and use of natural resources and we aim to engage down this route where possible.

## Integrating sustainable decision-making into our redevelopment programme

Sustainable decision-making is core to the regeneration and refurbishment of existing building stock whereby we identify outmoded and well located older properties and refurbish where appropriate or redevelop brownfield sites, [see case study on Bishop Auckland Shopping Park on pages 32 and 33](#).

We have adopted industry-recognised assessment methods (such as BREEAM) to evaluate and promote environmental awareness across our delivery teams, occupiers and end users where appropriate. We will continue to work closely with all our stakeholders to take a proactive approach and promote environmental awareness on an ongoing basis, including waste and recycling initiatives and encouraging and promoting the use of public transport.

## Meeting our commitment for enhanced disclosure

We are already engaged in undertaking an environmental audit across the former London & Stamford and Metric portfolios to harmonise the environmental reporting procedures in order to comply with all relevant local, national and international legislation and regulation and where possible seek to implement environmental best practices and achieve enhanced environmental reporting.

Whilst it is early days and we recognise it will take time to achieve our ambitions, we aim to establish systems for real time data collection for reporting and benchmarking the entire portfolio. We will evaluate the use of an "energy use dashboard" split into sub-sectors to properly understand and be able to report on the Group's position.

We are committed to completing the annual Global Real Estate Sustainability Benchmark (GRESB) Survey and intend to identify a corporate environmental policy and set benchmarking and performance targets once we have completed our audit and harmonised portfolio reporting.

Andrew Jones, Chief Executive, is the Board Director responsible for sustainability. The Board reviews the sustainability policy annually as part of its continuing corporate governance procedures.

# Sustainability report continued

## Environmental and social successes Case study: Bishop Auckland Phase I

Before...



and after...



## Highlights

- BREEAM Very Good rating
- Requirement for a minimum 10% reduction in carbon (CO<sub>2</sub>) emissions or provide onsite renewable energy sources to a minimum 10% of the total energy demand from the development
  - 14% reduction in CO<sub>2</sub> emissions achieved from low or zero carbon (LZC) energy technology
  - 5% reduction in CO<sub>2</sub> emissions achieved from installation of most up to date M&E systems
- EPC rating of A exceeding rating of C for equivalent stock
- 7,500 sq m of re-used existing building materials
- Highly efficient external light fittings controlled by daylight sensors
- All timber sourced from recognised sustainable suppliers
- Inclusion of sustainable travel planning
- Improved amenities for local residents
- Added 120 local jobs

Bishop Auckland Shopping Park is located to the south-west of Bishop Auckland town centre, County Durham. LondonMetric conditionally acquired the brownfield site in June 2011 which originally was a single, large retail warehouse built in the 1970s and formerly occupied by Focus DIY but stood vacant and became unsightly and a problem for the local community, having been vandalised numerous times.

On successfully achieving a revised planning consent for Open A1 retail use in December 2011, LondonMetric acquired the site in March 2012 when construction commenced for a five-unit retail terrace of 49,225 sq ft and associated car parking for Phase I.

Improving sustainability and social aspects were key considerations in the design and development of the property, which included:

- Targets for energy, water and environmental materials, achieving a score of 57.11% against BREEAM Retail 2008 Issue 4.0 SD 5056, achieving a BREEAM rating of Very Good
- All timber was from suppliers certified to Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) standards
- The sub base (layer of aggregate material used for load bearing) for external hard landscaping was made up of at least 80% recycled materials generated from the existing buildings and hard landscaping which was crushed and re-used onsite
- The use of highly efficient sensor-controlled light fittings reduces operation during daylight hours and significantly reduces both replacement and maintenance costs
- Pulsed-output water meters were installed in all tenanted areas, common areas and service areas and connected to the Building Management System to encourage reductions in water consumption
- Contractor signatory to Considerate Contractors Scheme complying with best practice in construction and site management including Waste & Resource Action Programme (WRAP) Good Practice
- Tenants are obliged to comply with the requirements of Green Building User Guide through the terms of their lease, with the guide providing recommendations on how to minimise the environmental impacts of the building's use and how the tenant should fit out its unit
- The development is pedestrian and cycle friendly through the provision of amenities including cycle lanes, safe crossing points, direct routes and cycle storage has been provided for at least 10% of staff; the shopping park is in good proximity to public transport networks and local amenities
- Wider economic benefits include the creation of 120 full-time equivalent jobs, increased economic expenditure and enhanced retail choice for the catchment area

# Finance report

**Martin McGann**  
Finance Director



**The Group's total adjusted profit before tax and exceptional items in 2013 was £39.9 million (2012: £19.5 million) representing a 105% increase in the year**

The results for the year ended 31 March 2013 reflect ten months of London & Stamford and two months of the enlarged Group.

## Income statement

			2013		2012	
	Group £m	Share of JV £m	Total £m	Group £m	Share of JV £m	Total £m
Net income	39.6	14.4	54.0	41.9 <sup>(1)</sup>	19.2	61.1
Corporate costs	(11.0)	(2.1)	(13.1)	(9.5)	(2.8)	(12.3)
Net finance costs	(11.7)	(7.9)	(19.6)	(13.4)	(11.1)	(24.5)
Underlying profit	16.9	4.4	21.3	19.0	5.3	24.3
Revaluation surplus	8.4	11.9	20.3	3.2	(0.2)	3.0
Derivative movement	(1.7)	(1.1)	(2.8)	(5.2)	(3.7)	(8.9)
Profit on sales	1.1	–	1.1	1.1	–	1.1
Adjusted profit before tax	24.7	15.2	39.9	18.1	1.4	19.5

(1) Excludes profit on sale of trading properties of £0.3 million

## Adjusted profit before tax

# £39.9m

The Group's total adjusted profit before tax and exceptional items in 2013 was £39.9 million (2012: £19.5 million), representing a 105% increase in the year. A key component of this increase was the valuation surplus of £20.3 million (2012: £3.0 million), which included £11.9 million (2012: deficit of £0.2 million) from our share of joint ventures and associates. Of most significance was the Group's share of the uplift at Moore House, London of £13.9 million. In addition, the movement in the fair value of derivatives decreased by £6 million compared with the previous year as new borrowings were increasingly hedged by way of interest rate caps replacing expensive interest rate swaps.

Underlying profit, being an important focus for management to support the Group's dividend payment, was £21.3 million, a fall of £3.0 million or 12% compared to 2012. The underlying profit is identified as the sustainable net income after net finance costs and overheads. It excludes, in particular, the accounting impact of the internalisation of the management of London & Stamford in 2010, goodwill and costs associated with the merger with Metric, the impairment of Meadowhall and property and derivative valuations. Underlying profit has fallen primarily as a result of the sale of the Triangle portfolio of 17 distribution warehouses in April 2012 and associated loss of net income after interest of c. £13 million pa, which was replaced in July 2012 with c. £6.8 million of net income after interest following the acquisition of the office portfolio at Leatherhead and Marlow. Like-for-like rental income reported on a statutory basis increased by £1.76 million or 8% due to a full year of income at Carter Lane and Clapham Road. The acquisitions of the Saturn portfolio of six retail warehouses in February 2013 and the Primark Distribution Unit at Thrapston in March 2013 have added a further £11.4 million to the Group's contracted rent roll, which at 31 March 2013 was £62.5 million. Dividend cover, expressed as a percentage of underlying profit, was 52% compared with 64% in the previous year.

Management fee income has increased by £2.1 million or 33% to £8.5 million in 2013 with the establishment of the residential joint venture with Green Park and The Public Sector Pension Investment Board and following the sale of the Group's interest in the Meadowhall Shopping Centre in October 2012 which generated performance fees.

Corporate overheads have increased to £11 million from £9.5 million in the previous year, reflecting the two months of increased post-merger overhead.

Careful consideration is given to the management of our interest exposure across the various debt arrangements we have.

## Portfolio value

# £1,217m

Currently our hedging arrangements are a combination of interest rate swaps, caps and fixed interest borrowings.

In managing our interest rate risk, we take independent advice from J C Rathbone Associates, details of which are regularly discussed at Board meetings.

Exceptional one-off costs in the year were £49.5 million (2012: £14.5 million) categorised as follows:

	2013 £m	2012 £m
Merger with Metric	11.9	–
Internalisation of management in 2010	14.4	17.4
Impairment of Meadowhall	23.2	–
Goodwill on other acquisitions	–	(2.9)
<b>Total exceptional items</b>	<b>49.5</b>	<b>14.5</b>

The merger with Metric has resulted in £11.9 million of costs in the year that are not expected to recur and comprise goodwill written off of £6.3 million, as the fair value of the assets acquired was less than the fair value of the consideration paid, and professional fees of £5.7 million. The merger was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 whereby each Metric shareholder received 0.94 ordinary shares in the Company in exchange for every share held in Metric.

The goodwill arising was fully impaired and charged to the profit and loss account in the year as it was due in large part to the £4.1 million of professional fees incurred by Metric and which did not form part of the pricing negotiations, which was based on a share exchange ratio and was subject to movements in the Company's share price between the date of announcement of the merger to its effective date of 25 January 2013.

The costs of the internalisation of management in 2010 reflect a share-based payment charge of £10.5 million and the amortisation of the Property Advisory Agreement acquired of £4.0 million.

In October 2012 the Group disposed of its 15.7% investment in the Meadowhall Shopping Centre held in joint venture with Green Park Investments. The carrying value of the Group's investment was impaired at the half year by £23.2 million as a result of a debt mark to market adjustment that was recognised on sale. The asset was sold at a gross price of £1,525 million (LondonMetric share: £239.4 million) which represented its market value at the half year and generated a return on equity of 129%.

# Finance report continued

## Balance sheet

	2013			2012		
	Group £m	Share of JV £m	Total £m	Group £m	Share of JV £m	Total £m
Investment property <sup>(1)</sup>	990.6	226.1	1,216.7	663.9	358.5	1,022.4
Gross debt	464.6	108.5	573.1	322.8	176.3	499.1
Cash	37.6	8.3	45.9	136.9	8.5	145.4
Net gearing	43%	44%	43%	28%	47%	35%
Cost of debt	3.59%	3.75%	3.62%	4.12%	4.63%	4.28%
Undrawn facilities	37.0	16.7	53.7	22.3	–	22.3

The Group's portfolio was valued at 31 March 2013 at £1,217 million including its share of joint ventures and associates and assets held for sale (2012: £1,022 million). This included a restatement to decrease the 2012 valuation of Clerkenwell Quarter by £2.7 million. The Group spent £575 million on acquisitions including the Metric portfolio of assets valued on acquisition at £255.5 million and reduced its holding in joint ventures by £132 million as a result of the disposal of its interest in Meadowhall offset in part by the acquisition of a 40% interest in apartments at Moore House, London.

The net asset value per share at 31 March 2013 was 108p (2012: 116p). The movement in net assets in the year can be summarised as follows:

Net asset value	£m
At 1 April 2012	630.9
Loss for the year	(13.5)
Share issue on merger with Metric	202.7
Tender offer share awards	(100.7)
Clawback and share awards	(4.7)
Dividends paid	(38.0)
<b>At 31 March 2013</b>	<b>676.7</b>

## Debt

Our on balance sheet debt amounts to £464.5 million including £76.7 million acquired on merger. Net of cash of £37.6 million, the LTV is 43%. On a look-through basis, taking account of our joint venture banking arrangements, gross debt is £573.0 million and the LTV is 43%. We have been successful in raising new debt finance in the year as follows:

- £61.8 million with Dekabank and Deutsche Postbank AG in July 2012 to finance the acquisition of our offices at Leatherhead and Marlow.
- £65 million (LondonMetric share £26 million) in August 2012 with the Royal Bank of Scotland to finance the acquisition of Moore House through our residential joint venture.
- £130 million amendment of our revolving credit facility with Bank of Scotland of which £122.3 million was drawn to finance the acquisitions of the Saturn portfolio and the Primark Distribution Unit at Thrapston.

The average interest rate payable by the Group was 3.59% (2012: 4.12%) and including its share of joint ventures was 3.62% (2012: 4.28%).

The Group has hedged 80% (2012: 84%) of its exposure to interest rate fluctuations and has complied throughout the year with its loan covenants.

## Liquidity and cash management

During the year we obtained third party advice on the management of our cash resources in terms of liquidity, returns and counterparty risk which is taken into consideration at each meeting of the Board.

Deposits are placed with a diverse mix of institutions subject to credit rating, rates of return and overall exposure.

The year-end cash position is £37.6 million. Following the planned disposals of our residential assets our ungeared firepower is expected to be c. £160 million.

(1) Includes assets held for sale and trading property

# Risk management

## Board

Overall responsibility for risk management and internal controls

## Audit Committee

Reviews and evaluates risk register and internal financial controls. Reports findings to the Board

## Executive Committee and senior management team

Prepares risk register and Internal Control Evaluation Questionnaire

Risk management is an integral part of our financial, operational and governance activities. The Board acknowledges the importance of identifying and managing risks in reducing the likelihood of financial loss and in optimising shareholder returns. By close Executive Director involvement in all significant business decisions, this is effectively communicated throughout the management team.

Whilst overall responsibility for identifying and managing risk rests with the Board, it has delegated responsibility to the Audit Committee for reviewing and monitoring the risk management and internal control framework designed, implemented and maintained by the Executive management team.

A key part of this process is the Group's risk register, prepared by the Executive Committee and the senior management team. This identified each category of risk faced by the business and assesses the severity of each risk, the likelihood of it occurring, the controls and strategy in place to mitigate it and the responsibility thereof. The register was updated in March 2013 and will be reviewed and updated on an annual basis.

The principal risks and uncertainties facing the Group and the controls in place to mitigate them are set out overleaf.

# Risk management continued

## Strategic risks

### Risk and uncertainty

The Group's strategy is unclear or unrealistic given the economic climate and market within which it operates, leading to suboptimal returns for shareholders and poor investment decisions. Property markets, particularly Retail and Distribution, and economic conditions are outside the Board's control.

### Controls and mitigation

Operating only in the UK minimises exposure to financial uncertainty and instability in the Eurozone.  
Commission of research into the economic and occupation markets highlights modifications required to strategy to minimise risk.  
Financial forecasts are prepared and presented to the Board quarterly aligning current strategy and the achievement of shareholder returns.  
Close involvement of the Executive Directors in transactions and day to day management includes the regular review and update of financial forecasts in light of strategy changes.

## Transactional risks

### Risk and uncertainty

Investment opportunities are missed and acquisitions underperform financial objectives.

