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If you have sold or transferred all of your Existing Ordinary Shares, please send this document together with the Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations including, but not limited to, the Excluded Jurisdictions. If you have sold or transferred part of your holding of Existing Ordinary Shares you should contact your stockbroker, bank or other agent through whom the sale or transfer was effected.

London&Stamford PropertyPlc

*(a public limited company incorporated and registered in England and Wales
with registered company number 7124797)*

**Proposed recommended merger with Metric Property Investments plc implemented by way of
Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Proposed issue and admission of up to 178,600,000 New Ordinary Shares
in connection with the Merger**

Proposed change of name to “LondonMetric Property plc”

Circular to Shareholders and Notice of General Meeting

Proposed termination of the Existing Management Incentive Agreement

**Proposed Tender Offer to purchase up to £100 million of Ordinary Shares following
implementation of the Merger**

CREDIT SUISSE

PEEL HUNT

Joint Sponsors, Joint Financial Advisers and Joint Brokers

You should read this document in its entirety (and in particular the Risk Factors set out in pages 23 to 36 of this document).

This document, which comprises (a) a circular prepared in compliance with the Listing Rules of the UK Listing Authority for the purposes of the London & Stamford General Meeting convened pursuant to the Notice of General Meeting contained at the end of this document and (b) a prospectus relating to the issue of New Ordinary Shares in connection with the Merger prepared in accordance with the Prospectus Rules, has been approved by the Financial Services Authority in accordance with section 85 of FSMA and has been made available to the public in accordance with section 3.2 of the Prospectus Rules.

The Existing Ordinary Shares are listed in the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange’s Main Market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, respectively. It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 28 January 2013. No application is currently intended to be made for New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

Notice of a General Meeting of London & Stamford to be held at Mayfair A Suite at The Sofitel Hotel London St. James, 6 Waterloo Place, London, SW1Y 4AN at 10.30 a.m. (London Time) on 17 December 2012 is set out in Part 22. The Form of Proxy for use at the London & Stamford General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but, in any event, so as to reach London & Stamford’s

Registrar, Capita Registrars, or at the electronic address provided on the Form of Proxy which is www.capitashareportal.com, in each case not later than 10.30 p.m. (London Time) on 13 December 2012. Completion and return of the Form of Proxy does not prevent a Shareholder from otherwise attending and voting in person at the London & Stamford General Meeting.

Credit Suisse Securities (Europe) Limited ("**Credit Suisse**"), which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Company and for no one else in connection with the Proposals and will not be responsible to any person other than the Company for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the Proposals, the content of this document or any matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Credit Suisse by the FSMA or the regulatory regime established thereunder, neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with this document, any statement contained herein or otherwise, nor makes any representation or warranty, express or implied, in relation to, the contents of this document, including its accuracy, completeness or verification or for any other statement purported to be made by Credit Suisse, or on behalf of Credit Suisse in connection with the Company, the New Ordinary Shares or the Proposals. Credit Suisse accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability to any person who is not a client of Credit Suisse, whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

Peel Hunt LLP ("**Peel Hunt**"), which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Company and for no one else in connection with the Proposals and will not be responsible to any person other than the Company for providing the protections afforded to clients of Peel Hunt, nor for providing advice in relation to the Proposals, the content of this document or any matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Peel Hunt by the FSMA or the regulatory regime established thereunder, neither Peel Hunt nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Peel Hunt in connection with this document, any statement contained herein or otherwise, nor makes any representation or warranty, express or implied, in relation to, the contents of this document, including its accuracy, completeness or verification or for any other statement purported to be made by Peel Hunt, or on behalf of Peel Hunt in connection with the Company, the New Ordinary Shares or the Proposals. Peel Hunt accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability to any person who is not a client of Peel Hunt, whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

The Company is not regulated or authorised in the United Kingdom by the FSA or by any other regulatory body in the EEA.

No person is authorised in connection with the Proposals to give any information or to make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by London & Stamford, Peel Hunt or Credit Suisse.

Without prejudice to any obligation of London & Stamford to publish a supplementary prospectus pursuant to section 87G of FSMA or paragraph 3.4 of the Prospectus Rules, the publication of this document does not, under any circumstances, state or create any implication that there has been no change in the affairs of the London & Stamford Group or the Metric Group since, or that the information contained in this document is correct any time subsequent to, the date of this document.

The possession or distribution of this document and/or the transfer of the New Ordinary Shares within or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, this document should not be distributed, forwarded to or transmitted in or into the Excluded Jurisdictions. No action has been taken by London & Stamford, Peel Hunt or Credit Suisse or any of their representatives that would permit possession or distribution of this document into any jurisdiction which may prohibit or restrict such possession or distribution. None of London & Stamford, Peel Hunt, Credit Suisse or any of their respective representatives makes any representation to any person regarding the legality of an investment in the New Ordinary Shares under the laws application to that person.

NOTICE TO UNITED STATES SHAREHOLDERS

New Ordinary Shares

This document is not an offer of securities for sale in or into the United States. The New Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission or any US state securities commission or any other US regulatory authority. Neither the United States Securities and Exchange Commission nor any US state securities commission nor any other US regulatory authority has passed upon the adequacy or accuracy of this document or the merits of the Scheme or the Merger and any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares issuable pursuant to the Merger have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**US Securities Act**”) and will be issued in reliance on the exemption provided by Section 3(a)(10) thereof on the basis of the approval of the Scheme of Arrangement by the Court, which will consider, among other things, the fairness of the Scheme to Metric Shareholders. The New Ordinary Shares will not be registered under the securities laws of any state, territory or other jurisdiction of the United States, and will be issued in the United States in reliance on available exemptions from such registration requirements.

The New Ordinary Shares will not be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and may be immediately resold without restriction under the US Securities Act by former holders of Metric Ordinary Shares who are not affiliates of the Enlarged Company and have not been affiliates of London & Stamford within 90 days prior to completion of the Merger. See paragraph 8 of Part 6.

Solicitation of Proxies

Neither London & Stamford nor Metric have any securities registered under Section 12 of the United States Securities Exchange Act of 1934, as amended (the “**US Exchange Act**”), and both London & Stamford and Metric qualify as “foreign private issuers” as defined in Rule 3b-4 under the US Exchange Act. Accordingly, the solicitation of proxies hereby in the United States is made in accordance with the corporate and securities laws of the United Kingdom and is not subject to the proxy requirements of Section 14(a) of the US Exchange Act. This document has also thus been prepared solely in accordance with the applicable disclosure requirements in the United Kingdom. Shareholders in the United States should be aware that these requirements are different from those required under the US Exchange Act.

Tender Offer

The proposed Tender Offer as described herein will be made for the securities of a public limited company incorporated in England and Wales that will not have securities registered under Section 12 of the US Exchange Act. Accordingly, the proposed Tender Offer will not be subject to Section 14(d) of the US Exchange Act or Regulation 14D thereunder. Rather, the proposed Tender Offer will be made to Eligible Shareholders pursuant to exemptions provided by Rule 14d-1(c) under the US Exchange Act. Consequently, many of the protections afforded by the US tender offer rules will not apply to the proposed Tender Offer. The proposed Tender Offer will be subject to disclosure and procedural requirements of the United Kingdom, which are different from those of the United States.

General

Financial statements and information included or incorporated by reference herein have been prepared in accordance with IFRS, and are subject to auditing and auditor independence standards in the United Kingdom, and thus may not be comparable to financial statements of US entities or entities that prepare their financial statements in accordance with US GAAP.

The enforcement by investors of civil liabilities under the United States federal securities laws may be adversely affected by the fact that London & Stamford and Metric are incorporated or organised outside the United States, and that some of their directors, and the experts named herein, are residents of a foreign country. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon London & Stamford, Metric, or their directors, or the experts named herein, or to realise against them judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state, territory or other jurisdiction of the United States. In addition, investors should not assume that the courts of the United Kingdom:

(a) would enforce judgments of US courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state, territory or other jurisdiction of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state, territory or other jurisdiction of the United States.

United States Tax Considerations

Shareholders in the United States should be aware that completion of the Merger, issuance of the New Ordinary Shares and the other Proposals described herein may have tax consequences to shareholders in the United States that are different from those applicable to shareholders in the United Kingdom or elsewhere. This document does not address any United States federal or state income tax consequences of the Merger, the issuance of the New Ordinary Shares or any of the other Proposals. All shareholders should consult their own tax advisors with respect to their own particular circumstances. See generally paragraph 17 of Part 20 of this document.

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PART 1
SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

<i>Section A—Introduction and warnings</i>		
Element	Disclosure requirement	Disclosure
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the document or it does not provide, when read together with the other parts of the document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable, the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this document.

<i>Section B—Issuer</i>		
Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	The issuer’s legal and commercial name is London & Stamford Property plc.
B.2	Domicile / legal form / legislation / country of incorporation	The Company was incorporated in England and Wales on 13 January 2010 under the Companies Act as a public limited company with registered number 7124797. The principal legislation under which the Company operates is the Companies Act. The Company is a property collective investment undertaking, and is subject to the Code.

Element	Disclosure requirement	Disclosure
B.3	Key factors of issuer's current operations and principal activities	<p>The London & Stamford Group is a UK Real Estate Investment Trust for the purposes of Part 12 of the Corporation Tax Act 2010. London & Stamford is the principal company of the UK-REIT group.</p> <p>The principal activity of the London & Stamford Group is property investment and development, effected both directly and through unit trusts and joint venture arrangements. London & Stamford invests in residential and commercial property, including office and distribution real estate assets, principally in the UK. London & Stamford is an active investor and implements strategies to enhance the quality and value of acquired assets and improve annual rental values.</p> <p>The London & Stamford Group's Property Portfolio comprises 19 investments all of which are located in the UK.</p>
B.4a	Significant trends	<p>The current economic environment has suppressed the take up of offices across central London and the South East and kept speculative construction at modest levels. The exception is the City of London where availability is higher than average, however the Board believe that in the next 12 to 18 months the lack of construction will give rise to a shortage of high quality new and refurbished mid-size buildings.</p> <p>The central London residential market remains buoyant with continued growth in the private rented sector driven primarily by the continued lack of mortgage availability across the first time buyer market. The increased levels of tenant demand over the course of the last few years has driven rents up accordingly, but whether this level of growth will be maintained is unknown.</p> <p>The overall trend within the logistics market over the last 12 months has been the continued decline in available premises, both in terms of second-hand buildings but more acutely in new, speculatively built warehouses. The availability of second-hand buildings has seen some oscillation but the overall trend remains the same.</p> <p>The market for London & Stamford's retail focused occupiers continues to be challenging. Many retailers will need to accelerate plans to rightsize their real estate portfolios, while others will be able to capitalise on the opportunities presented through the withdrawal of capacity and growth in multi-channel retailing.</p>
B.5	Group structure	<p>London & Stamford is the ultimate holding company of the London & Stamford Group, with direct and indirect interests in 26 principal subsidiaries. The London & Stamford Group's business is conducted by London & Stamford, its subsidiaries and joint ventures.</p> <p>Metric is the ultimate holding company of the Metric Group with direct and indirect interests in 27 principal subsidiaries. If the Merger becomes effective, it will become a 100 per cent. subsidiary of London & Stamford.</p>

