

# CREATING VALUE THROUGH ACTIVE PARTNERSHIPS

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ANNUAL REPORT & ACCOUNTS 2011

MEGASTORE



**METRIC**  
PROPERTY INVESTMENTS PLC



18% UPLIFT IN  
AVERAGE RENTS  
ACHIEVED AT  
LAUNCESTON  
RETAIL PARK  
(SEE PAGE 18)

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# METRIC IS A SPECIALIST RETAIL PROPERTY INVESTMENT COMPANY

## WE CREATE VALUE THROUGH INCOME GROWTH AND CAPITAL APPRECIATION BY APPLYING OUR VALUE CREATION MODEL



See page 7 for our  
Value Creation Model

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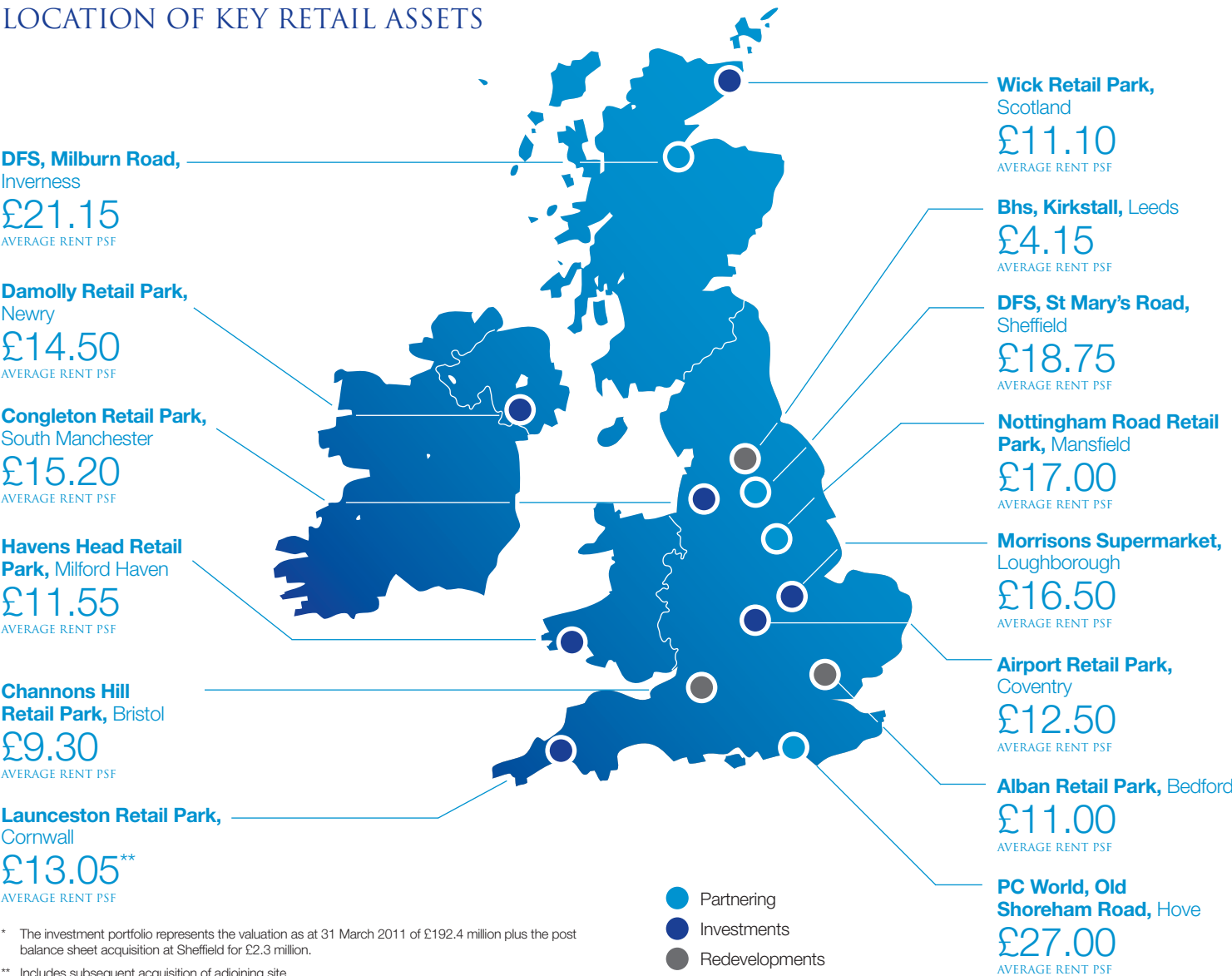
Metric Property is a UK retail focused Real Estate Investment Trust (REIT) established in early 2010 to invest in retail assets located across the UK. It aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values.

The occupier sits at the heart of Metric's investment strategy, where retailer demand and occupier contentment are key to driving rents through our asset management programme of leasing, rent reviews, lease renewals, extensions and redevelopments.

# £195 MILLION INVESTMENT PORTFOLIO\* ACROSS 14 RETAIL SCHEMES

## AVERAGE PORTFOLIO RENT £12.70 PSF

### LOCATION OF KEY RETAIL ASSETS



\* The investment portfolio represents the valuation as at 31 March 2011 of £192.4 million plus the post balance sheet acquisition at Sheffield for £2.3 million.

\*\* Includes subsequent acquisition of adjoining site.

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## STRONG UPLIFT IN RENTAL INCOME ACROSS THE PORTFOLIO

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Profit after tax

£8.5M

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NAV per share<sup>1</sup>

101P

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Adjusted earnings per share<sup>2</sup>

0.5P

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Dividend per share

0.6P

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Underlying revaluation surplus

£16.6M

(£7.6M NET OF COSTS)

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Underlying property uplift

9.5%

(4.1% NET OF COSTS)

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Total property return<sup>3</sup>

16.5%

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IPD All Retail Quarterly Universe total return

11.7%

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Annualised contracted rent

£11.9M

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Underlying income growth<sup>4</sup>

10.4%

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1. Net asset value per share and adjusted net asset value per share calculated in accordance with European Public Real Estate Association (EPRA) guidelines.

2. Adjusted earnings per share calculated in accordance with EPRA guidelines. See note 6 on page 49.

3. The total net rental income and revaluation surplus expressed as a percentage of the capital invested, time weighted from the date of acquisition.

4. Underlying income growth is the increase in contracted annual rental income of the portfolio from the date of acquisition to the valuation as at 31 March 2011, excluding the development of new space.



# A STRATEGY BEGINNING TO DELIVER



“PROFITING FROM ATTRACTIVE PROPERTY RETURNS WITH SUSTAINABLE INCOME AND STRONG CAPITAL APPRECIATION.”

Andrew Huntley  
Chairman

I am very pleased to present the first annual report of Metric Property Investments plc.

It is just over a year since the flotation of the Company in March 2010. In that time we have been active building our portfolio, acquiring attractive assets that fit our key investment criteria of strong occupier appeal and offer the opportunity to grow rents and enhance value through active asset management.

On listing in March 2010, the Company raised £190 million and became the first UK property company to enter the REIT regime at IPO debut, establishing a tax efficient structure for shareholders from the outset.

## Progress

In the period to 31 March 2011 we have invested and committed £188 million. Post year end we acquired Sheffield, taking our total investment and commitments to £194 million in 14 properties. We have also made good progress in delivering a number of value enhancing asset management initiatives that have already contributed to growing our rental income and increasing the capital value of our portfolio. It is pleasing that management's strong relationships with its retailers are already delivering numerous investment and occupational opportunities for the Group.

The Group has committed, undrawn debt facilities in place of £84.7 million, this together with further anticipated debt facilities gives future purchasing firepower of about £160 million.

The Group generated a profit in its first period of £8.5 million. Net asset value per share as at 31 March 2011 was 101p after absorbing share issue and property acquisition costs equivalent to 8.5p per share in aggregate. The dividend of 0.6p per share reflects that this is the Group's first year of operation and it is still in its investment phase.

We were delighted to receive external recognition for our achievements when we were awarded Property Newcomer of the Year in April 2011 by Property Week.

## Outlook

The investment market is extremely competitive, however the major deleveraging of the sector continues to provide opportunities and we are confident of our ability to source further attractive investments. Our retailers are also finding trading conditions challenging, although our key relationships with leading retailers should ensure that we continue to execute profitable asset management initiatives across the portfolio.

We look forward to the year ahead with enthusiasm and confidence.

A handwritten signature in black ink, reading 'Andrew Huntley'.

Andrew Huntley  
Chairman

# RETAILER PROFITABILITY AND OCCUPIER CONTENTMENT ARE KEY



“WE AIM TO CREATE VALUE INDEPENDENT OF BROADER MARKET MOVEMENTS BY BUYING WELL, INCREASING INCOME AND LENGTHENING AND STRENGTHENING THE INCOME PROFILE.”

**Andrew Jones**  
Chief Executive

The period since our IPO in March 2010 has seen Metric deliver on the strategy set out for shareholders in early 2010. We have invested and committed the net proceeds, acquiring 14 retail schemes for £194 million (£185 million net of £9 million acquisition costs). As a nimble REIT focused on retail investments throughout the UK we pursue an occupier-centric model at the heart of which is an active asset management programme. Despite the competitive investment landscape over this time period and the challenging occupier outlook for retailers we have created an out of town retail portfolio with high occupier contentment, strong retailer appeal, significant asset management potential and defensive income qualities. Our portfolio enjoys high occupancy, long unexpired lease terms and low average passing rents.

Our attractive acquisitions and accretive initiatives have delivered significant gains in the period, resulting in a property level total return of 16.5% and an underlying valuation surplus of £16.6 million (9.5%) or £7.6 million (4.1%) net of costs. It is important to note that over 80% of the underlying surplus resulted from management actions with the remaining 20% generated by market yield movements, which have continued to tighten over the period. We have outperformed the IPD All Retail Quarterly Universe by 4.8% on a total return basis, which is a significant achievement in our first year.

We have delivered total rental growth of 14.5%, an underlying increase of 10.4% excluding the development of new space, which is particularly pleasing in a challenging occupational market.

Driven by the valuation surplus, and after absorbing both IPO and acquisition costs, our adjusted NAV per share is 101p. Adjusted EPS is 0.5p and we are announcing our maiden dividend of 0.6p to be paid in July 2011.

## **Our strategy**

We aim to generate attractive returns for shareholders through our value creation strategy directed by our bottom up approach to stock selection. This ensures that we focus on opportunities where we can grow income independent of broader market conditions, by closing the margin between the relatively low passing rents at acquisition and the sustainable levels of rents, over the medium term. We focus on:

**Acquisitions** – Buying well by leveraging our strong retailer relationships to accurately assess future income performance.

**Asset management** – Increasing existing income, adding new income and improving the valuation yield. Each can be pursued independently or in combination.

**Disposals** – We are unemotional about retaining our assets and will opportunistically and selectively sell assets where we believe sufficient value has been created and the market pricing is attractive.

## **Operational performance**

To date we have invested and committed £185 million (net of acquisition costs) across 14 retail schemes covering 977,000 sq ft within the retail park and food superstore sub-sectors.

# THE CHALLENGING OCCUPATIONAL MARKET VALIDATES OUR BOTTOM UP APPROACH TO STOCK SELECTION

## Rental income subject to fixed uplifts

14%

The average lot size of purchases is £13 million, although this has reduced latterly as we have carried out more asset management intensive deals requiring less upfront investment at acquisition and more accretive capital expenditure throughout the asset management life cycle. We have continued to focus on our key metrics of long and strong income, in both assembling and running our portfolio.

Our asset management activity has already begun to deliver some early successes. Over the period we have successfully concluded 20 new tenant transactions with 14 retailers on over 385,000 sq ft of space. The average lease length of new lettings is in excess of 15 years. Our occupancy level is over 97% and our long and secure income stream has over 11.8 years unexpired (11.1 years to first break) off a low average passing rent of £12.70 psf across the portfolio.

This programme of activity has delivered superior rental growth performance with underlying rental income up 10.4%, contributing to a valuation surplus of £16.6 million (9.5%) or £7.6 million (4.1%) net of costs, both of which have enabled us to outperform the IPD All Retail Quarterly Universe.

## Financing & firepower

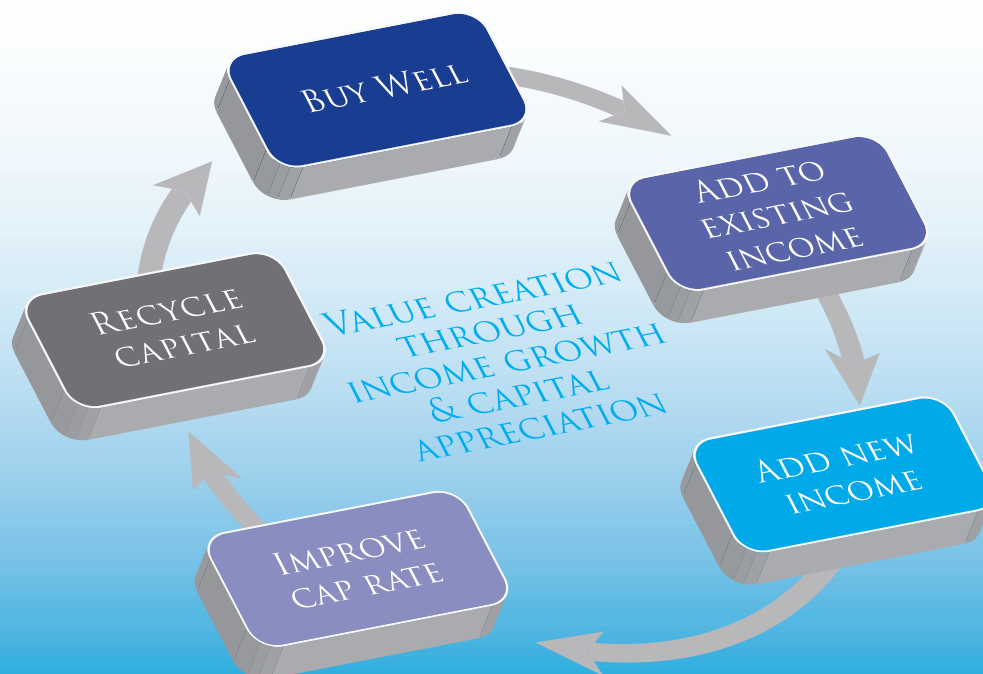
We have recently signed a new £34.7 million five year term facility with Eurohypo, secured on existing assets. The facility will be used to finance future acquisitions. This is in addition to the £50 million, five year revolving credit facility with RBS we announced at the time of our interim results. Neither facility has been drawn to date. The average margin across both facilities is 180 bps.

Our remaining firepower, including anticipated future debt facilities, is about £160 million which, together with capital released from recycling assets, we will look to deploy into opportunities using our knowledge and skills to deliver long-term shareholder value.

We have recently announced the acquisitions of Milburn Road, Inverness and St Mary's Road, Sheffield for an initial investment of £9.2 million with a further £4.8 million to be spent on value enhancing asset management initiatives where DFS will anchor both schemes. Inverness completed just prior to the year end and is included in the year end valuation, whereas Sheffield completed on 10 May 2011.