### Controls and mitigation

Extensive experience and network of connections of the Directors and Executive Committee provide a privileged insight into the property market and opportunities within, evidenced by the recent investment activity undertaken (Saturn portfolio and Primark distribution acquisitions) to deploy the Group's cash.  
Acquisitions are thoroughly evaluated by undertaking a detailed financial, legal and operational appraisal process prior to Board approval.

Property valuations are snapshots in time with no certainty that they will be realised given uncertain market conditions.

The property portfolio performance is regularly reviewed and benchmarked on an individual basis and assets that have achieved target returns are identified for sale. Focus on secure income, let to high quality tenants, from well-located assets with increasing weighted average lease lengths reduces the risk of negative movements.

Development projects fail to deliver expected returns due to increased costs, planning or construction delays or adverse letting conditions.

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.



## Financial risks

Risk and uncertainty	Controls and mitigation
Adverse interest rate movements can significantly increase interest charged on bank borrowings and reduce profitability.	A high proportion of debt is hedged with fixed or capped interest rates through derivative products. At 31 March 2013 the Group had £370 million of hedges in place and its debt was 80% fixed.
Inability to raise finance could prohibit the Group's investment strategy or significantly increase borrowing costs.	The Group has undrawn bank loan facilities of £37 million at 31 March 2013 and significant equity investment commitment from joint venture partners. Cash flow requirements are reviewed by the Executive Board on a weekly basis and excellent relationships have been built with a diversified range of key lending banks.
Failure to comply with financial loan covenants could result from a substantial decline in property values or a material loss of rental income or increased borrowing costs.	<p>Loan covenants are actively monitored and are carefully considered and stress tested before entering into new arrangements.</p> <p>Compliance is considered as part of the Group's financial forecasting to enable the detection of potential problems at an early stage and allow corrective action to be taken.</p> <p>The Group has a modest level of gearing and has complied comfortably during 2013 with its financial loan covenants.</p>

## Operational risks

Risk and uncertainty	Controls and mitigation
Tenant defaults and failure to let vacant units leads to a loss of recurring net income and dividend cover.	<p>Tenant covenant strength and concentration is assessed for all acquisitions and leasing transactions.</p> <p>The Group's dedicated and experienced property management teamwork closely with tenants and consider appropriate action for slow payers.</p> <p>Rent collection is closely monitored and reported to the property management team to quickly identify slow payers.</p>
<p>A key risk to a small management team is the ability to attract, motivate and retain talented staff with the appropriate skillsets to execute the Company's strategic plans.</p> <p>Executive succession planning is vital to ensure the long-term success of the business.</p>	<p>The merger with Metric Property Investments plc brought together two very experienced and complementary management teams. Succession planning was a key focus of the Nomination Committee and their recommendation for the composition of the new Board.</p> <p>The remuneration structure for all staff has been reviewed and is being aligned to the long-term key performance targets of the business by the introduction of new long-term share based incentive arrangements.</p> <p>The Executive Directors have a substantial equity investment in the Company. Annual staff appraisals are undertaken to identify training requirements and assess performance.</p>

# Board of Directors



1.

## 1. Patrick Vaughan<sup>(1)</sup> Executive Chairman

Patrick has been involved in the UK property market since 1970. He was a co-founder and CEO of Arlington, formed in 1976; of Pillar, formed in 1991; and of London & Stamford, formed in 2005, leading all three of the companies to successful flotations 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 The British Land Company plc between 2005 to 2006, following its acquisition of Pillar.

## 2. 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.



3.

## 3. Martin McGann<sup>(1)</sup> 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. Martin is a qualified chartered accountant having trained and qualified with Deloitte.

## 4. Mark Burton<sup>(2)</sup> Non-Executive Director

Mark joined the board of London & Stamford in July 2010. He currently holds a range of real estate focused non-executive directorships and advisory roles following his retirement in June 2010 as the chief investment officer for real estate for the Abu Dhabi Investment Council. A chartered surveyor and banker during his career, Mark started working at London-based Cluttons in 1967 and has worked at a variety of leading institutions including the United Bank of Kuwait, AXA Investment Managers, and AIG Global Real Estate Investment (Europe). Mark is stepping down from the Board at the AGM.



5.

## 5. Charles Cayzer<sup>(1,2,3)</sup> Senior Independent Director, Chairman of Nomination Committee

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.

## 6. James Dean Non-Executive Director, Chairman of the Remuneration Committee

James was appointed to the board of London & Stamford in July 2010. He is a chartered surveyor and has worked for Savills plc since 1973, serving as a main Board Director from 1988 to 1999. He is Chairman of PearlCrown Ltd, London & Lincoln Properties Ltd and Patrick Dean Ltd and also a Non-Executive Director of Branston Holdings Ltd.



7.

**7. Andrew Huntley  
Non-Executive Director**

Andrew joined the board of Metric as Chairman at the company's inception in March 2010. He is a former Chairman of CBRE and a former Non-Executive Director of Pillar. He is currently a Non-Executive Director of Capital Shopping Centres plc and Capital & Counties plc, a Non-Executive Director of Miller Group, and a Non-Executive Director of AIM-listed Real Office Group plc. Andrew is one of the UK's most experienced property advisers, serving as Chairman and as a Director on a variety of boards including New Sadlers Well Development and Beckwith Property Fund Management. Andrew is stepping down from the Board at the AGM.

**8. Alec Pelmore <sup>(1,2)</sup>  
Non-Executive Director**

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.



9.

**9. Humphrey Price  
Non-Executive Director, Chairman of the Audit Committee**

Humphrey was Finance Director of Arlington from 1982 to 1992, he then became a Director of Pillar from its formation and Finance Director from 1993 to 2004, resigning from the board in 2005 upon its sale to The British Land Company plc. He was a Non-Executive Director of London & Stamford Property Limited from incorporation until April 2009 and was appointed to the Board of London & Stamford Property Plc in July 2010. He was appointed as a Non-Executive Director of Hansteen Holdings Plc in October 2010. He is a qualified chartered accountant.

**10. Andrew Varley <sup>(2,3)</sup>  
Non-Executive Director**

Andrew joined the board of Metric at the company's inception in March 2010. He is Group Property Director and an Executive Director of NEXT Plc, 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.



11.

**11. Philip Watson <sup>(1,3)</sup>  
Non-Executive Director**

Philip joined the board of Metric at the company's inception in March 2010. He is group chief investment officer of Mirabaud Asset Management. Philip joined Hill Samuel in 1971 and then Robert Fleming in 1972, where he worked as an investment analyst and fund manager. He left Robert Fleming in 1982 to found TWH Management Limited, in which he and his partners sold a controlling interest to Mirabaud Pereire Holdings Limited in 1991.

(1) Member of the Nomination Committee  
(2) Member of the Audit Committee  
(3) Member of the Remuneration Committee

# Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2013.

## Principal activities and business review

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

A detailed review of the Group's business during the year, position at year-end, future prospects, key performance indicators, sustainability and risk management is contained in the Overview and Performance Review sections of the Report and Accounts on pages 02 to 39 and should be read as part of this report.

The purpose of the Annual Report is to provide information to the members of the Company. 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 losses for the year of £13.5 million (2012: profits of £2.7 million) as shown on page 57. An interim dividend for 2013 of 3.5p per share was paid on 7 December 2012 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 2013 (2012: 7.0p per share). The final dividend will be paid following approval at the Annual General Meeting on 10 July 2013 to ordinary shareholders on the register at the close of business on 14 June 2013.

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.

## Investment properties

A valuation of the Group's investment properties at 31 March 2013 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £928 million as reflected in note 10 to these accounts.

## Share capital

On 31 March 2013 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 below.

There have been no changes to the issued share capital since the year-end.

The London & Stamford Property Plc Employee Benefit Trust was terminated in the year following the merger with Metric Property Investments plc ("Metric"). A total of 178,716 shares were awarded to staff and the remaining 763,533 shares held by the Trust were sold.

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 2012 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 and a resolution will be proposed for its renewal.

On 25 January 2013, the Company issued 178,599,912 new ordinary shares in exchange for the entire issued share capital of Metric pursuant to the merger of the two organisations. In addition, 4,777,268 ordinary shares were acquired by the Company from the former LSI Management LLP members (the former property advisor to the Group) and were subsequently cancelled. The Company acquired 88,573,910 ordinary shares on 18 February 2013 from shareholders following a tender offer as set out in a circular published on 31 January 2013. The tender offer was taken up in full at a price of 112.9p per ordinary share.

## Directors

The present membership of the Board and biographical details of Directors are set out on pages 40 to 41.

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

The Company's Articles of Association require each Director to retire from office and be subject to re-election at the first Annual General Meeting after appointment and thereafter at no more than three-yearly intervals. Accordingly, Andrew Jones, Andrew Varley, Alec Pelmore and Philip Watson retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting. Andrew Huntley has informed the Board that he does not intend to stand for re-election at the forthcoming AGM and Mark Burton has decided to retire. The Company has not followed the provisions of the UK Corporate Governance Code which requires all Directors to retire and offer themselves for re-election, as the Board believes this provision to be potentially

detrimental to the effective and ongoing management of the Company.

### 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.

### Corporate governance statement

A statement on Corporate governance is set out on pages 45 to 49.

### 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		%
Caledonia Investments Plc	33,497,094	5.33
Rothschild Wealth Management	31,834,086	5.07
Rathbone Investment Management	28,399,043	4.52
Blackrock Investment Management Ltd	27,746,932	4.42
Electra Partners Europe Ltd	26,292,000	4.19
Cohen & Steers Capital Management Inc	25,253,471	4.02
Legal & General Investment Management Ltd	20,068,741	3.20
APG Investments (NL)	19,956,454	3.18

### 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 2013 was 22 days (2012: 19 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.

### Essential contracts

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

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 pages 37 to 39.

### Post-balance sheet events

On 14 May 2013 the Company completed the acquisition of Martlesham Heath Retail Park, Ipswich for £10.35 million.

### Charitable and political contributions

During the year the Group made charitable donations of £40,900 (2012: £69,000). No political donations were made during the year (2012: £nil).

### Going concern

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.

### 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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditors

A resolution to reappoint BDO LLP as auditors of the Company will be proposed at the Annual General Meeting.

### Annual General Meeting

The Annual General Meeting of the Company will be held at the Connaught, Carlos Place, Mayfair, London, W1K 2AL at 10 am on 10 July 2013.

The Notice of Meeting on pages 86 to 93 sets out the proposed resolutions and voting details.

On behalf of the Board

**Martin McGann**  
Finance Director

31 May 2013

## Statement of Directors' responsibilities

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 have elected to prepare the 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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; and
- prepare a Directors' report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf by

**Martin McGann**  
Finance Director

31 May 2013

# Corporate governance

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

The Board has considered the Company's compliance with the main principles and provisions of the 2010 UK Corporate Governance Code and the revisions made in 2012 and has sought to put in place practices to enable full compliance. The Board considers that the Company has complied with the provisions of the UK Corporate Governance Code, except for Provision B1.1 which addresses the independence of Non-Executive Directors, Provision A.3.1 which addresses the independence of the Chairman and Provision B.7.1 which addresses re-election of Directors. These are discussed below.

The Company's principal governance policies and practices are set out below.

## The Board of Directors

### Composition

The Board comprises the Executive Chairman, two other Executive Directors and eight Non-Executive Directors. The biographies of all members of the Board are set out on pages 40 to 41.

The composition of the Board changed on 25 January 2013 following the merger of the Company with Metric Property Investments plc ("Metric"). Raymond Mould retired as Chairman and Patrick Vaughan was appointed to undertake the role in an executive capacity. Andrew Jones was appointed as Chief Executive. Although this does not comply with Provision A.3.1, which discourages a chief executive becoming chairman of the same company, the Board considers this appointment as an appropriate exception to the rule and a critical element of the merger, maintaining continuity of leadership for both companies and in order to facilitate the combination of the two businesses given his excellent prior working relationship with the Chief Executive of Metric, Andrew Jones. His experience as a founder of London & Stamford and his relationship with key joint venture partners is considered to be crucial to maintaining their continued support and to providing shareholders with a balanced and effective Board. Leading shareholders of both former companies were consulted and the reasons for his appointment explained to them.

Patrick Vaughan will retain his executive capacity representing a commitment given to the shareholders on the acquisition of LSI Management LLP.

All four of Metric's Non-Executive Directors were appointed to the Non-Executive Board and Richard Crowder decided to retire from his role. Andrew Huntley has informed the Board that he does not intend to stand for re-election at the forthcoming Annual General Meeting of the Company and Mark Burton has decided to retire.

There are clearly-defined roles for the Executive Chairman and Chief Executive which have 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 delivery of its strategic objectives.

### 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 the Company's strategy and the delivery of enhanced shareholder returns. The following table shows Directors' attendance at Board meetings they were eligible to attend during the period:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
<b>Number of meetings</b>	8	3	3	1
Raymond Mould <sup>(1)</sup>	3/4	n/a	n/a	n/a
Patrick Vaughan	8/8	n/a	n/a	1/1
Andrew Jones <sup>(2)</sup>	4/4	n/a	n/a	n/a
Martin McGann	8/8	n/a	n/a	n/a
Charles Cayzer	8/8	3/3	3/3	1/1
James Dean <sup>(4)</sup>	7/8	n/a	3/3	0/1
Humphrey Price	7/8	3/3	n/a	n/a
Mark Burton <sup>(3)</sup>	8/8	3/3	3/3	1/1
Richard Crowder <sup>(1)</sup>	3/4	1/2	2/3	n/a
Andrew Huntley <sup>(2,5)</sup>	3/4	n/a	n/a	n/a
Andrew Varley <sup>(2,6)</sup>	4/4	1/1	n/a	n/a
Alec Pelmore <sup>(2)</sup>	3/4	1/1	n/a	n/a
Philip Watson <sup>(2)</sup>	4/4	n/a	n/a	n/a

(1) Stepped down from the Board on 25 January 2013. Any non-attendance was the result of ill-health

(2) Appointed to the Board and relevant committees on 25 January 2013

(3) Stepped down from Remuneration and Nomination Committees on 25 January 2013

(4) Stepped down from Nomination Committee on 25 January 2013

(5) Stepped down from Remuneration Committee on 3 May 2013

(6) Appointed to Remuneration Committee on 30 May 2013

# Corporate governance continued

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 operations 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, including:

- approval of interim and annual financial statements and dividends;
- setting and monitoring of overall strategy;
- ensuring there are adequate resources to meet objectives;
- reviewing property valuations;
- acquisitions and disposals;
- approval of major capital expenditure projects;
- treasury and financing arrangements; and
- internal control, risk management and Board evaluation.