Element	Disclosure requirement	Disclosure																																																																		
B.6	Notifiable interests	<p>As at 23 November 2012 (being the latest practicable date prior to the publication of this document) the interests of the Directors and the Proposed Directors and their immediate families and persons connected with the Directors and the Proposed Directors (within the meaning of sections 252 to 255 (inclusive) of the Companies Act) (all of which are beneficial unless otherwise stated) in the issued share capital of London & Stamford are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Name</u></th> <th style="text-align: right;"><u>No. of Ordinary Shares</u></th> <th style="text-align: right;"><u>Percentage of issued share capital of London & Stamford</u></th> </tr> </thead> <tbody> <tr> <td>Raymond Mould . .</td> <td style="text-align: right;">16,000,000</td> <td style="text-align: right;">2.95%</td> </tr> <tr> <td>Patrick Vaughan* .</td> <td style="text-align: right;">18,383,510</td> <td style="text-align: right;">3.39%</td> </tr> <tr> <td>Martin McGann . .</td> <td style="text-align: right;">3,823,795</td> <td style="text-align: right;">0.70%</td> </tr> <tr> <td>Humphrey Price . .</td> <td style="text-align: right;">2,143,127</td> <td style="text-align: right;">0.39%</td> </tr> <tr> <td>Richard Crowder .</td> <td style="text-align: right;">100,000</td> <td style="text-align: right;">0.02%</td> </tr> <tr> <td>Mark Burton</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Charles Cayzer § .</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>James Dean</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Andrew Jones . . .</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Andrew Huntley . .</td> <td style="text-align: right;">20,000</td> <td style="text-align: right;"><0.01%</td> </tr> <tr> <td>Alec Pelmore</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">0.01%</td> </tr> <tr> <td>Andrew Varley . . .</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Philip Watson . . .</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> </tbody> </table> <p>* 93,000 of the 18,383,510 Ordinary Shares noted next to Patrick Vaughan's name above are held jointly by Patrick Vaughan's wife and one other person who is not immediate family (within the meaning of sections 252 to 255 (inclusive) of the Companies Act) of Patrick Vaughan.</p> <p>§ Charles Cayzer is a director of Caledonia Investments and the Cayzer Trust Company Ltd, which hold 33,497,094 and 2,785,506 Ordinary Shares respectively (representing 6.17 per cent. and 0.51 per cent. respectively of the issued share capital of London & Stamford).</p> <p>Other than the interests of Directors disclosed above, so far as London & Stamford is aware, the following persons held, directly or indirectly, three per cent. or more of London & Stamford's voting rights as at 23 November 2012 (the latest practicable date prior to the publication of this document):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Shareholder</u></th> <th style="text-align: right;"><u>No. of Ordinary Shares</u></th> <th style="text-align: right;"><u>Percentage of issued share capital of London & Stamford</u></th> </tr> </thead> <tbody> <tr> <td>Blackrock Investment Management . . .</td> <td style="text-align: right;">40,172,357</td> <td style="text-align: right;">7.40%</td> </tr> <tr> <td>Caledonia Investments Plc .</td> <td style="text-align: right;">33,497,094</td> <td style="text-align: right;">6.17%</td> </tr> <tr> <td>Rothschild Management (UK) Limited</td> <td style="text-align: right;">31,581,633</td> <td style="text-align: right;">5.82%</td> </tr> <tr> <td>Electra Partners Europe</td> <td style="text-align: right;">30,000,000</td> <td style="text-align: right;">5.53%</td> </tr> <tr> <td>Rathbones</td> <td style="text-align: right;">24,656,049</td> <td style="text-align: right;">4.54%</td> </tr> <tr> <td>Worldstar Limited</td> <td style="text-align: right;">19,651,842</td> <td style="text-align: right;">3.62%</td> </tr> <tr> <td>Legal & General Investment Management . . .</td> <td style="text-align: right;">17,823,384</td> <td style="text-align: right;">3.28%</td> </tr> </tbody> </table>	<u>Name</u>	<u>No. of Ordinary Shares</u>	<u>Percentage of issued share capital of London & Stamford</u>	Raymond Mould . .	16,000,000	2.95%	Patrick Vaughan* .	18,383,510	3.39%	Martin McGann . .	3,823,795	0.70%	Humphrey Price . .	2,143,127	0.39%	Richard Crowder .	100,000	0.02%	Mark Burton	Nil	Nil	Charles Cayzer § .	Nil	Nil	James Dean	Nil	Nil	Andrew Jones . . .	Nil	Nil	Andrew Huntley . .	20,000	<0.01%	Alec Pelmore	50,000	0.01%	Andrew Varley . . .	Nil	Nil	Philip Watson . . .	Nil	Nil	<u>Shareholder</u>	<u>No. of Ordinary Shares</u>	<u>Percentage of issued share capital of London & Stamford</u>	Blackrock Investment Management . . .	40,172,357	7.40%	Caledonia Investments Plc .	33,497,094	6.17%	Rothschild Management (UK) Limited	31,581,633	5.82%	Electra Partners Europe	30,000,000	5.53%	Rathbones	24,656,049	4.54%	Worldstar Limited	19,651,842	3.62%	Legal & General Investment Management . . .	17,823,384	3.28%
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		<p>There are no differences between the voting rights enjoyed by those Shareholders set out above and those enjoyed by any other holder of Ordinary Shares.</p> <p>So far as London & Stamford is aware, there are no persons who, now or upon the Merger becoming Effective, directly or indirectly, jointly or severally, will exercise control over London & Stamford.</p>																																																																																																																														
B.7	Historical financial information	<p>Summary financial information for the London & Stamford Group for the three financial years ended 31 March 2012 and the period ended 30 September 2012 as set out below has been extracted without material adjustment from the audited financial statements of LSP⁽¹⁾ for the year ended 31 March 2010 and the audited financial statements of the London & Stamford Group for the two financial years ended 31 March 2012 and the unaudited interim financial statements of the London & Stamford Group for the period ended 30 September 2012.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Year ended 31 March 2010</th> <th style="text-align: center;">Year ended 31 March 2011</th> <th style="text-align: center;">Year ended 31 March 2012</th> <th style="text-align: center;">Six-month period ended 30 September 2011</th> <th style="text-align: center;">Six-month period ended 30 September 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style="text-align: right;">28%</td> <td style="text-align: right;">30%</td> <td style="text-align: right;">26%</td> </tr> </tbody> </table> <p>(1) The acquisition of LSP by London & Stamford on 1 October 2010 was accounted for as a reverse transaction. This means that although the consolidated financial statements have been prepared in the name of the legal parent, London & Stamford for the years ended 31 March 2011 and 31 March 2012, they are in substance a continuation of the financial statements of the legal subsidiary, LSP.</p> <p>(2) Includes share of joint ventures and associates.</p> <p>(3) Net debt as a percentage of investment property assets.</p> <p>On 8 October 2012, the London & Stamford Group announced that together with its joint venture partner, Green Park Investments, it had sold its 50 per cent. interest in the freehold of Meadowhall to Norges Bank Investment Management. The net proceeds of sale of the joint venture's 50 per cent. direct share was £307.9 million of which the London & Stamford Group's share was £95.8 million. At 30 September 2012 the London & Stamford Group's investment in Meadowhall had been</p>		Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Six-month period ended 30 September 2011	Six-month period ended 30 September 2012		£000	£000	£000	£000	£000	Net income	16,140	41,828	42,237	21,466	20,510	Underlying profit ⁽²⁾	6,656	14,744	24,180	12,965	14,603	Revaluation surplus ⁽²⁾	101,945	51,033	5,688	1,627	16,934	Impairment of Meadowhall bonds	—	—	—	—	(23,178)	Movement in derivatives ⁽²⁾	(4,210)	6,975	(8,859)	(10,159)	(3,369)	Exceptional costs and tax ⁽²⁾	1,675	(29,440)	(15,670)	(9,691)	(9,890)	Profit for the year	106,066	43,312	5,339	(5,258)	(4,900)	EPRAs earnings for the year	(2,748)	15,778	23,961	11,494	13,415	Investment properties ⁽²⁾	575,140	987,700	1,021,188	1,012,296	723,123	Investment held for sale	—	—	—	—	95,832	Cash deposits	276,593	156,785	136,934	124,568	98,874	Bank debt	121,565	382,956	319,833	316,275	231,596	Net assets	600,570	668,720	633,554	645,531	609,824	NAV per share	120.1p	122.5p	116.7p	118.3p	112.3p	EPRAs NAV per share	120.7p	122.5p	119.1p	120.6p	114.0p	Earnings per share	24.8p	8.3p	1.0p	(1.0)p	(0.9)p	EPRAs earnings per share	(0.6)p	3.0p	4.4p	2.1p	2.5p	Dividend per share	4.4p	6.3p	7.0p	3.5p	3.5p	Gearing ⁽³⁾	(43)%	31%	28%	30%	26%
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Element	Disclosure requirement	Disclosure
		<p>reclassified as an “investment held for sale” and was recorded at its net realisable value.</p> <p>Since 30 September 2012 (being the end of the last financial period of the Company for which financial information has been published) and save as set out above, there has been no significant change in the financial or trading position of the Company.</p>
B.8	Pro forma financial information	<p>The unaudited pro forma effect of the Merger, the issue and admission of up to 178,600,000 New Ordinary Shares in connection with the Merger and the sale of London & Stamford’s interest in Meadowhall on the net assets of the London & Stamford as if they had occurred on 30 September 2012 would be to increase net assets from £609.8 million (EPRA net asset per share 114.0p) to £802.4 million (EPRA net asset per share 112.9p) before the impact of the Tender Offer. The additional unaudited pro forma effect of the Tender Offer to purchase a maximum of 88,573,959 of London & Stamford’s enlarged share capital in order to return capital with a maximum value of up to £100 million would be up to a £100.6 million decrease in net assets to £701.8 million (EPRA net asset per share 112.7p).</p>
B.9	Profit forecast	Not applicable; there are no profit forecasts included in this document.
B.10	Qualifications in the audit report	Not applicable; the audit reports on the historical financial information contained within this document are not qualified.
B.11	Qualified working capital	Not applicable; London & Stamford is of the opinion that the working capital available to the London & Stamford Group is sufficient for the London & Stamford Group’s present requirements, that is, for at least 12 months from the date of this document.
B.34	Investment policy	<p><i>Key principles of the investment policy</i></p> <p>The London & Stamford Group focuses on investing in residential and commercial property, including office, retail and industrial real estate assets, principally in the UK and may also consider opportunities overseas, where the Directors consider the opportunity exists to extract above-average returns for shareholders. The London & Stamford Group is an active investor and has implemented strategies to enhance the quality and value of acquired assets and improve annual rental values.</p> <p><i>Investment criteria</i></p> <p>The London & Stamford Group looks for opportunities in the UK property market, offering double digit cash on equity yields. Strict selection criteria are applied in assessing investment opportunities.</p> <p>Properties are considered and evaluated to identify potential for value enhancement as a result of physical improvements, lease restructurings, optimising tenant mix or new build opportunities. The London & Stamford Group works closely with existing</p>

Element	Disclosure requirement	Disclosure
		<p>tenants with regard to such issues to ensure that the London & Stamford Group understands the demands of tenants in order to anticipate and benefit from future requirements.</p> <p>The Directors look to identify latent potential in the London & Stamford Group's property portfolio and realise value, by making sales, when investments have fulfilled expectations or no longer meet the London & Stamford Group's performance criteria or investment needs.</p> <p>The London & Stamford Group is able to make investments in property via a number of methods which include:</p> <ul style="list-style-type: none"> • direct investment in or acquisition of the real estate asset or portfolio of assets; • direct investment in or acquisition of the holding company of the real estate asset or portfolio of assets; and • direct investment in or acquisition of a joint venture vehicle which has a direct investment in or holds the real estate assets or the holding company of the real estate asset or portfolio of assets. <p><i>Gearing</i></p> <p>The level of gearing of the London & Stamford Group is governed by careful consideration of the cost of borrowing and the ability to mitigate the risk of interest rate increases and the effect of leverage on the returns generated from assets acquired. The London & Stamford Group's level of borrowing has been up to 65 per cent. of the gross value of its real estate assets through the cycle but will not exceed 100 per cent. of the gross value of the London & Stamford Group's real estate assets at any one time.</p> <p><i>Restrictions</i></p> <p>The London & Stamford Group has the following investment restrictions:</p> <ul style="list-style-type: none"> • not more than 30 per cent. of the London & Stamford Group's gross assets will be invested in non-UK real estate assets; • not more than 40 per cent. of its gross assets will be invested in non-commercial real estate assets; and • the London & Stamford Group will not acquire a single property unit with a value greater than 40 per cent. of the London & Stamford Group's gross assets.
B.35	Borrowing limits	<p>Subject to the Articles, the Board may exercise all the powers of London & Stamford to borrow money.</p> <p>The Articles provide that the Directors shall restrict the borrowings of London & Stamford and exercise all voting and other rights or powers of control exercisable by London & Stamford in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate of the amounts remaining undischarged of all monies borrowed by the London & Stamford Group does not at any time, without the</p>

Element	Disclosure requirement	Disclosure
		<p>previous sanction of an ordinary resolution, exceed a sum equal to two times:</p> <ul style="list-style-type: none"> • the amount of the share capital of London & Stamford issued and paid up; and • the amounts shown as standing to the credit of consolidated capital and revenue reserves of the London & Stamford Group (including share premium account, capital redemption reserve) plus or minus the credit or debit balance of the consolidated profit and loss account as shown in the latest audited consolidated balance sheet of the London & Stamford Group and in the consolidated capital and reserves of the London & Stamford Group, but: <ul style="list-style-type: none"> • adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the London & Stamford Group) since the date of such balance sheets except in so far as provided for therein; • excluding any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and • excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.
B.36	Regulatory status	<p>The London & Stamford Group is a UK-REIT and London & Stamford is the principal company of the UK-REIT group.</p> <p>London & Stamford is not regulated or authorised by the FSA, or by any financial services or other regulator, but is subject to the Listing Rules of the UK Listing Authority applicable to closed-ended investment companies.</p>
B.37	Typical investor	<p>The typical investors in London & Stamford are UK-based fund managers or all types of private investors acting on the advice of their stockbroker or financial adviser who are looking to allocate part of their investment portfolio to the UK commercial and residential property market as well as specialised international real estate investors.</p>
B.38	Investment of 20 per cent. or more in single underlying asset or investment company	<p>Not applicable; no investment of 20 per cent. or more of London & Stamford's gross assets has been made in any one underlying asset or investment company.</p>
B.39	Investment of 40 per cent. or more in another collective investment undertaking	<p>Not applicable. London & Stamford's investment policy does not permit it to invest in excess of 40 per cent. of its gross assets in another collective investment undertaking.</p>

Element	Disclosure requirement	Disclosure
B.40	Applicant's service providers	<p><i>Property valuers</i></p> <p>CBRE provide property valuation services to London & Stamford. They were appointed pursuant to an agreement dated 26 November 2012. The maximum fee payable under this agreement is £50,000.</p> <p>Savills provide property valuation services to London & Stamford. They were appointed pursuant to an agreement dated 26 November 2012. The maximum fee payable under this agreement is £60,000.</p> <p><i>Other arrangements</i></p> <p>The Company's registrar is Capita Registrars Limited, which was appointed to provide registrar services pursuant to a registrar agreement dated 15 November 2012. The maximum fee payable under this agreement is £20,000.</p>
B.41	Regulatory status of investment manager and custodian	<p><i>Investment manager</i></p> <p>Not applicable; there is no investment manager to the Company.</p> <p><i>Investment adviser</i></p> <p>Not applicable; there is no investment adviser to the Company.</p> <p><i>Custodian</i></p> <p>Not applicable; there is no custodian to the Company.</p> <p><i>Trustee</i></p> <p>The London & Stamford Group has a 31.4 per cent. interest in LSP Green Park Property Trust, a Guernsey registered trust. Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited (both of which are regulated by Guernsey Financial Services Commission) are the trustees of the LSP Green Park Property Trust.</p> <p>The London & Stamford Group has a 100 per cent. interest in London & Stamford Offices Trust, a Guernsey registered trust. Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited (both of which are regulated by Guernsey Financial Services Commission) are the trustees of the London & Stamford Offices Trust.</p> <p>The London & Stamford Employee Benefit Trust is an employee share scheme which holds Ordinary Shares for the benefit of employees that have been granted conditional awards under the London & Stamford Share Plan. Ogier Employee Benefit Trustee Limited (which is regulated by the Jersey Financial Services Commission) is the trustee of the London & Stamford Employee Benefit Trust.</p>
B.42	Calculation of net asset value	<p>The Enlarged Company's NAV per Ordinary Share will be calculated half yearly, as at 31 March and 30 September in each year, and published at the same time as the corresponding preliminary or interim results.</p>

Element	Disclosure requirement	Disclosure
B.43	Cross liability	Not applicable; London & Stamford is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44	No financial statements have been made up	Not applicable; London & Stamford has commenced operations and historical financial information is included within this document.
B.45	Portfolio	The London & Stamford Group's Property Portfolio comprises of 19 investments all of which are located in the UK. The London & Stamford Group's Property Portfolio includes residential, distribution, office, business space and other real estate assets.
B.46	Net asset value	The unaudited Net Asset Value per Ordinary Share at 30 September 2012 was 112.3 pence (114.0 pence calculated in accordance with EPRA guidelines).

