Company: **Metric Property Investments plc**

Presenters: **Andrew Jones, Sue Ford, Valentine Beresford, Mark Stirling**

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Operator: Good morning ladies and gentlemen, and welcome to the Metric Property Investments full year results presentation. I will now hand you over to Andrew Jones, Please go ahead…..

Andrew Jones: I am going to give you a brief business overview before handing then over to Sue who will take you through the financial metrics. Valentine will then give you an update on our investment activity, Mark will go through in detail our asset management and development progress which has been the main driver as you'll have already read to our NAV uplift this morning; and then I will give you a view on the outlook for retail market, investment market and our prospects for the year ahead.

So highlights over the last 12 months. As you'll have read our NAV is up to 107p from 101p this time last year. Our profits are up to £13.2 million and our EPRA PBT up to £6.6 million from £1.1 million this time last year. EPS is up to 3.5p which has allowed us to announce this morning a final dividend of 2.3p giving a full year dividend of 3.3p for the year. Total rental income which has driven a lot of those metrics is up to just under £13 million and like for like income is up 3.1%. Mark will detail this in a bit more detail later but we've undertaken 25 occupier transactions over the year, 19 lettings, four rent reviews, two lease re-gears and much of that has driven the uplift in rental income. Planning gains, development has been again a source of valuation uplift this year. Planning gains of just under 300,000 square feet and again more of that later.

So looking at the results relative to our IPD retail benchmark, a capital return at 5.3% against the IPD or retail index at -0.8%, an outperformance of 6.1%. Income return of 5.4% against the IPD measure at 5.8% gives us a total return for the year of 10.7% against our benchmark at 5%. There are details there in black and white.

Drilling down into the source of that valuation surplus which was £8.1 million and that's after allowing for £2 million of acquisition costs. As you can see the vast majority of that has come from our development portfolio of £6.1 million and that's primarily due to the successes that we've had in both planning and pre-letting. The investment portfolio is up £1.5 million and that's despite taking a 20 basis point outward yield shift on our like for like investment portfolio. Effectively that's the impact of asset management activity offsetting wider market outward yield shift; and then a small contribution from our MIPP joint venture of £500,000.

As I said we've had a material increase in occupational activity over the period which has allowed us to improve our occupancy from 96.9% in September to 97.5% today and that's essentially a lot of that has been driven by the letting up of all the Focus space. As you know this time last year Focus went into administration. We have now let all of those units so that has helped us materially improve our occupancy; and similarly that has fed through into our like for like income growth. Over the first six months we were down 3.2%, we lost that Focus income and we have more than recovered that in the second half to give a full year like for like uplift of 3.1%. As I said material activity in both lettings and re-gears, rent reviews, 200,000 square feet of lettings and 70,000 square feet of reviews and re-gears which has allowed us to secure new income of £3.4 million – we will come on to talk about the breakdown of that later.

A couple of portfolio metrics before I pass on to Sue, average rent today at £14.50, that's nearly £1 higher than the passing rent at the time which we acquired for various assets within the investment portfolio. It represents around about a circa 7.5% increase and we should look at that in the context of an average hold period of around about 15 months. 15% of our income is subject to fixed uplifts – these are either annual or compounded five yearly. Importantly and I will come on to touch on this in a lot more detail later, only 6% of our income is due to expire over the next five years and that compares with the high street and shopping centre market where 59% of rents are due to expire. In the wider out of town retail market the figure is about 18%. Our topped up initial yield is now comfortably over 6% at 6.3% and we continue to maintain a long average weighted unexpired lease term of just under 12 years and I think it's roughly 11 years to first break, so on that note I will pass on to Sue who will take you through the financial numbers.