## HOW WE CREATE VALUE



Metric's strategy is to create a dynamic retail property investment portfolio across the UK that generates attractive returns for shareholders by applying our value creation model.

Delivering on our strategy to create value:

### **Buy well**

Our occupier led model is central to our buy/hold/sell strategy. We have strong relationships with retailers and the feedback we receive from them allows us to more accurately assess future income performance.

### **Add to existing income**

Understanding our customers and their overall contentment is important to being able to drive rents at particular locations. We are focused on increasing current income through rent reviews, re-letting vacant space and carrying out lease re-gears.

### **Add new income**

Short cycle developments, be it through refurbishments, reconfigurations, extensions or pod developments, allow new space to be developed on our sites, improving the shopping environment and attracting new occupiers and uses to our locations.

### **Improve capitalisation rate**

'Asset management yield shift' or an improvement in the valuation is achieved by improving the tenant mix, strengthening the income profile, improving the planning consents and lengthening the income stream.

### **Recycle capital**

Once the initiatives identified have been executed we will look for opportunities to crystallise value and recycle sale proceeds into new investment opportunities.

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Property level total return

16.5%

**Investment & occupier outlook**

We have already witnessed a strong bounce back in valuations across most sub-sectors of the commercial real estate market, which has almost entirely been driven by inward yield shift. We believe that for all but the best assets this movement has largely run its course. There is a strong possibility that, against a challenging occupational market, some sub-sectors will see a dislocation between the investment and occupier markets, as the weight of money has bid yields down to levels that are unsupported by occupier fundamentals.


At a macro level the investment market offers limited value in the absence of genuine rental growth and the ongoing threat of retailers vacating on expiry, weaker covenants, void costs and the defensive capital expenditure required to bring space back to a lettable state. We will therefore continue to use our retailer and investment relationships to uncover opportunities both on and off the market where we can secure real income growth from assets with long income and attractive asset management opportunities.

Retailer performance is mixed, with the consumer exposed to inflation and both direct and indirect tax increases. Retailer trading statements and direct feedback indicate that it is the lower end consumer that is suffering the most as these fiscal measures impact on disposable income. However there is some evidence indicating that consumer confidence is slowly on the rise, especially as new mortgage lending is likely to be constrained for the foreseeable future. It is clear though that 2011 will remain a difficult year for many retailers.

From a property perspective retailers are not only coping with these economic constraints, they are also facing major structural changes to shopping patterns driven by the internet and a shift to out of town. This is undoubtedly affecting retailers' space strategies. Many are looking to 'right size' their portfolios, the resultant surplus sites adding to the over-supply of space already in the market. This will be particularly relevant in situations where 20-25 year leases are due to expire and the retailers will have new optionality. Whilst there is good demand for large space configurations, both in and out of town, demand for smaller standard stores is considerably weaker. This will inevitably exacerbate the supply/demand imbalance in some areas and continue to exert downward rental pressure on those stores that no longer meet modern retailers' trading formats.

As a result, retail schemes that can deliver the right space for occupiers will continue to outperform and we will continue to benefit from the ongoing migration of high street occupiers to good out of town locations, especially given the lack of supply of new retail developments.

Our portfolio is well placed to take advantage of this dynamic and we continue to seek to provide retailers with the right locations and the space configurations that meet their strategic objectives. It is against this backdrop that we will continue to adopt our bottom up approach to stock selection acquiring investments, particularly out of town, where our retailers are content and trade profitably.



Andrew Jones  
Chief Executive







# SECURE INCOME WITH 11.8 YEARS UNEXPIRED, HIGH OCCUPANCY OF 97% AND LOW AVERAGE RENTS OF £12.70 PSF PROVIDING SIGNIFICANT REVERSIONARY POTENTIAL

## PARTNERING

Investment value: £5-15 million



**PC World, Old Shoreham Road, Hove**

**14 YEARS**  
WAULT

**Key tenants**  
PC World

**19,300**  
Sq ft

**£27.00**  
Average rent psf



**DFS, Milburn Road, Inverness**

**18 YEARS**  
WAULT

**Key tenants**  
DFS, Carpetright

**30,000**  
Sq ft

**£21.15**  
Average rent psf



**Nottingham Road Retail Park, Mansfield**

**15 YEARS**  
WAULT

**Key tenants**  
Currys, PC World Megastore

**47,100**  
Sq ft

**£17.00**  
Average rent psf



**DFS, St Mary's Road, Sheffield**

**20 YEARS**  
WAULT

**Key tenants**  
DFS

**28,000**  
Sq ft

**£18.75**  
Average rent psf

## INVESTMENTS

Investment value: £10-40 million



**Congleton Retail Park, South Manchester**

**14 YEARS**  
WAULT

**Key tenants**  
M&S Simply Food, Boots, Laura Ashley

**64,600**  
Sq ft

**£15.20**  
Average rent psf



**Airport Retail Park, Coventry**

**10 YEARS**  
WAULT

**Key tenants**  
Currys, PC World Megastore, Dunelm, Halfords

**102,500**  
Sq ft

**£12.50**  
Average rent psf



**Launceston Retail Park, Cornwall**

**13 YEARS**  
WAULT

**Key tenants**  
New Look, Peacocks, Pets at Home, Focus

**78,100**  
Sq ft

**£13.05**  
Average rent psf

(Includes adjoining site)



**Morrisons Supermarket, Loughborough**

**7 YEARS**  
WAULT

**Key tenants**  
Morrisons

**51,200**  
Sq ft

**£16.50**  
Average rent psf

## REDEVELOPMENT

Investment value: £5-15 million



### Havens Head Retail Park, Milford Haven

**14 YEARS**  
WAULT

**Key tenants**  
Tesco, Littlewoods,  
Peacocks, BeWise

**85,700**  
Sq ft

**£11.55**  
Average rent psf



### Channons Hill Retail Park, Bristol

**1 YEAR**  
WAULT

**Key tenants**  
Currys

**63,000**  
Sq ft

**£9.30**  
Average rent psf



### Damolly Retail Park, Newry

**15 YEARS**  
WAULT

**Key tenants**  
B&Q, Mothercare,  
Lidl, Next

**161,500**  
Sq ft

**£14.50**  
Average rent psf



### Bhs, Kirkstall, Leeds

**4 YEARS**  
WAULT

**Key tenants**  
Bhs

**120,000**  
Sq ft

**£4.15**  
Average rent psf



### Wick Retail Park, Scotland

**12 YEARS**  
WAULT

**Key tenants**  
Homebase, Argos, New  
Look, Pets at Home

**60,700**  
Sq ft

**£11.10**  
Average rent psf



### Alban Retail Park, Bedford

**3 YEARS**  
WAULT

**Key tenants**  
Focus, Dunelm

**65,000**  
Sq ft

**£11.00**  
Average rent psf

Portfolio WAULT – Weighted average unexpired lease term of 11.8 years to expiry (11.1 years to first break).



# £176 MILLION INVESTED ACROSS 14 SCHEMES AND A FURTHER £9 MILLION COMMITTED IN ACCRETIVE CAPEX



“APPLYING OUR ACQUISITION METRICS OF STRONG OCCUPIER DEMAND AND AFFORDABLE RENTS IS A KEY DISCIPLINE IN ENSURING WE DELIVER VALUE TO OUR SHAREHOLDERS.”

Valentine Beresford  
Investment Director

Our first purchase was concluded in July 2010 which kick-started an acquisition programme that to date totals £185 million (net of acquisition costs of £9 million), including committed capex, across 14 retail assets. As envisaged at the time of flotation, we have now fully invested our net IPO proceeds and will finance future acquisitions from existing or anticipated debt facilities and recycled capital.

Despite a competitive investment market, our disciplined bottom up, occupier led acquisition strategy combined with strong sourcing capabilities, has resulted in all but one of our acquisitions being secured off market. This has been helped by the fact that often our lot sizes (average £13 million) have fallen below the radar of many of our competitors (other REITs and property funds). The majority were also acquired from private property companies or high net worth individuals who were concerned about impending bank refinancing. We are confident that the ongoing deleveraging of the real estate market will ensure this continues to be an attractive source of new opportunities for us.

Many of the assets we have acquired from vendors with refinancing pressures have also been starved of capital expenditure, allowing us to quickly implement value enhancing asset management initiatives and identify a medium to long-term strategy for further value creation.

## Portfolio composition

Our acquisition strategy falls into three retail categories:

**Investments** – the core of our portfolio – comprising multi-let schemes offering a full programme of asset management opportunities including lease re-gears, unit subdivision, extensions and tenant mix improvements.

**Partnering** – working closely with specific retailers to help them unlock opportunities to reconfigure or gain representation on schemes. Examples include Currys, Asda, Carpetright and DFS.

**Redevelopments** – longer-term schemes with favourable planning consents, attractive demand/supply dynamics and diverse occupier appeal.

## Outlook

We have seen a continued pick up in the pace of transactions over the last six months as debt defaults and refinancing pressures continue to motivate vendors to secure sales. In addition, a further market loosening is occurring as interest rate swaps expire and breakage costs reduce. We anticipate these trends continuing through the remainder of 2011 delivering the primary source of supply to the market.

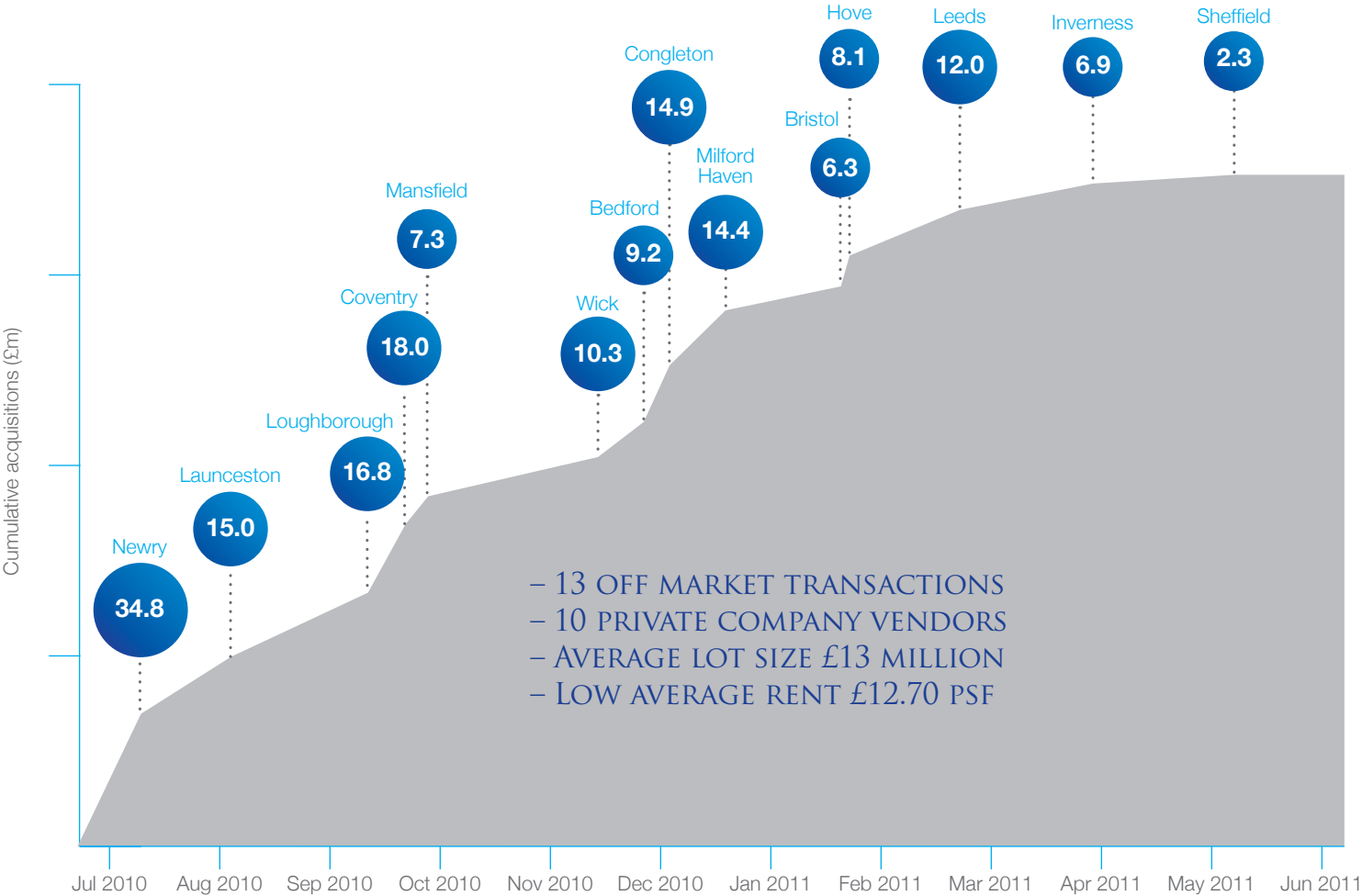
Our core acquisition strategy will continue to revolve around our Investments portfolio. There is currently strong competition for openly marketed schemes as significant institutional equity remains available. We will therefore remain disciplined in our approach and continue to leverage our retailer relationships in assessing all new opportunities and only invest where we see real opportunity for value creation.

We will also continue to seek more Partnering opportunities as we aim to become the retailers' partner of choice in securing their desired store locations and expect to build upon our recent success in Mansfield, Hove, Inverness and Sheffield.

Our Redevelopments such as our proposal for Kirkstall, Leeds are exciting medium-term opportunities to develop larger multi-let schemes that meet the demands of today's retailers. In an environment where there is little supply of new space these projects provide attractive returns on our capital and will continue to be a focus for us going forward.

PROPERTY ACQUISITIONS SINCE IPO

Purchase prices (£m)







Currys/PC World – Mansfield



Morrisons – Loughborough



# WE HAVE UNDERTAKEN 20 TRANSACTIONS WITH 14 RETAILERS ACROSS 11 LOCATIONS

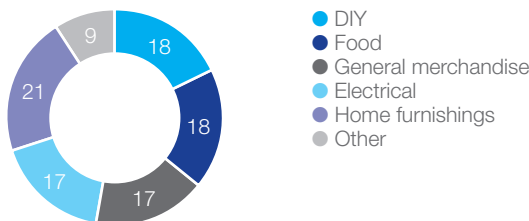


“BY RESPONDING TO OUR CUSTOMERS’ DIFFERENT TRADING FORMATS AND ALIGNING OUR BUSINESS TO THEIR NEEDS WE HAVE ASSEMBLED A PORTFOLIO WITH ROBUST INCOME CHARACTERISTICS.”

Mark Stirling  
Retail Director

Fig 1 – Sector exposure

Weighting by income (%)



Our portfolio exhibits strong defensive qualities, with long unexpired leases averaging 11.8 years, a high level of occupancy at 97% and low average passing rent (£12.70 psf). This gives us sufficient room to move rents up to their sustainable levels. We have been successful in achieving our desired portfolio metrics owing to our strategy of choosing investments in locations with strong retailer demand, where retailers trade well and we can adapt the space to meet the retailers’ objectives.