Section C—Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of securities being offered	In consideration of the acquisition to be effected by the Merger, London & Stamford intends to issue 178,600,000 ordinary shares of 10 pence each in the capital of London & Stamford (" New Ordinary Shares ") (assuming that the maximum number of New Ordinary Shares are issued in connection with the Merger) to the Scheme Shareholders. The ISIN of the New Ordinary Shares is GB00B4WFW713.
C.2	Currency of the securities	Pounds sterling in respect of the Ordinary Shares and the New Ordinary Shares.
C.3	Number of shares in issue	As at the close of business on 23 November 2012 (the latest practicable date prior to publication of this document), the Company has 542,795,171 fully paid Ordinary Shares in issue. The Company has no partly paid Ordinary Shares in issue.
C.4	Description of the rights attaching to the securities	The New Ordinary Shares will, when issued, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue. The New Ordinary Shares will not rank for the interim dividend announced in respect of the six-month period to 30 September 2012.
C.5	Restrictions on the free transferability of the securities	The Ordinary Shares are freely transferrable subject to the following restrictions which are contained in the Articles: (i) the Board may decline to recognise any instrument or transfer unless it is: in respect of only one class of shares; in favour of not more than four joint transferees; duly stamped (if required); not in favour of a minor, infant, bankrupt or person with mental disorder; and lodged at the registered office of London & Stamford, accompanied by the certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) the Board may refuse to register any transfer of a

Element	Disclosure requirement	Disclosure
		<p>certificated share which is not fully paid; and (iii) the Board may, in circumstances permitted by the UK Listing Authority and the London Stock Exchange, disprove a transfer of any share, provided that exercise of such powers does not disturb the market in the shares.</p> <p>The making of the proposed offer of New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares.</p>
C.6	Admission	<p>The Existing Ordinary Shares are listed in the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 28 January 2013. No application is currently intended to be made for New Ordinary Shares to be admitted to listing or dealt with on any other exchange.</p>
C.7	Dividend policy	<p>It is the intention of the Directors that the Company will pay dividends from surplus income to the extent that such income is distributable. Where opportunities exist that fit the London & Stamford Group's investment criteria, the London & Stamford Group may reinvest disposal proceeds.</p> <p>The Company is required to meet a minimum distribution test for each year that it is the principal company of a group UK-REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of the Property Rental Business for each year. The issue of stock dividends counts towards the minimum distribution test. The Board continues to believe that a continuation of London & Stamford's dividend policy of recent years will enable the Company to continue to meet this minimum distribution requirement.</p> <p>There can be no guarantee as to the amount of any dividend payable by the Company.</p>

Section D—Risks

Element	Disclosure requirement	Disclosure
D.1	Key information on the key risks that are specific to the issuer or its industry	<ul style="list-style-type: none"> The Enlarged Group's business and performance will depend on, and may be materially adversely affected by, general property and investment market conditions as well as conditions specific to the Enlarged Group's investments such as decreases in capital values and weakening of rental yields. The Enlarged Group's ability to dispose of its

Element	Disclosure requirement	Disclosure
		<p>properties, and the price realised in any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal.</p> <ul style="list-style-type: none"> • Market conditions may delay or prevent the Enlarged Group from making appropriate investments that generate attractive or acceptable returns. As evident during the recent market downturn, market conditions have had a significant negative impact on the availability of credit, property pricing and liquidity levels. Adverse market conditions and their consequences may have a material adverse effect on the Enlarged Group's net asset value or its ability to make distributions to Shareholders. • The valuation of property and property-related assets is inherently subjective and uncertain, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate, and, in part because of the individual nature of each property. Valuations of the Enlarged Group's investments may not reflect actual sale prices even where a sale occurs shortly after the relevant valuation date. • The Enlarged Group may suffer from delays in locating and acquiring investments on a timely basis as a result of limited availability of suitable investments, competition from other property investors and/or lack of access to debt or access to debt on more expensive terms. The Enlarged Group's inability to select and invest, alone or as co-owner, in properties on a timely basis may have a material adverse effect on the potential returns to Shareholders and delay or limit distributions to Shareholders by the Enlarged Company. • The Enlarged Group is exposed to risks relating to its indebtedness in the longer term and its level of gearing which, if they materialise, could have a material adverse effect on the Company's ability to make distributions to Shareholders. London & Stamford's and Metric's incurrence of floating rate debt will expose it to risks associated with movements in interest rates. • The Enlarged Group is subject to the risk of contracting counterparties (primarily providers of capital to the Enlarged Group or joint venture partners) failing to meet their obligations. A default by a major tenant or a significant number of tenants in the Enlarged Group's Property Portfolio could result in a significant loss of rental income, void costs, a reduction in asset value and increased bad debts. • The Enlarged Group is reliant on the performance and retention of key personnel. • There is no guarantee that the Enlarged Group will maintain UK-REIT status. If the Enlarged Group fails to maintain such status or fails to comply with all UK-REIT conditions HMRC may require the Enlarged Group to exit the UK-REIT regime. If London & Stamford fails to remain qualified as a UK-REIT, its rental income and gains will be subject to UK taxation and it may be disqualified from being a UK-REIT.

Element	Disclosure requirement	Disclosure
		This would cause the Enlarged Group's rental income and gains to be subject to UK tax and could reduce London & Stamford's reserves available to make distributions to Shareholders and the yield on the Ordinary Shares.
D.3	Key information on the risks specific to the securities	<ul style="list-style-type: none"> London & Stamford is unable to predict whether the New Ordinary Shares issued will be able to be sold in the open market. Any sales of substantial amounts of New Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares. The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Ordinary Shares or securities similar to them (both in connection with the market approval of its current strategy or if the Enlarged Group's operating results and prospects from time to time are below the expectations of market analysts and investors) or in response to various facts and events, including any regulatory changes affecting the Enlarged Group's operations, half yearly or yearly operating results or business developments of the Enlarged Group or its competitors. The market price of the Ordinary Shares may be subject to wide fluctuations in response to general stock market fluctuations and economic conditions or changes in political sentiment that may adversely affect the market price of the Ordinary Shares, regardless of the Enlarged Group's actual performance or conditions in its key markets. If London & Stamford elects to increase its capital it may require further equity financing, which may be dilutive to the Company's then existing Shareholders. London & Stamford may also issue new Ordinary Shares in the future pursuant to a share option plan, which may dilute Shareholders' equity.

<i>Section E—Offer</i>		
Element	Disclosure requirement	Disclosure
E.1	Net proceeds and costs of the offer	The total costs and expenses of or incidental to the offer and the issue of New Ordinary Shares payable to advisers, legal and accounting fees and expenses, and the costs of printing and distribution of documents are estimated to amount to approximately £4.1 million (including VAT).
E.2a	Reason for offer and use of proceeds	The offer is being made in order for London & Stamford to acquire the entire share capital of Metric, thereby effecting a merger between the London & Stamford Group and the Metric Group.
E.3	Terms and conditions of the offer	Under the terms of the Merger, which will be subject to the Conditions (which will be set out in full in the Scheme Document), Metric Shareholders will be entitled to receive from London & Stamford: 0.94 New Ordinary Shares for each Metric Ordinary Share

Element	Disclosure requirement	Disclosure
		<p>On the basis of the Closing Price per Ordinary Share of 108.4 pence on 23 November 2012 (the latest practicable date prior to the publication of this document), the Merger values each Metric Ordinary Share at 101.9 pence and the entire issued and to be issued share capital of Metric at approximately £193.6 million.</p> <p>The Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include: approval of the Resolutions to: (i) approve, effect and implement the Merger; and (ii) confer the authorities for the issue and allotment of the New Ordinary Shares by Shareholders (if any); approval of the special resolutions proposed at the Metric Court Meeting by the requisite majority of Scheme Shareholders; approval of the resolutions necessary to implement the Scheme and to sanction the related Capital Reduction by the requisite majority of Metric Shareholders at the Metric General Meeting; the sanction of the Scheme and confirmation of the related Capital Reduction by the Court; and the UK Listing Authority and the London Stock Exchange approving the admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities.</p> <p>The Metric Ordinary Shares will be acquired pursuant to the Merger fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.</p> <p>Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 28 January 2013.</p>
E.4	Material interests	Not applicable; there are no interests, known to London & Stamford, material to the issue of New Ordinary Shares or which are conflicting interests.
E.5	Name of person selling securities / lock-up agreements	<p>Not applicable; there are no entities or persons offering to sell Ordinary Shares.</p> <p>Not applicable; there are no lock-up agreements.</p>
E.6	Dilution	Subject to the Merger becoming Effective, up to 178,600,000 New Ordinary Shares will be issued. This will result in London & Stamford's issued share capital increasing by approximately 32.9 per cent. If the Merger becomes Effective, Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 75 per cent. of the Enlarged Share Capital before the Tender Offer.
E.7	Expenses charged to the Investor	Not applicable; no expenses will be charged to any investor by the Company in respect of the Proposals.

PART 2

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of Forms of Proxy (or electronic/ CREST proxy instructions) for the London & Stamford General Meeting	10.30 p.m. on 13 December 2012
Record date for eligibility to vote at the London & Stamford General Meeting	6.00 p.m. on 13 December 2012
London & Stamford General Meeting to approve the Proposals	10.30 a.m. on 17 December 2012
Announcement of the results of the London & Stamford General Meeting	17 December 2012
Metric Court Meeting	10.00 a.m. on 21 December 2012
Metric General Meeting	10.15 a.m. on 21 December 2012 ⁽¹⁾
Announcement of the results of the Metric Court Meeting and the Metric General Meeting	21 December 2012
Last day for dealings in, and for registration of transfers and disablement in CREST of, Metric Ordinary Shares	23 January 2013
Scheme Record Time	6.00 p.m. on 23 January 2013
Metric Court Hearing to sanction the Scheme and to confirm the Capital Reduction	24 January 2013
Effective Date of the Scheme	25 January 2013
Cancellation of Metric's admission to trading on the London Stock Exchange's Main Market for listed securities and cessation of dealings in Metric Ordinary Shares	28 January 2013
New Ordinary Shares to be issued	28 January 2013
Admission of the New Ordinary Shares to the Official List and commencement of dealings in New Ordinary Shares on the London Stock Exchange	8.00 a.m. on 28 January 2013
CREST member's accounts credited in respect of New Ordinary Shares in uncertificated form	as soon as possible after 8.00 a.m. on 28 January 2013
Launch of the Tender Offer and publication and posting of the Tender Offer Document	by 31 January 2013
Despatch of definitive share certificates for New Ordinary Shares in certificated form	by 4 February 2013

Each of the times and dates in the expected timetable are indicative only and may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider.

All reference to times are to London times.

(1) The Metric General Meeting will commence at 10.15 a.m. on 21 December 2012, or if later, as soon as thereafter as the Court Meeting has been concluded or adjourned.

PART 3
SHARE CAPITAL STATISTICS

Number of Existing Ordinary Shares	542,795,171
Number of New Ordinary Shares expected to be issued to Metric Shareholders pursuant to the Scheme	178,600,000
Enlarged Share Capital before the Tender Offer	721,395,171
New Ordinary Shares as a percentage of Enlarged Share Capital prior to the Tender Offer	25 per cent.
Maximum number of Ordinary Shares to be purchased as part of the Tender Offer	88,573,959
Number of Ordinary Shares in issue immediately following the Proposals*	632,821,212
ISIN number for Existing Ordinary Shares and the New Ordinary Shares	GB00B4WFW713

* Assuming the Tender Offer is taken up in full at 112.9 pence per Ordinary Share and excluding any Ordinary Shares acquired by the Company pursuant to the Existing Management Incentives Termination Agreement.