Sue Ford: Thanks Andrew. So moving first to the income statement. In the year to March we delivered a net profit of £6.6 million which is significantly up from £1.1 million last year. I will come on to take you through the key drivers of that growth profit improvement in a minute but as you can see overwhelmingly it has been driven by increases in rental income together with receipt of one-off surrender premiums of £1.3 million. Our earnings per share is 3.5p which is a seven-fold increase on the 0.5p last year. If we exclude the impact of the one-off surrendered premiums then the underlying earnings per share is 2.8p and this is the number to bear in mind when thinking about earnings and dividend growth in the current year. I will come on and show you how the building blocks of future income we have already put in place will enable us to continue to deliver earnings and dividend growth and maintain our progressive dividend policy in the current year. We have announced the final dividend per share of 2.3p which taken together with the interim dividend of 1p gives us full year dividend of 3.3p per share which is a significant increase on the 0.6p in our first year and reflects the fact that the group is still in its investment phase. Jut to remind you as a REIT obviously we distribute at least 90% of our retained earnings dividend.

So what has driven the improved performance? As I just mentioned the main driver is the substantial increase in rental income where the full year impact of assets we acquired last year has flown through and a further 700,000 which has come from current year acquisitions mostly relating to King's Lynn. Additionally as I've mentioned £1.3 million surrender premium but against this there has been a £2.2 million swing on a cost of funds where we've gone from having IPO proceeds on deposit last year to drawing funds in a full year of facility costs this year.

So to look at how we see our income growing over the coming years and continuing to support earnings growth, at 31st March our contracted rent roll stood at £15.3 million including our share of MIPP which includes a number of pre-lets on our developments which provides us with the building blocks to deliver income growth in future years. To give you a sense of how this builds over time this slide shows you how our existing contracted rental income flows through the income statement over the next few years. In addition to what's contracted today there's also £0.5 million which is currently in solicitors' hands and we expect close to £200,000 of that to start flowing in the current year and the remainder in the following year; and a further £2.2 million potential income from the letting up of vacant space on our existing developments. The majority of that relates to Kirkstall which we anticipate completing in 2015 and just to remind you the bars only reflect the contracted income and not those additional potential income or income from future acquisitions.

Moving to the balance sheet, including our share of MIPP the portfolio has grown by £45 million which is made up of £31 million of investments excluding purchase of costs; expenditure on developments and refurbishments of £9.9 million plus the revaluation uplift that Andrew has mentioned of £8.1 million and in addition the group has undertaken its first recycling of capital with the sale of Inverness to MIPP where we've effectively sold two thirds to USS for £6.3 million.

In building the portfolio we have predominantly used the IPO proceeds last year and funded this year's acquisitions with debt. At the year end our net debt position was £30.5 million representing an LTV of 13% including MIPP. As we complete our committed developments and asset management initiatives and fully fund our equity investment in MIPP, this will rise to 25% and our debt at that stage will be just under £70 million.

The group has got committed debt facilities of £115 million and if these were fully drawn today and based on current swap and LIBOR rates, our all-in cost of debt is just below 4% and that's off a margin of 2% which is very favourable in comparison to current margins available in the market today and of those facilities 51% is hedged.

So looking at the movement in our NAV, so the NAV at the year end is 107p which is up 6p from last year. The key drivers for that growth, that 6p per share, 5p has come from the revaluation uplift excluding acquisition costs and about two thirds of that from the development portfolio and a third from the investment portfolio. As Andrew has mentioned we have absorbed £2.1 million or 1p of acquisition costs and 4p or £6.6 million has come from profits and as we've already mentioned we've paid out a dividend of 1.6p in the year. In looking at the 107p it's worth remembering that over the last two years, our first two years we have absorbed 9p of one-off costs in IPO costs in the purchase costs in building the portfolio.

So turning to financing and our capacity to invest, as at the end of March we had committed undrawn facilities and cash of £84 million. Against that we've allocated £16 million for our remaining equity commitment to MIPP and £21.7 million of commitments on our development in asset management programmes which gives us firepower at the year end of £46.5 million. In addition we have earmarked £27 million for uncommitted development expenditure, the majority of which relates to Kirkstall. We anticipate that the group's firepower will increase over time to approximately £85 million as developments complete and are refinanced. Alongside the group's firepower we have £38 million of firepower in MIPP at the year end and we are currently in discussions with banks to secure debt facilities and when those are in place MIPP's firepower will increase to just over £110 million. Post year end MIPP acquired a property in Londonderry for £18 million which Valentine will come on to talk you through in a minute; and following this the anticipated firepower for MIPP will be approximately £95 million.