Long, strong income and a real focus on tenant mix are central in achieving and maintaining a high level of occupancy. Over the short period of ownerships we have already secured new retailers onto our schemes such as Boots, Lidl, New Look and Peacocks and achieved average lease length on new lettings of 15.6 years (14.5 years to first break). Our aim is to continue to attract more retailers to further diversify income and establish new levels of sustainable rents allowing us to capture ERV growth over time.

The diversity of income within the portfolio is spread across the key sub-sectors with 18% of income now derived from food operators. We expect greater granularity and diversity of income as we continue to grow the portfolio and undertake further asset management initiatives.

**Asset management programme**

Significant progress has been made across the portfolio. In our period of ownership, we are pleased to have undertaken 20 separate tenant transactions across 385,000 sq ft of space with 14 retailers at 11 locations. This has resulted in a combination of new lettings, rent reviews, re-gears, extensions, surrenders and the creation of new space to let, all supporting valuation growth.

**New letting transactions**

**Mansfield** – new 15 year lease to Dixons Retail for a flagship format Currys PC World Megastore, resulted in uplift in average passing rent psf of 28% from £13.30 psf to £17.00 psf.

**Launceston** – accepted surrender from the Co-op receiving a £250,000 premium. New lettings to Peacocks, New Look, and Pets at Home, improving average passing rent on the scheme by 18% from £11.20 psf to £13.20 psf.

**Coventry** – new 10 year lease to Carpetright at £17.50 psf. The park is now 100% let, average passing rent psf increased from £12.00 psf to £12.50 psf.

**Congleton** – accepted a surrender from Carpetright. New letting to Boots at £18.00 psf, a 38% increase, significantly improving our tenant mix, average passing rent increased from £14.75 psf to £15.20 psf.

**Inverness** – concluded a sale-and-leaseback with DFS for a new 20 year lease, pre-let a new 10,000 sq ft unit on the adjoining site to Carpetright on a new 15 year lease.

**Kirkstall, Leeds** – pre-lets agreed with Bhs and Outfit for about 27% of redeveloped site.

**Rent reviews**

In a challenging market we have had some notable successes in delivering income growth at rent review. At Newry, Bedford and Hove we have achieved new rents 15% in excess of previous passing rents. These uplifts are sizeable given that many retail rent reviews across the sector are being concluded with a nil increase.

**Planning**

Over the period we have delivered new planning consents on more than 150,000 sq ft, including:

**Launceston** – for the subdivision of the former Co-op unit to permit new lettings for Peacocks, New Look, and Pets at Home.

Also at Launceston – a relaxation of user restrictions on the recently acquired adjoining site occupied by Topps Tiles and Carpetright to permit Open A1 lettings.

**Congleton** – for the development of a new 8,000 sq ft unit.

**Bedford** – for a new 2,500 sq ft retail pod and refurbishment to upgrade the elevations.

**Mansfield** – for refurbishment and upgrade of the external facade.

# UNDERLYING VALUATION UPLIFT OF 9.5% OR 4.1% AFTER COSTS, GENERATING A TOTAL RETURN OF 16.5%

**Strong valuation gains driven by asset management initiatives**

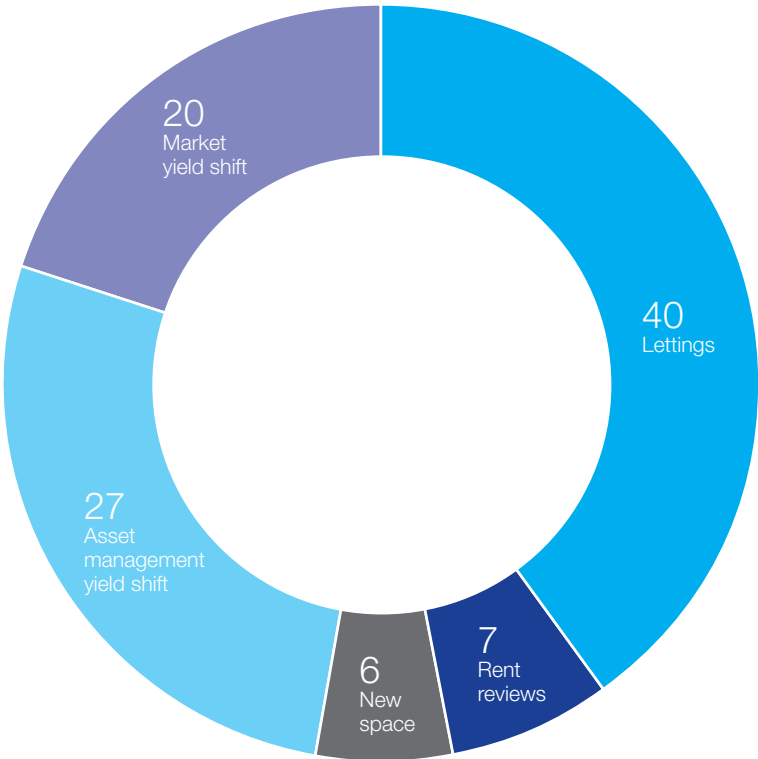
Our ownership period since acquisition across our investment portfolio averages just over five months. The portfolio generated an underlying valuation uplift of 9.5% (£16.6 million) or 4.1% (£7.6 million) net of acquisition costs. Of the underlying valuation surplus, 80% comes from management actions tied directly to the value enhancing initiatives discussed above, with only 20% from market yield shift.

The contractual running yield on the portfolio is just over 6% with 14% of the portfolio subject to fixed uplifts.

**Performance against the IPD All Retail Quarterly Universe**

Our performance relative to IPD has been commendable with a total return of 16.5% compared to 11.7% for the IPD All Retail Quarterly Universe. Of this, one-third or 6% is derived from income and the remaining two-thirds or 10.5% from capital appreciation. This compares with IPD at 6% income return and 5.4% capital return.

**FIG 2 – VALUATION CONTRIBUTORS**  
Contribution to valuation uplift (%)





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**Outperformance relative to IPD All Retail Quarterly total return**

4.8%

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**Outperformance relative to IPD All Retail Quarterly capital growth**

5.1%

**Rental income growth**

On new lettings where the space was previously occupied, we have been able to add an average of over £5.50 psf and on lease re-gears we have been able to add over £3.50 psf on average. On completed rent reviews the 15% uplift on space reviewed translates to an average of just over £2 psf.

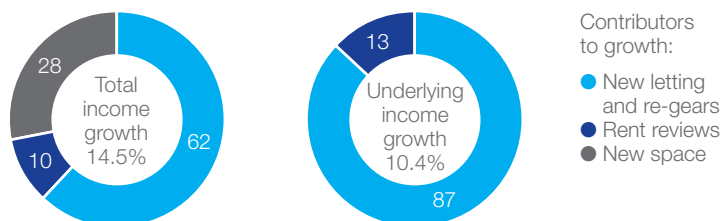
Our average passing rent across the portfolio is £12.70 psf. This has allowed us to make considerable progress in our ultimate long-term aim of achieving what we believe is the sustainable rental levels on each park.

Given the challenging retail market, the significant gains we have been able to achieve on new lettings, lease re-gears and rent reviews highlight how well our customer-centric model works. Our total new lettings have translated to an overall rental growth of 14.5%, an underlying increase of 10.4% excluding the development of new space.

Fig 3 illustrates the components of income growth on a total and an underlying basis.

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**Fig 3 – Components of income growth (%)**



CASE STUDY: LAUNCESTON RETAIL PARK  
AN EXAMPLE OF OUR VALUE CREATION MODEL  
AT WORK

# AVERAGE RENTS UP BY 18%

## Buy well

- Acquired in August 2010 with low average passing rents of £111.20 psf across the park
- Dominant out of town scheme in its catchment with strong occupier demand where retailers trade well

## Delivering on asset management initiatives

### Add to existing income

- Vacant Co-op unit surrendered paying Metric a reverse surrender premium of £250,000
- Planning consent granted to subdivide Co-op unit from 23,000 sq ft into three units and refurbish and upgrade the elevations
- Contracts exchanged with New Look, Peacocks and Pets at Home to pre let the entire Co-op accommodation
- Rent on the Co-op unit increased from £10.20 psf to an average of £16 psf, translating to an 18% uplift across the park to £13.20
- Set new ERVs to be captured across the scheme

## Launceston Retail Park today

### Improve capitalisation rate

- Improved diversification of income, lease length and covenant strength
- Provides the dominant 'high street' offer in the catchment
- Broadened shopper appeal by introducing key retailers in a previously empty unit, improving the trading performance of existing retailers

### Trading

- New Look, Peacocks and Pets at Home to shortly commence fit out and begin trading later in the Summer
- The introduction of new retailers to the park will continue and improve its occupier and consumer appeal further

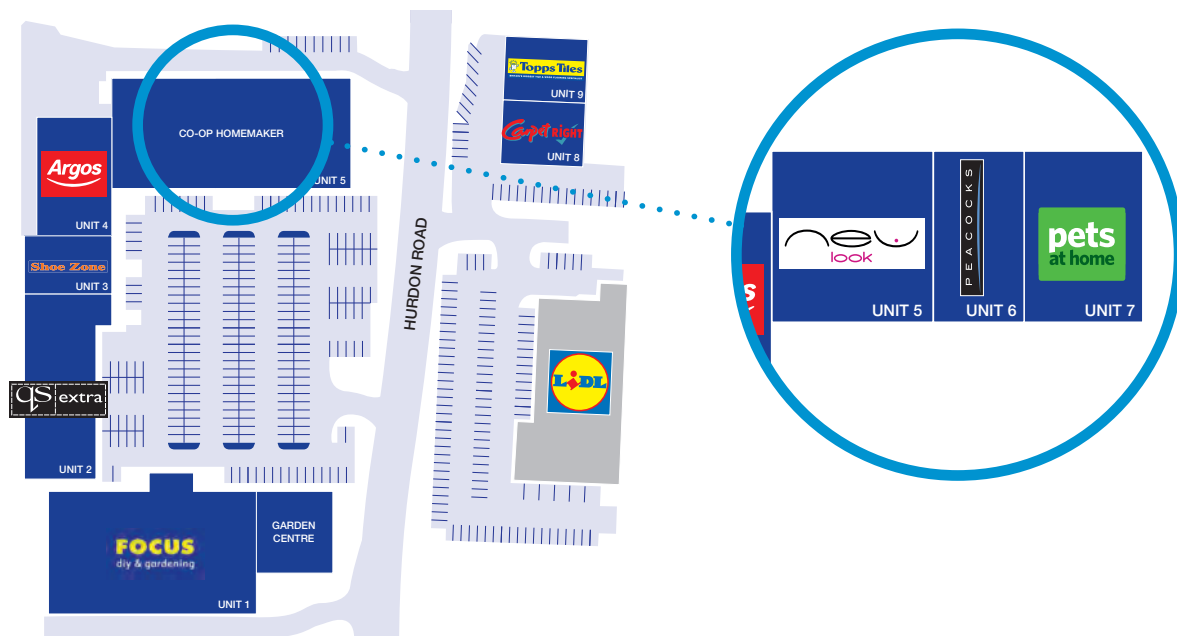




RETURN  
ON COST  
OF 12.2%



## HOW WE ADDED VALUE AT LAUNCESTON







**“GROUP PROFIT OF  
£8.5 MILLION LARGELY  
DRIVEN BY VALUATION  
UPLIFT OF £7.6 MILLION.”**

**Sue Ford**

Finance Director and  
Company Secretary

The successful IPO in March 2010 raised gross proceeds of £190 million. Share issue costs amounted to £7.4 million resulting in net proceeds of £182.6 million. As at 31 March 2011, the Group has spent or committed to spend £188 million on investment property acquisitions and the timing of these investments has impacted the results for the period under review. The Group also elected to become a REIT at the same time as listing.

## Income statement and earnings per share

The Group made a profit after tax of £8.5 million in the period to 31 March 2011 which equates to earnings per share of 4.8p. The profit arose mainly from a gain on the revaluation of the investment properties of £7.6 million. Excluding the revaluation surplus the Group made a small adjusted profit after tax of £877,000 or adjusted earnings per share of 0.5p.

Net rental income in the period to 31 March 2011 was £4.6 million, with 75% of the income being generated by our first four acquisitions, Newry, Launceston, Loughborough and Coventry, all of which had been completed in the first half of the financial year. The acquisitions in the second half of the year contributed the remaining 25% with most of this income being generated by the acquisition of Milford Haven, Wick and Bedford.

Administration expenses of £4.4 million principally comprise staff costs and office accommodation costs. The administration expenses also include exceptional costs of £240,000 being professional fees incurred in the Group obtaining REIT status.

Net proceeds from the IPO awaiting investment in property were placed on deposit with a number of different counterparties. Interest

received totalled £1.1 million, with interest on deposit accounts being earned at a weighted average rate of 0.9% in the period to 31 March 2011.

The total REIT conversion charge for the period is £208,000 which arose primarily on the acquisition of Wick Retail Park via a corporate vehicle, resulting in a charge of £206,000. The conversion to REIT status at the same time as listing resulted in a small charge of £2,000.

## Dividend and dividend policy

The Board of Directors has recommended the payment of a final dividend of 0.6p per share which will be paid on 6 July 2011, subject to shareholder approval, to shareholders on the register on 10 June 2011. The dividend will be paid entirely as a Property Income Distribution (PID) to ensure the Group meets its requirements under the REIT rules.

## Balance sheet and net asset value

As at 31 March 2011 the Group's portfolio was valued at £192.4 million, expenditure on property acquisitions was £182.6 million and a further £1.8 million has been spent on tenant incentives and capital expenditure. Capital commitments at the period end amounted to £3.7 million. After acquisition costs and capital expenditure the portfolio generated a revaluation surplus of £7.6 million.

Including the post balance sheet acquisition at Sheffield, total expenditure on acquisitions was £185 million, with capital expenditure and commitments amounting to £9 million.

The net asset value per share at the period end was 101p and the table below sets out the reasons for the movement in the net asset value since the IPO:

	£000	pence per share
Gross IPO proceeds	190,000	100p
Share issue costs	(7,428)	(4)p
Revaluation surplus	7,618	4p
Adjusted profit after tax	877	1p
Net asset value 31 March 2011	191,067	101p

## Committed debt facilities

# £84.7M

### Financing

As at 31 March 2011 the Group had cash on deposit of £28.0 million and all the acquisitions to date have been financed from the net IPO proceeds. However, the Group is committed to spend a further £30.2 million of which £26.5 million has been provided for on the balance sheet. These commitments reflect primarily the acquisition of Congleton, Inverness and the adjoining site at Launceston which, although not completed at the period end, were contractually committed. Post the period end a further £5.7 million was committed for the acquisition and redevelopment of Sheffield.

The balance of the costs reflects expenditure required to complete a number of tenant initiatives, principally at Newry, Launceston, Nottingham, Bedford, Inverness and Congleton retail parks.