PART 4

LONDON & STAMFORD DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors*

Raymond Mould	<i>(Executive Chairman)</i>
Patrick Vaughan	<i>(Chief Executive)</i>
Martin McGann	<i>(Finance Director)</i>
Charles Cayzer	<i>(Non-executive Director)</i>
Mark Burton	<i>(Non-executive Director)</i>
Richard Crowder	<i>(Non-executive Director)</i>
Humphrey Price	<i>(Non-executive Director)</i>
James Dean	<i>(Non-executive Director)</i>

Proposed Directors**

Andrew Jones	<i>(Chief Executive)</i>
Andrew Huntley	<i>(Non-executive Director)</i>
Alec Pelmore	<i>(Non-executive Director)</i>
Andrew Varley	<i>(Non-executive Director)</i>
Philip Watson	<i>(Non-executive Director)</i>

Company Secretary

Jadzia Duzniak

Registered office of the Company and business address of each of the Directors

21 St. James's Square
London
SW1Y 4JZ

Joint Sponsors, Joint Financial Advisers and Joint Brokers

Credit Suisse Securities (Europe) Limited	Peel Hunt LLP
One Cabot Square	Moor House
London E14 4QJ	120 London Wall
	London EC2Y 5ET

Legal advisers to the Company as to English law

Nabarro LLP
Lacon House
84 Theobald's Road
London WC1X 8RW

Legal advisers to the Joint Sponsors, Joint Financial Advisers and Joint Brokers

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Auditors and reporting accountant to the Company

BDO LLP
55 Baker Street
London
W1U 7EU

* Raymond Mould and Richard Crowder will retire as Directors with effect from the Effective Date.

** The Proposed Directors will become directors of the Enlarged Company.

Tax advisers to the Company

PricewaterhouseCoopers LLP
1 Embankment Place London
WC2N 6RH

Registrars

Capita Registrars
34 Beckenham Road
Beckenham, Kent
BR3 4TU

Receiving Agent

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public relations adviser

Kreab Gavin Anderson
85 Strand
London WC2R 0DW

Property valuers

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

Savills Advisory Services Limited
20 Grosvenor Hill
London W1K 3HQ

Bankers

Bank of Scotland PLC
The Mound
Edinburgh EH1 1YZ

Landesbank Hessen-Thüringen Girozentrale
95 Queen Victoria Street
London
EC4V 4HN

Royal Bank of Scotland plc
36 St. Andrew Square
Edinburgh EH2 2YB

Metropolitan Life Insurance Company
200 Park Avenue
New York 10166

Deutsche Postbank AG—London Branch
61 Queen Street
London EC4R 1AF

Santander Corporate Banking
2 Triton Square
Regent's Place
London
NW1 3AN

DekaBank Deutsche
Girozentrale
Mainzer Landstraße 16
60325 Frankfurt

PART 5

RISK FACTORS

Any investment in Ordinary Shares is subject to a number of risks. Prospective investors should carefully consider all the information in this document, including the risks described below. The risks below are all of those which the Directors are aware of and which they consider material. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently consider immaterial, may also adversely affect the Enlarged Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Enlarged Group's business, financial condition and/or operational performance could be materially adversely affected. In that case, the trading price of the Ordinary Shares may decline and potential investors may lose all or part of the value in their investments.

An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments in shares or other securities.

RISKS RELATING TO THE ENLARGED GROUP AND ITS BUSINESS

The Enlarged Group's performance will depend on general property and investment market conditions

The Enlarged Group's performance will be affected by general conditions affecting the commercial rental market as a whole and/or events specific to the Enlarged Group's investments, such as a decrease in capital values and weakening of rental yields. The value of commercial and residential real estate in the UK declined sharply as a result of economic recession, the credit crisis and a reduced confidence in the global financial markets caused by the failure, or near-collapse, of a number of global financial institutions in 2008.

The Enlarged Group's business and results of operations may be materially adversely affected by the following factors outside of its control:

- general economic factors which may affect rental income, such as inflation, fluctuations in interest rates, levels of employment and gross domestic product;
- a general commercial or property market contraction;
- a decline in commercial or rental values;
- changing demand for commercial property and changing supply within a particular geographic location;
- the attractiveness of property relative to other investment choices;
- the availability of credit; and
- changes in laws and governmental regulations in relation to property, including those governing permitted and planning usage, taxes and government charges, health and safety and environmental compliance.

Such events could lead to an increase in capital or expenditure running costs of the Enlarged Group and/or reduce the rental and/or capital values of the Enlarged Group's property assets and, consequently, may have a material adverse effect on the Enlarged Group's business prospects and results of operations.

Market conditions may also have a negative impact on property management performance fees received by the Enlarged Group in its capacity as property manager.

The Enlarged Group's rental income may be adversely affected by increasing competition from other property owners, the insolvency of tenants, or increasing operating costs

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs

thereof, the costs of maintenance and insurance and increased operating costs. Similarly, rent reviews may not result in rental income from any property being received at such properties at the expected rental value. In addition, certain significant expenditures, including operating expenses, must be met by the owner when a property is vacant.

Market conditions may delay or prevent the Enlarged Group from making appropriate investments that generate attractive returns

Market conditions may have a negative impact on the Enlarged Group's ability to identify and execute investments in suitable assets that generate acceptable returns. As evident during the market downturn, market conditions have had a significant negative impact on the availability of credit, property pricing and liquidity levels. Lenders have also tightened their lending criteria, lending lower multiples of income and lowering loan to value ratios which will impact the Enlarged Group which will finance acquisitions through borrowings. Depressed market conditions may also restrict the supply of suitable assets that may generate acceptable returns and adverse market conditions may lead to increasing numbers of tenant defaults. Adverse market conditions and their consequences may have a material adverse effect on the Enlarged Group's net asset value or its ability to make distributions to Shareholders.

Market conditions will affect the Enlarged Group's ability to adjust its Property Portfolio strategically

Whilst the Enlarged Group is not a limited life company, and is under no obligation to sell its assets within a fixed time frame, there can be no assurance that, at the time the Enlarged Group seeks to dispose of its assets, conditions in the relevant market will be favourable or that the Enlarged Group will be able to maximise the returns on such disposed assets. As property assets are relatively illiquid, such illiquidity may affect the Enlarged Group's ability to adjust, dispose of or liquidate its portfolio in a timely fashion and at satisfactory prices. To the extent that market conditions are not favourable, the Enlarged Group may not be able to dispose of property assets at a gain. If the Enlarged Group were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in Net Asset Value and this may have a negative impact on the Enlarged Group's business and results of operations. As a result of the foregoing, there can be no assurances that the Enlarged Group's Property Portfolio can generate attractive returns for its Shareholders.

Further, in acquiring a property, the Enlarged Group may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. In addition, in circumstances where the Enlarged Group purchases properties when capitalisation rates are low and purchase prices are high, the value of its properties may not increase over time. This may restrict the Enlarged Group's ability to sell its properties, or in the event that it is able to sell such property, may lead to losses on the sale.

Property valuation is inherently subjective and uncertain

The valuation of the Enlarged Group's property and property-related assets is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate, and, in part because of the individual nature of each property. This is particularly so where there has been more limited transactional activity in the market against which the Enlarged Group's property valuations can be benchmarked by the Enlarged Group's independent third-party valuation agents. Valuations of the Enlarged Group's investments may not reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

The Enlarged Group may invest in properties through investments in various property-owning vehicles, and may in the future utilise a variety of investment structures for the purpose of investing in property. Where a property or an interest in a property is acquired through a company or investment structure, the value of the company or investment structure may not be the same as the value of the underlying property due, for example, to tax, environmental, contingent, and contractual or other liabilities, or structural considerations. As a result, there can be no assurance that the value of investments made through those structures will fully reflect the value of the underlying property.

The Enlarged Group may suffer from delays in locating and acquiring and disposing of suitable investments

The Enlarged Group's business strategy is to create and actively manage a property investment portfolio in the UK. Locating suitable properties and negotiating acceptable purchase contracts, conducting due diligence and ultimately investing in a property typically requires a significant amount of time. The Enlarged Group may face delays in locating and acquiring suitable investments. The Enlarged Group's inability to select and invest, alone or as co-owner, in properties on a timely basis may have a material adverse effect on the potential returns to Shareholders and delay or limit distributions to Shareholders by the Enlarged Group.

Competition may affect the ability of the Enlarged Group to make appropriate investments

The Enlarged Group expects to face competition from other property investors. Competitors may have greater financial resources than the Enlarged Group and a greater ability to borrow funds to acquire properties. Competition in the property market may also lead either to an over-supply of property through over-development or higher prices for existing properties being driven up through competing bids by potential purchasers. There can be no assurance that the Enlarged Group will be successful in sourcing suitable investments or that the Enlarged Group will make any investments in property assets at all. The existence and extent of competition in the property market may have a material adverse effect on the Enlarged Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis.

The Enlarged Group's due diligence may not identify all risks and liabilities in respect of an acquisition

Prior to entering into an agreement to acquire any property, the Enlarged Group will perform due diligence on the proposed investment. In doing so, it would typically rely in part on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). To the extent that the Enlarged Group or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, the Enlarged Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or the Enlarged Group may be unable to obtain necessary permits.

If there is a due diligence failure, there may be a risk that properties are acquired that are not consistent with the Enlarged Group's investment strategy or that properties are acquired that fail to perform in accordance with projections.

In particular, environmental liabilities may result in significant investigation, removal, or remediation costs. Investigation, removal, or remediation required by governmental authorities under environmental regulations, or in connection with a change in use or redevelopment, may impose substantial costs on the Enlarged Group regardless of whether the Enlarged Group originally caused the contamination. In addition, such environmental liabilities could adversely affect the Enlarged Group's ability to sell, lease or redevelop the property, or to borrow using the property as security. Laws and regulations, which may be amended over time, may also impose liability for the release of certain materials, including asbestos, into the air or water from a property investment, and such release can form the basis for liability to third persons for personal injury or other damages. Other environmental laws and regulations limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. In the event the Enlarged Group's due diligence fails to uncover material defects or liabilities, including environmental liabilities, which are not covered by insurance proceeds, this may have a material adverse effect on the Enlarged Group's results of operations and, financial condition.

The Enlarged Group will undertake limited due diligence in connection with any investments it makes in other property-holding vehicles

The Enlarged Group may invest in different types of entities which may themselves invest in a variety of real estate assets. In evaluating such an investment opportunity, the Enlarged Group will rely on publically available information, information provided to it by the relevant investment manager and information gathered by its employees during due diligence carried out in respect of the investment vehicle. The Enlarged Group does not propose to carry out operational due diligence on the relevant investment managers and investee funds. The Enlarged Group may not uncover all relevant information in evaluating a potential investment; furthermore, analysis of past performance may not be indicative of

potential future returns. There is a risk that, by not conducting operational due diligence, the Enlarged Group may suffer loss resulting from operational deficiencies, omissions or fraud at the level of the investment vehicle's underlying investments.

Investment decisions of underlying investment managers

If the Enlarged Group invests in entities whose assets are managed by an independent investment manager, an investment in the Enlarged Group may be affected by the policies and decisions of the underlying investment manager. The value of the underlying investments may fluctuate as a result of several different causes, which may in turn affect the net asset value of the Enlarged Group. The Enlarged Group may have limited or no control over the decisions of a third party investment manager.

Any costs associated with potential investments that do not proceed to completion will affect the Enlarged Group's performance

The Enlarged Group expects to incur certain third-party costs in respect of potential investment acquisitions, including in connection with financing, valuations and professional services associated with the sourcing and analysis of suitable assets. There can be no assurance as to the level of such costs, and given that there can be no guarantee that the Enlarged Group will be successful in its negotiations to acquire any given property, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Enlarged Group's results of operations and financial condition.

Availability of debt may affect the Enlarged Group's ability to acquire investments

It is likely that the Enlarged Group will use part of its existing cash resources and incur additional borrowings to finance additions to the Property Portfolio. Lack of access to debt or on more expensive terms may adversely affect the net revenue of the Enlarged Group.

The Company's incurrence of floating rate debt will expose it to risks associated with movements in interest rates

The Company anticipates incurring debt with interest payable based on LIBOR or other fluctuating base rates. Whilst the Company intends to hedge its interest rate exposure on such borrowings, such measures may not be sufficient to protect the Company from risks associated with movements in prevailing interest rates, to the extent that the interest rate risk on such borrowings is unhedged or such hedges are inadequate to fully protect against interest rate fluctuations. Increased exposure to interest rate movements may have a material adverse effect on the Company's results of operations.

The Enlarged Group is exposed to risks relating to its indebtedness in the longer term and its level of gearing

It is likely that the Enlarged Group will part use its existing cash resources and incur additional borrowings to finance additions to the Property Portfolio. On a pro forma basis as at 30 September 2012 the Group had significant cash balances and a modest level of leverage. The Enlarged Group's ability to generate sufficient cash flow to make scheduled interest payments on its indebtedness in the longer term and the Enlarged Group's ability to refinance its indebtedness when due will depend on its future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside the Enlarged Group's control. The first significant maturity of the London & Stamford Group's financing facilities is the Landesbank Facility which is due to be repaid in January 2015.

If in the future the Enlarged Group's gearing level increases, the volatility of the Enlarged Group's financial performance may increase and the effect of any change in the valuation of the Enlarged Group's assets on its financial position and results of operations may be amplified, shareholder returns will increase through the use of gearing where the value of the Enlarged Group's underlying assets is rising but will decrease where the underlying asset value is falling.

Additionally, in the event that the rental income of the Property Portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Enlarged Group. Moreover, in circumstances where the value of the Enlarged Group's assets are declining, the use of borrowings by the Enlarged Group may depress its Net Asset Value.

Each of the foregoing events could have a material adverse effect on the Company's ability to make distributions to Shareholders.