This schedule of matters is reviewed and agreed by the Board on an annual basis. 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), former Executive Directors of Metric.

The Executive Committee meets monthly to discuss property investment, 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 heavily involved in significant business discussions and decisions due to the size of the organisation.

The Board receives comprehensive reports and briefing papers one week prior to Board and Committee meetings to enable them to fulfil their responsibilities.

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

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.

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.

Taking all factors into account, the Directors believe that the Board has an appropriate balance of skills, experience, knowledge and independence to satisfy the requirements of good corporate governance.

## Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are required to submit themselves for election at the first opportunity following their appointment by the Board and thereafter for re-election at least every three years. Accordingly, Andrew Jones, Andrew Varley, Alec Pelmore and Philip Watson are proposed for re-election at the forthcoming Annual General Meeting. Andrew Huntley has informed the Board that he does not intend to stand for re-election at the AGM and Mark Burton has decided to retire.

The Board considers this departure from the requirements of the UK Corporate Governance Code that all Directors are submitted for re-election annually is necessary to ensure the effective and ongoing management of the business. Continuity of Board leadership is considered to be essential to the survival and success of the business and this provision would allow the whole Board to be discharged simultaneously, leaving the company in a most vulnerable position with potentially no continuity of the required knowledge, skills and understanding to lead the Company.



### Non-Executive Directors

The Board is a diverse group, the majority of whom are independent. Humphrey Price and Charles Cayzer do not qualify to be deemed independent using the criteria set out in Provision B.1.1 of the Code. The Board has therefore specifically considered their independence. Humphrey Price has a long working relationship with the Executive Directors at Arlington Securities, Pillar Property Plc and London & Stamford.

The Board nevertheless considers that the knowledge and experience he brings, having been the Finance Director of these very successful listed property companies, and his ability to act independently, make him a most qualified and appropriate Non-Executive Director and Chairman of the Audit Committee.

Charles Cayzer is a Non-Executive Director of Caledonia Investments Plc, a shareholder of the Company holding a 5.33% interest as at 30 May 2013. Caledonia Investments have put in place procedures to ensure that Charles Cayzer does not participate in investment decision making procedures relating to the Company to address this potential conflict and Charles Cayzer himself is not a shareholder in the Company. 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, chaired by the Senior Independent Director, Charles Cayzer, have met separately from the Board and will continue to meet as necessary, but at least annually, without the Executive Directors present 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.

Positions held by the Non-Executive Directors are set out in their biographies on pages 40 and 41. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. On appointment they are advised of the time required to fulfil the role and are asked to confirm that they can make the required commitment.

On their appointment, Non-Executive Directors are provided with a comprehensive Board pack and are briefed on the Group's assets, finances, risks and strategy.

### Board performance and evaluation

At the end of the previous year, in March 2012, the Board undertook its first formal evaluation of its own performance and that of its Committees and individual Directors. As the composition and leadership of the Board and its Committees changed significantly following the merger with Metric in January 2013, it was considered more appropriate to give the new Board and Chairman sufficient time to settle into their new roles before a subsequent self-evaluation took place. It is the Board's intention to carry out a further evaluation later in the year. The process will be led by the Nomination Committee.

The process will require each Director to complete a questionnaire based on the components of good governance focusing on the objectives, strategy and remit for the Board, performance measurement, relationships with shareholders, effectiveness of risk management and corporate reporting and the effectiveness of the Board, individual Directors and Committees. In addition, it will consider the balance of skills, independence, knowledge and diversity of the Board and how it works together as a unit.

Consideration will be given to the external facilitation of this process every three years.

### 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](http://www.londonmetric.com).

The Audit and Remuneration Committees are composed entirely of Non-Executive Directors. The Company Secretary is secretary to each Committee. The Chairman of each Committee reports the outcome of meetings to the Board.

## Corporate governance continued

### Nomination Committee

The Board established a Nomination Committee in November 2012. The Committee is chaired by Charles Cayzer and its current membership is set out on pages 40 and 41. 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. It also considers succession planning for Directors and other senior executive positions, and reviews the leadership needs of the Company and is responsible for identifying and approving candidates to fill Board vacancies. If appropriate, external search consultants are used to assist the process. The Committee met once in the year, to consider the appointment of Andrew Jones as Chief Executive, Patrick Vaughan as Chairman and Andrew Huntley, Andrew Varley, Alec Pelmore and Philip Watson as Non-Executive Directors following the merger with Metric. It met once post year end to consider changes to the Remuneration Committee composition following the notification of Andrew Huntley's intention not to stand for re-election at the forthcoming AGM and his resignation from the Remuneration Committee. The Committee considered the need to maintain the appropriate balance of skills, experience and knowledge of both companies regarding these appointments and will review the balance of the Board on an annual basis. It did not believe it was necessary to engage an external search agency in this process and was mindful of ensuring successful integration of the two businesses. Succession planning was a key consideration with the appointment of Andrew Jones as Chief Executive and the retirement of Raymond Mould as Chairman. However, at the same time in order to maintain consistent and effective leadership, the Committee felt it most appropriate to appoint Patrick Vaughan as Chairman and in an Executive capacity, given his wealth of experience, knowledge and understanding of the property market.

The Nomination Committee is conscious of the increased focus on Board diversity and acknowledges all aspects of diversity including gender, ethnic origin, age, business skills and experience throughout the Company. Within the Company there is significant gender diversity with the male:female ratio of staff excluding the Non-Executive Directors being 17:18.

### Audit Committee

The Audit Committee is chaired by Humphrey Price and its current membership is set out on pages 40 and 41.

BDO 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.

The Audit Committee's role is described further in its report on page 50.

The Audit Committee met three times last year.

### Remuneration Committee

The Remuneration Committee is chaired by James Dean and its current membership is set out on pages 40 and 41.

Its responsibilities include recommending to the Board the remuneration and other benefits of the Executive Directors and other senior executives, and determining awards and targets under share-based incentive schemes.

The Remuneration Committee's role is described further in the Remuneration report on pages 51 to 55.

The Remuneration Committee met three times last year.

### Relations with shareholders

Communication with shareholders is given high priority and the Company undertakes a regular dialogue with major shareholders and fund managers. The Executive Directors are the Group's principal representatives with investors, analysts, fund managers and other interested parties, assisted by 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 and met a number of significant shareholders during the year.

Following the announcement of interim and year-end results, the Executive Directors host a series of roadshows and presentations with shareholders and investors. Meetings are arranged as requested with at least the top twenty shareholders of the Company. Ad hoc meetings are held outside of the roadshow process at the request of shareholders or on the advice of the Company's brokers. During the last six months alone more than fifty material shareholders of the Group have been visited by two or more of the Executive Directors. The Board receives reports of meetings with institutional shareholders together with regular market and brokers' reports.

The Company's website has been updated following the merger to provide a more functional source of information for shareholders and the presentations made to analysts following the announcement of the Group's results are made available on the website.

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 our website affording all shareholders full access to material information.

Shareholders can raise questions directly with the Company or 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 and details of the resolutions to be proposed at the Annual General Meeting on 10 July 2013 can be found in the Notice of Meeting on pages 86 to 93. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed at the meeting and posted to 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 system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. The system can only provide reasonable but not absolute assurance against material misstatement or loss.

The main elements of the internal control framework are:

- a defined schedule of matters reserved for the Board's attention;
- a comprehensive and documented system of financial budgeting and forecasting;
- measurement of the Group's quarterly financial performance against budget and long-term financial plans;
- short-term cashflow 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 and responsibilities that enables effective and efficient decision making;
- close involvement of the Executive Directors in day to day operations;
- monthly meetings of the Executive Committee, which assesses and monitors 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; and
- 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

31 May 2013

# Audit Committee report



Humphrey Price  
Chairman of the Audit Committee

The Audit Committee's focus has been to assist the Board by reviewing financial information provided to shareholders including interim and annual financial statements, reviewing and assessing the effectiveness of the Company's internal controls and risk management systems and overseeing the Company's relationship with its external auditor.

## Membership

Humphrey Price is Chairman of the Audit Committee and together with Charles Cayzer and Mark Burton has served as a member of the Committee throughout the year. Andrew Varley and Alec Pelmore joined the Committee in January 2013 on their appointment to the Board. All members have no day to day involvement with the Company. Humphrey Price brings recent and relevant financial experience to the Committee as a former Finance Director, chartered accountant and Non-Executive Director and Chairman of the Audit Committee of Hansteen Holdings Plc

Mark Burton has informed the Committee that he will be retiring from the Board and Committee at the forthcoming AGM.

## Meetings

The Committee met three times last year, with meetings aligned to the Company's financial reporting timetable. Meetings are attended by the Group's external auditor, independent property valuers (CBRE Ltd and Savills Advisory Services Limited), the Finance Director and senior management when invited. 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. There has been a focus on the valuation process for the Group's investment properties, as they are a significant part of the Group's reported performance. The Committee met with the external valuers to assess the integrity of the valuation process and to determine the key areas of judgement surrounding the valuations themselves. The external auditor and external valuer also meet as part of the year-end process and have full access to one another and an open dialogue and exchange of information that is independent of management.

## Activities

During the year the work of the Committee undertaken to discharge its responsibilities to the Board has included the following:

- considered proposed accounting treatments for major transactions and significant reporting judgements in advance of interim and annual results at audit planning meetings.
- reviewed interim and annual financial statements including consideration of key areas of judgement, compliance with statutory obligations and accounting standards and consistency throughout the report.

- met with the independent property valuers to discuss the year-end portfolio valuation on a property by property basis.
- assessed the effectiveness of the external auditor which included reviewing their independence, objectivity, terms of engagement and the scope of their audit, as well as their results. The Committee considered the length of tenure of BDO LLP, being Group auditor for the last six years and the fact that last year there was a rotation of audit partner to further their independence.
- considered and reviewed the level of non-audit fees and the nature of non-audit services provided before recommending their reappointment. The Committee is satisfied that the level of non-audit fees paid to the external auditors in the year (£356,000) did not put their independence and objectivity at risk. It took into account the fact that taxation services and advice is provided separately by PricewaterhouseCoopers and that a significant portion of the non-audit fees (£305,000) were an exceptional cost of the merger with Metric and will not recur. The Company's policy governing the provision of non-audit services considers each appointment on a case by case basis. Taxation, valuation and remuneration services are provided by other professions but due diligence, VAT and other advisory services can and have been undertaken by the external auditor. 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. BDO 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.
- 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 and whistle-blowing arrangements. A detailed internal control evaluation questionnaire was completed by management which was reviewed by the Committee along with the risk register, which identified key risks and the management and operational framework in place to address, monitor and minimise the key risks. The Committee received an annual update and review of the risk register and control evaluation questionnaire and reported their findings to the Board.

Humphrey Price  
Chairman of the Audit Committee

31 May 2013

# Remuneration Committee report



James Dean  
Chairman of the Remuneration Committee

The Remuneration Committee (the "Committee") has prepared this report in accordance with the requirements of the UK Corporate Governance Code, the Companies Act 2006 and the listing rules of the Financial Conduct Authority. A resolution will be proposed for its approval at the Annual General Meeting of the Company on 10 July 2013.

The report deals with remuneration arrangements for the periods pre and post the merger and with the Committee's proposals for remuneration going forward.

This report is the first report by the new Remuneration Committee of LondonMetric. Immediately following the merger, Andrew Huntley was appointed as Chairman of the new Remuneration Committee. Richard Crowder, following his retirement from the Board after completion of the merger, and Mark Burton stepped down from Remuneration Committee. However, following Andrew Huntley's decision not to stand for re-election to the Board at the AGM, he stepped down from the Remuneration Committee with effect from 3 May 2013.

The Committee now comprises Charles Cayzer, Philip Watson and Andrew Varley and is chaired by James Dean who was appointed on 3 May 2013. All of the members of the Committee are independent Non-Executive Directors of the Company. Andrew Varley joined the Remuneration Committee following the Board Meeting on 30 May 2013.

The Committee's responsibilities are set out in its terms of reference which have been reviewed following the merger and which will be reviewed annually by the Board, and which are available to shareholders on request and on the Company's website: [www.londonmetric.com](http://www.londonmetric.com). The Committee recommends to the Board the remuneration policy and packages of the Executive Directors and other senior Executives, and determines awards and targets under management incentive schemes.

The Committee will meet at least twice a year. It will review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness, as well as review and approve remuneration awards. The Chairman of the Committee reports to the Board on proceedings following each meeting. During the year the Committee has met on three occasions.

## Remuneration policy

The Committee's overriding objective in determining the Company's remuneration policy is to ensure it continues to attract, motivate and retain individuals of the highest calibre who individually and collectively contribute to the long-term success of the Group, and which is competitive in relation to other comparable property companies. It seeks to provide incentives to encourage and reward individual performance and success as well as aligning interests with shareholders by implementing rewards and incentives that are dependent on

the overall performance and growth of the Group. The Committee considers annual performance bonuses and long-term share-based incentive plans to be the most effective means of achieving these aims.

No Executive Director is involved in the determination of his own remuneration and fees for Non-Executive Directors are determined and reviewed by the Board as a whole. In setting the Executive Directors' remuneration, the Committee takes into account pay and employment conditions applicable across the Group and most particularly remuneration arrangements in other comparable property companies.

## Revised remuneration proposals for the enlarged Group

In the circular issued to shareholders dated 27 November 2012, it was confirmed that following completion of the merger and the termination of incentive plans for the management of Metric and the clawback of certain incentive shares for London & Stamford management, it would be a priority for the new Remuneration Committee to put in place revised salary and bonus arrangements and new long-term arrangements for senior Executives of the enlarged Group, in line with the market.

The objectives of the new arrangements will be:

- The motivation and retention of the existing team and the attraction of the highest calibre new individuals as required.
- The provision of material rewards for optimising shareholder returns and delivering the business strategy.
- Alignment with shareholders through continuing high levels of share ownership.

It was confirmed in the circular that Patrick Vaughan and Martin McGann would not participate in any revised bonus or long-term incentive arrangements until 30 September 2013, in accordance with lock-in arrangements in connection with the Company's acquisition of LSI Management LLP on October 2010.

Accordingly, the Remuneration Committee has met and formulated a new arrangement for the Company going forward. The Committee has taken advice from New Bridge Street and has sought the views of the Company's largest shareholders.