So on that note I'll hand over to Valentine.

Valentine Beresford: During the period we made eight acquisitions for £46.1 million of which Metric's share was £31.3 million with an average yield on cost of 6.6% rising to 7.8% when fully let. All but one of our transactions were off-market with the continued theme of distressed vendors, receiverships or re-finance motivated. The acquisition of income producing product was biased towards long and well-let higher yielding smaller investments for our MIPP joint venture with USS where we are able to continue to capitalise on the attractive 200 basis point plus arbitrage between the cost of debt and investment yields to deliver target double digit cash on cash returns.

We've seen less value in the larger traditional Metric retail park investment market and as a result we only acquired one such investment for just over £15 million in King's Lynn which again was acquired off-market from a private investor at an attractive initial yield of 6.4%. However going forward with refinancing pressures continuing to bite we do see values becoming more attractive and liquidity increasing and the market generally opening up more. We also made as Sue just mentioned the first disposal out of Metric to MIPP which was our completed development in Inverness which we delivered a yield on cost of nearly 11% and a profit and cost of just shy of £1 million. Our Metric focus has therefore been on a shorter cycle redevelopment and partnering opportunities where we acquired five assets for Metric during the period totalling £24 million including our recently announced partnering deal in Berkhamsted High Street where we exchanged contracts to acquire former post office to develop a 21,000 square foot prime retail unit in the high street with ancillary restaurant accommodation. The day we signed the contract with the vendor we also signed an 18,000 square foot pre-let to M&S Simply Food on a 20 year lease thereby greatly decreasing the risk profile of the development. We are now in for planning and anticipate starting on site early 2013 and when we have let the two restaurant units this will produce an attractive yield on cost of 7.3% based on total capex of £7.5 million. We also went unconditional as a result of successfully gaining planning consents on Sheffield and Cannock as well as our 50,000 square foot Bishop Auckland development where we have also optioned up an adjoining 2.8 acre site which could accommodate a further 27,000 square foot of retail accommodation and Mark will give you a bit more colour on these developments later on.

In respect of MIPP since we announced our interims we have acquired a sale and leaseback in Sevenoaks Way Orpington where Carpetright have taken a 15 year lease with RPI linked five yearly rent reviews. We see this South London site which is in prime retail warehousing pitch as not only an attractive investment yielding 7.6% but also having the potential for future redevelopment opportunities.

At the end of March we acquired a two unit scheme in Longwell Green, Bristol opposite Marks & Spencers and Next. At the point of exchange we again signed two lettings which resulted in a weighted unexpired lease term of 18.5 years and will produce yield on costs of 7.6%. We are also now planning to develop two pod units in the car park which when let will take the yield to over 8%.

Following our announcement of the acquisition of B&Q in Londonderry today for £17.4 million, 7.5% and the recent completion of Inverness, MIPP has now acquired five assets totalling £52 million and delivering a yield on costs of 7.3% with a weighted unexpired lease term of 17.7 years.

As Andrew just mentioned we have also today announced our post year end joint venture with Mercian Developments and the exchange of conditional contracts to acquire a 90 acre site on the outskirts of St. Austell for £5.5 million. Our intention is to secure detailed consent to develop a 90,000 square foot retail park adjacent to a 68,000 square foot supermarket which we have already pre-sold contractually to Sainsbury's. Our contract with the vendor is conditional on obtaining planning consent which we anticipate being achieved in late 2013 and also obtaining 60% pre-let on the retail park. I am pleased to confirm that Mark has already got positive interest from national retailers in this under-represented part of the South West of England.