A default by a major tenant or a significant number of tenants in the Enlarged Group's Property Portfolio could result in a significant loss of rental income, void costs, a reduction in asset value and increased bad debts

The majority of the Enlarged Group's revenue is derived directly or indirectly from rent received from a number of tenants operating within a number of sectors. The London & Stamford Group's top five tenants accounted for 67 per cent. of the London & Stamford Group's rent roll as at 30 September 2012. A downturn in business, bankruptcy or insolvency could force the Enlarged Group's tenants to default on their rental obligations and/or vacate the premises. Such a default, in particular by a series of the Enlarged Group's tenants in any one asset or by several of the Enlarged Group's tenants could result in a significant loss of rental income, void costs, an increase in bad debts and a decrease in the value of the Enlarged Group's Property Portfolio. Such a default may also prevent the Enlarged Group from increasing rents or result in lease terminations by, or reductions in rent for, other tenants.

There is no guarantee that the investment objectives of the Enlarged Group will be met

There can be no guarantee that the investment objectives of the Enlarged Group will be met. The results of the Enlarged Group's operations will depend on the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial markets and general economic conditions.

The Enlarged Group's performance will depend on its ability to manage its property assets successfully

Revenues earned from, and the capital value and disposal value of, properties held by the Enlarged Group and the Enlarged Group's business may be materially adversely affected by a number of factors inherent in property investment, including, but not limited to:

- decreased demand by potential tenants for properties;
- inability to recover operating costs such as local taxes and service charges on vacant space;
- exposure to the creditworthiness of tenants, including the inability to collect rent and other contractual payments from tenants (which includes the risk of tenants defaulting on their obligations and seeking the protection of bankruptcy laws), which could result in delays in receipt of rental and other contractual payments, inability to collect such payments at all, the re-negotiation of tenant leases on terms less favourable to the Enlarged Group, or the termination of tenant leases;
- material declines in rental values;
- defaults by a number of tenants with material rental obligations (including pre-let obligations) or a default by a significant tenant at a specific property that may hinder or delay the sale of such property;
- material litigation with tenants;
- material expenses in relation to the construction of new tenant improvements and re-letting a relevant property, including the provision of financial inducements to new tenants such as rent free periods;
- reduced access to financing for tenants, thereby limiting their ability to alter existing operations or sites or to undertake expansion plans; and
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation if it exceeds rental growth, property taxes and other statutory charges, insurance premiums and other void costs, and unforeseen capital expenditure affecting the properties which cannot be recovered from tenants.

If the Enlarged Group's revenues earned from tenants, or the value of its properties are adversely impacted by the above or other factors, the Enlarged Group's business prospects, results of operations and cash flows may be materially adversely affected.

The past performance of the Enlarged Group Board is not a guarantee of the future performance of the Enlarged Group

The Enlarged Group has presented certain information in this document regarding the past performance of the Enlarged Group Board in respect of other companies and funds, including Arlington, Pillar and British Land. The past performance of the Enlarged Group Board is not indicative, or intended to be indicative, of future performance or results of the Enlarged Group for several reasons. For example:

- the structure, term, leverage, strategies and investment objectives and policies of the Enlarged Group, on the one hand, and the previous companies and funds with which the Enlarged Group Board were associated, on the other hand, may affect their respective returns;
- other companies and funds with which the board of directors of the Enlarged Company were associated involved teams and human resources that are different from those of the Enlarged Group;
- conditions in the UK commercial property, investment and credit markets prevailing when the board of directors of the Enlarged Company managed such other companies and funds may be different from those conditions that will be relevant to the Enlarged Group; and
- the future performance and results of the Enlarged Group will be subject to fluctuating market conditions, changes in macro-economic factors and the availability of financing.

Accordingly, there can be no assurance that the Enlarged Group will have the same opportunities to invest in assets that generate similar returns to such other companies and funds.

The Enlarged Group is reliant on the performance and retention of key personnel

The London & Stamford Group is, and the Enlarged Group will be, internally managed and will rely on its property advisers and their experience, skill and judgment, in identifying, selecting and negotiating the acquisition of suitable investment opportunities. The Enlarged Group will also rely on the Directors to manage the day-to-day affairs of the Enlarged Group. There can be no assurance as to the continued service of these individuals as directors and employees of the Enlarged Group. The departure of any of these individuals from the Enlarged Group without adequate replacement may have a material adverse effect on the Enlarged Group's business prospects and results of operations.

Management may not be sufficiently incentivised going forward

In accordance with the terms of the Existing Management Incentive Termination Agreement the Existing Management Incentive Arrangement will be terminated once the Merger becomes Effective.

The executive directors of Metric are currently eligible to participate in the Metric Management Incentive Plan and the Metric Matching Share Plan, which are further described in detail in paragraph 14.2.3 of Part 20 of this document. As set out in paragraph 14.2.3 of Part 20 of this document, all of the executive directors of Metric have been granted awards under the Metric Matching Share Plan. The Metric Management Incentive Plan, Metric Matching Share Plan and the Metric Company Share Option Plan will be wound up upon the Scheme becoming effective as described in paragraph 15 of Part 7 of this document. If the Scheme becomes effective, the executive directors of Metric will receive New Ordinary Shares in exchange for their Metric Ordinary Shares. Such New Ordinary Shares will not be subject to a lock-in.

As such, after the Scheme becomes effective, the board of directors of the Enlarged Company will not have any incentive arrangements in place (other than their salary and cash bonuses).

The proposed board of directors of the Enlarged Company intends to put in place new incentive arrangements in respect of the proposed executive directors of the Enlarged Company and the proposed executive committee of the Enlarged Group in order to greater align the interests of the management of the Enlarged Group with those of Shareholders going forward. There can be no guarantee that such new incentive arrangements would be approved by Shareholders, or that they would sufficiently align the interests of the management of the Enlarged Group and Shareholders.

The Enlarged Group has entered into joint ventures over which the Enlarged Group may not have full control and in respect of which it may have contingent liabilities

The London & Stamford Group has entered into the Green Park joint venture, Green Park Distribution joint venture and the Central London Residential joint venture, and the Metric Group has entered into the

Metric Income Plus Limited Partnership joint venture and the Mercian Developments Limited joint venture. Under such arrangements the Enlarged Group will be required to share control and specified major decisions require the approval of the Enlarged Groups joint venture partners including decisions to sell, retain or develop assets.

The Enlarged Group will also be required, in certain circumstances, to provide additional funding to the joint ventures, subject to the terms and conditions of its investment policy.

The Enlarged Group's joint venture partners may have economic or business interests that are inconsistent with the Enlarged Group's objectives or the joint venture partners could face severe financial distress or become insolvent, potentially leaving the Enlarged Group liable for its share of any liabilities relating to the investment or joint venture or otherwise prejudicing the investment or joint venture.

If, in respect of the Green Park joint venture, Green Park Distribution joint venture or the Central London Residential joint venture the Enlarged Group fails to provide funding as required under the terms of the relevant joint venture agreement, the parties are deadlocked on a decision or otherwise breaches the terms of the relevant joint venture agreement it may be required to offer its interest in the joint venture for sale to its joint venture partner at a determined price. This may be less than the then market value of such interest. In addition, there are restrictions on the Enlarged Group's ability to transfer its interests in its joint ventures. Each of the Metric Income Plus Limited Partnership and the Mercian Developments Limited joint ventures may be terminated by the contractual counterparty if the Enlarged Group breaches the terms of the relevant joint venture agreement. If any of these events were to occur, it would have a negative impact on the financial performance of the Enlarged Group.

The Green Park joint venture may not be extended beyond its initial term which would result in a loss of future income and fire power to the Enlarged Group.

The Enlarged Group may not acquire 100 per cent. control of its various investments and may be subject to the risks associated with joint venture investments

Pursuant to the Enlarged Group's investment strategy, the Enlarged Group may enter into a variety of investment structures in which the Enlarged Group acquires less than a 100 per cent. interest in a particular asset or entity and the remaining ownership interest is held by one or more third parties. These joint venture arrangements may expose the Enlarged Group to the risk that:

- third-party owners become insolvent or bankrupt, or fail to fund their share of any capital contribution which might be required;
- third-party owners may have economic or other interests that are inconsistent with the Enlarged Group's interests and are in a position to take or influence actions contrary to the Enlarged Group's interests and plans (for example, in implementing active asset management measures), which may create impasses on decisions and affect the Enlarged Group's ability to implement its strategies and/or dispose of the asset or entity;
- disputes develop between the Enlarged Group and third parties who have an interest in the asset or entity in question, with any litigation or arbitration resulting from any such disputes increasing the Enlarged Group's expenses and distracting the Directors from their other managerial tasks;
- third-party owners do not have enough liquid assets to make cash advances that may be required in order to fund operations, maintenance and other expenses related to the property, which could result in the loss of current or prospective tenants and may otherwise adversely affect the operation and maintenance of the property;
- a co-owner breaches agreements related to the property, which may cause a default under such agreements and result in liability of the Enlarged Group and otherwise materially adversely affect the co-ownership arrangement;
- the Enlarged Group may, in certain circumstances, be otherwise liable for the actions of third-party owners; and
- a default by any co-owner could constitute a default under applicable mortgage loan financing documents, which could result in a foreclosure and the loss of all or a substantial portion of the investment made by the co-owner.

Any of the foregoing may subject a property to liabilities in excess of those contemplated by the Company and thus reduce amounts available for distribution to the Shareholders.

The Enlarged Group may invest in types of property assets other than UK properties and may be subject to risks associated with such investments

The Enlarged Group may consider investing in property assets outside the UK. To the extent that the Enlarged Group invests in other types of property assets outside the UK property sector, the Enlarged Group may be subject to other risks associated with such investments including that such investments may not (as a class and/or in terms of geographical situation) be as familiar to the Directors as the UK sector or may not provide the type of returns that the Directors would normally expect would be generated by the UK sector.

The Enlarged Group's assets may include securities in different types of entities, which may expose the Enlarged Group to investment risk that differs from risks associated with direct investment in real estate

The Enlarged Group may invest in different types of entities. The market prices of securities in listed funds may be volatile and are likely to fluctuate due to a number of factors beyond the Enlarged Group's control, which factors may, but need not be, the same as those that bear on the value of direct investments in real estate. If the market prices of these securities decrease, the Enlarged Group's financial condition may be materially adversely affected.

The Enlarged Group is subject to the risk of contracting counterparties failing to meet their obligations

The Enlarged Group engages in contractual relationships with third parties in the ordinary course of business. For the Enlarged Group, this relates primarily to tenants of the Enlarged Group's properties, providers of capital to the Enlarged Group or joint venture partners.

In circumstances where the Enlarged Group seeks to create value by undertaking refurbishment of its property assets, it will typically be dependent on the performance of third-party contractors who might undertake the management or execution of such development on behalf of the Enlarged Group. The Enlarged Group may also rely on third-party contractors to assist in the management of its properties.

The failure of third parties to fulfil their contractual responsibilities could place the Enlarged Group and its business at risk. Examples of such failures include a bank defaulting on its commitment to provide financing to a purchaser, purchasers defaulting in respect of the purchase of a property from the Property Portfolio, costs overrun in relation to services provided by third party contractors or tenants of the Property Portfolio becoming insolvent or defaulting on rental payments.

In addition, if one of the Enlarged Group's major counterparties such as a joint venture partner defaulted on its obligations to members of the Enlarged Group, this could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group may suffer losses in excess of insurance proceeds, if any, or from uninsurable events

The Enlarged Group's properties may suffer physical damage resulting in losses (including loss of rent) which may not be fully compensated for by insurance, or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Enlarged Group may lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Enlarged Group could be liable to repair damage caused by uninsured risks. The Enlarged Group might also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Enlarged Group's business prospects, results of operations and financial condition.

The Enlarged Group may be subject to liability following the disposal of investments

The Enlarged Group may be exposed to future liabilities and/or obligations with respect to disposal of investments. The Enlarged Group may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Enlarged Group may be required to pay damages (including litigation costs) to a purchaser to the extent that any representations

or warranties that it had given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any representations and warranties incorrectly given could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Enlarged Group may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments can also continue to exist notwithstanding any disposal, such as certain environmental liabilities. Any such claims, litigation or obligations, and any steps which the Enlarged Group is required to take to meet these costs, such as sales of assets or increased borrowings, may have a material adverse effect on the Enlarged Group's results of operations, financial condition and business prospects.

Disposal of properties may have negative implications, including unfavourable tax consequences

Although the Enlarged Group is not a trading group, if the Enlarged Group disposes of a property in a manner indicative of a company that is trading in property rather than investing, the property may be treated as having been disposed of in the course of a trade, and any gain will be subject to corporation tax at regular corporate rates. For example, acquiring a property with a view to sale followed by a disposal on completion of the development would indicate a trading activity, whereas effective management of its property portfolio through acquisitions and disposals with the intention to increase rental income, should not. Further, where development of a property has occurred following acquisition and the cost of development exceeds 30 per cent. of the fair value of the property at the later of the date of the acquisition of the property or the date the company holding the property entered the REIT, the proceeds will be taxable if a disposal takes place within three years of completion of the development. Whilst the Enlarged Group does not intend to dispose of property in the course of a trade, HMRC may challenge whether a disposal has been in the course of a trade with the consequence that corporation tax will be payable in respect of any profits from the disposal of such property.

A change in the Enlarged Group's tax status or in taxation legislation in the UK could adversely affect the Enlarged Group's profits and portfolio value and/or returns to Shareholders

The levels of and reliefs from taxation may change, adversely affecting the financial prospects of the Enlarged Group and/or the returns payable to Shareholders. The taxation of an investment in the Company and the availability and value of tax reliefs referred to in this document depends on the individual circumstances of Shareholders.