The remuneration packages for Executive Directors of the Group consist of the following:

## Basic salary and benefits

Basic salary and benefit arrangements which apply from 1 February 2013 are as follows:

	Basic salary £	Pension allowance £	Car allowance £	Total £
Patrick Vaughan	400,000	60,000	20,000	480,000
Andrew Jones	480,000	72,000	20,000	572,000
Martin McGann	315,000	47,250	20,000	382,250

# Remuneration Committee report continued

The pension allowance is a 15% monthly contribution to Executive Directors' individual personal pension plans, with the option to elect to receive the pension contributions as a cash allowance. In addition, Executive Directors will be entitled to a car allowance of £20,000 per annum, private medical insurance and permanent health and life assurance.

Basic salaries will be reviewed annually by the Committee at the same time and on the same basis as the review by the Executive Directors of all other staff salaries. Salary increments will be approximately linked to inflation, save for increases justifiable on the basis of exceptional merit or material increase in scope or scale of responsibilities. Their assessment will have regard to individual and corporate performance, individual roles and responsibilities and comparable salary levels in other similar companies.

Benefits for all employees include and are restricted to medical insurance and life assurance cover.

All staff will receive a monthly contribution to their individual personal pension plans.

### Annual discretionary bonus

The Committee will consider on an annual basis the award of Executive Directors' bonuses. These are non-pensionable awards which are discretionary and dependent upon the performance of the Group, as well as the individual contribution made by each Director.

Any annual bonus will be subject to the following caps:

Patrick Vaughan*	100% of basic salary to be paid in cash
Andrew Jones	150% of basic salary
Martin McGann*	125% of basic salary

\*With effect from 1 October 2013, 100% of basic salary until then

The bonuses for Andrew Jones and Martin McGann will be paid 50% in cash and 50% in shares. Shares will vest in three equal instalments over three years and will be subject to good/bad leaver provisions.

The bonus payable will be based upon the following measures and targets, agreed with the Remuneration Committee ahead of the start of the financial year.

	EPRA Earnings per share	Total Property Return (TPR)	Portfolio management	Management objectives
Patrick Vaughan	35%	35%	10%	20%
Andrew Jones	35%	35%	15%	15%
Martin McGann	35%	35%	–	30%

There will be no payment in respect of TPR if TPR is negative. Full payment in respect of TPR will be made only if TPR is at least 120% of the IPD composite index TPR. Standard clawback provisions will be applied by the Remuneration Committee to share-based elements of the bonus in respect of fraud, material misstatement or gross misconduct.

The Committee will set challenging targets consistent with the Group's business strategy for the other components of the bonus award.

### Long-term incentives (LTIs)

The Company wishes to align the long-term interests of Executive Directors and members of the Executive Committee with those of shareholders and to reward and encourage continued and sustained growth.

Except for Patrick Vaughan, who has a very significant interest in the shares of the Company and a very direct alignment with the interests of other shareholders, the Executive Directors will be subject to a single, straightforward, long-term incentive arrangement.

Grants made under the LTI plan will be made at the discretion of the Remuneration Committee, within an overall limit of 200% of basic salary.

Grants will be made up to the following caps:

Andrew Jones	175% of basic salary
Martin McGann	140% of basic salary

Awards may vest three years after grant on the basis of performance over those three years against the following tests:

- 75% of any award will be subject to total shareholder return (TSR) exceeding the index of FTSE 350 Real Estate Companies TSR.

A full payout in respect of TSR would be made if TSR exceeds the benchmark index by 0.5 times over three years. A 25% payout would be made if TSR equals the benchmark index over three years, with straight-line interpolation between 25% and 100%.

- 25% of any award will be on the basis of EPRA EPS ("EPS") growth versus RPI.
- Full vesting would occur if EPS equals RPI plus 8% over three years. For 25% vesting, EPS would have to equal RPI plus 3% over three years. There will be straight-line interpolation between 25% and 100%.

For LTI grants to be made in 2013, the Committee will set a base EPS materially higher than the EPS for the year ended 31 March 2013.

Approval to these proposals in respect of LTIs will be sought at the AGM on 10 July 2013. A summary of the LTI plan is shown in the Appendix to the Notice of AGM on pages 88 to 91.

#### Staff incentive plan

An LTI scheme is being established to align the interests of staff who are not party to the arrangements noted on page 52, thereby attracting and retaining high calibre individuals throughout the organisation.

All current and future employees of the Group will be eligible to participate in the plan at the Company's discretion.

The scheme will operate on the same basis as the Executive Directors' scheme. Members of the Executive Committee will be invited to participate in the Executive Directors' scheme.

The intention is that awards will be made annually and will be a function of basic salary.

#### Non-Executive Directors' remuneration

The fees payable to the Non-Executive Directors are determined and reviewed by the Board annually and reflect the time commitment and responsibility taken by them. Each Non-Executive Director is paid a basic fee of £50,000 per annum. In addition, Charles Cayzer, James Dean and Humphrey Price receive a fee of £10,000 per annum to act as Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee respectively. Non-Executive Directors' fees remain unchanged from last year.

Non-Executive Directors are not eligible for performance-related bonuses, participation in the staff incentive plan, pensions or any other benefits from the Company.

#### Service arrangements

Following the merger, the service contracts for Executive Directors have been reviewed and revised contracts put in place. Notice periods are terminable by either party with notice of twelve months. Apart from salary and benefits in the notice period, there are no other contractual terms which would give rise to compensation payable for early termination.

The Non-Executive Directors have letters of appointment effective from 1 October 2010 or their date of appointment, if later, for an initial term of three years, which are subject to a notice period of three months by either party.

#### Remuneration for the year ended 31 March 2013

Following the completion of the merger on 25 January 2013, Raymond Mould retired from his position as Executive Chairman and was replaced by Patrick Vaughan, formerly the Chief Executive.

No payment was made to Raymond Mould as compensation or in lieu of notice on his retirement.

Richard Crowder resigned as a Non-Executive Director and Andrew Huntley, Philip Watson, Alec Pelmore and Andrew Varley joined the Board as Non-Executive Directors.

The new Directors' remuneration disclosed in this report is in respect of the period from the merger until the year-end. For those Directors who sat on the Board of London & Stamford Property Plc before the merger, the remuneration disclosed in this report is in respect of the whole of the year ended 31 March 2013.

All staff are entitled to receive a monthly contribution of between 10% and 15% to their individual personal pension plans.

Martin McGann has a salary sacrifice arrangement with the Company whereby additional pension contributions are paid in lieu of salary.

The Committee has approved cash bonuses of 100% of gross salary for Patrick Vaughan and Martin McGann and a 50% bonus for Raymond Mould for the year. A bonus of £90,000 has been awarded to Andrew Jones for the post-merger period. Consideration has been given to the considerable business achievements in a challenging business environment in determining such awards and to the relativity of remuneration of the Executive Directors within the Real Estate sector.

The Executive Directors have significant interests in the shares of the Company, the performance of which creates direct alignment for the Executive Directors with other shareholders.

Under the terms of the merger, a certain number of the shares held by Raymond Mould, Patrick Vaughan and Martin McGann as consideration for the sale to the Company of LSI Management LLP were clawed back. 76.5% of the incentive shares (3,534,233 shares) were clawed back.

The staff incentive plan which was established in January 2011 was also terminated as part of the merger arrangements. A total of 178,716 shares were awarded to employees who had not previously been partners in LSI Management LLP.

# Remuneration Committee report continued

None of the Executive Directors are subject to any long-term incentive arrangements for the period post the merger until the year end.

## Audited information

### Directors' emoluments

	Salary and fees £	Bonus £	Benefits in kind £	Total excluding pension contributions 2013 £	Total excluding pension contributions 2012 £	Pension 2013 £	Pension 2012 £
<b>Executive</b>							
Raymond Mould	262,833	162,250	16,287	<b>441,370</b>	629,962	–	–
Patrick Vaughan	334,585	324,500	8,435	<b>667,520</b>	629,305	<b>35,568</b>	34,800
Martin McGann	257,683	270,500	5,777	<b>533,960</b>	514,444	<b>50,000</b>	48,125
Andrew Jones <sup>(1)</sup>	58,541	90,000	5,009	<b>153,550</b>	–	<b>11,708</b>	–
<b>Non-Executive</b>							
Mark Burton	50,000	–	–	<b>50,000</b>	50,000	–	–
Charles Cayzer	54,167	–	–	<b>54,167</b>	50,000	–	–
Richard Crowder	41,667	–	–	<b>41,667</b>	75,000	–	–
James Dean	58,333	–	–	<b>58,333</b>	60,000	–	–
Humphrey Price	60,000	–	–	<b>60,000</b>	60,000	–	–
Andrew Huntley <sup>(1)</sup>	11,154	–	–	<b>11,154</b>	–	–	–
Alec Pelmore <sup>(1)</sup>	9,295	–	–	<b>9,295</b>	–	–	–
Andrew Varley <sup>(1)</sup>	9,295	–	–	<b>9,295</b>	–	–	–
Philip Watson <sup>(1)</sup>	9,295	–	–	<b>9,295</b>	–	–	–

(1) Represents cost for the two months post merger

Salary and fees paid to Raymond Mould relate to the period up until the merger, at which point he retired from the Board. A bonus was paid in respect of his contribution to the Company until that point. As disclosed in the merger circular, Raymond Mould has agreed to make himself available under a consultancy arrangement with the Company to continue to contribute to its future success.

The consultancy arrangement is for £100,000 per annum payable on a monthly basis. It is terminable by either party with six months' notice.



## Interests of Directors in Company's shares

The beneficial interests of the Directors and their families in the shares of the Company are as follows:

	Ordinary shares of 10p each 31 March 2013	Ordinary shares of 10p each 31 March 2012
Raymond Mould	<b>14,473,987</b>	16,000,000
Patrick Vaughan	<b>16,619,997</b>	18,146,010
Andrew Jones	<b>2,178,979</b>	–
Martin McGann	<b>3,341,585</b>	3,823,795
Mark Burton	–	–
Charles Cayzer	–	–
Richard Crowder	<b>100,000</b>	100,000
James Dean	–	–
Humphrey Price	<b>2,015,733</b>	2,143,127
Andrew Huntley	<b>114,000</b>	20,000
Alec Pelmore	<b>120,500</b>	50,000
Andrew Varley	<b>47,000</b>	–
Philip Watson	<b>94,000</b>	–

Movements in the shareholdings of Raymond Mould, Patrick Vaughan and Martin McGann during the year are due to the clawback of incentive shares relating to the sale of LSI Management LLP.

There were no movements in Directors' shareholdings between 31 March 2013 and the date of this report. No Director had any interest in or contract with the Company or any subsidiary undertaking during the year.

## Total Shareholder Return



The graph above shows the Company's total shareholder return from November 2007 to May 2013, compared to a composite measure of the FTSE All-Share Real Estate Investment Trusts Index and the FTSE All-Share Real Estate Investment and Services Index and also to the FTSE 250 and FTSE 100 Indexes. These indices have been chosen by the Committee as they are considered the most appropriate benchmarks against which to assess the relative performance of the Company.

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

The period from 7 November 2007 to 30 September 2010 relates to the performance of the Group headed by London & Stamford Property Limited. The period from 1 October 2010 to 25 January 2013 relates to the performance of the Group headed by London & Stamford Property Plc, and since that date relates to the performance of the LondonMetric Property Plc.

**James Dean**

Chairman of the Remuneration Committee

31 May 2013

# Independent auditor's report to the members of LondonMetric Property Plc

We have audited the Group financial statements of LondonMetric Property Plc for the year ended 31 March 2013 which comprise the Group Income Statement, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

## Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Group 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 Group 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.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern;
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## Other matters

We have reported separately on the Parent Company financial statements of LondonMetric Property Plc for the year ended 31 March 2013 and on the information in the Directors' remuneration report that is described as having been audited.

## David Eagle

Senior Statutory Auditor

For and on behalf of BDO LLP, statutory auditor  
London

United Kingdom

31 May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Group Income Statement

For the year ended 31 March

	Note	2013 £000	As restated 2012 £000
Gross rental income	3	32,752	38,526
Property operating expenses		(3,511)	(2,982)
Net rental income		29,241	35,544
Property advisory fee income		8,466	6,360
Net proceeds from sales of trading properties	3	–	333
Other operating income		1,913	–
<b>Net income</b>		<b>39,620</b>	<b>42,237</b>
General corporate costs		(10,956)	(9,515)
Share-based payments	4	(10,484)	(13,450)
Write down of goodwill on acquisition of subsidiaries	17	(6,251)	–
Amortisation of intangible asset		(3,954)	(3,965)
Acquisition costs	17	(5,661)	–
Total administrative costs		(37,306)	(26,930)
Profit on revaluation of investment properties	10	8,394	3,260
(Loss)/profit on sale of investment properties		(10)	56
Profit on sale of subsidiaries		1,086	646
Impairment of investment in associate	11	(23,178)	–
Share of profits of associates and joint ventures	11	15,969	4,346
<b>Operating profit</b>	4	<b>4,575</b>	<b>23,615</b>
Finance income	6	730	684
Finance costs	6	(12,553)	(14,113)
Change in fair value of derivative financial instruments	6	(1,704)	(5,171)
<b>(Loss)/profit before tax</b>		<b>(8,952)</b>	<b>5,015</b>
Taxation	7	(4,441)	(1,131)
<b>(Loss)/profit after tax</b>		<b>(13,393)</b>	<b>3,884</b>
<b>(Loss)/profit for the year and total comprehensive income attributable to:</b>			
Equity shareholders		(13,456)	2,689
Non-controlling interest		63	1,195
		(13,393)	3,884
<b>(Loss)/earnings per share</b>			
Basic and diluted	9	(2.4)p	0.5p

All amounts relate to continuing activities.

The notes on pages 61 to 80 form part of these financial statements.