Whilst we have secured the key stakeholder support in terms of planning there is a long way to go in this regard but given this support a pre-sale for Sainsbury's and good occupational interest we are cautiously excited about this opportunity. It's too early at this stage to give out exact numbers but these will evolve over time particularly as we approach planning and progress the lettings.

So in conclusion we are seeing an increasing flow of attractively priced investment assets coming forward from receivers, banks and motivated vendors. We currently have two other deals in solicitors' hands, one for MIPP and one for Metric which we hope to announce shortly. In addition we will continue to build on our retail partnering and redevelopment pipelines taking advantage of the serious lack of available finance to third party developers.

On that note I will hand over to Mark.

Mark Stirling: Thanks Valentine, good morning. So valuation, Andrew has already touched on this but we have seen the portfolio grow in value by more than £8 million over the period which has delivered a capital uplift of just over 5% against the IPD equivalent of -0.8%. This has helped to deliver a property level total return of nearly 11%. As you can see this has come from some pretty significant management activity across the portfolio where our proactive approach allows us to create value irrespective of wider market conditions. Values made up an asset management yield shift of 17% where we have improved the tenant line-up and we have lengthened and strengthened the income stream. We've added new space, lots of accretive planning wins, we've already touched on this shortly but they totalled nearly 300,000 square feet. We also continue to leverage our relationships with retailers, with 19 new lettings which has delivered a pretty significant part of this uplift. So those activities have allowed us to more than offset a market yield shift of 20 basis points across our like for like investment portfolio.

Turning to asset management, so how have we managed to create value in this challenging occupier market. As Andrew has touched on 25 occupier transactions with 17 retailers, some are still active across 30 locations and again they offer affordable average rents at just over £15 a square foot. That significantly improves for us the granularity of our income of which 18% now comes from the food sector and three of our top five customers are now B&Q, Morrisons and Marks & Spencers. Importantly our retailers are still prepared to sign up for long leases, on average nearly 15 years, significantly higher than both the high street and in shopping centres. This has led to our occupancy levels rising to 97.5%. We have seen like for like rental growth of over 3% which has added on average £1 a square foot to rents flowing at the time of acquisition. It's worth bearing in mind that the average hold period for those acquisitions is just 15 months. So we have now re-let the three focus units to six different retailers including B&Q, B&M and Jollyes. We have only got one unit in administration which is the Peacocks at Launceston which accounts for just under £100,000 of rent but we are detailed discussion to re-let as you'd expect.

Turning to planning gains within the investment portfolio, as we've already touched on they continue to be a key driver of value across both new investment and development portfolios. We have already achieved wins of over 80,000 square feet across those six locations where we'd already pre-let, agreed or signed at Bedford, Hove, Milford Haven and Newry. So for us these wins are pretty material and they allow us to grow like for like income across the investment portfolio by adding new space and reconfiguring for our customers.

So on to a couple of examples of active management starting at Bedford where we've re-let or re-geared all this space including what was the former Focus store. We have significantly lengthened and strengthened the income profile whilst growing rents by over 20% on the Focus unit alone, but also as importantly the unexpired lease terms increased from 3.5 years to over 12 years today. We have also undertaken a pretty comprehensive refurbishment programme and that has provided a return on capital of 21%.

So for us we continue to work closely with our retailers. We know from our intelligence and our discussions that both B&M and Dunelm were upper quartile traders in this location and that has helped us to grow the rents in the case of B&M at £10 a square foot up to the latest rent of over £22 in the last letting to Paul Simon.

Sheffield, another example of a short cycle refurbishment following an acquisition off the market of an empty store, it has been empty for eight years from a motivated vendor with a pre-let already in place to DFS producing 65% of the income. That is the same building, that's not a CGI believe it or not. So the works we're undertaken in less than six months and DFS are already trading well from the site. The remaining space is now under offer at a rent 25% ahead of our forecast rent and on completion of the letting we are expecting a yield on cost of nearly 11%.