The Group has two committed loan facilities totalling £84.7 million (against which specific properties have been secured), as follows:

On 16 November 2010 the Group signed a five year £50 million revolving credit facility with The Royal Bank of Scotland plc. The principal financial covenants of the facility are set out below:

- interest cover ratio – net rental income shall not be less than 1.75 times net interest, tested quarterly on a two quarters rolling look back and forward basis;
- loan to value ratio – total drawings not to exceed 65% of the total value of the properties; and
- the weighted average lease length of the properties shall not be less than seven years

Drawings under the facility will not be permitted if the loan to value ratio exceeds 50%. There is a requirement to hedge a minimum of 60% of the amount drawn under the facility.

On 27 April 2011 the Group signed a five year £34.7 million term facility with Eurohypo AG. The principal financial covenants of the facility are set out below:

- interest cover ratio – projected net rental income to be not less than 2.0 times projected net interest payable, calculated on a 12 month forward looking basis; and
- loan to value ratio – total drawings not to exceed 70% of the total value of the properties secured

The facility is available for drawdown for nine months following signature and there is a requirement to hedge a minimum of 80% of the amounts drawn under the facility. Post the period end the Group pre-hedged the total required amount by taking out the following derivatives:

1. 3.0% cap with a notional value of £17.5 million (50% of total facility) effective from 15 April 2011 and terminating on maturity of the facility.
2. 3.19% fixed rate forward starting swap, plus a credit spread of 0.15%, to give an all-in rate of 3.34% with a notional value of £10.5 million (30% of total facility), effective from 16 January 2012 and terminating on maturity of the facility.

Including anticipated future debt facilities, the Group has firepower totalling about £160 million calculated as follows:

	£m
Cash at bank and on deposit	28.0
Less capital commitments (including Sheffield)	(35.9)
Committed bank facilities	84.7
Total committed firepower	76.8
Anticipated future debt facilities	83.2
<b>Total anticipated firepower</b>	<b>160.0</b>



# KEY RISKS AND UNCERTAINTIES

## “TAKING A RESPONSIBLE APPROACH TO RISK MANAGEMENT TO PRESERVE SHAREHOLDER VALUE.”

**Sue Ford**  
Finance Director and  
Company Secretary

### Strategic risks

Risk	Mitigation
Investment acquisitions underperform financial objectives	Specialist retail operator undertaking detailed financial and operational appraisal process for all acquisitions, including due diligence reviews, prior to committing to an investment
Failure to identify business opportunities and innovate	Research into the economy and the investment and occupational market is evaluated as part of the Group's strategy process, covering key areas such as investment, leasing and asset management
Property markets are cyclical. Performance depends on general economic conditions and in particular the retail sector	Extensive experience of the Directors provides a privileged insight into the strengths, weaknesses and opportunities within potential investments Pro-active asset management including right-sizing, extensions, refurbishments, tenant mix, lease extensions and improving planning consents
Development projects fail to deliver expected returns due to increased costs, delays or changes in property market values	Contractor performance closely monitored within project management process. Regular monitoring against budget and forecasting of project costs

### Financial risks

Risk	Mitigation
Inability to raise finance to implement strategy	Five year £50 million revolving credit facility with The Royal Bank of Scotland plc signed and post period end £34.7 million facility signed with Eurohypo AG, and relationships with several banks have been established
Adverse interest rate movements	The Company has established a hedging strategy and hedging effectiveness is regularly monitored
Failure to comply with loan covenants	Loan covenants are actively monitored and considered, including stress testing and headroom analysis, as part of the budgeting and forecasting process
Failure to comply with REIT conditions	The Group actively monitors its compliance with REIT conditions as part of its budgeting and forecasting process, the results of which are reported to the Board of Directors. The effect of all acquisitions on REIT conditions is monitored and considered
Counterparty credit risk resulting in loss of cash deposit	Deposits have been placed across a range of counterparties who have a credit rating of at least AA- or are government backed. Documented treasury process approved by the Board

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### Asset management risks

Risk	Mitigation
Tenant failure	Tenant covenant strength and concentration assessed for all acquisitions
Failure to let vacant units	Specialist retail market contacts and knowledge and detailed appraisal of each investment

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### Operational risks

Risk	Mitigation
Loss of key staff	Remuneration structure reviewed and benchmarked and a substantial part of remuneration share based with period of time before vesting Executive Directors have made a substantial equity investment with lock-in provisions
Failure to comply with health and safety requirements	Property health and safety has been outsourced to specialist retail property managing agents who carry out regular risk assessments
Environmental liabilities	Environmental surveys carried out as part of the due diligence for all acquisitions

## BOARD OF DIRECTORS

1



3



2



4



### **1. Andrew Jones** **Chief Executive Officer**

Appointed Chief Executive in March 2010. Previously he was an executive director and head of retail at British Land plc. Andrew joined British Land in July 2005 following the acquisition of Pillar Property plc, where he was on the main board with responsibilities for shopping centres, retail park investment and asset management. At British Land, Andrew was responsible for its entire retail portfolio including responsibility for the company's fund advisory roles in relation to specialist retail property investment funds.

### **2. Mark Stirling** **Retail Director**

Appointed Retail Director in March 2010. Previously he was the asset management director of British Land plc. Mark joined British Land in July 2005 following British Land's acquisition of Pillar Property plc where he was a managing director of Pillar Retail Parks Limited from 2002 until 2005. At British Land he had responsibility for planning, development and asset management of British Land's retail portfolio.

### **3. Sue Ford** **Finance Director and** **Company Secretary**

Appointed Finance Director and Company Secretary in March 2010. Previously she was the group finance director of Ingenious Media from 2005 until 2008. Prior to joining Ingenious Media, Sue was finance director for the Channel 4 Group, having joined the Group as finance director of its commercial arm, 4 Ventures Limited, in 2002. Sue was director of strategy at Deloitte and was European finance director of Deloitte's strategy consulting division, Braxton Associates. Sue is a Chartered Accountant, having qualified with Deloitte.

### **4. Valentine Beresford** **Investment Director**

Appointed Investment Director in March 2010. Previously he was the European director of British Land plc. Valentine joined British Land in July 2005 following the acquisition of Pillar Property plc where he had been on the main board since 2001. At Pillar, Valentine was responsible for the company's out-of-town UK retail investment activities. At British Land, Valentine was responsible for British Land's European retail and leisure developments and investments.



**5. Andrew Huntley<sup>2,3</sup>**  
**Chairman**

He is a former chairman of Richard Ellis and a former non-executive director of Pillar. He is currently a non-executive director of CSC and Capco, a non-executive director of Miller Group Limited and a non-executive director of AIM-quoted Real Office Group plc. Andrew is one of the UK's most experienced property advisers having spent his entire career at Richard Ellis, culminating in him becoming chairman in 1993, a position he held until 2001.

**6. Alec Pelmore<sup>1,2,3</sup>**  
**Senior Independent Director and Chairman of the Audit Committee**

He has been since 2008 a member of the supervisory board of one of Europe's largest property companies, Unibail-Rodamco, and is 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. Alec's team at Dresdner Kleinwort Benson and Merrill Lynch was voted number one for property in Europe by the Institutional Investor European Property Research Survey for 12 out of 13 years.

**7. Andrew Varley<sup>1,2,3</sup>**  
**Non-executive Director**

He is group property director and an executive director of NEXT plc. He is the main board member with the responsibility for property, franchise, corporate social responsibility and code of practice related issues. Andrew joined NEXT in 1985 and was appointed to the board in 1990. His previous experience includes 12 years in retail and commercial property.

**8. Philip Watson<sup>1,2,3</sup>**  
**Chairman of the Remuneration Committee**

He is the chief investment officer of Mirabaud Investment Management. He worked as an investment analyst and fund manager at Robert Fleming from 1972 and left in 1982 to found TWH Asset Management Limited (now Mirabaud Investment Management) in which he and his partners sold a controlling interest to Mirabaud Pereire Holdings Limited in 1991.

1. Member of the Audit Committee  
2. Member of the Remuneration Committee  
3. Member of the Nomination Committee

## SENIOR MANAGEMENT



### **1. Will Evers** **Investment Executive**

Will joined Metric in May 2010. He was formerly an associate director of LaSalle Investment Management, joining in September 2004, where he ultimately assumed responsibility for the acquisitions and fund management of one of the geared recovery funds with a value of £500 million. In the two years prior to that, Will was an investment analyst at Bear Stearns, where he worked on the M&A and corporate finance side of the Real Estate, Gaming and Lodging team.

### **2. Juliana Weiss Dalton** **Head of Investor Relations & Corporate Analysis**

Juliana has been in her current role with Metric since its inception in March 2010. She has over nine years' experience as a sell side research analyst covering European real estate securities. Previously she was at Morgan Stanley, Seymour Pierce and Cazenove. Prior to moving to the UK she was an analyst covering Canadian REITs and REOCs at BMO Nesbitt Burns in Toronto. Juliana is a CFA Charterholder and has an MBA in Finance and Real Property.

### **3. Richard Howell** **Financial Controller**

Richard has been Financial Controller at Metric since its inception in March 2010. He was previously financial controller and company secretary at Brixton plc for eight years and prior to this he was financial controller at Capital & Regional plc. Richard is a Chartered Accountant.

### **4. Marion Dillon** **Asset Manager**

Marion joined Metric in January 2011. She was previously a senior asset manager at British Land having joined in July 2005 following British Land's acquisition of Pillar. At British Land Marion was responsible for prime assets such as Meadowhall, Sheffield, Zaragoza, Spain and British Land's premier retail parks in the UK. Previous positions also include retail development manager on Bluewater for Lend Lease and two years in China working on large scale shopping centre developments.

### **5. Nick Heath** **Development Manager**

Nick joined Metric in January 2011. He was previously an independent consultant, primarily as design director of a c. 2 million sq ft shopping scheme in a joint venture with British Land. Nick joined British Land in July 2005 following the acquisition of Pillar where he was head of project management & construction. He joined Pillar in 1997 and was responsible for all construction and project management including overseeing new developments and asset management programmes.



# DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the period ended 31 March 2011.

## Principal activities and business review

The principal business of the Group is property investment. The information that fulfils the requirements of the Business Review can be found on pages 1 to 21, which are incorporated into this Directors' Report by reference. A review of the performance and development of the Group's business during the period, including KPIs, the position at the period end and prospects, is set out in the sections covering our business and financial position on pages 12 to 21. A description of the principal risks and uncertainties facing the Group and how these are mitigated can be found on pages 22 to 23. Additional information on employees, environmental matters and social and community matters is included on page 33.

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.

## Incorporation, results and proposed dividends

The Company was incorporated on 1 March 2010 and was admitted to the Official List and to trading on the Main Market of the London Stock Exchange plc on 24 March 2010. The Company is incorporated in England.

The Group results for the period are set out on page 40. The Board has proposed a final dividend of 0.6p per share which will be paid on 6 July 2011 to shareholders on the register at the close of business on 10 June 2011. Under IFRS this will be recognised in next year's financial statements.

The dividend will be paid entirely as a PID (Property Income Distribution). PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax (currently 20%). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax.

## Freehold and leasehold properties

A valuation of the Group's property portfolio at 31 March 2011 was carried out by CB Richard Ellis, Commercial Property Advisors, on the basis of market value, which amounted to £192,387,000. The result of the valuation was a surplus of £7,618,000 after allowing for acquisition costs and capital expenditure and the valuation has been included in the Group Balance Sheet. Details of the valuation and movements in the Group's investment properties are set out in note 8.

## Share capital

The issued share capital of the Company is 190,000,000 ordinary shares of 1p each. There have been no changes to the issued share capital since the period end.

There is only one class of share in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company. At 31 March 2011 there were no share options or other equity instruments in issue.

On incorporation, 1 March 2010, 50,000 ordinary shares of 1p each were issued for cash at a subscription price of £1 per share. On 3 March 2010 63,000 ordinary shares of 1p each were issued for cash at a subscription price of £1 per share. On 24 March 2010 174,887,000 ordinary shares of 1p each were issued pursuant to the Placing and Offer for Subscription of ordinary shares for cash at a price of £1 per share. On 31 March 2010, a further 15,000,000 ordinary shares of 1p each were issued for cash at a price of £1 per share under the Over-allotment Option referred to in the Prospectus published by the Company on 8 March 2010.

## Substantial shareholdings

As at 18 May 2011, the Company had been notified of the following beneficial or discretionary interests amounting to 3% or more of the voting rights of the issued share capital.

	Number of shares	% of issued share capital
APG Algemene Pensioen Groep N.V.	17,500,000	9.21%
Universities Superannuation Scheme Limited	12,701,119	6.68%
AEGON UK Group of Companies	10,250,000	5.39%
Taube Hodson Stonex Partners LLP	10,000,000	5.26%
Mirabaud Investment Management Limited	9,247,551	4.87%
Merseyside Pension Fund	7,560,000	3.98%
Legal & General Group Plc	5,894,400	3.10%

## Directors

The present membership of the Board is set out on pages 24 to 25. Andrew Huntley and Sue Ford were appointed Directors on 1 March 2010. All of the remaining Directors listed were appointed on 4 March 2010. All the Directors have remained in office throughout the period from their appointment.

As Board appointments have yet to be approved by the shareholders, all the Directors are retiring in accordance with the Articles of Association and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. In future years one-third of the Directors (excluding those whose appointment has yet to be approved by the shareholders) or, if their number is not a multiple of three, the nearest to but not exceeding one-third, will retire and may offer themselves for re-election.

## DIRECTORS' REPORT CONTINUED

The interests of the Directors in the share capital of the Company are disclosed in the Directors' Remuneration Report on pages 34 to 38, which is incorporated into this report by reference.

The Company has arranged insurance cover in respect of legal action against its Directors.

### Going concern

The Group's business activities, together with the factors affecting its performance, position and future development are set out in the Business Review on pages 1 to 19. The finances of the Group, its liquidity position and borrowing facilities are set out in the Financial Review on pages 20 to 21 and in notes 11 and 13 of the accounts.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review the Directors have considered the Group's cash balances, debt maturity profile of its 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 Accounts.

### Corporate governance statement

A statement on corporate governance is set out in the Corporate Governance Statement on pages 30 to 32, which is incorporated into this report by reference.

### Creditor payment policy

It is the Company's policy that suppliers are paid in accordance with those terms and conditions agreed between the Company and the supplier, provided that all trading terms and conditions have been complied with. The Group's trade creditors as a proportion of amounts invoiced by suppliers represented 12 days as at 31 March 2011.

### Essential contracts

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

### Provisions on change of control

Under the £50m revolving credit facility with The Royal Bank of Scotland plc, the bank may require repayment of the outstanding amount, with not less than 10 days' notice, following any change of control.

### Charitable and other donations

Charitable donations for the period amounted to £2,000; no contributions for political purposes were made.

### Statement as to disclosure of information to auditors

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


### Auditors

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

### Annual General Meeting

The Notice of Meeting on pages 58 to 60 sets out the resolutions to be proposed at the Annual General Meeting, which is incorporated into this report by reference and gives details of the voting record date and proxy appointment deadline for that meeting. Resolutions 1 to 14 comprise ordinary business and resolutions 15 to 17 special business.