# Group Balance Sheet

As at 31 March

	Note	2013 £000	As restated 2012 £000
<b>Non current assets</b>			
Investment properties	10	927,983	660,022
Investment in equity accounted associates and joint ventures	11	120,919	161,575
Assets held for sale	10	58,810	–
Intangible assets	12	9,638	12,424
Other tangible assets		311	383
Deferred tax assets	7	2,311	6,097
		1,119,972	840,501
<b>Current assets</b>			
Trading properties		3,837	3,837
Trade and other receivables	13	11,731	22,739
Cash and cash equivalents	14	37,572	136,934
		53,140	163,510
<b>Total assets</b>		<b>1,173,112</b>	<b>1,004,011</b>
<b>Current liabilities</b>			
Trade and other payables	15	26,232	35,217
		26,232	35,217
<b>Non current liabilities</b>			
Borrowings	16	460,328	319,833
Derivative financial instruments	16	9,883	12,274
		470,211	332,107
<b>Total liabilities</b>		<b>496,443</b>	<b>367,324</b>
<b>Net assets</b>		<b>676,669</b>	<b>636,687</b>
<b>Equity</b>			
Called up share capital	19	62,804	54,280
Capital redemption reserve		9,636	300
Other reserve		227,920	47,069
Retained earnings		376,309	529,255
<b>Equity shareholders' funds</b>		<b>676,669</b>	<b>630,904</b>
Non-controlling interest		–	5,783
<b>Total equity</b>		<b>676,669</b>	<b>636,687</b>
<b>Net asset value per share</b>	9	<b>107.7p</b>	<b>116.2p</b>

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2013 and were signed on its behalf by:

Martin McGann  
Finance Director

The notes on pages 61 to 80 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 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
Profit 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

	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 2011 (as previously reported)		54,580	–	47,551	566,589	668,720	4,987	673,707
Profit for the year and total comprehensive income as restated		–	–	–	2,689	2,689	1,195	3,884
Purchase and cancellation of own shares		(300)	300	–	(3,157)	(3,157)	–	(3,157)
Purchase of shares held in trust		–	–	(482)	–	(482)	–	(482)
Share-based payments		–	–	–	248	248	–	248
Distribution paid to non-controlling interest		–	–	–	–	–	(399)	(399)
Dividends paid	8	–	–	–	(37,114)	(37,114)	–	(37,114)
At 31 March 2012 (as restated)		54,280	300	47,069	529,255	630,904	5,783	636,687

The notes on pages 61 to 80 form part of these financial statements.

# Group Cash Flow Statement

For the year ended 31 March

	2013 £000	As restated 2012 £000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(8,952)	5,015
<b>Adjustments for non-cash items:</b>		
Profit on revaluation of investment properties	(8,394)	(3,260)
Loss/(profit) on sale of investment properties	10	(56)
Profit on sale of subsidiaries	(1,086)	(646)
Share of post tax profit of associates and joint ventures	(15,969)	(4,346)
Share-based payment	10,484	13,450
Impairment of investment	23,178	–
Write down of intangible asset	3,954	3,965
Write down of positive goodwill on acquisition of subsidiary	6,251	–
Net finance costs	13,527	18,600
Cash flows from operations before changes in working capital	23,003	32,722
Change in trade and other receivables	(2,774)	6,828
Movement in lease incentives	(604)	63
Change in trade and other payables	1,304	21,273
Disposal of trading properties	–	1,923
Cash flows from operations	20,929	62,809
Interest received	743	680
Interest paid	(9,775)	(12,687)
Tax received/(paid)	454	(10,489)
Financial arrangement fees and break costs	(2,682)	(2,359)
<b>Cash flows from operating activities</b>	<b>9,669</b>	<b>37,954</b>
<b>Investing activities</b>		
Purchase of subsidiary undertakings net of cash acquired	3,610	–
Purchase of investment properties	(319,224)	(115,732)
Purchase of other tangible assets	–	(136)
Capital expenditure on investment properties	(712)	(3,034)
Sale of investment property	900	2,254
Sale of subsidiary undertakings net of cash disposed	72,144	34,411
Investments in associates and joint ventures	(44,297)	(9,341)
Distributions from associates and joint ventures	101,449	5,575
<b>Cash flow from investing activities</b>	<b>(186,130)</b>	<b>(86,003)</b>
<b>Financing activities</b>		
Dividends paid	(37,996)	(37,513)
Purchase of shares held in trust	–	(482)
Sale of shares held in trust	650	–
Purchase of own shares	(100,650)	(3,157)
New borrowings	215,095	142,980
Repayment of loan facilities	–	(73,630)
<b>Cash flows from financing activities</b>	<b>77,099</b>	<b>28,198</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(99,362)</b>	<b>(19,851)</b>
Opening cash and cash equivalents	136,934	156,785
<b>Closing cash and cash equivalents</b>	<b>37,572</b>	<b>136,934</b>

The notes on pages 61 to 80 form part of these financial statements.

# Notes forming part of the Group financial statements

For the year ended 31 March

## 1 Accounting policies

### a) General information

On 25 January 2013 the merger between London & Stamford Property Plc and Metric Property Investments plc ("Metric") became effective by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. The Company issued 178,599,912 New Ordinary Shares in exchange for the entire issued share capital of Metric. The Company changed its name to LondonMetric Property plc and the New Ordinary Shares were admitted to the premium segment of The Official List to trade on the Main Market of the London Stock Exchange on 28 January 2013.

### 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

At the request of the Financial Reporting Council, the Company has agreed to restate the valuation of its property at Clerkenwell Quarter, Islington in the 31 March 2012 financial statements. As this relates to the year ended 31 March 2012, there is no restatement required to any financial information for the year ended 31 March 2011 or earlier.

While the Directors consider that the valuation of investment property assets in the Group Balance Sheet was materially accurate, they have acknowledged that because of the specific circumstances surrounding the property concerned, it had not been valued in accordance with IFRS or valuation standards. The Directors have accordingly restated the figures previously reported, including the profit on revaluation shown in the Group Income Statement.

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, the recognition of deferred tax assets and liabilities for potential corporation tax, 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, business combinations and goodwill, 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

No new standards or interpretations issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") have led to any material changes in the Group's accounting policies or disclosures during the year.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 1 Accounting policies (continued)

### *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 1	Amendments to IAS 1	1 July 2012
IFRS 7	Amendments to IFRS 7	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Amendments to IAS 27	1 January 2013
IAS 28	Amendments to IAS 28	1 January 2013
IAS 32	Amendments to IAS 32	1 January 2013
	Annual improvements to IFRSs (2009–2011 cycle)	1 January 2013
IFRS 9	Financial instruments	1 January 2015

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

### 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 profit or loss 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 profit or loss.



## 1 Accounting policies (continued)

### e) Property portfolio

#### *ij) 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. They are 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; and
- 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.

#### *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 with one year from the date of its classification and are committed to the sale. Investment properties classified as held for sale are transferred from investment properties and carried at fair value.

#### *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 lease termination date.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term.

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.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 1 Accounting policies (continued)

### *vj) Surplus on sale of investment properties*

Surpluses on sales of investment properties are calculated by reference to the carrying value at the previous 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 profit and loss account 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.

#### *g) Finance costs*

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

#### *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.

## 1 Accounting policies (continued)

### 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; and
- 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.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 2 Segmental information

	2013					As restated 2012			
	100% owned £000	Assets held for sale £000	Trading property £000	Share of JV £000	Total £000	100% owned £000	Trading property £000	Share of JV £000	Total £000
Property value									
Retail	347,540	–	–	30,567	378,107	–	–	237,667	237,667
Distribution	125,075	–	–	118,763	243,838	320,784	–	120,849	441,633
Offices	242,438	–	–	–	242,438	203,905	–	–	203,905
Residential	119,355	58,810	3,837	76,800	258,802	122,718	3,837	–	126,555
Development	82,624	–	–	–	82,624	–	–	–	–
Other	10,951	–	–	–	10,951	12,615	–	–	12,615
At 31 March valuation	927,983	58,810	3,837	226,130	1,216,760	660,022	3,837	358,516	1,022,375

	2013				2012		
	100% owned £000	Assets held for sale £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Gross property income							
Retail	3,476	–	6,119	9,595	–	12,643	12,643
Distribution	3,668	–	8,279	11,947	22,107	7,210	29,317
Offices	20,310	–	–	20,310	12,132	–	12,132
Residential	5,180	–	547	5,727	4,225	–	4,225
Development	–	–	–	–	–	–	–
Other	118	–	–	118	62	–	62
At 31 March	32,752	–	14,945	47,697	38,526	19,853	58,379

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. The Group operates entirely in the United Kingdom and no geographical split is provided in information reported to the Board.

## 3 Net income

	2013 £000	2012 £000
Gross rental income	32,752	38,526
Property operating expenses	(3,511)	(2,982)
	29,241	35,544
Proceeds from sales of trading properties	–	2,300
Cost of sales of trading properties	–	(1,967)
	–	333

For the year ended 31 March 2013 19%, 19% and 10% (2012: 15% and 12%) of the Group's gross rental income was receivable from three tenants (2012: two tenants).

Property outgoings of £0.8 million (2012: £1.1 million) related to investment properties that did not generate rental income in the year.

#### 4 Profit from operations

	2013 £000	2012 £000
This has been arrived at after charging:		
Share-based payments	14,759	13,450
Effect of cancellation of Consideration Shares	(4,275)	–
	10,484	13,450
Operating lease expense	674	664
Auditors' remuneration:		
Audit of the Group and Company financial statements, pursuant to legislation	189	155
Fees payable to the Company's auditors for other services to the Group:		
– Statutory audit of subsidiary accounts, pursuant to legislation	32	32
– Corporate advisory services	326	–
– Other advisory services	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 apply 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 remain subject to bad leaver provisions and the reduced share-based payment prepayment of £3.8 million is being charged evenly to the profit and loss account over the period to 30 September 2013.

In the year to 31 March 2013 £10.5 million (2012: £13.5 million) has been charged to the profit and loss and £5.5 million has been charged to reserves, reducing the share-based payment prepayment to £3.8 million (2012: £19.8 million).

#### 5 Employee costs

	2013 £000	2012 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	5,719	4,499
Social security costs	780	622
Other pension costs	395	333
	6,894	5,454
Share-based payment	(365)	248
	6,529	5,702

The emoluments and pension benefits of the Directors are set out in detail within the Directors' remuneration report on pages 51 to 55.

The staff share incentive scheme that was in place throughout the current and previous years allowed eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the net asset value of the Group over a three-year 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.

The scheme was terminated following the merger with Metric and 178,716 shares were awarded to staff. The remaining 763,533 shares held by the Company's Employee Benefit Trust were sold.

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

	2013 Number	2012 Number
Head office and property management	27	22

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 6 Finance income and costs

	2013 £000	2012 £000
<b>Finance income</b>		
Interest on short-term deposits	730	684
	730	684
<b>Finance costs</b>		
Interest payable on bank loans	11,261	12,800
Loan break costs and amortisation of loan issue costs	1,292	1,313
	12,553	14,113
Fair value loss on derivative financial instruments	1,704	5,171
	14,257	19,284

## 7 Taxation

	2013 £000	As restated 2012 £000
The tax charge comprises:		
<b>Current tax</b>		
UK tax charge/(credit) on profit	32	(655)
<b>Deferred tax</b>		
Change in deferred tax	4,409	1,786
	4,441	1,131

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

	2013 £000	2012 £000
(Loss)/profit before tax	(8,952)	5,015
(Loss)/profit at the standard rate of corporation tax in the UK of 24% (2012: 26%)	(2,148)	1,304
Effects of:		
Expenses not deductible for tax purposes	10,790	4,842
Tax effect of income not subject to tax	(4,809)	(4,876)
Share of post-tax profit of associates and joint ventures	(3,833)	(1,130)
Temporary differences	1,978	1,786
Utilisation of tax losses	2,431	–
Prior year tax adjustments	32	(795)
UK tax charge on profit	4,441	1,131

## Deferred tax asset

	Losses £000	Intangible assets £000	Total £000
At 31 March 2012	1,808	4,289	6,097
Acquisition of subsidiary	623	–	623
Charged during the year	(2,431)	(1,978)	(4,409)
<b>At 31 March 2013</b>	<b>–</b>	<b>2,311</b>	<b>2,311</b>

As the Group is a UK-REIT there is no provision for deferred tax arising on the revaluation of properties. The Group has unprovided deferred tax assets in respect of trading losses of £3.2 million (2012: £nil).

## 8 Dividends

For the year to 31 March	2013 £000	2012 £000
<b>Ordinary dividends paid</b>		
2011 Final dividend: 3.3p per share	–	18,011
2012 Interim dividend: 3.5p per share	–	19,103
2012 Final dividend: 3.5p per share	18,998	–
2013 Interim dividend: 3.5p per share	18,998	–
	<b>37,996</b>	<b>37,114</b>
<b>Proposed for approval by shareholders at Annual General Meeting</b>		
Final dividend: 3.5p per share	21,982	18,998

The proposed final dividend was approved by the Board on 30 May 2013 and is subject to approval at the Annual General Meeting on 10 July 2013. It has not been included as a liability or deducted from retained earnings as at 31 March 2013. The proposed final dividend of 3.5p per share, of which 1.5p per share is a Property Income Distribution, is payable on 12 July 2013 to ordinary shareholders on the register at the close of business on 14 June 2013 and will be recognised as an appropriation of retained earnings in 2014.

## 9 Earnings and net assets per share

The loss per share of 2.4p (2012: Earnings per share of 0.5p) is calculated on a weighted average of 561,508,387 (2012: 544,775,895) ordinary shares of 10p each and is based on losses attributable to ordinary shareholders of £13.5 million (2012: profit of £2.7 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 2013 of £676.7 million (2012: £630.9 million) and 628,043,905 ordinary shares in issue at that date (2012: 542,795,171).