We've touched on planning already, returning to progress across the redevelopment portfolio. We have achieved some pretty significant planning wins, so well over 200,000 square feet we have secured across the portfolio in five locations of which 70% is Open A1. In all those locations you would expect are closely aligned to healthy retailer demand, and of these five two are already built and completed with two on site and the rest to follow subject to further pre-lets. Because these planning led opportunities offer such terrific returns for us we continue to build what we think is an attractive pipeline with three further applications pending for a further 78,000 square feet.

So in terms of where we are with these redevelopments, the trigger for the commencement of these schemes is really the extent to which we can de-risk them prior to starting on site. The first two schemes were already completed, were fully pre-let or under offer at the time that we committed to building. At Bishop Auckland and Cannock we are on site and we will be substantially pre-let well before practical completion later this year and they will both be trading for Christmas and at Bristol we expect works to be completed before Christmas and subject to planning at Berkhamsted we expect to be on site developing the unit hopefully later this year.

So two further case studies and brief update on progress. Bishop Auckland we've touched on already, that is a CGI image but it is actually coming out of the ground. We continue to have some fun here, having secured Open A1 planning last November against an Officer's recommendation. We then waited for the expiry of the JR period and then started on site just over two months ago. At that point pre-lets were already exchanged with the high priests as we describe them: Next, M&S and Boots on leases of up to 15 years. We subsequently exchanged contracts with both Brantano and Costa and all of that remaining space is under offer to sports and pet operators. Again it's worth stressing the relatively short cycle nature of these developments which in the case of Bishop Auckland means the construction only takes eight months. We are expecting a yield on cost on completion of nearly 9%.

We have also secured an option on the adjoining land which Valentine touched on earlier on where we have now submitted planning for a further 27,000 square feet. We have good, healthy occupier demand building upon the successes of Phase 1 and we hope to have that application determined later this year.

So finally on Leeds we are now beginning to build good momentum with deals agreed with Marks & Spencers, with JD Sports and with Costa. That takes us to nearly 40% pre-let or under offer but we continue to enjoy in the meantime the benefit of the income from BHS to occupy the site whilst we work up further pre-lets. The JR period has now expired following the grant of planning consent, so we are targeting a start on site hopefully earlier next year once we've signed further pre-lets.

So we continue to be excited about this project, indeed all of our development projects. We've got terrific retailer traction in a market which is largely starved of good quality, new retail developments and at that point I will hand back to Andrew.

Andrew Jones: Great. Right, I'm going to give you an update on our view of the retail market. It will not come as a surprise to any of you who read newspapers that our consumers are operating in a challenging environment and disposable income is under real pressure. Administrations in the first quarter of this year are up 38% compared to the final quarter of last year and over the last six months we've seen some pretty high profile casualties. Clintons, Game, Peacocks, all very well reported. They account for over 2,300 shops. Consumer expenditure as you've read many commentators over the last few months is migrating away from the high street and therefore the right sizing of retailer store portfolios is now becoming critical. Quite frankly too many retailers have too many shops and this is going to cause a massive demand-supply imbalance and the impact on rent will start to come through particularly as retailers have what I call a once in a generational opportunity to shed loss-making stores or to re-set rents on marginal locations. If you look at the bar chart there, credit for this goes to Jones Lang LaSalle certainly for the red bars, that shows that 52% of high street and shopping centre leases expire by the end of 2015, 16% of the wider out of town retail market and as you can see 6% within the Metric portfolio. This just proves that not all retail is the same. Never has occupier trading performance, occupier contentment been more important to the retail real estate sector than it is today. This operational mobility that retailers are about to inherit is going to have a massive impact on rental values and real estate performance.