By order of the Board



Sue Ford

Finance Director and Company Secretary

18 May 2011

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# INVESTMENT POLICY

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## THE BOARD REVIEWED THE GROUP'S INVESTMENT POLICY AT ITS MEETING ON 18 MAY 2011 AND HAS APPROVED ITS RESTATEMENT IN THE FOLLOWING TERMS:

### **Investment policy**

The Company aims to assemble a portfolio of freehold and long leasehold retail properties throughout the UK and Ireland. The Company will invest principally in the retail property markets, but may also consider investing in multi-let leisure schemes. Leisure uses may also form part of larger retail schemes.

The Company will employ an occupier-led approach with a view to extracting long-term value from investment properties through opportunistic acquisitions, joint ventures, active asset management, limited risk development and timely disposals. The Company will focus on assets that the Property Directors believe have enduring occupier appeal and which provide opportunities for management to improve both rental values and the longevity and security of income. The Company may undertake limited re-development of the portfolio (including demolition, construction, extending, reconfiguring and refurbishing schemes) with the aim of enhancing shareholder returns.

The Company may choose to invest in properties indirectly in a variety of structures with other investors. These may include joint ventures with property vendors who wish to retain an interest in a property, co-investors (in order to allow the Company to undertake property investments that otherwise would be too large) and partners where the Company is bidding for properties as part of a consortium. In selected situations the Company might also invest in other investment companies or funds, such as property investment trusts or other investment vehicles that the Company manages, or as a means of facilitating property acquisition opportunities. In any event, the Company will not invest more than 10 per cent, in aggregate, of the value of the total assets of the Company, at the time of the relevant investment, in other listed closed-ended investment funds save for those that have published investment policies to invest no more than 15 per cent, of the total assets in other listed closed-ended investment funds. The focus of the Company's investment will be the ownership and active management of retail property.

The Company will seek to use gearing to enhance returns over the long-term. The level of gearing will be governed by careful consideration of the cost of borrowing and the Company will seek to use hedging to mitigate the risk of interest rate increases. Gearing, represented by borrowings as a percentage of the Company's total assets, will not exceed 65 per cent, at the time of any investment.

The Company may manage other investment companies or funds within the retail property sector. The Company will receive the benefit of any management and performance fees generated from managing such other investment companies or funds. However, the focus of the Company's investment will be the ownership and active management of retail property.

The Company may invest in a limited number of properties outside of the retail and leisure sectors provided that the aggregate cost of any such investments at the time of any acquisition is less than £110,000.

The Company is permitted to invest cash held by it for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

### **Risk diversification and management**

The Company will seek to spread its investment risks through investing in a range of retail properties across the retail sub-sectors and through targeting low-risk tenants with strong covenants. No property investment will exceed 20 per cent, of the Company's total assets (including cash) at the time of acquisition and the Company will not invest in or undertake direct long-cycle retail new developments. Once the Company is fully invested, it is also intended that no more than 20 per cent, of the Company's rental income will be derived from any one occupant of the property portfolio.

The Company will further manage risk by focusing on the covenants and quality of tenants, the terms of the leases, length of income stream and tenancy agreements.

The Company will focus on the UK retail market although it may invest in the Irish retail market. The Company will only invest in properties or property portfolios in the retail or leisure sectors.

The Company also intends to hedge its interest rate exposure through the use of forward contract options, swaps or other forms of derivative instruments.

Material changes to the Investment Policy set out above may only be made by ordinary resolution of the shareholders in accordance with the Listing Rules.

# CORPORATE GOVERNANCE STATEMENT

## THE BOARD IS COMMITTED TO MAINTAINING A HIGH STANDARD OF CORPORATE GOVERNANCE.

The Board is accountable to the Company’s shareholders for good corporate governance. The statement below describes how the principles of corporate governance are applied to the Group and reviews the Group’s compliance with the Combined Code. The Board has adopted a formal governance manual which is updated on an ongoing basis.

**Statement by the Directors on compliance with the provisions of the Combined Code**

The Company has throughout the period ended 31 March 2011 complied with the provisions of The Combined Code on Corporate Governance 2008.

**The Board of Directors**

The Board comprises the Non-executive Chairman, four Executive Directors and three Non-executive Directors. Details of the Directors are set out on pages 24 to 25. The Chairman is responsible for the effectiveness of the Board, and the Chief Executive for the day-to-day management of the Group, with the division of responsibilities approved by the Board.

The Board is responsible for the strategy, effective control and management of the Group. There is a formal schedule of matters specifically reserved for Board approval, which includes the approval of the annual and half year financial statements, the approval of material acquisitions, disposals and financing arrangements. The Board delegates authority to the Executive Directors of the Company in respect of certain transactions within defined limited parameters.

The Executive Directors meet at least every month, chaired by the Chief Executive, to deal with the ongoing management of the Group. The Chairman of the Board and individual Directors also meet regularly, outside formal Board meetings, as part of their continuing contribution to the Group. As the Group currently has a small number of employees there is a high level of Executive Director involvement in the majority of business decisions.

The Board meets regularly reviewing financial performance, ensuring adequate funding, setting and monitoring strategy, examining major acquisition and disposal possibilities and reporting to shareholders. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. The Directors may take independent professional advice in appropriate circumstances at the Company’s expense. The ongoing training requirements of the Directors are reviewed on a regular basis and undertaken individually. At least once a year the Board reviews the nature and scale of matters reserved for its decision. The Chairman and the other Non-executives meet regularly without the Executive Directors.

During the period ended 31 March 2011 there were seven Board meetings and one of the Audit and Nomination Committees, all of which had full attendance.

**Board performance evaluation**

A Board self assessment evaluation was carried out during the period which covered the structure and content of Board meetings and all Board processes and communication channels. The results of the evaluation were considered at a meeting of the Board. Separate meetings were also held between the Chairman and Non-executive Directors to evaluate the Executive Directors’ performance and between the Non-executive Directors only to evaluate the Chairman’s performance.

**Governance structure**





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### Committees of the Board

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, which are available on the Company's website [www.metricproperty.co.uk](http://www.metricproperty.co.uk), and their minutes are circulated to the Board. The Audit and Remuneration Committees are composed entirely of Non-executive Directors.

#### Audit Committee



**Chairman:**  
**Alec Pelmore**

The Audit Committee is chaired by Alec Pelmore and its current membership is set out on page 25. The Committee met once during the first year but ordinarily will meet not less than twice a year in the future. Meetings are also attended, by invitation, by the Chairman and Executive Directors.

The Audit Committee is responsible for reviewing a wide range of matters including the half year and annual financial statements before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the information reported to shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration and discusses the nature, scope and results of the audit with the external auditors. It also keeps under review the ratio of audit fees to non-audit fees charged by the external auditors to ensure that their independence and objectivity is not put at risk. The Audit Committee also reviews and monitors the valuation process and meets with the Company's valuer.

#### Remuneration Committee



**Chairman:**  
**Philip Watson**

The Remuneration Committee is chaired by Philip Watson and its current membership is set out on page 25. The report on Directors' remuneration is set out on pages 34 to 38.

The Remuneration Committee is responsible for recommending to the Board the remuneration and other benefits, including the grant of share based incentives, of the Executive Directors.

#### Nomination Committee



**Chairman:**  
**Andrew Huntley**

The Nomination Committee is chaired by Andrew Huntley and its current membership is set out on page 25. The Committee is responsible for reviewing the size, structure and composition of the Board, making recommendations on changes to and considering succession planning for Directors and other senior executives. In appropriate cases, external search consultants are used to assist the process.

#### Internal controls

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness, at least annually.

Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

There are ongoing processes and procedures for identifying, evaluating and managing the principal risks faced by the Group; these processes and procedures were in place throughout the period under review and up to the date of the approval of the Annual Report.

Key features of the system of internal control include:

- a defined schedule of matters for decision by the Board;
- an authorisation process which ensures that no material commitments are entered into without competent and proper authorisation by at least one approved executive;
- formal documentation of all significant transactions;
- a system of business and financial planning including long-term cash flow and profitability forecasting;
- a property investment appraisal process;
- monitoring against budget and forecast;
- the close involvement of the Executive Directors in all aspects of day-to-day operations;
- a comprehensive property and corporate insurance programme; and
- a formal whistle blowing policy.

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## CORPORATE GOVERNANCE STATEMENT CONTINUED

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

As the Group currently has a small number of employees there is a high level of Executive Director involvement in the majority of business decisions. The Board has considered the need for an internal audit function, but has decided that because of the scale and focus of the Group it is not justified. However, it is a matter that is kept under regular review.

### **Relations with shareholders**

Communication with shareholders is given a high priority and the Group undertakes a regular dialogue with major shareholders and fund managers. The Executive Directors are the Group's principal representatives with investors, analysts, fund managers, press and other interested parties.

During the course of a year, shareholders are kept informed of progress of the Group through results statements and other announcements that are released through the London Stock Exchange and other news services. Company announcements are made available simultaneously on our website, affording all shareholders full access to material information. Shareholders can also raise questions directly with the Company at any time through a facility on the website.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board will be available before the meeting for the shareholders to meet the Directors.

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# CORPORATE RESPONSIBILITY

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## THE COMPANY IS COMMITTED TO SOCIALLY RESPONSIBLE BUSINESS PRACTICES WHICH RESPECT THE ENVIRONMENTS IN WHICH ITS PROPERTIES ARE LOCATED.

### **Sustainability**

The Group will proactively manage key issues such as land contamination, health and safety and climate change. The Group will also encourage occupiers, business partners and suppliers to take a similarly responsible and proactive approach. The Group recognises that the basic principles of sustainability align well with financial business success and can also engender healthy landlord and tenant relationships.

A key environmental risk for the Group is land contamination due to past activities. Environmental audits are carried out prior to the acquisition of new properties to identify any potential contamination.

The Group's redevelopment programme supports the principles of sustainable development and regeneration as well as the improvement and refurbishment of existing buildings.

One of the Group's commercial strategies is identifying outmoded but well located older properties and to remodel and refurbish them to accommodate current retailer demands, which includes reducing energy usage where possible. To support these objectives the Group will adopt industry recognised assessment methods to evaluate and promote environmental awareness across our delivery team, retailers and end users where appropriate.

The redevelopment of Nottingham Road Retail Park, Mansfield is a good example where significant reductions in energy usage are predicted through the combining of the Currys and PC World retail formats, improvements to the buildings fabric and upgrade of the mechanical and engineering installations.

The Group will continue to work closely with retailers, our managing agents and supply chain to promote environmental awareness on our properties, on an ongoing basis, including waste and re-cycling initiatives and encouraging and promoting the use of public transport, for example at Launceston Retail Park.

The Group aims to comply with all relevant local, national and international legislation and regulation and where possible seeks to implement good environmental practices.

### **Customers**

The occupier and their needs are at the centre of the Group's strategy and meeting their needs so that they choose to lease, stay and recommend us to others is paramount. This increases occupancy rates, maximises rental income and enhances property values. We continue to address the issues identified by our occupiers.

### **Staff**

The Group maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. Training is provided to all employees, as required, to help them develop their skills and reach their potential.

### **Health and safety**

The Group recognises the importance of health and safety and looks to promote a level of awareness that will allow health and safety matters to be addressed through all of its business activities from design and construction through to the ongoing management of our properties.

### **Suppliers**

We recognise the importance of good supplier relationships to the overall success of our business. We manage dealings with 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, and respond quickly to the purchase or sale of properties. We work closely with our managing agents to deliver consistently high performance. Our portfolio is managed by Savills, Osborne King and Montagu Evans.



# DIRECTORS' REMUNERATION REPORT

## Unaudited information

### The Remuneration Committee

The Remuneration Committee (the Committee) is responsible for recommending to the Board the remuneration and other benefits, including the grant of share based incentives, of the Executive Directors. It also monitors pay arrangements for selected other senior executives. The Committee is chaired by Philip Watson and the current members comprise the other independent Non-executive Directors and the Chairman of the Company. The Executive Directors attend meetings of the Committee by invitation other than when matters concerning their remuneration are under consideration.

The Committee is advised by Hewitt New Bridge Street (HNBS), a firm of independent external advisers, who were appointed by the Committee and advise it on various matters relating to executive remuneration. Neither HNBS nor any other part of Aon Hewitt provided services to the Company during the period. The Committee operates within defined terms of reference, which are available on the Company's website [www.metricproperty.co.uk](http://www.metricproperty.co.uk).

### Remuneration policy for Executive Directors

The aim of the Committee is to provide an overall remuneration package which will attract, motivate and retain high-performing Executive Directors who are expected to achieve a high level of performance and which is competitive in relation to other relevant property companies. In order to align the interests of Executive Directors and shareholders, a significant portion of Executive Directors' remuneration is performance related through annual bonus awards and share based long-term incentive schemes which are described more fully below. The performance related elements of the package are structured to provide alignment between delivery of Company strategy and reward. They are also consistent with a level of business risk approved by the Board.

The remuneration package for the Executive Directors comprises the following main elements:

- Basic salary
- Annual bonus
- Share incentive plans
- Pension
- Other benefits

### Basic salary

The Committee's policy is to set basic salaries of Executive Directors at levels which reflect their roles, experience and market levels in comparable positions in other similar companies and the market generally, as well as the level of performance of the individual Executive Director concerned. The Committee also takes into account salary increases of other Company employees. Basic salaries are reviewed annually.

### Annual bonus

Each of the Executive Directors is entitled to a bonus of up to 150% (175% for Andrew Jones) of their respective basic salaries as determined by the Committee. In each year in which a bonus is awarded, 50% of the bonus (after the deduction of tax and national insurance) will be used on the Executive Directors' behalf to acquire ordinary shares. These shares will be subject to an additional award under the terms of the Company's Matching Share Plan as described below.

The Executive Directors' annual bonus is based on the Committee's independent assessment of the Group's performance during the period and the individual contribution made by each Executive Director. A number of performance measures, both quantitative and qualitative, are used to assess the Group's performance in relation to which the Committee will use its discretion.

The quantitative performance measures used include underlying property value uplifts and uplifts net of acquisition costs, total property returns, income growth, increase in net asset value and total shareholder return.

The qualitative performance measures used include the success of acquisitions, lettings and rent reviews, asset management activities, capital market activities including raising new debt finance and control over the Group's finances.

Based on the performance during the period the Executive Directors received bonuses in relation to 2010/11 of 44% to 51% of the maximum entitlement. This reflected the strong operating performance during the period.

### Share incentive plans

The Company has three share incentive plans which were adopted by the Board on 4 March 2010 and became effective from 24 March 2010, being the date the Company was admitted to the Official List and to trading on the Main Market of the London Stock Exchange plc.

#### i. Management Incentive Plan (MIP)

The Executive Directors and selected other employees are eligible to participate in the MIP at the discretion of the Board after consultation with the Committee.