Adjusted earnings 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	2013 £000	As restated 2012 £000
<b>Basic and adjusted earnings</b>		
Basic earnings attributable to ordinary shareholders	(13,456)	2,689
Revaluation of investment property <sup>(1)</sup>	(20,320)	(3,038)
Fair value of derivatives <sup>(1)</sup>	2,803	8,859
Goodwill on acquisitions <sup>(1)</sup>	6,251	(2,876)
Write down of intangible assets	3,954	3,965
Share-based payments	10,484	13,450
Acquisition costs	5,661	–
Deferred tax	4,409	1,786
Cost on closing out of derivatives	–	111
Profit on disposal of investment and trading property and subsidiaries	(1,076)	(1,035)
Impairment of investments held for sale	23,178	–
Minority interest in respect of the above	63	50
<b>EPRA adjusted earnings</b>	<b>21,951</b>	<b>23,961</b>
Cost on closing out of derivatives	–	(111)
Minority interest	–	1,145
Current tax credit <sup>(1)</sup>	(679)	(704)
<b>Underlying profit</b>	<b>21,272</b>	<b>24,291</b>

(1) Including share of associates and joint ventures.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 9 Earnings and net assets per share (continued)

As at 31 March	2013 Number of shares	2012 Number of shares
<b>Number of shares</b>		
Opening ordinary share capital	542,795,171	545,795,171
Purchase and cancellation of own shares	–	(501,370)
Shares held in employee trust	(863,424)	(517,906)
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)	–
<b>Weighted average number of ordinary shares</b>	<b>561,508,387</b>	<b>544,775,895</b>
<b>Basic (loss)/earnings per share</b>	<b>(2.4)p</b>	<b>0.5p</b>
<b>EPRA adjusted earnings per share</b>	<b>3.9p</b>	<b>4.4p</b>

As at 31 March	2013 £000	As restated 2012 £000
<b>Net assets per share</b>		
Equity shareholders' funds	676,669	630,904
Fair value of derivatives	9,883	12,274
Cost of cap and swaption	(336)	–
Revaluation of trading properties	633	408
Fair value of associate and joint ventures' derivatives	2,723	4,272
Deferred tax	(2,311)	(4,289)
<b>EPRA adjusted net assets</b>	<b>687,261</b>	<b>643,569</b>
<b>Basic net assets per share</b>	<b>107.7p</b>	<b>116.2p</b>
<b>EPRA adjusted net assets per share</b>	<b>109.4p</b>	<b>118.6p</b>

## 10 Investment properties

As at 31 March	2013			As restated 2012		
	Freehold £000	Long leasehold £000	Total £000	Freehold £000	Long leasehold £000	Total £000
<b>Investment properties</b>						
Opening balance	474,435	185,587	660,022	583,553	164,722	748,275
Reclassifications	–	–	–	67,225	(67,225)	–
Acquisitions	487,979	81,319	569,298	34,039	81,625	115,664
Other capital expenditure	857	(168)	689	1,932	1,102	3,034
Disposals	(242,151)	(6,198)	(248,349)	(207,896)	(2,252)	(210,148)
Transfer to development properties	–	(77,000)	(77,000)	–	–	–
Transfer to assets held for sale	–	(58,810)	(58,810)	–	–	–
Revaluation movement	(1,606)	9,760	8,154	(4,393)	7,653	3,260
Movement in tenant incentives and rent free uplifts	(8,650)	5	(8,645)	(25)	(38)	(63)
<b>At 31 March valuation</b>	<b>710,864</b>	<b>134,495</b>	<b>845,359</b>	<b>474,435</b>	<b>185,587</b>	<b>660,022</b>



## 10 Investment properties (continued)

As at 31 March	2013			As restated 2012		
	Freehold £000	Long leasehold £000	Total £000	Freehold £000	Long leasehold £000	Total £000
<b>Investment properties under development</b>						
Opening balance	–	–	–	–	–	–
Acquisitions	5,360	–	5,360	–	–	–
Other capital expenditure	24	–	24	–	–	–
Transfer from investment properties	–	77,000	77,000	–	–	–
Revaluation movement	240	–	240	–	–	–
<b>At 31 March valuation</b>	<b>5,624</b>	<b>77,000</b>	<b>82,624</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total investment properties</b>	<b>716,488</b>	<b>211,495</b>	<b>927,983</b>	<b>474,435</b>	<b>185,587</b>	<b>660,022</b>

At 31 March 2013, 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 £928.0 million. Apartments held at Clerkenwell Quarter, Islington were valued by RICS Registered Valuers of Savills at £58.8 million and have been transferred at valuation as held for sale at the year-end as the property was being actively marketed for sale.

Investment property in the course of construction at Clerkenwell Quarter, Islington in the previous year was valued by the Directors at £10.4 million. At the request of the Financial Reporting Council, the Company has agreed to restate the valuation for this property in the 31 March 2012 financial statements reducing its value by £2.65 million. While the Directors consider that the valuation of investment property assets in the Group Balance Sheet was materially accurate, they have acknowledged that because of the specific circumstances surrounding the property concerned, it had not been valued in accordance with IFRS or valuation standards. The Directors have accordingly restated the figures previously reported including the profit on revaluation shown in the Group Income Statement.

The valuations were undertaken in accordance with the RICS Valuation – Professional Standards 2012 on the basis of fair value and were primarily derived using comparable recent market transactions on arm's length terms. 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.

Included within the investment property valuation is £0.8 million (2012: £9.6 million) in respect of lease incentives and rent free periods. The historical cost of all of the Group's investment properties at 31 March 2013 was £885.3 million (2012: £599.5 million).

Capital commitments have been entered into amounting to £5.6 million (2012: £nil) which have not been provided for in the financial statements.

## 11 Investment in associate and joint venture

As at 31 March	2013 £000	2012 £000
Opening balance	161,575	115,345
Additions at cost	68,002	47,459
Share of profit in the year	15,969	4,346
Disposals	(119,165)	–
Profit distributions received	(5,462)	(5,575)
<b>At 31 March</b>	<b>120,919</b>	<b>161,575</b>

In February 2009 the Group established the LSP Green Park Property Trust with Green Park Investments, a wholly-owned subsidiary of a major Gulf institution, in which it held a 31.4% interest.

The Trust acquired a 50% interest in the Meadowhall Shopping Centre in February 2009, which was equity accounted for the Group as an associate in the financial statements to 31 March 2012. The investment was transferred to current assets and classified as an investment held for sale at 30 September 2012 in accordance with IFRS 5 at its fair value less costs of disposal, of £95.8 million. An impairment loss of £23.2 million is reflected in the income statement. The disposal of the Group's interest in the Meadowhall Shopping Centre completed on 6 October 2012.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 11 Investment in associate and joint venture (continued)

In May 2011 the Group disposed of a 50% interest in its distribution portfolio of ten prime assets acquired in November 2010 to Green Park. It retained a 50% interest in the joint venture company, LSP Green Park Distribution Holdings Limited.

In June 2012, the Group entered into a joint venture arrangement with Green Park Investments and the Public Sector Pension Investment Board to invest in residential property. On 19 July 2012, the joint venture arrangement, LSP London Residential Investments Limited, in which the Group has a 40% interest, acquired 149 apartments at Moore House, London, for £147.1 million.

As part of the merger with Metric, the Group acquired a one-third interest in Metric Income Plus Limited Partnership (MIPP). The Universities Superannuation Scheme Limited holds the remaining two-third stake.

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

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

	LSP Green Park Property Trust (Meadowhall) £000	LSP Green Park Distribution Holdings £000	LSP London Residential Investments £000	Metric Income Plus £000	2013 £000	LSP Green Park Property Trust (Meadowhall) £000	LSP Green Park Distribution Holdings £000	2012 £000
<b>Summarised income statement</b>								
Net rental income	5,628	8,257	152	359	14,396	11,980	7,189	19,169
Administration expenses	(909)	(895)	(279)	(25)	(2,108)	(1,871)	(914)	(2,785)
Movement in fair value of net assets acquired over consideration paid	–	–	–	–	–	2,876	–	2,876
Surplus/(deficit) on revaluation of investment properties	–	(2,075)	13,948	53	11,926	(4,952)	4,730	(222)
Net interest payable	(3,938)	(3,179)	(634)	(106)	(7,857)	(8,330)	(2,723)	(11,053)
Movement in fair value of derivatives	(544)	(329)	(151)	(75)	(1,099)	(1,294)	(2,394)	(3,688)
Tax	226	485	–	–	711	49	–	49
<b>Profit after tax</b>	<b>463</b>	<b>2,264</b>	<b>13,036</b>	<b>206</b>	<b>15,969</b>	<b>(1,542)</b>	<b>5,888</b>	<b>4,346</b>
<b>Summarised balance sheet</b>								
Investment properties	–	118,763	76,800	30,567	226,130	237,667	120,849	358,516
Other current assets	–	358	310	–	668	491	298	789
Cash	–	4,209	1,970	2,085	8,264	4,116	4,430	8,546
Current liabilities	–	(3,251)	(487)	(544)	(4,282)	(10,971)	(3,800)	(14,771)
Bank debt	–	(74,040)	(26,000)	(8,433)	(108,473)	(102,243)	(74,040)	(176,283)
Unamortised finance costs	–	621	399	315	1,335	–	848	848
Derivative financial instruments	–	(2,493)	(151)	(79)	(2,723)	(2,109)	(2,163)	(4,272)
Other non current liabilities	–	–	–	–	–	(11,798)	–	(11,798)
<b>Net assets</b>	<b>–</b>	<b>44,167</b>	<b>52,841</b>	<b>23,911</b>	<b>120,919</b>	<b>115,153</b>	<b>46,422</b>	<b>161,575</b>

At 31 March 2013, 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	2013 £000	2012 £000
<b>Cost</b>		
Opening balance	53,260	53,260
Additions	1,168	–
<b>At 31 March</b>	<b>54,428</b>	<b>53,260</b>
<b>Amortisation</b>		
Opening balance	40,836	36,871
Amortisation during the year	3,954	3,965
<b>At 31 March</b>	<b>44,790</b>	<b>40,836</b>
<b>Net carrying amount</b>	<b>9,638</b>	<b>12,424</b>

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 and is being amortised on a straight-line basis over the remaining period of the contract to May 2015.

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	2013 £000	2012 £000
Trade receivables	1,942	288
Performance fees receivable	3,457	–
Amounts receivable from income guarantees	–	557
Share-based payment prepayment	3,789	19,767
Corporation tax debtor	–	752
Prepayments and accrued income	1,057	1,068
Other receivables	1,486	307
	<b>11,731</b>	<b>22,739</b>

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. All trade receivables are considered recoverable at the balance sheet date and as such no allowance for doubtful debts has been made. Since the year end all trade receivables have been collected.

At 31 March 2013 there were no trade receivables which were overdue or impaired. There is no provision for impairment of trade receivables as at 31 March 2013 as the risk of impairment of the amounts outstanding is not considered to be significant.

## 14 Cash and cash equivalents

Cash and cash equivalents include £9.6 million (2012: £29.1 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 15 Trade and other payables

As at 31 March	2013 £000	2012 £000
Trade payables	2,096	775
Amounts payable on property acquisitions and disposals	4,499	51
Rent received in advance	8,051	8,156
Accrued interest	2,739	2,239
Other payables	1,263	2,009
Other accruals	7,584	1,971
Deferred income	–	20,016
	26,232	35,217

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	2013 £000	2012 £000
Secured bank loans	464,564	322,769
Unamortised finance costs	(4,236)	(2,936)
	460,328	319,833

The bank loans are secured by fixed charges over certain of the Group's investment properties with a carrying value of £884 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. At the year-end deposits were spread across eight different banks. The credit ratings of the banks are monitored by J C Rathbone Associates Limited and reported to the Board at least quarterly in order to make necessary changes and 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. Quarterly cash flow forecasts are prepared for the Board in order to ensure sufficient resources of cash and undrawn borrowing facilities are in place to meet liabilities as they fall due. The Group deposits surplus cash with a number of banks and for varying periods of time to ensure diversification, liquidity of resources and so as to deliver appropriate returns.

The Group had cash reserves of £37.6 million (2012: £136.9 million) and available and undrawn bank loan facilities at 31 March 2013 of £37.0 million (2012: £22.3 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
<b>At 31 March 2013</b>				
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
<b>At 31 March 2012</b>				
Bank loans	8,553	8,553	335,134	352,240
Derivative financial instruments	5,272	5,346	4,493	15,111
	13,825	13,899	339,627	367,351

### 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 2013 the Group had £370 million (2012: £289 million) of hedges in place, and its debt was 80% (2012: 84%) fixed. 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 £1.9 million and £1.0 million respectively.

The average interest rate payable by the Group on all bank borrowings at 31 March 2013 excluding undrawn facility commitment fees was 3.59% (31 March 2012: 4.12%).

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 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

As at 31 March	Loans and receivables	
	2013 £000	2012 £000
<b>Current assets</b>		
Cash and cash equivalents	37,572	136,934
Trade receivables (note 13)	1,942	288
Amounts receivable from income guarantees (note 13)	–	557
Performance fees receivable (note 13)	3,457	–
Corporation tax receivable	–	752
Other receivables (note 13)	1,486	307
	<b>44,457</b>	<b>138,838</b>

As at 31 March	Measured at amortised cost		Measured at fair value	
	2013 £000	2012 £000	2013 £000	2012 £000
<b>Non current liabilities</b>				
Borrowings (note 16a)	460,328	319,833	–	–
<b>Current liabilities</b>				
Trade payables (note 15)	2,096	775	–	–
Accrued interest (note 15)	2,739	2,239	–	–
Other accruals (note 15)	7,584	1,971	–	–
Deferred income (note 15)	–	20,016	–	–
Other payables (note 15)	1,263	2,009	–	–
Derivative financial instruments (see 16c(iii))	–	–	9,883	12,274
	<b>474,010</b>	<b>346,843</b>	<b>9,883</b>	<b>12,274</b>

#### 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 2013.

## 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 2013 are provided below:

	Protected rate %	Expiry	Market value 31 March 2012 £000	Acquired in the period £000	Disposed in the period £000	Movement recognised in income statement £000	Market value 31 March 2013 £000
£85 million swap <sup>(1)</sup>	3.68	October 2014	(5,689)	–	5,689	–	–
£40.7 million swap <sup>(1)</sup>	1.88	October 2012	(213)	–	–	213	–
£40.7 million swaption <sup>(1)</sup>	2.35	March 2016	25	–	–	(25)	–
£26.5 million cap <sup>(2)</sup>	4.00	October 2014	20	–	–	(20)	–
£38.1 million swap <sup>(3)</sup>	2.69	January 2015	(1,796)	–	–	309	(1,487)
£55.3 million swap	3.77	October 2014	(3,840)	–	–	975	(2,865)
£25.0 million fixed rate	2.03	July 2016	(767)	–	–	(417)	(1,184)
£17.6 million fixed rate	1.31	July 2016	(14)	–	–	(400)	(414)
£61.8 million swap	1.07	July 2017	–	–	–	(874)	(874)
£100.0 million swaption <sup>(4)</sup>	4.00	March 2016	–	172	–	(149)	23
£4.0 million cap	4.00	July 2015	–	9	–	(8)	1
£40.7 million swap <sup>(5)</sup>	1.19	July 2015	–	–	–	(879)	(879)
£17.7 million cap	2.00	June 2016	–	47	–	(11)	36
£5.8 million cap	2.00	June 2016	–	108	–	(45)	63
£20.0 million swap	1.48	October 2015	–	(424)	–	(53)	(477)
£20.0 million swap	2.03	October 2016	–	(161)	–	(74)	(235)
£10.0 million swap	1.56	October 2016	–	(266)	–	(63)	(329)
£10.0 million swap	1.19	October 2016	–	(126)	–	(73)	(199)
£10.0 million swap	1.20	October 2016	–	(119)	–	(80)	(199)
£10.5 million fixed rate	3.34	April 2016	–	(861)	–	(20)	(881)
£17.5 million cap	3.00	April 2016	–	27	–	(10)	17
			(12,274)	(1,594)	5,689	(1,704)	(9,883)

(1) Derivatives disposed or lapsed in the period.