Now turning more bullish, however we are seeing the increasing vacancies creating opportunities for those areas that want to grow and the four key areas are in our view home where you see John Lewis, Next and TK Maxx looking to expand their home offers; convenience food, it's well reported that food retailers are shifting their balance of space requirements away from the big boxes into convenience and apart from M&S, Waitrose, Tescos we could have added obviously Sainsbury's Local and more recently M Local from Morrisons. We're also seeing good demand from what we call private equity induced growth, the DFS', the Hobbycrafts and Pets, some of which Mark has already mentioned but it's really the growth of the discounters who are going to come riding to the rescue for some of this space – certainly not all of it but hopefully some of it. They are looking to fill a lot of the voids that have been created, particularly on the larger units – some of the larger Peacocks units, the space vacated by Focus, you have already seen what we've done at Bedford and even some of the old MFIs that are kicking around. Dunelm have increased their out of town retail portfolio by 500% over the last 10 years. Even Poundworld have taken 53 new units during the course of 2011. These guys are riding to the rescue for some landlords but it's certainly not all, and unit size, configuration and importantly rent is absolutely key. It is a £10-12 metric, so if you're sitting on a portfolio where your average rent is £16, £17, £18, £19 per square foot, you're going to have to take a haircut if you want this space re-let. That's one of the reasons why our portfolio is heavily biased towards lowly rented out of town big-box retailing. Many in the industry are quite dismissive about these retailers coming on to our high streets and our retail parks that they start to displace the long established retailers but there's no denying their appetite for growth. The other thing is you can't deny their covenant strength. These aren't my figures, Dunelm is the only listed company, the others are all private. If you go into the Sunday Times Rich List and find out who's behind all of these retailers, this is their calculation. £2.5 billion worth, compare that to some of the high priests that we've talked about in the past, the Clintons, the Blacks, the Games, the Peacocks. These are the ones that effectively dominate our high streets.

Then looking on to the investment market outlook, income security and longevity we believe is the key pricing metric today. As Valentine has already touched on vendor re-financing is creating more opportunities. Banks are unloading assets but also they are now unloading debts and we are seeing receivership opportunities rising. The announcement this morning of our recent B&Q acquisition is a case in point and the two deals that we have in solicitor's hands are both receivership sales.

As we all know financing is harder and is more expensive and as a result we're seeing debt bias retreating which is obviously reducing competition in the market and so therefore looking ahead we expect there to be an increase in opportunities for attractively priced investments. Fixed life funds will start to expire and we will look to liquidate. Retail funds are facing redemption pressures. As Valentine touched on there is a lack of development finance out there and therefore partnering and redevelopment opportunities will continue to increase for us, and there is a continual increase in distressed and motivated vendors as a result of normal refinancing timescales.

So looking ahead we will look to deploy the capital into accretive high income opportunities on operationally strong real estate. We will leverage our retailer relationships to execute more partnering positions and allocate capital to our accretive 300,000 square foot redevelopment pipeline. But there's market uncertainty and when we combine that with deep occupier knowledge and considerable equity resource we think that there will be exciting opportunities for us over the next 12 months as we take advantage of other people's distress.

So on that note thank you for listening and we will open the floor to questions.

Miranda Cockburn (Oriel): Just one question on firepower etc, you've got £47 million on the balance sheet to spend. Is that sufficient given that you're seeing lots of opportunities or should we expect more sales, more recycling of capital or potentially more joint ventures?

Andrew Jones: There's only two things that I'm emotional about and that's the wife and kids, so recycling of capital is something that you will see over the course of this year undoubtedly. There should be competition for capital within the balance sheet. We think that the opportunities are there. Joint ventures for us, we're very pleased with the way that the USS joint venture is going. They're a great partner to have but we're not short of proposals from people but we don't have anything in the pipeline that we're about to announce. John?

Jon Stewart (Execution Noble): Sorry, just coming back to a comment you made about retailer demand being more at the £12 per square foot level than the £19-20 per square foot level. If you look at a slide in the back of the presentation pack your sustainable rent assessment generally lies at about £19-20 per square foot level, so I just want to get a view, have you cooled at all on the prospects for either (a) the probability of achieving those levels; or (b) the time it's going to take you to do it given the changes we've seen in the retail environment.