Any change in the Enlarged Group's tax status or in taxation legislation in the UK or any country where the Enlarged Group has assets or operations (including a change in interpretation of such legislation) could affect the value of the assets held by the Enlarged Group or affect the Company's ability to achieve its investment objectives or provide favourable returns to Shareholders. In particular, an increase in the rates of stamp duty land tax could have a material impact on the price at which UK land can be acquired, and therefore on asset values. Any such change could also adversely affect the net amount of any dividends payable to Shareholders and/or the price of Ordinary Shares.

The Enlarged Group is also subject to transfer pricing risk in relation to any transactions between related parties that are not conducted on an arm's length basis. This could involve an adjustment to the tax result for entities involved to take account of arm's length pricing. The Company believes its tax status and planning to have been in compliance with all current laws and regulations. Any changes in tax laws or interpretation thereof or any investigation into the tax status of the London & Stamford Group and/or the Enlarged Group by the relevant authorities may result in findings against the Company and/or another member of the Enlarged Group which may adversely affect the Enlarged Group's financial condition and prospects.

There is no guarantee that the Enlarged Group will maintain UK-REIT status

The Company cannot guarantee that the Enlarged Group will maintain UK-REIT status nor can it guarantee continued compliance with all of the UK-REIT conditions and there is a risk that the UK-REIT regime may cease to apply in some circumstances. HMRC may require the Enlarged Group to exit the UK-REIT regime if:

- it regards a breach of conditions or failure to satisfy the conditions relating to the Property Rental Business, or an attempt to obtain a tax advantage, as sufficiently serious;

- if the Enlarged Group has committed a certain number of breaches in a specified period (see below); or
- if HMRC has given the members of the Enlarged Group at least two notices in relation to the avoidance of tax within a 10 year period.

If the conditions for UK-REIT status relating to the share capital of the Company (i.e. the parent company of the Enlarged Group ceases to be listed) or the prohibition on entering into loans with abnormal returns are breached, or the Company ceases to be UK resident, becomes dual resident or an open ended investment company, the Enlarged Group will automatically lose its UK-REIT status.

The Enlarged Group could therefore lose its status as a group UK-REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a UK-REIT or due to a breach of the close company conditions if it is unable to remedy the breach within a specified timeframe.

Future changes in legislation may cause the Enlarged Group to lose its UK-REIT status.

If the Enlarged Group were to be required to leave the UK-REIT regime within 10 years of joining (i.e. 1 October 2010), HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Enlarged Group is treated as exiting the UK-REIT regime. The Enlarged Group may also be subject to an increased tax charge.

If the Enlarged Group fails to remain qualified as a UK-REIT, its rental income and gains will be subject to UK taxation.

The Enlarged Group will benefit from UK REIT status. The requirements for maintaining REIT status, however, are complex. Minor breaches of the UK REIT regime may only result in additional tax being payable or will not be penalised if remedied within a given period of time, provided that the regime is not breached more than a certain number of times. A serious breach of these regulations may lead to the Enlarged Group losing its qualification as a REIT. If the Enlarged Group fails to meet certain of the statutory requirements to maintain its status as a REIT, it and its subsidiaries may be subject to corporation tax on some or all of their property rental income and chargeable gains on the sale of some or all properties and if the Enlarged Group is required to leave the REIT regime within ten years of joining (i.e. 1 October 2010). HMRC has wide powers to direct how it is to be taxed (before and after it leaves the REIT regime). This would cause the Enlarged Group's rental income and gains to be subject to UK taxation and could reduce the reserves available to make distributions to Shareholders and the yield on the Ordinary Shares. In addition, incurring a tax liability might require the Enlarged Group to borrow funds, liquidate some of its assets or take other steps that could negatively affect its operating results. Moreover, if the Enlarged Group's REIT status is withdrawn altogether because of its failure to meet one or more REIT qualification requirements, it may be disqualified from being a REIT from the end of the accounting period preceding that in which the failure occurred.

Distribution requirements may limit the Company's flexibility in executing its acquisition plans

The Enlarged Group's business model contemplates growth through acquisitions. However, the REIT distribution requirements limit the Company's ability to fund acquisitions and capital expenditures through retained income earnings. To obtain full exemption from UK tax on the tax-exempt Business, the Company is required to distribute annually to Shareholders an amount sufficient to meet the 90 per cent. distribution test by way of property income distribution, or PID. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution test each year. Therefore, the Company's ability to grow through acquisitions would be limited if the Company were unable to obtain further debt or issue shares.

In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT rules and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then-prevailing market conditions are not favourable for these borrowings.

As a result of these factors, the constraints of maintaining REIT status could limit the Enlarged Group's flexibility to make investments.

The Company's status as a REIT may restrict business consolidation opportunities and distribution opportunities to Shareholders

In order to maintain its UK REIT status, the Enlarged Group must continue to satisfy certain conditions (see Part 18 of this document). Complying with those conditions may mean that the Company is restricted with respect to any potential corporate or business restructure and any future distribution opportunities.

If the Company is acquired by an entity that is not a REIT, the Company is likely in most cases to fail to meet the requirements for being a REIT. If so, the Enlarged Group will be treated as leaving the REIT regime at the end of the accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from the regime's tax exemptions.

In addition, a REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder, that is a company which has rights to 10% or more of the dividends or shares or controls at least 10% of the voting rights. This additional tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to a Substantial Shareholder. Therefore, the Articles contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder and these provisions are summarised at paragraph 4 of Part 19 of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions. Accordingly, while there is no prohibition on the Company being acquired, there might be potentially negative tax consequences of such an acquisition if made by an entity which itself is not a REIT might make it less likely than would be the case for other types of companies.

Alternative Investment Fund Managers Directive

The EU Alternative Investment Fund Managers Directive (No. 2011/61/EU) ("**AIFM Directive**") is due to be transposed into English law by 22 July 2013 following a series of consultations from the European Commission, the European Securities and Markets Authority and the Financial Services Authority. The AIFM Directive, seeks to regulate certain alternative investment fund managers (in this paragraph, "**AIFM**") based in the EU and prohibits such managers from managing any alternative investment fund (in this paragraph, "**AIF**") or marketing shares in such funds to EU investors unless authorisation is granted to the AIFM. Much of the detail of the legislation is yet to be finalised and the full impact of its implementation on the Enlarged Group remains uncertain, but it is anticipated that the Company will be treated as a AIF for the purposes of the AIFM Directive and it is possible the Enlarged Group's joint ventures are themselves also treated as AIFs, either managed by the Enlarged Group or by third parties. The Enlarged Group as a self managed AIFM and whichever entity (if any) which would be deemed the AIFM of any of its joint ventures would be required to register with the Financial Conduct Authority (a successor to the Financial Services Authority) and become strictly regulated businesses. Requirements of the Directive would also include increased disclosure obligations on the Enlarged Group, ensuring that the Enlarged Group has an appropriately authorised institution acting as its "depository" and obligations to maintain regulatory capital and certain insurance policies.

The implementation of the AIFM Directive is likely to significantly increase the Enlarged Group's regulatory and compliance costs.

The Enlarged Group may be treated as a "passive foreign investment company" for US federal income tax purposes, which could have adverse tax consequences to US shareholders.

The Enlarged Group may be treated as a "passive foreign investment company" or PFIC, for U.S. federal income tax purposes, which could have adverse consequences to US shareholders. A non-US company is deemed to be a PFIC if, during any taxable year: (i) 75% or more of its gross income consists of certain types of passive income; or (ii) the average value (or basis in certain cases) of its passive assets (generally assets that generate passive income) is 50% or more of the average value (or basis in certain cases) of all of its assets. For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business.

The determination of PFIC status is a factual determination that must be made annually at the close of each taxable year. It has not been determined whether the Enlarged Group will be treated as a PFIC in the current or succeeding taxable years. If the Enlarged Group were treated as a PFIC for US tax purposes, US shareholders of the Enlarged Group may become subject to certain US reporting obligations and to adverse US federal income tax consequences, including with respect to the income derived by the Enlarged Group, the distributions received and the gain, if any, derived from the sale or other disposition of Enlarged Group shares. Specifically, the PFIC rules could have the effect of subjecting US shareholders to an interest charge on any deferred taxation and taxing gain upon the sale of shares as ordinary income. If the Enlarged Group were classified as a PFIC in any year with respect to which a US Holder owns the Ordinary Shares, the Enlarged Group would continue to be treated as a PFIC with respect to the US holder in all succeeding years during which the US holder owns such securities, regardless of whether the Enlarged Group continues to meet the tests described above.

US shareholders are urged to consult their own tax advisors with respect to their own particular circumstances and with respect to any available tax elections under the PFIC rules.

RISKS RELATING TO THE MERGER

The Merger is subject to the Conditions which may not be satisfied or waived

Completion of the Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include:

- approval of the resolutions necessary to effect the Merger by Shareholders;
- approval of the resolutions proposed at the Metric Court Meeting by the requisite majority of Scheme Shareholders;
- approval of the resolutions necessary to implement the Scheme and to sanction the related Capital Reduction by the requisite majority of Metric Shareholders at the Metric General Meeting;
- the sanction of the Scheme and confirmation of the related Capital Reduction by the Court; and
- the UK Listing Authority and the London Stock Exchange approving the admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities.

A third party may have or be able to obtain a large enough shareholding in Metric to delay or prevent completion of the Merger

Metric Ordinary Shares are freely traded on the London Stock Exchange's main market for listed securities. Although London & Stamford is not aware of the existence of any such shareholders as at the date of this document, it is possible that a shareholder with significant shareholding could use, or could threaten to use, its shareholding to vote against the Scheme when Metric shareholder consent is sought. Such an action could materially delay or prevent the implementation of the Scheme and the Merger and therefore deprive the parties of some or all of the anticipated benefits of the Merger.

If the Merger completes, the integration of the Metric Group with the London & Stamford Group could result in operating difficulties and other adverse consequences

If the Merger completes, the process of integrating Metric and its subsidiaries may create unforeseen operating difficulties and expenditures and pose management, administrative and financial challenges. Specifically, integrating operations and personnel and pre-completion or post-completion costs may prove more difficult and/or expensive than anticipated, thereby rendering the value of the Metric Group less than the value paid. The integration of the Metric Group may require significant time and effort on the part of the Company and the London & Stamford Group's management. The challenges of integrating the Metric Group may also be exacerbated by differences between London & Stamford's and Metric's operational and business culture, the need to implement cost cutting measures, difficulties in maintaining internal controls and difficulties in establishing control over cash flows and expenditures. Such difficulties in successfully integrating Metric could have an adverse effect on the Company's financial condition and results of operations.

The Enlarged Group may fail to realise the business growth opportunities, revenue benefits, cost savings, operational efficiencies and other benefits anticipated from the Proposals

The integration of the London & Stamford Group and the Metric Group will require investment of time and money and present a number of challenges. As described in paragraph 2 of Part 7 of this document, the Board believe that these anticipated cost savings as well as other operating efficiencies and the business growth opportunities, revenue benefits and other benefits it expects to achieve by combining its operations with those of the Metric Group constitute an important addition to significant part of the business rationale for the Proposals. However, these expected business growth opportunities, revenue benefits, cost savings and other operational efficiencies and other benefits may not develop, for various reasons, including because the assumptions upon which the Board determined process of integration and potential costs savings may prove to be incorrect.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost savings and other benefits anticipated by the Board to result from the Proposals may not be achieved as expected, or at all, or may be delayed, or may involve additional costs. To the extent that the London & Stamford Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Enlarged Group's operating results, and prospects and the price of the Ordinary Shares may suffer.

RISKS RELATING TO THE TENDER OFFER

The Tender Offer is subject to conditions which may not be satisfied or waived

The Tender Offer is subject to certain conditions being satisfied (or, if permitted, waived) which include:

- approval of the Resolutions by Shareholders;
- the Merger becoming Effective; and
- the Intermediary being satisfied that the Company has complied with its obligations and is not in breach of any of the representations and warranties given by it, under the Repurchase Agreement.

There is no guarantee that these (or other conditions) will be satisfied (or waived, if applicable). If they are not satisfied or waived, the Tender Offer will not take effect. The Tender Offer is summarised in more detail in Part 9 of this document.

If the Tender Offer is made but Shareholders do not take up the Tender Offer, then a less efficient capital structure will be achieved

If the Tender Offer is made, there is no guarantee that Shareholders will tender any Tender Offer Shares. If materially less than all of the Tender Offer Shares are tendered, then a less efficient capital structure for the Enlarged Group will be achieved.

Shareholders will either not receive cash proceeds or will have a lower percentage holding as a result of the Tender Offer

Shareholders who do not participate in the Tender Offer will not receive any cash proceeds in respect of their Ordinary Shares under the Tender Offer. Such Shareholders will benefit from owning a greater percentage of the Ordinary Shares of the Company following completion of the Tender Offer, as there will be fewer Ordinary Shares in issue.

Shareholders who do participate in the Tender Offer will receive cash proceeds in respect of their Ordinary Shares under the Tender Offer. Such Shareholders may, depending on whether other Shareholders tender any Ordinary Shares, own a lower percentage of the Ordinary Shares of the Company following completion of the Tender Offer, as such Shareholder will hold fewer Ordinary Shares.

The Tender Offer Price may be less than the market price of Ordinary Shares

The Tender Offer Price will be no less than 112.9 pence per Share, which equates to the Pro Forma EPRA NAV of the Enlarged Group as at 30 September 2012. The EPRA NAV per Ordinary Share and the market price of the Ordinary Shares are likely to change between the date of this document and the Tender Offer Closing Date. It therefore cannot be certain whether the Tender Offer Price will be greater or less than the EPRA NAV per Ordinary Share (which if greater will result in a reduction to the NAV per Ordinary Share following implementation of the Tender Offer) or the price at which Ordinary Shares could be sold in the market at any time.