MIP awards will be granted where the Group's Plan Net Asset Value performance exceeds 125% of the growth in the IPD All Retail (Quarterly) Index at the end of a performance period of 12 months. Each performance period will equate to a financial year of the Group. In addition, MIP awards will only be granted where at the end of each performance period: (i) the Group's total shareholder return is positive; (ii) the Group's Plan Net Asset Value during the performance period increases by 12% or more; and (iii) the Group's property total return exceeds 115% of the growth in the IPD All Retail (Quarterly) Index.

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The award pool for any financial year will be equal to 20% of the Group's Net Asset Value performance which is in excess of 125% of the growth in the IPD All Retail (Quarterly) Index for that year. In addition, the award pool for any one financial year cannot exceed 1.75% of the Group's Plan Net Asset Value for that year.

Awards will be provided in the form of cash and ordinary shares. The cash payment will comprise 25% of the aggregate award value and ordinary shares will comprise 75% of the aggregate award value. The cash payment will be made at the date of grant, with ordinary shares delivered as an award of shares vesting over three years, subject to performance conditions. The number of ordinary shares subject to the award will be fixed at the date of grant.

The ordinary share awards will vest, in three equal tranches, on the second, third and fourth anniversaries of the performance period start date if the Group's property total return exceeds the growth of the IPD All Retail (Quarterly) Index for that year. In the event that a tranche does not vest in relation to a particular year, then no further tranches may vest in respect of that award (the unvested tranches) until the fourth such anniversary, in which case the unvested tranches will only vest if the Group's average property total return over the previous three year period (i) exceeds the growth of the IPD All Retail (Quarterly) Index and (ii) is positive. To the extent that this average performance test has failed, the unvested awards shall lapse.

The maximum value of an award granted to any one individual cannot exceed 35% of the available pool in relation to a financial year. Unvested awards granted under the MIP will normally lapse on cessation of employment.

As the threshold targets were not met, no awards will be granted under the MIP following the 2010/11 financial period.

The number of unissued ordinary shares in respect of which awards may be granted under the MIP on any date is limited so that the total number of ordinary shares issued and issuable pursuant to options and awards granted under the MIP and any other share plan operated by the Company in any 10 year period is restricted to 10% of the Company's issued ordinary shares calculated at the relevant time.

#### **ii. Matching Share Plan (MSP)**

As noted above, the Executive Directors will be required to take 50% of their annual bonus (after tax and national insurance) in the form of ordinary shares. The ordinary shares acquired are referred to as 'bonus shares'. Participants will receive a Matching Share Award (MSA) delivered as an award of shares equal to two times the number of bonus shares acquired. The MSA will vest subject to the satisfaction of a performance target measured over three years. MSAs vest where the performance target has been met. The number of ordinary shares subject to an MSA will be fixed at the date of grant.

Bonus shares will remain registered in the name of the holder with full voting and dividend rights, but if bonus shares are disposed of then the conditional MSA will lapse. The vesting of the MSA will be subject to continued employment and the satisfaction of a total shareholder return based performance condition. This condition was selected as it aligns interests of shareholders and management.

The Company's total shareholder return performance will be measured against the performance of a selected peer group of companies in the FTSE Real Estate Sector, the members of which will be selected by the Committee.

30% of an MSA will vest if the Company achieves median performance relative to the peer group with 100% of an MSA vesting if the Company achieves upper quartile performance relative to the peer group. Straight-line vesting of an MSA will occur between these two points. The calculation will be independently performed by the Committee.

The first awards under the MSP will be granted after 18 May 2011.

#### **iii. Company Share Option Plan (CSOP)**

The CSOP is intended to enable participants in the MIP and MSP to receive value from MIP and MSP awards on a tax efficient basis, not to provide any further share based entitlements to these individuals in addition to their MIP and/or MSP awards.

The CSOP is also intended to enable eligible individuals who are not participants in the MIP and/or MSP (i.e. senior executives and other employees who are not Executive Directors) to receive tax efficient share based incentives on a discretionary basis.

The first awards under the CSOP will be granted after 18 May 2011 as part of the MSP awards.

#### **Pension**

The Executive Directors receive pension contributions from the Company of 20% of their basic salaries. The Executive Directors have the option to alternatively elect to have their pension contributions paid as a cash allowance.

#### **Other benefits**

The Executive Directors each receive a car allowance of £20,000 per annum, private medical insurance, permanent health insurance and life insurance.

#### **Service agreements**

Service agreements for the Executive Directors are on a one year rolling basis and, therefore, may be terminated by either party on giving one year's notice. The current service agreements for the Executive Directors were executed on 8 March 2010 and were effective from 24 March 2010, being the date the Company was admitted to the Official List and to trading on the Main Market of the London Stock Exchange plc.

DIRECTORS’ REMUNERATION REPORT CONTINUED

With the approval of the Board, Executive Directors are permitted to hold Non-executive roles at other companies and retain the associated fee. None of the Executive Directors currently holds any such roles.

Non-executive Directors’ fees

The fees of the Non-executive Directors, including the Chairman, are determined by the Executive Directors, who take into account the level of fees paid by similar companies and also the involvement of the Non-executive Directors in the various Board Committees. Non-executive Directors do not participate in the Company’s bonus scheme or share incentive plans and are not entitled to compensation upon termination of their involvement with the Company.

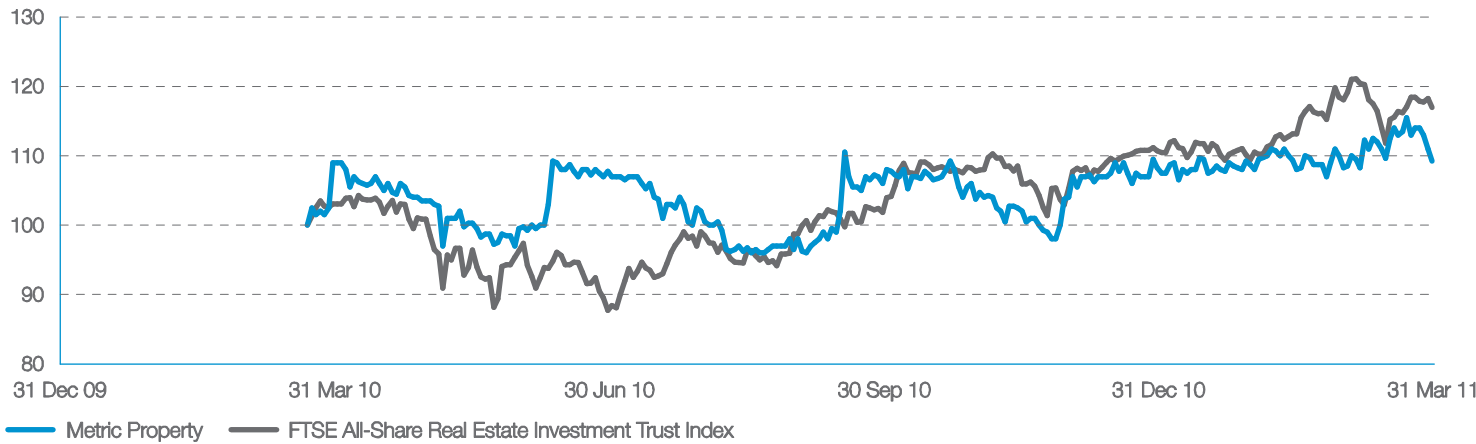
The current fees were reviewed and increased on 1 April 2011 and are currently an annual base fee of £41,200 with an additional fee of £5,150 for the role of Chairman of the Audit and Remuneration Committee. The Chairman’s current annual fee is £61,800.

The appointment letters for the Chairman and all of the Non-executive Directors were executed on 8 March 2010 for an initial term of three years effective from 24 March 2010, being the admission date of the Company to the Official List and to trading on the Main Market of the London Stock Exchange plc.

Performance graph

The graph below is prepared in accordance with the Companies Act 2006 requirements and illustrates the Company’s performance compared to the FTSE All-Share Real Estate Investment Trust Index (using data taken from Datastream, a Thomson Reuters product). That index is considered the most appropriate form of ‘broad equity market index’ against which the Company’s share price performance should be measured for this purpose. Performance, as required by the legislation, is measured by Total Shareholder Return (share price growth plus dividends reinvested) and shows the value of £100 invested in Company shares and in the Index over the period since 24 March 2010 (being the admission date of the Company to the Official List and to trading on the Main Market of the London Stock Exchange).

Total shareholder return



## Audited information

### Directors' emoluments

Name	Basic salary/fees £000	Pension £000	Other benefits £000	Annual bonus £000	Total £000
<b>Executive</b>					
Andrew Jones (Chief Executive)	302	60	23	265	650
Valentine Beresford	230	46	23	165	464
Mark Stirling	230	46	23	165	464
Sue Ford	200	40	22	128	390
<b>Non-executive</b>					
Andrew Huntley (Chairman)	61	–	–	–	61
Alec Pelmore	46	–	–	–	46
Andrew Varley	41	–	–	–	41
Philip Watson	46	–	–	–	46
<b>Total</b>	<b>1,156</b>	<b>192</b>	<b>91</b>	<b>723</b>	<b>2,162</b>

Basic salaries/fees, pension and other benefits are for the period 24 March 2010 to 31 March 2011.

The Committee reviews salaries annually from 1 April and shown below are the current annual rates of salary of the Executive Directors.

	2011/12	2010/11
Andrew Jones	305,000	295,000
Valentine Beresford	232,500	225,000
Mark Stirling	232,500	225,000
Sue Ford	202,000	195,000



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## DIRECTORS' REMUNERATION REPORT CONTINUED

### Directors' interests in the Company's shares

The interests of the Directors and their immediate families in the ordinary shares of the Company at 24 March 2010 and 31 March 2011 were:

Number of ordinary shares	31 March 2011	24 March 2010
Andrew Jones	2,000,000	2,000,000
Valentine Beresford	2,075,000	2,075,000
Mark Stirling	1,500,000	1,500,000
Sue Ford	50,000	50,000
Andrew Huntley	100,000	100,000
Alec Pelmore	75,000	75,000
Andrew Varley	50,000	50,000
Philip Watson	100,000	100,000

There were no changes to the Directors' interest in the Company's shares between 31 March 2011 and 18 May 2011.

### Directors' share based incentives

At 31 March 2011 no Director had any interest in any share based incentive.

By order of the Board



**Philip Watson**

Chairman of the Remuneration Committee

18 May 2011

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# DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with IFRS as adopted by the EU and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Responsibility statement

We confirm that to the best of our knowledge:


- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Andrew Jones**  
Chief Executive

18 May 2011



**Sue Ford**  
Finance Director and Company Secretary

18 May 2011

# GROUP INCOME STATEMENT

Period ended 31 March 2011

	Note	1 March 2010 to 31 March 2011 £000
<b>Gross rental income</b>	3	<b>4,705</b>
Property operating expenses	3	(124)
Net rental income		<b>4,581</b>
Administrative expenses	4	(4,390)
Gain arising on valuation of investment properties		7,618
<b>Operating profit</b>		<b>7,809</b>
Interest receivable and other finance income		1,070
Interest payable and other finance charges		(176)
<b>Profit before tax</b>		<b>8,703</b>
Tax – REIT conversion charge	5	(208)
<b>Profit after tax</b>		<b>8,495</b>
<b>Earnings per share – basic and diluted</b>	6	4.8p
<b>Adjusted earnings per share – basic and diluted</b>	6	0.5p

All amounts relate to continuing activities.

There were no items of other comprehensive income or expense and therefore the profit for the period also reflects the Group's total comprehensive income.

# GROUP AND COMPANY BALANCE SHEETS

As at 31 March 2011

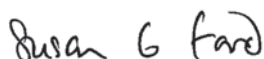
	Note	Group as at 31 March 2011 £000	Company as at 31 March 2011 £000
<b>Non-current assets</b>			
Investment properties	8	192,387	107
Investment in subsidiaries	9	–	158,021
Plant and equipment		127	127
		<b>192,514</b>	<b>158,255</b>
<b>Current assets</b>			
Trade and other receivables	10	2,003	107
Cash and short-term deposits	11	28,036	27,731
		<b>30,039</b>	<b>27,838</b>
<b>Total assets</b>		<b>222,553</b>	<b>186,093</b>
<b>Current liabilities</b>			
Trade and other payables	12	(31,486)	(2,430)
<b>Total liabilities</b>		<b>(31,486)</b>	<b>(2,430)</b>
<b>Net assets</b>		<b>191,067</b>	<b>183,663</b>
<b>Equity</b>			
Share capital	15	1,900	1,900
Share premium	16	–	–
Other reserve	16	180,672	180,672
Retained earnings		8,495	1,091
<b>Total equity</b>		<b>191,067</b>	<b>183,663</b>
<b>Net assets per share</b>	17	<b>101p</b>	

The Group and Company financial statements were approved and authorised for issue by the Board of Directors on 18 May 2011 and were signed on its behalf by:



Andrew Jones  
Chief Executive

Company number 7172804



Sue Ford  
Finance Director



# GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2011

<b>Group</b>	Share capital £000	Share premium £000	Other reserve £000	Retained earnings £000	Total £000
At incorporation	–	–	–	–	–
Issue of ordinary shares	1,900	188,100	–	–	190,000
Share issue costs	–	(7,428)	–	–	(7,428)
Transfer in respect of capital reduction	–	(180,672)	180,672	–	–
Profit for the period	–	–	–	8,495	8,495
<b>Total equity at 31 March 2011</b>	<b>1,900</b>	<b>–</b>	<b>180,672</b>	<b>8,495</b>	<b>191,067</b>

<b>Company</b>	Share capital £000	Share premium £000	Other reserve £000	Retained earnings £000	Total £000
At incorporation	–	–	–	–	–
Issue of ordinary shares	1,900	188,100	–	–	190,000
Share issue costs	–	(7,428)	–	–	(7,428)
Transfer in respect of capital reduction	–	(180,672)	180,672	–	–
Profit for the period	–	–	–	1,091	1,091
<b>Total equity at 31 March 2011</b>	<b>1,900</b>	<b>–</b>	<b>180,672</b>	<b>1,091</b>	<b>183,663</b>

# GROUP AND COMPANY CASH FLOW STATEMENT

Period ended 31 March 2011

	Group 1 March 2010 to 31 March 2011 £000	Company 1 March 2010 to 31 March 2011 £000
<b>Cash flows from operating activities</b>		
Operating profit/(loss)	7,809	(932)
Adjustments for non-cash items:		
(Gain) / deficit arising on valuation of investment properties	(7,618)	2
Lease incentives and unsettled rent reviews recognised	(331)	–
Depreciation	32	32
<b>Cash flows from operations before changes in working capital</b>	<b>(108)</b>	<b>(898)</b>
Increase in trade and other receivables	(1,364)	(103)
Increase in trade and other payables	4,192	2,428
<b>Net cash flows from operations</b>	<b>2,720</b>	<b>1,427</b>
Interest received	1,034	1,026
Interest paid	(57)	–
<b>Net cash flows from operating activities</b>	<b>3,697</b>	<b>2,453</b>
<b>Cash flows from investing activities</b>		
Purchase of investment properties	(157,975)	(109)
Investment in/loans advanced to subsidiary undertakings	–	(157,026)
Purchase of plant and equipment	(159)	(159)
<b>Net cash flows from investing activities</b>	<b>(158,134)</b>	<b>(157,294)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	182,572	182,572
Loan arrangement fees	(99)	–
<b>Net cash flows from financing activities</b>	<b>182,473</b>	<b>182,572</b>
<b>Net increase in cash and short-term deposits</b>	<b>28,036</b>	<b>27,731</b>
Cash and short-term deposits at incorporation	–	–
<b>Cash and short-term deposits at end of the period</b>	<b>28,036</b>	<b>27,731</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies

Metric Property Investments plc was admitted to the Official List and to trading on the Main Market of the London Stock Exchange plc on 24 March 2010. The Group's assets principally comprise investment properties and cash.