Andrew Jones: My point was actually from the discounter's perspective, so they are in the £10-12 model range. Paul Simon is at what Mark at £22, I probably shouldn't say this but you can work it out, but M&S at Berkhamsted is £35, it's horses for courses. Our views on sustainable rents move around. If you want to compare that column to what we announced in September you'll see that a couple might have gone down and a couple might have gone up. The market does move around, so we haven't cooled on it. I think when we look at income growth there are three levers. Historically people think income growth comes at rent view and historically it did. Today that's much harder. You can also get income growth through re-gearing, opportunities where you give something back. Again our Dunelm re-gear at Bedford allowed us material income growth. Income growth also comes from looking at putting new sources of income onto your parks where land is in for nothing. You've heard us talk over the years about pod developments. Our latest fashion is the burger vans where you put a burger van in, that's another 10 grand, you put a car wash in, that's another 10 grand, you put another charity box in, that's another 6 grand. So there are three levers that we look to. Rent reviews are really difficult these days but that isn't the only lever available to you.

John Stewart (Execution Noble): One other question, in terms of where you're looking in investment markets to acquire assets, could you just give us a feel for what the competition is like when you're saying you're doing most of your deals off-market. What's the on-market market like?

Valentine Beresford: As you say we've been focusing off-market. I think one of the reasons why we haven't picked up or kept a keen interest on the larger retail park investment market is that that is where there has been some appetite from institutions and the like and there haven't been a huge amount of those sort of investments openly marketed and those that have have tended to if they've got any kind of quality about them have tended to go to institutional pension fund type homes.

Robbie Duncan (Jefferies): Two questions from me please, Sue, slide 13, your rental progression. Is that cash rents or is that accounting rents? In other words when it comes to modelling is that accounting after incentives?

Sue Ford: Yes.

Robbie Duncan (Jefferies): Ok, which then brings me onto my next question of incentives. Can you comment on where incentives are, how they've progressed and where you see them going obviously with the change that you've talked about before but also included within there what about surrendered premiums? How material a feature will that be, both you taking them and you paying them in order to generate further growth?

Andrew Jones: Starting with the general level of incentives it depends, going back to basic economics it's a demand-supply equation. At Bishop Auckland the first deals that we'll have done with Next and Marks & Spencers you'd have seen 2½, even 2¾ year packages to get them on and that would have been at around £16, £16.50 a foot, last deals being done at £18, £18.50 a foot, packages down to roughly six months free, six months cash, so a total of 12, and that's normal through a cycle. On surrender premiums again it's horses for courses, some locations will be more costly but on the other hand there will be other places out there where I suspect the tenant might leave for nothing or might want £200,000 or £300,000.

Harm Meijer (JP Morgan Cazenove): Just a couple of questions if I may. Just on your pipeline projects, do you give sort of an estimate on what the future gain can be from this if you were to let them at current market rents and current market yields, what is still left in store? including the one-off today?

Andrew Jones: If you look at the Status of Redevelopments slide, at Sheffield there undoubtedly is still profit to come because we still have that amount of income that's lined up. An indication of how a valuer approaches this is he will look at the amount of space still to be re-let, he will still carry all the construction cost contingency and he will put in a discount factor for the fact that you're not there yet and therefore something could happen to the market in the meantime. So I suppose…I don't have to hand the monetary amount of profit still to come but essentially on these deals we look for around about a 200-250 basis point margin between yields on cost and eventual investment, so if we're showing you a yield on cost of 8.5% we are assessing the investment value to be somewhere between 6-6.5% when completed and then the amount that we will have taken so far will be partially dictated by the amount of pre-letting that's done and the timing of the completion of the development cycle. So for example we won't have taken an awful lot on Leeds because we haven't started, we haven't committed, we don't know how the World looks. We've actually only physically signed 20% so that would have been reflected in the valuer's calculations. Similarly with Berkhamsted we don't have planning so we will have taken something for the pre-let, but until we get planning we start on site. There isn't a hard and fast rule but the best way I suppose to look at these things is where you are in planning, where you are in pre-letting and where you are on timing.