The impact of the Tender Offer on liquidity and market price cannot be predicted

The impact on the liquidity and the market price of the Ordinary Shares as a result of the implementation of the Tender Offer or any other tender offers cannot be predicted.

RISKS RELATING TO CAPITAL GROWTH AND DIVIDENDS

Future dividends will be dependent on the ability of the Enlarged Group to generate distributable reserves

Any future dividends will depend upon a number of factors, including the availability of distributable reserves. The generation of profits for distribution depends on the successful management of the Enlarged Group's investments, the yields on existing and new properties, interest costs, taxes and profits on the development and sale of properties. The above circumstances could have a material adverse effect on the business, financial condition or results of the Enlarged Group.

If long term interest rates increase, the Company may not be able to meet future dividend expectations and the level of income or the prospect of income and capital growth will be reduced accordingly.

Problems identifying and acquiring sufficient suitable properties within a reasonable time period could adversely impact capital growth and dividends

There is no guarantee that the Enlarged Group will be able to acquire a sufficient number of suitable properties which will enable returns of capital and income returns to be achieved. Having excess uninvested cash may further affect the Enlarged Group's ability to achieve returns of capital and income returns.

The level of dividend and dividend growth on the Ordinary Shares will depend principally on income received from the underlying assets. The level of income of the Enlarged Group will be affected by the level of borrowings incurred by the Enlarged Group and the amount of income required to service interest payments on external borrowing.

As properties will continue to be selected and acquired by the Enlarged Group after Admission, it is currently difficult to calculate accurately the total acquisition and financing costs for the acquisition of such properties. In the event that the actual acquisition and financing costs exceed the anticipated costs, this may reduce the anticipated returns to Shareholders.

RISKS RELATING TO ORDINARY SHARES

The market price of the Ordinary Shares may fluctuate widely and there may be limited liquidity in the Ordinary Shares

The Company is unable to predict whether the Ordinary Shares issued will be able to be sold in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Ordinary Shares or securities similar to them (both in connection with the market approval of its current strategy or if the Enlarged Group's operating results and prospects from time to time are below the expectations of market analysts and investors) or in response to various facts and events, including any regulatory changes affecting the Enlarged Group's operations, half yearly or yearly operating results or business developments of the Enlarged Group or its competitors.

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Section headed "Risk Factors", as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Ordinary Shares, regardless of the Enlarged Group's actual performance or conditions in their key markets.

The Company may in the future issue new Shares, which may dilute Shareholders' equity

If the Company elects to increase its capital it may require further equity financing, which may be dilutive to the Company's existing Shareholders. The Company may also issue new Shares in the future pursuant to a share option plan, which may dilute Shareholders' equity.

PART 6

IMPORTANT INFORMATION

1. TO VOTE ON THE RESOLUTIONS

Whether or not you plan to attend the London & Stamford General Meeting in person, please either:

1. complete a Form of Proxy in accordance with the instructions printed on the Form of Proxy and return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so that it is received by Capita Registrars no later than 10.30 p.m., on 13 December 2012;
2. appoint a proxy electronically by logging on to www.capitashareportal.com and following the procedures on the website, so that it is received by Capita Registrars by no later than 10.30 p.m., on 13 December 2012; or
3. if you hold Ordinary Shares in CREST and wish to appoint a proxy utilising the CREST electronic proxy appointment service, complete and transmit a CREST Proxy Instruction in accordance with the procedures described in the CREST Manual, so that it is received by London & Stamford's agent (ID RA10) by no later than 10.30 p.m., on 13 December 2012.

The completion and return of the completed Form of Proxy, electronic submission of your proxy or transmission of a CREST Proxy Instruction, will not prevent you from attending the London & Stamford General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

A summary of the action to be taken by the Shareholders is set out in Part 7 (Letter from the Chairman) and Part 22 (Notice of General Meeting) of this document.

2. DEFINITIONS

Capitalised terms have the meanings ascribed to them in Part 21 of this document.

3. INCORPORATION BY REFERENCE

Certain information in relation to the Enlarged Group has been incorporated by reference into this document. Please see Parts 12 to 15 of this document.

4. NO INCORPORATION OF WEBSITES

Save where expressly stated in this document, none of the content of London & Stamford's website www.londonandstamford.com or Metric's website www.metricproperty.co.uk forms part of this document.

5. FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "projects", "assumes", "expects", "intends", "may", "will", "would" or "should", or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Enlarged Group's result of operations, financial condition, prospects, growth strategies and the industries in which the Enlarged Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Company, earnings, financial position, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to the Company's continuing obligations under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company undertakes no obligation to update publicly or revise any forward looking statement whether as a result of new information, future events or otherwise. None of these statements made in this document in any way obviates the requirements of the

Company to comply with the Listing Rules, Prospectus Rules, the Disclosure and Transparency Rules or FSMA.

6. GENERAL NOTICE

Nothing contained in this document and/or the Form of Proxy is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and, except as explicitly stated otherwise, nothing in this document is intended to endorse or recommend a particular course of action. Each prospective investor should consult his, her or its legal adviser, financial adviser or tax adviser for advice.

7. OVERSEAS SHAREHOLDERS

The availability of New Ordinary Shares issued pursuant to the Merger to persons resident in, or citizens of, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons not resident in the United Kingdom should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas Metric Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Merger, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, the Prospectus Rules and the Listing Rules and the information disclosed in the document may not be the same as that which would have been disclosed if the document had been prepared in accordance with the laws of any other jurisdiction. The New Ordinary Shares to be issued pursuant to the Merger have not and will not be registered under the relevant securities laws of any jurisdiction other than the United Kingdom. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered, sold, resold or delivered directly or indirectly in or into a Restricted Jurisdiction (namely Canada, Australia, Japan, the Republic of South Africa, New Zealand and any other jurisdiction where the relevant action would constitute a violation of the relevant laws and regulations of such jurisdiction or would result in a requirement to comply with any governmental or other consent or any registration, filing or other formality which London & Stamford or Metric regards as unduly onerous).

Due to restrictions on Restricted Overseas Persons holding New Ordinary Shares, London & Stamford may, in its sole discretion, determine that either: (a) any New Ordinary Shares issued to a Restricted Overseas Person be sold, in which event the relevant New Ordinary Shares shall be issued to such holder and London & Stamford shall appoint a person to procure that such shares be sold on behalf of such holder; or (b) that such New Ordinary Shares shall not be issued to such holder but shall instead be issued to a nominee for such holder who shall sell the New Ordinary Shares so issued.

8. UNITED STATES SECURITIES CONSIDERATIONS

The New Ordinary Shares to be issued pursuant to the Merger will not be registered under the US Securities Act or the securities laws of any state, territory or other jurisdiction of the United States and will be issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the US Securities Act and exemptions provided under the securities laws of each state of the United States in which US Shareholders reside. Section 3(a)(10) of the Securities Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing on the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear in person or through counsel and with respect to which notice has been given to all such persons, by a court or by a governmental authority expressly authorised by law to grant such approval. Accordingly, we expect the Court Order will, if granted, constitute a basis for the exemption from the registration requirements of the US Securities Act with respect to the New Ordinary Shares issued in connection with the Merger.

The New Ordinary Shares issued in connection with the Merger will not be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and may be immediately resold without restriction under the US Securities Act by former holders of Metric ordinary shares who are not affiliates (within the meaning of the US Securities Act) of the combined company and have not been affiliates of London & Stamford within 90 days prior to completion of the Merger. Such affiliates may, under the

US Securities Act, be subject to timing, manner of sale and/or volume restrictions on the sale of New Ordinary Shares received in connection with the Merger. An “affiliate” of an issuer is a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally includes executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of New Ordinary Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the US Securities Act, absent an exemption therefrom. Subject to certain limitations, affiliates (or former affiliates) may immediately resell New Ordinary Shares outside the United States without registration under the US Securities Act pursuant to Regulation S thereunder. In addition, affiliates (or former affiliates) may resell New Ordinary Shares without registration under the US Securities Act in accordance with Rule 144 thereunder, if available.

All Shareholders are urged to consult with their own legal adviser to ensure that any subsequent resale in the United States of New Ordinary Shares issued to them in connection with the Merger complies with all applicable securities legislation.

PART 7

LETTER FROM THE CHAIRMAN

LONDON & STAMFORD PROPERTY PLC

21 ST. JAMES'S SQUARE, LONDON, SW1Y 4JZ
Tel 020 7484 9000 Fax 020 7484 9001

*(a public limited company incorporated and registered in England and Wales
with registered company number 7124797)*

Registered Office:
London & Stamford Property Plc
21 St. James's Square
London
SW1Y 4JZ

Directors:

Raymond Mould (*Executive Chairman*)
Patrick Vaughan (*Chief Executive*)
Martin McGann (*Finance Director*)
Charles Cayzer (*Non-executive Director*)
Mark Burton (*Non-executive Director*)
Richard Crowder (*Non-executive Director*)
Humphrey Price (*Non-executive Director*)
James Dean (*Non-executive Director*)

27 November 2012

Dear London & Stamford Shareholder

**Proposed recommended merger with Metric Property Investments plc implemented by way of
Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Proposed issue and admission of up to 178,600,000 New Ordinary Shares in connection with the
Merger**

Proposed change of name to "LondonMetric Property plc"

Proposed termination of the Existing Management Incentive Agreement

**Proposed Tender Offer to purchase up to £100 million of Ordinary Shares following
implementation of the Merger**

1. INTRODUCTION

On 9 November 2012, the Boards of London & Stamford and Metric announced that they had reached agreement on the terms of a recommended merger pursuant to which London & Stamford will acquire the entire issued and to be issued share capital of Metric (the "**Merger**"). The Merger is to be effected by means of a scheme of arrangement between Metric and Metric Shareholders under Part 26 of the Companies Act. It is proposed that on completion of the Merger, London & Stamford will be renamed "LondonMetric Property plc".

It is intended that the consideration payable by London & Stamford to Metric Shareholders in connection with the Merger, which is subject to the Conditions, will be satisfied wholly by the issue of New Ordinary Shares to Metric Shareholders. Under the terms of the Merger, Metric Shareholders will be entitled to receive:

0.94 New Ordinary Shares for each Metric Ordinary Share

resulting in Metric Shareholders owning 25 per cent. and London & Stamford Shareholders owning 75 per cent. of the Enlarged Share Capital.

On the basis of the Closing Price per Ordinary Share of 108.4 pence on 23 November 2012, being the latest practicable date prior to publication of this document, the Merger values each Metric Ordinary

Share at 101.9 pence and the entire issued and to be issued share capital of Metric at approximately £193.6 million.

The Merger represents a premium of approximately:

- 18 per cent. to the Closing Price per Metric Ordinary Share of 93 pence on 5 November 2012 (being the last Business Day prior to commencement of the Offer Period);
- 24 per cent. to the six-month average price per Metric Ordinary Share of 89 pence (being the average Closing Price for the six-month period ended on 5 November 2012, being the last Business Day prior to commencement of the Offer Period); and
- 3 per cent. to the Closing Price per Metric Ordinary Share of 99 pence on 23 November 2012 (being the latest practicable date prior to publication of this document).

The Merger Ratio has been calculated on the basis that, other than the London & Stamford Interim Dividend and the Metric Interim Dividend, no dividends have or will be declared by London & Stamford or Metric during the period from 9 November 2012 until completion of the Merger.

The Merger is subject to the conditions described in paragraph 9 of this Part 7. The Scheme Document was published on the same date as this document. It is expected that the Metric Court Meeting and the Metric General Meeting will be held on 21 December 2012 and that the Scheme will become effective on 25 January 2013 and the Proposals completed by the end of February 2013.

As at 23 November 2012 (being the latest practicable date prior to the publication of this document) it is estimated that, following completion of the Merger, the Enlarged Group will have net cash resources of approximately £200 million. Following completion of the Merger, it is proposed that a return of capital with a maximum value of up to £100 million will be made to Eligible Shareholders in the Enlarged Company, to be effected by way of the Tender Offer. Eligible Shareholders will be invited to tender, in aggregate, up to 88,573,959 Ordinary Shares, representing approximately 12 per cent. of the Enlarged Share Capital, at a price of no less than 112.9 pence per share, which equates to the Pro Forma EPRA NAV of the Enlarged Group, as at 30 September 2012. Full details of the Tender Offer, including the Tender Offer Price and the detailed terms and conditions will be sent to Eligible Shareholders following completion of the Merger. If the Tender Offer is not taken up in full, the Enlarged Company will keep those funds for reinvestment and continue to review the appropriate balance sheet, relative to the opportunities within the property market.

It is further proposed that, with effect on completion of the Merger, certain clawback provisions in relation to the Existing Incentive Shares of the Existing Management Incentive Agreement will be terminated pursuant to the Existing Management Incentive Termination Agreement. The release of the Former LSI Management Members from their clawback obligations and the subsequent acquisition of 76.5 per cent. of the Existing Incentive Shares for up to £9 in aggregate pursuant to the Existing Management Incentive Termination Agreement will require shareholder approval under the Companies Act. As a consequence of the acquisition of 76.5 per cent. of the Existing Incentive Shares from the Former LSI Management Members, it is proposed that GEPT may elect to pay to London & Stamford £1.91 million being the cash equivalent of 76.5 per cent. of the 2,081,599 ordinary shares which would have been bought back by London & Stamford if they had not been disposed of by GEPT.