(2) Increased from £17.5 million in October 2012.

(3) Decreased from £48.1 million in October 2012.

(4) Exercisable in July 2015.

(5) Increases to £96 million in October 2014.

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2013 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 calculated on a replacement basis using mid-market rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 7 Financial Instruments: Disclosures. 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.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 17 Acquisitions

On 25 January 2013 the Company issued 178,599,912 ordinary shares as consideration in exchange for the entire share capital of Metric Property Investments plc ("Metric"). The merger was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. Each Metric shareholder received 0.94 ordinary shares in the Company for each ordinary share held in Metric.

The fair value of the consideration payable by the Company was £202.7 million, being 178,599,912 ordinary shares at 113.5p, the closing share price of the Company at 25 January 2013.

The fair value of assets acquired was £196.5 million and the goodwill arising of £6.3 million has been fully impaired and charged to the profit and loss. Exceptional administration costs associated with the merger and integration of £5.7 million have been charged to the profit and loss in the year.

The fair value of assets and liabilities acquired is set out in the table below:

	Book value of net assets acquired £000	Intangible asset £000	Deferred tax £000	Fair value of net assets acquired £000
<b>Assets</b>				
Investment properties	255,502	–	–	255,502
Investment in joint ventures	23,705	–	–	23,705
Intangible asset	–	1,168	–	1,168
Tangible assets	45	–	–	45
Deferred tax	–	–	623	623
Trade and other receivables	2,867	–	–	2,867
Cash and cash equivalents	3,610	–	–	3,610
Total assets	285,729	1,168	623	287,520
<b>Liabilities</b>				
Trade and other payables	(13,501)	–	–	(13,501)
Borrowings	(75,629)	–	–	(75,629)
Derivative financial instruments	(1,930)	–	–	(1,930)
Total liabilities	(91,060)	–	–	(91,060)
<b>Net assets</b>	194,669	1,168	623	196,460
Fair value of consideration paid				202,711
Goodwill on acquisition of subsidiaries				6,251

A detailed review of the existence of intangible assets other than goodwill was undertaken and an intangible asset was recognised representing the fair value of the Metric Income Plus Partnership Management Agreement acquired by the Group. The value attributed to the contract of £1.2 million will be amortised over the remaining period of the contract to November 2016. In addition, tax losses available to the Group of £2.7 million have given rise to a deferred tax asset of £0.6 million. The properties acquired complement the existing portfolio and an adjustment was made to the carrying value of two investment properties at Bishop Auckland and Cannock which had completed development and refurbishment work in the period prior to acquisition, giving rise to a revaluation uplift of £1.5 million. It is anticipated that the Group will benefit from proposed asset management, refurbishment and development enhancements within the acquired portfolio which has not been incorporated into the fair value of the assets in accordance with IAS 36.

The acquisition has contributed £2.6 million to gross rental income and £0.1 million to profit before tax since acquisition. If the acquisition had occurred on 1 April 2012, the contribution to gross rental income and profit before tax would have been £13.2 million and £1.7 million respectively.

The goodwill arising on acquisition of £6.3 million has been fully impaired and charged to the profit and loss account in the year. It primarily reflects exceptional costs associated with the merger of £4.1 million which were committed to and charged by Metric in the pre-acquisition period and which did not form part of the pricing negotiations for the merger which was based on a share exchange ratio and was subject to movements in the Company's share price between the date of announcement of the merger to its effective date of 25 January 2013.



## 18 Commitments under operating leases

The Group's minimum lease rentals receivable under non-cancellable operating leases, excluding associates and joint ventures, are as follows:

	2013 £000	2012 £000
Less than one year	49,728	37,190
Between one and five years	186,337	98,579
Between six and ten years	182,679	81,679
Between 11 and 15 years	76,158	41,273
Between 16 and 20 years	22,716	2,094
	517,618	260,815

The Group's minimum lease payments under non-cancellable operating leases, excluding associates and joint ventures, are as follows:

	2013 £000	2012 £000
Less than one year	213	673
Between one and five years	3,240	1,682
After five years	339	–
	3,792	2,355

## 19 Share capital

As at 31 March	2013 Number	2013 £000	2012 Number	2012 £000
<b>Authorised</b>				
Ordinary shares of 10p each	Unlimited	Unlimited	Unlimited	Unlimited

As at 31 March	2013 Number	2013 £000	2012 Number	2012 £000
<b>Issued, called up and fully paid</b>				
Ordinary shares of 10p each	628,043,905	62,804	542,795,171	54,280

On 25 January 2013, the Company issued 178,599,912 New Ordinary Shares in exchange for the entire issued share capital of Metric Property Investments plc pursuant to the merger of the two organisations. In addition 4,777,268 ordinary shares were acquired by the Company from the former LSI Management LLP members (the former Property Advisor to the Group) and subsequently cancelled. The Company acquired 88,573,910 ordinary shares on 18 February 2013 from shareholders following a Tender Offer as set out in a Circular published on 31 January 2013. The Tender Offer was taken up in full at a price of 112.9p per ordinary share.

## 20 Reserves

The Statement of Changes in Equity is shown on page 59.

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.

# Notes forming part of the Group financial statements continued

For the year ended 31 March

## 21 Related party transactions and balances

Details of Directors' remuneration and interests are given in the Remuneration report on pages 51 to 55.

During the year the Group received property advisory fees of £6.6 million (2012: £5.5 million) from LSP Green Park Property Trust, in which it has a 31.4% interest. It also received £1.4 million (2012: £1.1 million) from LSP Green Park Distribution Holdings Limited, in which it has a 50% interest and £0.4 million (2012: £nil) from LSP London Residential Investments Limited, in which it has a 40% interest.

In the post-merger period the Group received fees of £0.1 million from Metric Income Plus Partnership, in which it has a one-third interest.

None of the fees were outstanding at 31 March 2013 (2012: £nil).

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation.

## 22 Events after the balance sheet date

On 14 May 2013 the Group completed the acquisition of Martlesham Heath Retail Park, Ipswich for £10.35 million.

# Independent auditor's report to the members of LondonMetric Property Plc

We have audited the Parent Company financial statements of LondonMetric Property Plc for the year ended 31 March 2013 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Parent Company 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 Parent Company 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.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## 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; and
- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the Parent Company financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion;

- 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; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the Group financial statements of LondonMetric Property Plc for the year ended 31 March 2013.

## David Eagle

Senior Statutory Auditor  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

31 May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Company Balance Sheet

As at 31 March

	Note	2013 £000	2012 £000
<b>Fixed assets</b>			
Investment in subsidiaries	iii	667,628	524,265
		667,628	524,265
<b>Current assets</b>			
Debtors	iv	669	35,880
Cash at bank		15,555	91,431
		16,224	127,311
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	v	3,683	2,623
<b>Net current assets</b>		12,541	124,688
<b>Total assets less current liabilities</b>		680,169	648,953
<b>Net assets</b>		680,169	648,953
<b>Capital and reserves</b>			
Called up share capital	vi	62,804	54,280
Capital redemption reserve	vi	9,636	300
Other reserve	vi	403,356	434,946
Retained earnings	vi	204,373	159,427
<b>Shareholders' funds</b>		680,169	648,953

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2013 and were signed on its behalf by:

Martin McGann  
Finance Director

The notes on pages 83 to 85 form part of these financial statements.

# Notes forming part of the Company financial statements

For the year ended 31 March 2013

## i Accounting policies

### Accounting convention

The Company financial statements are prepared under UK GAAP and the historical cost convention. The Company has prepared its financial statements on a going concern basis.

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 loss dealt within the accounts of the Company was £33.5 million (2012: profit of £61.1 million).

Audit fees in relation to the Company only were £189,000 in the year (2012: £155,000).

## iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2012	524,265
Additions to cost	360,819
Impairment of investment	(217,456)
<b>At 31 March 2013</b>	<b>667,628</b>

The Company 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
LSI 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
MREF II PM Limited	Jersey	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
London & Stamford Offices Trust*	Guernsey	100%	Property investment
L&S Business Space Limited*	Guernsey	100%	Property investment
L&S Highbury Limited*	Guernsey	100%	Property investment
L&S Business Space II Limited*	Guernsey	100%	Property investment
L&S Battersea Limited*	Guernsey	100%	Property investment
L&S Clapham Road Limited*	Guernsey	100%	Property investment
L&S Seward St. Limited*	Guernsey	100%	Property investment
London & Stamford Offices II Limited*	Guernsey	100%	Property investment
LSP Leatherhead Limited*	Guernsey	100%	Property investment
LSP Marlow Limited*	Guernsey	100%	Property investment

# Notes forming part of the Company financial statements continued

For the year ended 31 March 2013

## 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
Metric Property Mansfield Limited*	England	100%	Property investment
Metric Property Congleton 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 Sheffield 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

\* Undertakings held indirectly by the Company.

All of the undertakings listed above operate in their country of incorporation except those who are tax resident in the United Kingdom. All shares held are ordinary shares.

## iv Debtors

	2013 £000	2012 £000
As at 31 March		
Trade debtors	516	–
Dividend receivable from subsidiary undertakings	–	33,445
Prepayments and accrued income	23	2,435
Other receivables	130	–
	669	35,880

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

## v Creditors: amounts falling due within one year

	2013 £000	2012 £000
As at 31 March		
Trade payables	58	2,319
Other payables	105	–
Other accruals and deferred income	597	304
Amounts due to subsidiary undertakings	2,923	–
	3,683	2,623

## vi Reserves

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000
At 1 April 2012	54,280	300	434,946	159,427
Retained loss for the year	–	–	–	(33,499)
Share issue on merger with Metric	17,860	–	184,851	–
Clawback and cancellation of own shares	(479)	479	–	–
Purchase and cancellation of own shares following Tender offer	(8,857)	8,857	–	(100,650)
Share-based awards	–	–	1,015	(365)
Reserve transfer of impairment in subsidiary	–	–	(217,456)	217,456
Dividends paid	–	–	–	(37,996)
At 31 March 2013	62,804	9,636	403,356	204,373

## vii Related party transactions

The Company has received short-term non-interest bearing loans from subsidiaries in the year and £2.9 million is outstanding as at 31 March 2013. In the previous year a dividend of £33.4 million was due to the Company from subsidiaries. This was paid in full in the year.

Other related party transactions for the Company are as noted for the Group in note 21 to the Group financial statements.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of LondonMetric Property Plc (Registered number 7124797) will be held at The Connaught, Carlos Place, Mayfair, London W1K 2AL, on 10 July 2013 at 10 am.

Resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 15 will be proposed as special resolutions.

1. To consider and receive the Annual Report and Audited Financial Statements for the year to 31 March 2013.
2. To approve the Remuneration Committee report for the year ended 31 March 2013.
3. To approve the final dividend for the year to 31 March 2013 of 3.5p per share.
4. To reappoint BDO LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
5. To authorise the Board to determine the remuneration of the auditors.
6. To consider the election of Mr Andrew Jones as a Director of the Company.
7. To consider the election of Mr Andrew Varley as a Director of the Company.
8. To consider the election of Mr Alec Pelmore as a Director of the Company.
9. To consider the election of Mr Philip Watson as a Director of the Company.
10. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "2006 Act") in substitution for all existing authorities:
  - a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "relevant securities") up to an aggregate nominal amount of £20,934,797; and
  - b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to an additional aggregate nominal amount of £20,934,797 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,provided that the authorities in 10a and 10b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.
11. That the rules of the Company's Long Term Incentive Plan (the principal terms of which are summarised in the attached Appendix to this Notice on pages 88 to 91 and the draft rules for which will be produced at the meeting and initialled by the Chairman for purposes of identification) be and are hereby approved (with such immaterial modifications (if any) as the Directors consider necessary or desirable) and the Directors be and are hereby authorised to do all such acts and things as they consider necessary or desirable for the purposes of implementing and carry the same into effect.
12. That the LondonMetric Property Employee Benefit Trust (the principal terms of which are summarised in the attached Appendix to this Notice on pages 88 to 91 and the draft trust deed for which will be produced at the meeting and initialled by the Chairman for the purpose of identification) be and it is hereby approved (with such immaterial modifications (if any) as the Directors or the trustee consider necessary or desirable) and the Directors be and are hereby authorised to do all such acts and things as they consider necessary or desirable for the purposes of implementing and carry the same into effect.



13. That the Directors be and are empowered, in accordance with Section 570 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 10 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

- a. the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by paragraph 10b, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever;
- b. and the allotment (otherwise than pursuant to paragraph 10a above) of equity securities up to an aggregate nominal amount of £3,140,220.

and shall expire upon the expiry of the general authority conferred by Resolution 10 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

14. That the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine provided that:

- a. the maximum number of ordinary shares authorised to be purchased is 62,804,391;
- b. the minimum price which may be paid for an ordinary share is 10p (exclusive of expenses payable by the Company);
- c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
  - (i) 105% of the average market value of an ordinary share for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
  - (ii) the value of an ordinary share calculated on the basis of the higher of:
    - (A) the last independent trade of; or
    - (B) the highest current independent bid for;any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and

the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

15. That the Company is authorised to call any general meeting of the Company other than the Annual General Meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Jadzia Duzniak  
Company Secretary  
31 May 2013

# Appendix

## Long Term Incentive Plan

Resolution 11 seeks shareholder approval for the adoption of the Company's Long Term Incentive Plan ("Plan"). The principal purpose of the plan is to provide a long-term incentive to senior management which is aligned as closely possible to the interests of shareholders.

Copies of the draft rules of the proposed Plan are available for inspection at the Company's Registered Office during normal business hours on any weekday up to and including 10 July 2013 and at the Annual General Meeting convened for that day from at least 15 minutes prior to the appointed time for the meeting until the meeting is concluded or adjourned.