### Basis of preparation

The financial statements have been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties. In the process of applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that may affect the financial statements. The Directors believe that the judgements made in the preparation of the financial statements are reasonable. The key estimates and assumptions relate to property valuations applied by the Group's property valuer. However actual outcomes may differ from those anticipated.

The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement for the Parent Company.

### Going concern

The Directors are satisfied that the Group has the resources to continue in operational existence for the foreseeable future. For this reason, the financial statements are prepared on a going concern basis.

Further detail is provided in the Directors' Report and Business Review.

### Accounting policies

The principal accounting policies adopted by the Group and applied to these financial statements are set out below.

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Company directs the financial and operating policies of an entity to benefit from its activities. Results of subsidiaries acquired or disposed of during a year are included in the Group income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. All inter Group balances and transactions are eliminated.

The financial statements are prepared in British pounds sterling which is determined to be the functional currency of the Group.

### Rent receivable

This comprises rental income and premiums on lease surrenders on investment properties for the period, exclusive of service charges receivable. Service charges and other recoveries from tenants are netted off against property outgoings.

Rental income is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. 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 earliest termination date.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the related property including the accrued rent does not exceed the external valuation. Initial direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

### Property operating expenses

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the income statement as property operating expenses. Costs incurred in the improvement of the portfolio which, in the opinion of the Directors, are not of a capital nature are written off to the income statement as incurred.

### Administration expenses

Costs not directly attributable to individual properties are treated as administration expenses.

### Investment properties

Investment properties are properties owned or leased under finance leases by the Group which are held either for long-term rental income or for capital appreciation or both. Investment property is initially recognised at cost (including related transaction costs) and revalued at the balance sheet date to fair value as determined by a professionally qualified external valuer. In accordance with IAS 40 "Investment Property", investment property held under a finance lease is stated gross of the recognised finance lease liability.

Any gains or losses arising from changes in the fair value of investment property are included in the income statement of the period in which they arise. In accordance with IAS 40, as the Group uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Acquisitions and disposals of properties are recognised where the significant risks and rewards of ownership of the property have been transferred to the purchaser.

## 1. Principal accounting policies (continued)

### Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease.

All other leases are classified as operating leases.

**The Group as a lessee:** In accordance with IAS 40, leases of investment property are assessed on a property by property basis. The Group's investment properties are accounted for as finance leases and are recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at fair value, gross of the recognised finance lease liability. Lease payments, where material, are allocated between the liability and finance charges so as to achieve a constant financing rate.

Other leases are classified as operating leases and rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term (to the earliest termination date).

**Group as lessor:** Assets leased out under finance leases are recognised as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on net investment.

Assets leased out under operating leases are included in investment property, with rental income recognised on a straight-line basis over the lease term. Benefits granted as an incentive to enter into an operating lease are spread on a straight-line basis from the date of lease commencement to the earliest termination date.

### Financial instruments:

**i Cash and cash equivalents:** Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value.

**ii Trade and other receivables:** Trade and other receivables are initially recognised at invoiced value and subsequently at amortised cost, less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the agreed terms of the receivables concerned.

**iii Trade and other payables:** Trade and other payables are non-interest bearing and are initially recognised at invoiced amount and subsequently at amortised cost.

**iv Borrowings:** The Group's borrowings in the form of its bank loans are recognised initially at fair value, after taking account of attributable transaction costs. Subsequently, borrowings are held at amortised cost, with any attributable costs charged to the income statement using the effective interest rate method.

**v Derivatives:** The Group enters into derivative transactions such as interest rate swaps in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are re-measured to fair value as calculated by the counterparties based on market prices at subsequent balance sheet dates. The Group does not apply hedge accounting to its derivative financial instruments and hence any change in the fair value of such derivatives is recognised immediately in the income statement as a finance cost.

Interest receivable and other finance income represents interest on cash balances held.

### Depreciation

No depreciation is provided in respect of freehold investment properties and leasehold investment properties. Depreciation is provided on plant and equipment, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the balance sheet date of each asset evenly over its expected useful life, as follows:

Computers – over three years

Fixtures and fittings – over five years

### Income tax

The charge for current UK corporation tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit.

Deferred tax is provided on all temporary differences, except in respect of investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.



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## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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### 1. Principal accounting policies (continued)

#### Pension benefits

Contributions to defined contribution schemes are expensed as they fall due.

#### Share based payments

The cost of granting share based payments to employees and Directors is recognised within administration expenses in the income statement. The Group uses the Stochastic model to value the grants, which is dependent upon factors including the share price, expected volatility and vesting period, and the resulting fair value is amortised through the income statement over the vesting period. The charge is reversed if it is likely that any non-market based criteria will not be met.

#### Exceptional items

Non-recurring expenses and gains recognised outside the normal course of business are classified as exceptional and are identified separately in the financial statements.

#### Impairment of assets

The Group assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and written down accordingly.

#### Investments in subsidiary undertakings

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less any provision for impairment.

#### Standards and interpretations in issue not yet adopted

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 1/IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRS 9 Financial Instruments;
- IAS 24 Related Party Disclosures;
- IAS 27 (revised 2008), Consolidated and Separate Financial Statements; and
- Improvements to IFRS – 2010

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.

## 2. Segmental information

During the period, the Group operated in and was managed as one business segment, being retail property investment, with all properties located in the United Kingdom. Of the total contracted rental income as at 31 March 2011, DSG Retail Limited accounted for 17.7%.

## 3. Gross and net rental income

	1 March 2010 to 31 March 2011 £000
Rent receivable	4,284
Spreading of tenant incentives and guaranteed rent increases	171
Surrender premiums	250
Gross rental income	4,705
Service charge income	279
Gross rental and related income	4,984
Service charge expenses	(279)
Property operating expenses	(124)
<b>Net rental and related income</b>	<b>4,581</b>

There are no property operating expenses in respect of investment properties that did not generate rental income during the year. Total revenue is the same as gross rental and related income.

## 4. Administrative expenses

	1 March 2010 to 31 March 2011 £000
Employee costs	3,087
Other administrative expenses	1,031
Exceptional professional fees relating to the Group's conversion to REIT status	240
Depreciation of plant and equipment	32
	<b>4,390</b>

Employee costs, including those of Directors, comprise the following:

	1 March 2010 to 31 March 2011 £000
Salaries	2,524
Social security costs	330
Pension costs	233
	<b>3,087</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**4. Administrative expenses (continued)**

Directors' emoluments and pension benefits included in the above table totalled £2,162,000 and are set out in detail within the Directors' Remuneration Report on pages 34 to 38.

The average monthly number of employees, including Directors, during the period was 10.

**Auditor's remuneration**

1 March 2010  
to 31 March 2011  
£000

**Audit Services:**

Parent Company	75
Subsidiary undertakings	15
Amounts for regulatory filings	121
Audit and audit related services	211

**Other services:**

REIT conversion advice	240
Taxation	116
Other advice	30

**597**

Amounts for regulatory filings include £106,000 in respect of the Company's admission to the Official List and to trading on the Main Market of the London Stock Exchange plc which has been deducted from the share premium account.

**5. Tax**

1 March 2010  
to 31 March 2011  
£000

REIT conversion charge	208
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<b>Total tax charge</b>	<b>208</b>
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Factors affecting tax charge for the period:

1 March 2010  
to 31 March 2011  
£000

Profit before tax	8,703
Profit before tax at the standard rate of income tax in the UK of 28%	2,437

Effects of:

REIT tax exemption	(2,437)
REIT conversion charge	208

<b>Total tax charge</b>	<b>208</b>
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The Group converted to a REIT on 24 March 2010 and as such is largely exempt from corporation tax on its rental profits and chargeable gains relating to its property rental business.

## 6. Earnings per share

Earnings per share and adjusted earnings per share have been calculated, using the weighted average number of shares in issue during the period of 178,706,000, as follows:

	Profit/(loss) after tax £000	Earnings/(loss) per share pence
<b>Basic and diluted</b>	<b>8,495</b>	<b>4.8p</b>
Gain on revaluation of investment properties	(7,618)	(4.3)p
<b>Adjusted</b>	<b>877</b>	<b>0.5p</b>

There are no share options or other equity instruments in issue and therefore no adjustments need to be made for dilutive or potentially dilutive equity arrangements. Adjusted earnings per share have been calculated in accordance with European Public Real Estate Association (EPRA) guidelines.

## 7. Dividends

The Board of Directors has proposed a final dividend of 0.6p per share which will result in a distribution of £1,140,000. The dividend will be paid on 6 July 2011 to shareholders on the register at the close of business on 10 June 2011. The proposed final dividend needs to be approved by the shareholders of the Company at the Annual General Meeting and consequently is not recognised as a liability as at 31 March 2011.

The dividend will be paid entirely as a PID (Property Income Distribution). PID dividends are paid, as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax (currently 20%). However, certain classes of shareholder may be able to claim exemption from deduction of withholding tax.

## 8. Investment properties

	Group Investment properties £000	Company Investment properties £000
At incorporation	–	–
Acquisition of properties	182,604	109
Redevelopment and refurbishment expenditure	1,834	–
Total additions	184,438	109
Revaluation surplus/(deficit)	7,618	(2)
	192,056	107
Tenant incentives and accrued rental income	331	–
<b>At 31 March 2011</b>	<b>192,387</b>	<b>107</b>

The Company's freehold and leasehold investment properties were valued as at 31 March 2011 by the external valuer, CB Richard Ellis, in accordance with the requirements of the RICS Valuation Standards, sixth edition, on the basis of market value assuming that the property would be sold subject to any existing leases. The valuations were prepared by a RICS Registered Valuer, whose opinion of market value was primarily derived using comparable recent market transactions on arm's length terms.

Long leasehold properties, which are treated as finance leases and included in investment properties above, amounted to £33.9m.

At 31 March 2011 no properties had been secured under the bank loan facility with The Royal Bank of Scotland plc.

The factors affecting the valuation of investment properties are included in the Business Review on pages 1 to 21.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**8. Investment properties (continued)****Capital commitments**

Capital commitments have been entered into amounting to £3,734,000 which have not been provided for in the financial statements.

**9. Investment in subsidiaries**

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
At incorporation	–	–	–
Additions	153,900	–	153,900
Movement on loans	–	4,121	4,121
<b>At 31 March 2011</b>	<b>153,900</b>	<b>4,121</b>	<b>158,021</b>

Interests in subsidiary undertakings are carried in the Company's balance sheet at cost less any provision for impairment. The loans to subsidiary undertakings are repayable on demand however the Company has no intention of requesting repayment within one year and consequently the loans have been classified as Non-current Assets. The Company is the ultimate holding company of the Group and has the following principal subsidiary undertakings:

	Country of incorporation	Proportion of voting rights held (by way of share capital 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 Launceston 3 Limited	England	100%	Property investment
Metric Property Finance Holdings Limited	England	100%	Intermediate holding company
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Finance 2 Limited	England	100%	Intermediate holding company

All of the undertakings listed above operate in their country of incorporation. All shares held are ordinary shares.

## 10. Trade and other receivables

	Group 31 March 2011 £000	Company 31 March 2011 £000
Amounts due from tenants	548	1
Other taxes	663	1
Other debtors	13	—
Prepayments and accrued income	779	105
<b>At 31 March 2011</b>	<b>2,003</b>	<b>107</b>

The Directors consider that the carrying amount of trade and other receivables approximates their fair values. The Group's credit risk is primarily attributable to amounts due from tenants, which consist of rent and service charge monies. A provision for doubtful debts is provided for based on estimated irrecoverable amounts determined by past experience and knowledge of the individual tenant's circumstances. The amount charged to the income statement in respect of doubtful debts was £nil. Trade and other receivables are initially measured at invoiced value and have settlement dates within one year.

At 31 March 2011 there were no amounts which were impaired. There is no provision for impairment of trade receivables as at 31 March 2011 as the risk of impairment of the amounts is not considered to be significant.

As at 31 March 2011, trade and other receivables outside their payment terms yet not impaired are as follows:

	Total £000	Within credit terms £000	Outside credit terms but not impaired		
			0-1 month £000	1-3 months £000	More than 3 months £000
<b>At 31 March 2011</b>	<b>548</b>	<b>215</b>	<b>319</b>	<b>4</b>	<b>10</b>

## 11. Cash and short-term deposits

	Group 31 March 2011 £000	Company 31 March 2011 £000
Cash at bank	478	173
Short-term deposits	27,558	27,558
<b>At 31 March 2011</b>	<b>28,036</b>	<b>27,731</b>

The credit risk on cash and short-term deposits is limited because the counterparties are banks and money market funds with credit ratings of at least AA-, and strict counterparty limits ensure the Group's exposure to bank failure is minimised and consequently there is an insignificant risk of changes in value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**12. Trade and other payables**

	Group 31 March 2011 £000	Company 31 March 2011 £000
Rents invoiced in advance	1,546	1
REIT conversion charge payable	208	2
Other taxes	817	817
Accrued capital expenditure in respect of property acquisitions	26,463	–
Other trade payables and accruals	2,452	1,610
<b>At 31 March 2011</b>	<b>31,486</b>	<b>2,430</b>

Trade payables are interest free and have settlement dates within one year. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

**13. Financial risk management and borrowings**

Through the Group's operations it is exposed to a variety of risks. The principal risks that are potentially material to the Group and the policies for managing these risks are summarised below.

**Liquidity risk**

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group maintains a rolling three year forecast of anticipated recurring and non-recurring cash flows. The Group's available cash, undrawn committed credit facilities are monitored against the projected cash flows to ensure there is sufficient liquidity with reference to committed expenditure.

Non-derivative financial assets, being trade and other receivables £2,003,000 and cash and short-term deposits £28,036,000, are all due for receipt or maturity within one year. Non-derivative financial liabilities, being trade and other payables £31,486,000, are all due for payment within one year.

**Credit risk**

Credit risk reflects the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The concentration of credit risk is limited by the diverse tenant base. Accordingly the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. Details of the Group's receivables are summarised in note 10 of the financial statements.

The Group's cash deposits are placed with a diversified range of banks and money market funds, with high credit ratings of at least AA-, and strict counterparty limits ensure the Group's exposure to bank failure is minimised.