Harm Meijer: Ok, then with your talks with banks at this moment for a new credit line, will this be at the same terms as you have done previously?

Sue Ford: No, pricing for margins has moved out quite significantly so I think as of today recognising all of the impacts in the euro zone and the regulatory issues margins have a three in front of them whereas our existing facilities are around about 2%. Obviously swap rates are at all time lows, 1.2%, 1.3% at the moment, but nevertheless…

Harm Meijer: Ok, then just the last one. So you buy today an asset at a yield of 7.5%. What kind of yields will these assets have been priced at let's say 12 months ago? Where is the IPD going to? Basically if you look at where the market is valued right now and where you're buying assets, do you have sort of a feeling how much you were buying below the level?

Andrew Jones: I think I'm right in saying that the B&Q that we've just bought, the vendor paid about 5.25% for it in 2006 when it was built, that's why it's in receivership. Where would that yield have been a year ago? I suspect it would have been probably just about starting with a 7, maybe late 6s, so I think the yields have moved…for that asset in particular I think the yields moved to at least 50 bps.

Harm Meijer: Last one, do you think you can keep your NAV up over the coming years despite a difficult market impact and then on the other hand in management what you are able to do with the developments etc?

Andrew Jones: The simple answer is I don't know. The way at which we look at the portfolio is wanting to have lots of building blocks that whatever happens to the wider market that we can take management action that generally would mitigate an outward shift which is what we tried to demonstrate today, so yields could continue to move out of course but what we will look to do is to run the portfolio, manage it aggressively, to counter that with additional sources of income. Developments as you see have been terrifically accretive for us and I suppose the challenge is continuing to refill that hopper which is why we are cautiously excited about St. Austell, while we are hopeful that we will get some forward-planning consent at Bishop Auckland and Berkhamsted, so we are always looking for similar types of assets. I suppose we look at two things, we look at greed and safety. We're looking at opportunities whereby we've got strong income and we're looking at opportunities where there's alpha that we can hopefully with our retailer intelligence and our planning expertise and unlock value outside of what happens in the wider market. We won't be immune to what happens. We're just trying to make sure that we're better placed.

Hemant Kotak(GreenStreet): Just looking forward a bit, where do you think values are going for the next year ahead and as you think about buying new properties, should you wait or should you go ahead and press on and do acquisitions?

Andrew Jones: I think it's a bottom-up approach to the opportunity. If I look at this chart I know where I'm not going to be buying, but that said we do think market uncertainty will create opportunities and we have already executed on one high street opportunity. We continue to look at others, but we've got to get things at the right rent. People quote the 9%, 10% yields, but these are off-rents that are 200% over-rented. I'm not getting 9% am I really, I'm getting 4%. So we do start with a bottom-up approach and we talk to retailers, what is the right rent today. Are you paying the right rent, are you making money? We spend loads of time as you know with retailers. We know what's going on and that will crystallise it.

Hemant Kotak (GreenStreet): Ok, so maybe another top-down question then since you focused on bottom-up, how much would values have to adjust for you to get excited in the red bars there, at the high street and shopping centres?

Andrew Jones: I was often told never to say never. I had an opportunity the other day, Andrew, would you like to buy this? I think it's getting cheap, I think you can get it for 9%. I said to be honest with you I wouldn't pay you 19% for it. You've got to look at your rents, start with your rents. Value is a combination of rent and yield and if your rents are halving the yield has got to double. The problem is not only do you lose rent but you inherit rates, you inherit service charges, you inherit irrecoverable capital that needs to be spent to attract somebody else in. The chances are the lease that you've then got to re-let isn't an institutional, it's a 5 year lease, maybe with a three year break. Never say never but I think that this particular sector has got some serious headwinds and like I said, not all retail is the same, it really isn't. Just like I'm sure you talk about the office stock. Not all offices are the same.

Hemant Kotak (GreenStreet): That's great, thank you.

Andrew Jones: Have we got anybody on the line?

Operator: We have no questions at this time.

Andrew Jones: Ok. Thank you very much for your time.