### (a) Eligibility

All employees of the Company and its subsidiaries from time to time (the "Group"), including Executive Directors, are eligible to participate in the Plan at the discretion of the Remuneration Committee. However, those Executive Directors of the Company appointed prior to its merger with Metric Property Investments plc will not participate in the Plan until 1 October 2013.

### (b) Grant of awards

The Plan provides for the grant of nil cost options ("Awards") over ordinary shares in the capital of the Company ("Shares"). Awards may also be structured as conditional rights to acquire Shares, or to receive a cash payment.

The price (if any) at which a participant may acquire shares on the exercise or vesting of an Award under the Plan will be determined by the Remuneration Committee on the date of grant and may, if the Remuneration Committee sees fit, be nil or equal to the nominal value of a Share.

Awards may be granted during the period of (i) 42 days following shareholder approval of the Plan or an amendment to the Plan, (ii) 42 days following the announcement of the Company's final or interim results for any financial period, or (iii) within 42 days following the occurrence of an event which the Remuneration Committee considers to be exceptional. If any of the above periods is a "close period" as a result of the application of the Listing Rules, then Awards may be granted within 42 days of the end of the close period.

No Awards may be granted more than ten years after the adoption of the Plan.

Awards may be granted over newly issued Shares, treasury shares or Shares purchased in the market.

Except to the extent required by foreign laws, Awards will not form part of a participant's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee. No payment will be required for the grant of an Award.

### (c) Vesting

The Remuneration Committee will determine at the date of grant when and how Awards will vest. Ordinarily, Awards will vest on the third anniversary of grant subject to (i) the participant remaining an employee or director of a Group company, and (ii) the satisfaction of performance targets measured over three consecutive financial years. The period from the date of grant until the date of vesting shall be known as the "Vesting Period".

It is proposed that the first tranche of Awards to be granted under the Plan will vest subject to the following performance conditions:

#### 1. Total shareholder return ("TSR")

Rights to acquire three-quarters (75%) of the Shares subject to an Award will be subject to a TSR based condition. TSR, or movement in the share price plus the dividend in the year, is an effective measure of the change in shareholder returns during a Financial Year or performance period. The Company's TSR will be benchmarked against the TSR of the FTSE 350 Real Estate index the ("Index") over the performance period. Vesting of the TSR portion of an Award will be based on the following table:

Company's TSR performance measured against that of the Index	Percentage of the TSR part of the Award vesting
Company performance is less than the Index	0%
Company performance is equal to the Index	25%
Company performance is 50% or greater than that of the Index	100%

Straight-line vesting will occur if the Company's TSR relative percentage is between the 25% and 100% vesting levels.

In addition, the Company must have a positive TSR over the performance period for vesting to occur.

## 2. Earnings Per Share

Rights to acquire one-quarter (25%) of the Shares subject to an Award will be subject to an "Earnings Per Share" based condition whereby the Company's Earnings (calculated on the European Public Real Estate Association Basis) Per Share ("EPS") performance over the performance period is measured against the Retail Prices Index ("RPI") performance over the same period. Vesting of this portion of an Award will be based on the following table:

Company's EPS performance	Percentage of the EPS part of the Award vesting
EPS is less than RPI + 3%	0%
EPS is equal to RPI + 3%	25%
EPS is equal to RPI + 8%	100%

Straight-line vesting will occur if the Company's EPS performance is between the 25% and 100% vesting levels.

Failure to meet these targets will result in the relevant part of the Award lapsing.

Subsequent Awards may be subject to different performance conditions, which will be determined at the time of their grant at the Remuneration Committee's discretion. If events occur which cause the Remuneration Committee to reasonably believe that the original performance conditions are no longer a fair measure of performance, then the conditions may be amended or waived in such manner as may be fair and reasonable in the Remuneration Committee's discretion.

### (d) Dividends

If the Remuneration Committee so determines (in its absolute discretion) participants will be entitled to receive additional Shares (or cash) representing the value of dividends declared during the Vesting Period on the number of Shares subject to the participant's Award which have vested. Any Shares so awarded will not count towards the individual limits summarised in paragraph (f) nor the company limits summarised in paragraph (g) below.

### (e) Clawback

Awards will be granted subject to clawback conditions requiring any Shares acquired (or proceeds acquired thereon) in connection with the Award to be forfeited for nil consideration in the event of gross misconduct or material misstatement in the accounts.

### (f) Individual limits

The aggregate market value of Shares subject to Awards granted to an eligible employee under the Plan in any financial year will not exceed 200% of that person's gross annual salary (as at the date of grant). The Remuneration Committee has discretion to determine the size of an Award granted to any individual under the Plan within this maximum limit.

In applying the above limit, no account will be taken of Shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of Shares which are subject to a participant's Award and which have vested.

In order to calculate the size of an Award for the purposes of this limit, market value will be determined by reference to the Company's share price averaged over five dealing days from (and including) the announcement of the Company's annual results for the financial year ended 31 March 2013, in respect of initial grants under the Plan. Alternatively, the Remuneration Committee has discretion to refer to the Company's share price averaged over five dealing days prior to (but not including) the relevant date of grant, or such other basis as it (in its absolute discretion) sees fit.

### (g) Scheme limits

The number of Shares in respect of which Awards to subscribe for Shares may be granted on any date shall be limited so that the total number of Shares issued and issuable in respect of Awards granted under the Plan (and any other executive (discretionary) share scheme operated by the Company) in any ten-year period is restricted to 5% of the Company's issued ordinary shares, calculated at the relevant time.

The number of Shares in respect of which Awards to subscribe for Shares may be granted on any date shall be limited so that the total number of Shares issued and issuable in respect of Awards granted under the Plan (and any other share scheme operated by the Company) in any ten-year period is restricted to 10% of the Company's issued ordinary shares, calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Treasury shares will be treated as newly issued Shares for the purposes of this limit, but (for the avoidance of doubt) Shares acquired in the market will not.

In addition, no account will be taken of Shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of Shares subject to the participant's Award which have vested.

# Appendix continued

## (h) Manner of exercise/allotment

Within 30 days of vesting and/or the receipt of a notice of exercise (or "call") of an Award, together with a payment (or arrangements to pay) for the aggregate exercise price due (if any) and a payment (or arrangements to pay) for any income tax and employee social security contributions (or similar liabilities) due, the Shares in respect of which the Award has vested or been exercised must be issued by the Company or the Company must procure their transfer (which for the purposes of the Plan includes the transfer of Shares out of treasury) to the participant and shall issue a definitive certificate in respect of the Shares allotted or transferred. Shares issued or transferred by the Company on the exercise and/or vesting of Awards will rank *pari passu* with existing Shares.

## (i) Termination of employment

Unvested Awards granted under the Plan will normally lapse on cessation of employment. However, if a participant is a "good leaver" i.e. if he or she dies or leaves employment through illness, injury or disability, retirement or because his or her employing company or business in which he or she works is sold out of the Company's group or for any other reason approved by the Remuneration Committee (in its absolute discretion), then the Remuneration Committee may permit that participant (or his or her personal representatives as the case may be) to retain the unvested Award and permit vesting/exercise subject to the satisfaction of the performance conditions and a pro-rata reduction for the time that has elapsed since the relevant date of cessation. The Remuneration Committee also reserves the right to permit vesting/exercise subject to a lesser reduction (or none at all) than that calculated by applying a pro-rata reduction.

Alternatively, the Remuneration Committee may, in its discretion, permit some or all of the unvested Awards held by a "good leaver" to immediately vest and/or be exercised during a limited period following cessation, having regard to the achievement of the performance conditions and the period of time that has passed since the relevant date of grant.

If a participant ceases employment in any circumstances other than the "good leaver" circumstances described above then all his or her Awards (vested and unvested) will lapse on such cessation.

## (j) Change of control

If a change of control event occurs, such as a takeover, or other capital event, the Remuneration Committee will determine the extent to which subsisting unvested Awards will vest and, in the case of options, become exercisable, by reference to the extent to which performance conditions have been satisfied (taking into account the reduced performance period) and pro-rating Awards to take into account the period which has elapsed since the date of grant. The Remuneration Committee may, if it sees fit, permit vesting on an alternative basis, including, but not limited to, full vesting.

## (k) Variation of Share capital

In the event of a capitalisation issue or offer by way of rights (including an open offer), a special dividend or a demerger, or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of Shares subject to an Award and/or the exercise price (if any) may be adjusted in such manner as the Remuneration Committee shall, in its opinion, consider fair and reasonable.

## (l) Amendments and general

The Plan may be amended by the Board in any way provided that:

- (i) no amendment, addition or deletion may be made to the Plan which would materially prejudice the interests of participants in relation to Awards already granted to them unless the sanction of at least 75% of the participants (by value of subsisting Awards) has been obtained; and
- (ii) all amendments to the advantage of participants to the provisions relating to the definition of eligible employee, limits on the number of Shares subject to the Plan, the maximum entitlement for any one participant or the basis for determining a participant's entitlement to and the terms of Shares to be provided and adjustment thereof, if any, in the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital or any other variation of capital will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration of the scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or a member of the Group.

The Board may amend the Plan by way of separate schedules to enable it to be operated overseas, provided that the terms of the separate schedules are not overall more favourable than the terms of the Plan.

(m) Proposed Awards for the financial year ended 31 March 2013

Subject to shareholder approval of the Plan, it is proposed that Awards for the financial year ended 31 March 2013, will be granted as soon as possible following such shareholder approval (the "2013 Awards").

The 2013 Awards will be granted subject to the vesting criteria summarised at paragraph (c) above.

The size of the 2013 Awards for the purposes of the limits summarised at paragraphs (f) and (g) above, will be calculated by reference to the Company's share price averaged over five dealing days from (and including) the announcement of the Company's results for the year ended 31 March 2013.

Those Executive Directors of the Company appointed prior to its merger with Metric Property Investments plc will not be eligible to participate in the Plan until 1 October 2013, at which point, it is proposed that they will be granted an Award equal to 50% of what would otherwise have been their annual grant for 2013 (as determined by the Remuneration Committee in its absolute discretion).

### Employee Benefit Trust

Resolution 12 seeks shareholder approval for the adoption of an Employee Benefit Trust ("EBT"), details of which are set out below.

The full draft trust deed for the proposed EBT is available for inspection at the Company's Registered Office during normal business hours on any weekday up to and including 10 July 2013 and at the Annual General Meeting itself from at least 15 minutes prior to the appointed time for the meeting until the meeting is concluded or adjourned.

(a) Constitution

The EBT will be a discretionary trust constituted by a trust deed between the Company and an independent off-shore professional trustee company (the "Trustees"). The EBT will be constituted as an employees' share scheme within the meaning of Section 1166 of the Companies Act 2006, with the purpose which includes but is not limited to encouraging and facilitating the holding of shares by bona fide employees of the Company (which, for these purposes includes Executive Directors) and its subsidiaries, former employees and certain of their relatives or for their benefit.

(b) Power and funding

The Trustees will have full discretion with regard to the application of the trust fund.

The Trustees will have the power to acquire Shares and any Shares so acquired may be used for the purposes of the grant of Awards under the Plan and/or any other employees' share scheme adopted by the Company.

The EBT may be funded by way of loan or gift to acquire Shares either by market purchase or by subscription.

(c) Limits to holdings and dividend waiver

Any shares issued to the EBT in order to satisfy Awards it has granted will be treated as counting towards the dilution limits that apply to the Plan. For the avoidance of doubt, any shares acquired by the EBT in the market in order to satisfy Awards will not count towards these limits. Unless directed otherwise, the Trustees will waive any dividends paid on the Shares settled in the EBT.

# Notes to Annual General Meeting Notice

- (i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf, provided that each proxy is appointed to exercise the rights attaching to different shares held by him or her.
- (ii) Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- (iii) Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph (i) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.
- (iv) To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note (vi) below.
- (v) To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive no later than 10 am on 8 July 2013. A Form of Proxy accompanies this notice. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- (vi) The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 6 pm on 8 July 2013. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 6 pm on the day that is two days before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (viii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10 am on 8 July 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (x) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- (xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (xii) You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
- (xiii) As at 28 May 2013 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 628,043,905 ordinary shares carrying one vote each.
- (xiv) Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:
  - (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or
  - (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (xv) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xvi) A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at [www.londonmetric.com](http://www.londonmetric.com)
- (xvii) The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
  - (a) copies of the Executive Directors' service contracts with the Company; and
  - (b) copies of letters of appointment of Non-Executive Directors.

## Financial calendar

Announcement of results	31 May 2013
Financial dividend – Ex dividend date	12 June 2013
– Record date	14 June 2013
– Payable on	12 July 2013
Annual General Meeting	10 July 2013
Anticipated 2014 Interim dividend	December 2013



# Shareholder information

## Advisors to the Company

### Joint Financial Advisors and Brokers

#### *Peel Hunt LLP*

Moor House  
120 London Wall  
London EC2Y 5ET

#### *JP Morgan Securities Limited*

125 London Wall  
London EC2Y 5AJ

### Auditors

#### *BDO LLP*

55 Baker Street  
London W1U 7EU

### Property Valuers

#### *CBRE Limited*

St Martin's Court  
10 Paternoster Row  
London EC4M 7HP

#### *Savills Advisory Services Limited*

20 Grosvenor Hill  
London W1K 3HQ

### Tax Advisors

#### *PricewaterhouseCoopers LLP*

1 Embankment Place  
London WC2N 6RH

### Solicitors to the Company

#### *Jones Day*

21 Tudor Street  
London EC4Y 0DJ

#### *Nabarro LLP*

Lacon House  
84 Theobald's Road  
London WC1X 8RW

#### *Travers Smith LLP*

10 Snow Hill  
London EC1A 2AL

#### *Mourant Ozannes*

PO Box 186  
1 Le Marchant Street  
St Peter Port  
Guernsey  
Channel Islands GY1 4HP

### Registrar

#### *Capita Registrars*

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

#### *Secretary and Registered Address*

Jadzia Duzniak  
One Curzon Street  
London W1J 5HB  
[londonmetric.com](http://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.

## Notes

**Front cover image**  
Moore House, London

---

**Design and Production**  
Radley Yeldar – [www.ry.com](http://www.ry.com)

---

**Paper**  
The report is printed on Amadeus 50% Silk  
which is FSC® certified and contains  
50% recycled waste and 50% virgin fibre



**LondonMetric Property Plc**

One Curzon Street  
London  
W1J 5HB  
United Kingdom

Telephone: +44 (0) 20 7484 9000  
Fax: +44 (0) 20 7484 9001

[www.londonmetric.com](http://www.londonmetric.com)