**Capital risk**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and as such aims to maintain an appropriate mix of equity and debt financing. Equity comprises issued share capital, reserves and retained earnings as disclosed in the Group's Statement of Changes in Equity. Debt comprises drawings against the committed bank loan facilities.

**Market and interest rate risk**

The Group is exposed to market risk through interest rate fluctuations. It is the Group's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest. The Group will use interest rate derivatives including swaps and caps to manage its interest rate exposure and hedge future interest rate risk for the term of the respective bank loan. This policy does not entirely eliminate the risk although the Directors believe it provides an appropriate balance of exposure.

### 13. Financial risk management and borrowings (continued)

#### Borrowings

At 31 March 2011, the Group had a five year, £50 million revolving credit facility and interest is payable at rates ranging from 1.7% to 2.25% above LIBOR. The amount undrawn under the facility as at 31 March 2011 is £50 million and as a result the Directors consider the Group to have adequate liquidity to fund the ongoing operations of the business. The bank loan will be secured by fixed charges over certain investment properties of the Group and is repayable within two to five years of the balance sheet date. In addition, under the revolving credit facility, the lending bank may require repayment of the outstanding amount, with not less than 10 days' notice, following any change of control.

### 14. Operating lease arrangements

#### The Group as a lessor

The Group leases out all of its investment properties under operating leases with a weighted average lease length of 11.8 years (11.1 years to first break). Details of gross rental earned during the period are set out in note 3. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 March 2011 £000
Less than one year	11,762
Between two and five years	43,879
Greater than five years	75,773
<b>At 31 March 2011</b>	<b>131,414</b>

#### The Group as a lessee

At 31 March 2011 the future minimum lease payments payable under non-cancellable operating leases of land and buildings totalled £256,000, of which £150,000 is payable in less than one year and £106,000 is payable in the second to fifth years.

### 15. Share capital

	31 March 2011 Number	31 March 2011 Amount paid £000
<b>Issued and fully paid</b>		
Ordinary shares of 1p each	190,000,000	1,900

On incorporation, 1 March 2010, 50,000 ordinary shares of 1p each were issued for cash at a subscription price of £1 per share. On 3 March 2010 63,000 ordinary shares of 1p each were issued for cash at a subscription price of £1 per share. On 24 March 2010 174,887,000 ordinary shares of 1p each were issued pursuant to the Placing and Offer for Subscription of ordinary shares for cash at a price of £1 per share. On 31 March 2010, a further 15,000,000 ordinary shares of 1p each were issued for cash at a price of £1 per share under the Over-allotment Option referred to in the Prospectus published by the Company on 8 March 2010. The Company does not hold any ordinary shares in the capital of the Company in treasury.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**16. Share premium and other reserve**

	Share premium £000	Other reserve £000
At incorporation	–	–
Premium on issue of shares	188,100	–
Share issue costs	(7,428)	–
Transfer in respect of capital reduction	(180,672)	180,672
<b>At 31 March 2011</b>	<b>–</b>	<b>180,672</b>

On 18 August 2010 the Company cancelled its share premium account, having received Court approval and been previously approved by a Special Resolution passed at the General Meeting of the Group held on 4 March 2010. The balance on the share premium was transferred to a distributable Other Reserve.

**17. Net asset value**

The net asset value per share has been calculated based on 190,000,000 shares in issue at 31 March 2011 and based on net assets attributable to shareholders of £191,067,000. There is no difference between net asset value per share and adjusted net asset value per share calculated in accordance with European Public Real Estate Association (EPRA) guidelines.

**18. Post balance sheet events**

On 15 April 2011 certain investment properties with a carrying value of £55.1 million were secured by fixed charges against the £50 million revolving credit facility with The Royal Bank of Scotland plc.

On 27 April 2011 the Group signed a five year £34.7 million term facility with Eurohypo AG and interest is payable at rates ranging from 1.80% to 2.0% above LIBOR. The loan has been secured by fixed charges over certain investment properties of the Group with a carrying value of £71.8 million. There is a requirement to draw the loan within nine months of signature and to hedge a minimum of 80% of the amounts drawn under the facility, and the Group has pre-hedged the total required amount by taking out the following hedges:

- 3.0% cap with a notional value of £17.5 million (50% of total facility) effective from 15 April 2011 and terminating on maturity of the facility; and
- 3.19% fixed rate forward starting swap, plus credit spread cost of 15bps, to give an all-in rate of 3.34% with a notional value of £10.5 million (30% of total facility) effective from 16 January 2012 and terminating on maturity of the facility.

The principal financial covenants of the facility are:

- Interest cover ratio – projected net rental income not to be less than 2.0 times projected net interest payable, calculated on a 12 month forward looking basis; and
- loan to value ratio – not to exceed 70% of the total value of the properties secured.

On 10 May 2011 the Group exchanged contracts and completed the acquisition of an out of town retail unit in Sheffield for £2.3 million excluding acquisition costs.

**19. Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Transactions with key management**

As per IAS 24 key personnel are considered to be the Executive Directors as they are the persons having authority and responsibility for planning, directing and controlling the activities of the Group. Full details of their remuneration are disclosed in the audited sections of the Directors' Remuneration Report on pages 34 to 38.

No contracts existed during the period in relation to the Company's or Group's business in which any Director had an interest.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METRIC PROPERTY INVESTMENTS PLC

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We have audited the financial statements of Metric Property Investments plc for the period ended 31 March 2011 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 19. 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and

have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## **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 financial statements.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METRIC PROPERTY INVESTMENTS PLC CONTINUED

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### **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:

- 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.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Directors' Report on pages 27 to 28, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



**Claire Faulkner (Senior statutory auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and *Statutory Auditor*  
London, UK

18 May 2011

# ANALYSIS OF ORDINARY SHAREHOLDERS

<b>By size of holding</b>	Holdings	% of holding	Shares	% of shares
Management	8	5.19%	5,950,000	3.13%
10 million+	3	1.95%	41,531,783	21.86%
5 – 10 million	12	7.79%	84,762,075	44.61%
1 – 5 million	20	12.99%	43,189,955	22.73%
Less than 1 million	111	72.08%	14,566,187	7.67%
<b>Total</b>	154	100.00%	190,000,000	100.00%

<b>By shareholder</b>	Shares	% of shares
Management	5,950,000	3.13%
Unit Trusts	59,362,770	31.24%
Pension funds	46,474,930	24.46%
Real Estate funds	40,653,155	21.40%
Individuals	12,574,551	6.62%
Insurance companies	10,595,697	5.58%
Other institutions	14,388,897	7.57%
<b>Total</b>	190,000,000	100.00%

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# NOTICE OF MEETING

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Notice is hereby given that the first Annual General Meeting ("AGM") of Metric Property Investments plc will be held at The Connaught, Carlos Place, Mayfair, London W1K 2AL, on Wednesday 29 June 2011 at 11.00am, for the purposes set out below, with the Board available from 10.30am to meet shareholders and answer questions.

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 14 of which will be proposed as ordinary resolutions and numbers 15 to 17 of which will be proposed as special resolutions.

## Ordinary resolution

1. To receive and adopt the audited financial statements together with the Directors' and auditor's reports for the period ended 31 March 2011.
2. To approve the Directors' Remuneration Report.
3. To approve a final dividend of 0.6 pence per ordinary share.
4. To elect Valentine Beresford as a Director of the Company.
5. To elect Sue Ford as a Director of the Company.
6. To elect Andrew Huntley as a Director of the Company.
7. To elect Andrew Jones as a Director of the Company.
8. To elect Alec Pelmore as a Director of the Company.
9. To elect Mark Stirling as a Director of the Company.
10. To elect Andrew Varley as a Director of the Company.
11. To elect Philip Watson as a Director of the Company.
12. To appoint Deloitte LLP as auditors to the Company until the conclusion of the next AGM of the Company.
13. To authorise the Directors to fix the remuneration of the auditors.
14. General authority to allot shares.

That for the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

- (a) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum aggregate nominal amount of £633,333 (representing approximately one-third of the Company's issued ordinary share capital) to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next Annual General Meeting of the Company or, if earlier, on 28 June 2012 (unless previously revoked or varied by the Company in general meeting); and further:

- (b) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by them up to an aggregate nominal amount of £633,333 during the period expiring at the end of the Company's next AGM or, if earlier, on 28 June 2012, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory;
- (c) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;
- (d) so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

## Special resolutions

15. General disapplication of pre-emption rights.

That, subject to the passing of resolution 14 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of that Act) for cash pursuant to the authority conferred on them by resolution 14 above, as if section 561(1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

- (a) the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 14(b) by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons (other than the Company) are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or stock exchange in any territory; and



- (b) the allotment (otherwise than under paragraph (a) above) of equity securities up to an aggregate nominal value not exceeding £95,000, representing approximately 5% of the issued ordinary share capital of the Company as at 18 May 2011;

and this power, unless renewed, shall expire at the end of the next Annual General Meeting of the Company or, if earlier, on 28 June 2012, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and

- (d) this power is in substitution of all unexercised powers given for the purposes of section 570 of the Act.

Note: Resolution 15 will give the Directors authority to allot shares in the capital of the Company pursuant to the authority granted under resolution 14 above for cash without complying with the pre-emption rights in the Act in certain circumstances. This authority will permit the Directors to allot:

- (a) shares, or do a rights issue for, up to a nominal amount of £633,333 (representing approximately one-third of the Company's issued ordinary share capital) on an offer to existing shareholders on a pre-emptive basis subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit; and
- (b) shares up to a maximum nominal value of £95,000, representing approximately 5% of the issued ordinary share capital of the Company as at 18 May 2011 (the date of this notice) otherwise than in connection with an offer to existing shareholders on a pre-emptive basis.

16. Authority to purchase own shares.

That the Company be and it is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of its ordinary shares of 1p each in the capital of the Company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 19,000,000 (representing 10% of the issued share capital of the Company as at 18 May 2011);

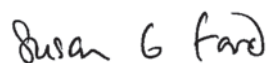
- (b) the maximum price at which shares may be purchased shall not be more than the higher of (i) an amount equal to 5% above the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase and (ii) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003, and the minimum price shall be 1 penny, being the nominal value of the shares, in each case exclusive of expenses; and

- (c) the authority to purchase conferred by this Resolution shall expire at the end of the Company's next Annual General Meeting or, if earlier, on 28 June 2012, save that the Company may before such expiry enter into a contract of purchase under which such purchase may or will be completed or executed wholly or partly after the expiration of this authority, and the Company may make a purchase of its own ordinary shares in pursuance of any such contract.

17. That, in accordance with the Company's Articles of Association, a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice in writing.

Registered office:  
Connaught House  
1-3 Mount Street  
London W1K 3NB

By order of the Board



**Sue Ford**  
Finance Director and Company Secretary  
18 May 2011

# NOTICE OF MEETING

## Notes to Notice of Meeting

1. A Member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting ("AGM") provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. In order to be valid an appointment of proxy must be returned by one of the following methods:
  - in hard copy form by post, by courier or by hand to the Company's Registrar at the address shown on the form of proxy; or
  - in the case of CREST members holding their shares in uncertificated form, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case must be received not less than 48 hours before the time of the meeting.
2. The return of a completed proxy form or any CREST Proxy Instruction (as described in paragraph 8 below) will not prevent a shareholder from attending the AGM and voting in person if he/she wishes to do so.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") 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 AGM. Nominated persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy. 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. Such Nominated Persons are advised to contact the members who nominated them for further information on this.
4. The statement of rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
5. Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.
6. As at 18 May 2011 (being the date of publication of this Notice) the Company's issued share capital consists of 190,000,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 May 2011 are 190,000,000.
7. Copies of all Directors' contracts will be available for inspection at the registered office of the Company, Connaught House, 1-3 Mount Street, London W1K 3NB during normal business hours on any weekday (English public holidays excepted) from the date of this Notice until the conclusion of the AGM and at the place of the AGM for at least 15 minutes prior to and during the Annual General Meeting.
8. (a) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). 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.
- (b) 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: 3RA50) by the latest time(s) for receipt of proxy appointments specified in the Notice. 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.

- (c) 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 (as amended).
  - (d) 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 their 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.
9. Pursuant to section 360B of the Act and regulation 41 of the Uncertified Securities Regulations 2001 (as amended) the Company specifies that only those shareholders registered in the Register of Members of the Company as at 11.00am on 27 June 2011 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the Meeting is adjourned, the time by which a person must be entered on the Register of Members of the Company in order to have a right to attend and vote at the adjourned Meeting is 6.00 p.m. on the day preceding the date fixed for the adjourned Meeting.
  10. 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.
  11. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
  12. Under section 527 of the Act members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) require the Company to publish on a website a statement setting out any matter relating to: (i) 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 Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting such website publication to pay its expenses in complying with sections 527 or 528 of the Act, and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on its website.
  13. A member or proxy attending the meeting has the right to ask questions at the Meeting in relation to the business of the Meeting. 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.
  14. A copy of this Notice, and other information required by section 311A of the Act can be found at [www.metricproperty.co.uk](http://www.metricproperty.co.uk)

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# GROUP INFORMATION

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## Registered office and number

Connaught House  
1-3 Mount Street  
London W1K 3NB

Company number: 07172804

## Website

[www.metricproperty.co.uk](http://www.metricproperty.co.uk)

## Directors

Valentine Beresford (Investment Director)  
Sue Ford (Finance Director and Company Secretary)  
Andrew Huntley (Non-executive Chairman)  
Andrew Jones (Chief Executive)  
Alec Pelmore (Non-executive Director)<sup>†</sup>  
Mark Stirling (Retail Director)  
Andrew Varley (Non-executive Director)  
Philip Watson (Non-executive Director)<sup>#</sup>

<sup>†</sup> Senior Independent Director and Audit Committee Chairman  
<sup>#</sup> Remuneration Committee Chairman

## Auditors

Deloitte LLP  
Hill House  
1 Little New Street  
London EC4A 3TR

## Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgewater Road  
Bristol BS13 8AE

## Financial advisers and Stockbrokers

J.P. Morgan Securities Limited  
125 London Wall  
London EC2Y 5AJ

Oriel Securities Limited  
150 Cheapside  
London EC2V 6ET

## Property valuer

CB Richard Ellis  
Kingsley House  
Wimpole Street  
London W1G 0RE

## Solicitors

Travers Smith LLP  
10 Snow Hill  
London EC1A 2AL

Jones Day  
21 Tudor Street  
London EC4Y 0DJ

Stephenson Harwood  
1 Finsbury Circus  
London EC2M 7SH

## Bankers

The Royal Bank of Scotland plc  
280 Bishopsgate  
London EC2M 4RB

Eurohypo AG  
90 Long Acre  
London WC2E 9RA

## Financial calendar

29 June 2011

July 2011

November 2011

February 2012

Ex-dividend date

Dividend record date

Dividend payment date

Annual General Meeting

Quarter 1 Interim Management Statement

Half year results

Quarter 3 Interim Management Statement

8 June 2011

10 June 2011

6 July 2011





Connaught House  
1-3 Mount Street  
London W1K 3NB  
Company number: 07172804

**[www.metricproperty.co.uk](http://www.metricproperty.co.uk)**