Existing long term incentive plans for the management of Metric will also be terminated. It will be a priority for the newly constituted board of directors of the Enlarged Company and its appointed remuneration committee to put in place revised salary and bonus arrangements and new long term incentive arrangements for the senior executives of the Enlarged Company in the line with market. It is not envisaged that any members of the existing London & Stamford management team will participate in any new long term incentive arrangements until 30 September 2013.

London & Stamford is required to comply with the provisions of Chapter 10.5 of the Listing Rules in relation to the Merger and therefore seeks the approval of Shareholders pursuant to the Listing Rules. In addition, Shareholders must authorise the Company to make share purchases for the purposes of the Tender Offer and for the purpose of the Existing Incentive Shares Cancellation.

This document constitutes a circular prepared in compliance with the Listing Rules of the UK Listing Authority for the purposes of the London & Stamford General Meeting convened pursuant to the Notice of General Meeting contained at the end of this document. This document is also a prospectus relating to the issue of the New Ordinary Shares in connection with the Merger prepared in accordance with the Prospectus Rules and approved by the FSA. This document also seeks approval for the Enlarged

Company to undertake a Tender Offer following completion of the Merger at a price of no less than 112.9 pence per share.

The London & Stamford General Meeting has been convened for 10.30 a.m. on 17 December 2012 at Mayfair A Suite at The Sofitel Hotel London St. James, 6 Waterloo Place, London, SW1Y 4AN at which the Resolutions will be proposed. An explanation of the Resolutions to be proposed at the meeting is set out in paragraph 14 of this Part 7.

The Board unanimously considers that the Proposals are in the best interests of London & Stamford and its Shareholders and recommends that Shareholders vote in favour of all the Resolutions to be proposed at the London & Stamford General Meeting, as they have irrevocably undertaken to do in respect of their own beneficial holdings to the extent they are permitted to vote on such resolutions.

The resolution approving the release of the Former LSI Management Members from their clawback obligations and subsequent acquisition of 76.5 per cent. of the Existing Management Incentive Shares for up to £9 in aggregate pursuant to the Existing Management Incentive Termination Agreement will require shareholder approval under the Companies Act. In accordance with the Companies Act, the London & Stamford Directors who are Former LSI Management Members will not vote on the resolution to approve the Existing Management Incentive Termination Agreement. The London & Stamford Directors have therefore undertaken to vote in favour of the resolutions to be proposed at the London & Stamford General Meeting in respect of 40,212,932 Ordinary Shares in aggregate, representing 7 per cent. of the existing share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to publication of this document), save for the resolution in relation to the Existing Management Incentive Termination Agreement, where their undertakings are in respect of 100,000 Ordinary Shares in aggregate, representing 0.02 per cent. of the existing share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to publication of this document).

The Metric Board has similarly recommended to Metric Shareholders that Metric Shareholders vote in favour of the Scheme at the Metric Court Meeting and vote in favour of the Metric Resolutions at the Metric General Meeting as they have irrevocably undertaken to do in respect of their own beneficial holdings of 6,101,914 Metric Ordinary Shares, representing, in aggregate, approximately 3.2 per cent. of the existing issued share capital of Metric as at 23 November 2012 (being the latest practicable date prior to publication of this document).

I am writing to give you details of the Proposals, including the background to and reasons for them, to explain why your Board considers the Proposals to be in the best interests of London & Stamford and its Shareholders and to seek your approval of all the Resolutions.

2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

London & Stamford's business strategy is to create and actively manage a property investment portfolio in the UK where the prospects for creating value from asset management activity are good and where, with the benefit of prudent gearing, the initial yield on equity is in excess of 10 per cent. In line with this strategy, the Board decided to sell what it considered to be its mature investment in Meadowhall and to commence discussions with Metric. The Directors believe that the Merger has a number of important attractions for London & Stamford, including:

- providing access to Metric's retail portfolio, which has been assembled since Metric's flotation in March 2010 by a highly competent management team and represents an outstanding route back into the sector and an opportunity to redeploy funds following the sale of Meadowhall;
- Metric's well let portfolio which has an attractive running yield that represents an excellent opportunity for London & Stamford with embedded asset management opportunities;
- a proven ability to deliver income growth both across London & Stamford's residential and commercial investments and Metric's retail assets, whilst also deploying capital in other related property assets across the UK on an opportunistic basis;
- a growing income stream which should bring forward the time when the dividend is fully covered and can grow further;
- a joint market leading real estate team which will provide through-the-cycle opportunities to build value through income growth, asset management and development opportunities; and

- complementary management skills and cultural fit across the two groups which combine a long track record of superior capital generation with specialist retail expertise.

Following completion of the Merger, London & Stamford intends to merge its operations with Metric into a single unified business, under a unified board structure and senior management team. London & Stamford and Metric have conducted a general review of the operations, assets and employees of the other and this has led to the identification of estimated annual cost savings resulting from the Merger, based on the centralisation of London & Stamford's and Metric's operating functions.

Following completion of the Merger, the Directors propose to undertake a return of capital with a maximum value of £100 million to Eligible Shareholders of the Enlarged Company. The proposed Tender Offer, to the extent taken up, would deliver a more efficient capital structure, whilst leaving sufficient resources for the Enlarged Group to execute its business plan. The Directors believe that the Tender Offer is the most appropriate mechanism for the contemplated return of capital, as it:

- provides Eligible Shareholders who wish to sell shares with the opportunity to do so;
- enables those shareholders who do not wish to receive capital at this time to maintain their full investment in the Enlarged Company; and
- will be available to all Eligible Shareholders regardless of the size of their shareholdings in the Enlarged Company.

The Tender Offer will be conditional on, inter alia, the completion of the Merger.

3. INFORMATION ON LONDON & STAMFORD

London & Stamford is a public limited company incorporated in England and Wales and is the holding company of the London & Stamford Group. As at 23 November 2012 (being the last practicable date prior to publication of this document), London & Stamford had a market capitalisation of £588.4 million and, as at 30 September 2012, had Net Assets of £609.8 million and an EPRA NAV of 114.0 per Ordinary Share.

As at 31 March 2012, the London & Stamford Group had consolidated gross assets of £1,006 million and net assets of £639.3 million, and in the financial year to 31 March 2012, the London & Stamford Group made a consolidated profit of £6.5 million.

London & Stamford invests in residential and commercial property, including office and distribution real estate assets all of which are located in the UK, where the Directors consider the opportunity exists to extract above-average returns for shareholders. London & Stamford is an active investor and implements strategies to enhance the quality and value of acquired assets and improve annual rental values.

London & Stamford was admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange on 1 October 2010. Prior to this LSP was the ultimate holding company of the London & Stamford Group. LSP was admitted to trading on the AIM market of the London Stock Exchange from 7 November 2007 until it de-listed on 1 October 2010, when the Company became the parent of the London & Stamford Group by way of a scheme of arrangement.

The London & Stamford Group has a highly experienced management team which includes Raymond Mould, Patrick Vaughan and Martin McGann who are also on the Board. Raymond Mould and Patrick Vaughan have been involved in a number of listed and unlisted property companies and funds since 1970, including Arlington and Pillar.

On 8 October 2012, London & Stamford announced the sale of its interest in Meadowhall, which it acquired in February 2009, to Norges Bank Investment Management, the manager of the Norwegian Government Pension Fund Global.

On 9 November 2012, London & Stamford announced an interim dividend of 3.5 pence per Ordinary Share which will be paid on 7 December 2012 to London & Stamford Shareholders on the register of members on 23 November 2012.

4. INFORMATION ON METRIC

Metric is a public limited company incorporated in England and Wales and is the holding company of the Metric Group. As at 23 November 2012 (being the last practicable date prior to publication of this document), Metric had a market capitalisation of £188.1 million and, as at 30 September 2012, had Net Assets of £200.1 million and an EPRA NAV of 107 pence per share.

As at 31 March 2012, the Metric Group had consolidated gross assets of £251.1 million and net assets of £201.3 million, and in the financial year to 31 March 2012, the Metric Group made a consolidated profit of £13.2 million.

Metric's investment policy aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values.

Metric was established to assemble a portfolio of freehold and long leasehold retail properties throughout the UK and Ireland, principally investing in the retail property markets, but also considering investing in multi-let leisure schemes.

Metric employs 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. Metric focuses on assets that it believes have enduring occupier appeal and which provide opportunities for management to improve both rental values and the longevity and security of income. Metric also undertakes limited risk re-development of properties with the aim of enhancing shareholder returns.

Metric was co-founded by Andrew Jones, Valentine Beresford, Mark Stirling, whose biographies are set out in paragraph 4 of Part 11 of this document, and Sue Ford. Sue Ford has served as Metric's finance director since its inception. Metric's board of directors is completed by Non-executive Chairman Andrew Huntley and non-executive directors Alec Pelmore, Andrew Varley and Philip Watson.

Metric is a UK-REIT and has been listed on the Official List and admitted to trading on the Main Market since its IPO on 24 March 2010.

On 9 November 2012, Metric announced an interim dividend of 1.8 pence per Metric Ordinary Share which will be paid on 7 December 2012 to Metric Shareholders on the register of members on 23 November 2012.

5. OVERVIEW OF THE ENLARGED GROUP

5.1 Board and management

Following completion of the Merger, the board of directors of the Enlarged Company will be drawn from the boards of directors of both companies and will include (a) Patrick Vaughan, Chief Executive of London & Stamford, as Executive Chairman, (b) Andrew Jones, Chief Executive of Metric, as Chief Executive and (c) Martin McGann, Finance Director of London & Stamford, as Finance Director. An executive committee will be formed, initially comprising the three executive directors as well as Valentine Beresford and Mark Stirling. Sue Ford has informed the Metric Board that she intends to retire from her role as Finance Director following completion of the Scheme becoming Effective after a short handover period.

The combination of the management teams of London & Stamford and Metric provides the opportunity for I, Raymond Mould, the current Chairman of London & Stamford to retire, confident that the management of the Enlarged Group under the Chairmanship of Patrick Vaughan and with Andrew Jones as Chief Executive is in excellent hands. At the age of 72 and having suffered some poor health over the last few months, I feel that the Merger is a logical and well timed moment to retire. I have agreed to continue to make myself available under a consultancy arrangement following completion of the Merger and am delighted that I will be able to remain in touch and contribute to the future success of the Enlarged Group, whose management I have known well for many years, giving me great confidence in their future.

The London & Stamford Board considers that Patrick's appointment as Executive Chairman is critical to the Merger's success. His experience as a founder of London & Stamford represents an appropriate and desirable level of continuity. His excellent prior working relationship with the Chief Executive of Metric is an additional factor which will enable the combination of the two companies to be swiftly achieved.

Furthermore, his relationship with critical joint venture partners is also considered to be crucial to maintaining their continuing support. For these reasons, the London & Stamford Board believes Patrick's appointment as Executive Chairman to be very important to delivering the benefits of the Merger and creating shareholder value in the Enlarged Group. Accordingly, in light of the proposed Merger, both boards of directors will consult with certain leading shareholders of London & Stamford and Metric and will explain their recommendation. Taking into consideration the generally accepted principles of the UK

Corporate Governance Code, the London & Stamford Board believes that Patrick's appointment as Executive Chairman should be regarded, in every respect, as an appropriate exception.

In addition, the board of directors of the Enlarged Company will comprise eight non-executive directors drawn equally from London & Stamford and Metric's existing non-executive directors. Richard Crowder has advised the Board that he intends to retire from his role as non-executive director of London & Stamford following completion of the Merger.

Following completion of the Merger, the board of directors of the Enlarged Group will comprise: Patrick Vaughan (Executive Chairman); Andrew Jones (Chief Executive); Martin McGann (Finance Director); Charles Cayzer (Non-executive Director); Mark Burton (Non-executive Director); Humphrey Price (Non-executive Director); James Dean (Non-executive Director); Andrew Huntley (Non-executive Director); Alec Pelmore (Non-executive Director); Andrew Varley (Non-executive Director); and Philip Watson (Non-executive Director). The details of any service contracts to be entered into between London & Stamford and the Metric Directors is set out in paragraphs 9.3 and 9.4 of Part 20 of this document.

5.2 Strategy and firepower

Following completion of the Merger, the Enlarged Group will continue as a highly entrepreneurial UK REIT investing across the key sectors of the UK real estate market. There will be an increasing focus on retail and on the London economic area, both because of the highly developed retail property skills which will be incorporated within the Enlarged Group and because of the strong economic profile of the London area. The Enlarged Group will seek opportunities to deliver strong income growth through its programme of opportunistic acquisitions, capital recycling and intensive asset management.

London & Stamford is currently considering a number of potential property acquisitions. In particular, the acquisition of a portfolio made up of six retail warehouse parks in the south of England. If London & Stamford is selected as the purchaser of the portfolio, the acquisition would be expected to complete in early 2013. The quoting price for the portfolio is £98.2 million (7.25 per cent. yield) and it has a weighted average unexpired lease term of 10.4 years (9.3 years including break clauses). If successful, London & Stamford will purchase the portfolio using a combination of existing cash reserves and debt drawn down from the bank facilities of the Enlarged Group that are referred to in the paragraph below. In the event that any acquisitions are made, Shareholders will be notified through an announcement released on a regulatory news service.

The Enlarged Group is expected to have £594 million of bank facilities from nine lenders, of which £182 million is undrawn as at 23 November 2012 (being the latest practicable date prior to the publication of this document). With pro forma gross property assets taking into account its share of joint ventures as at 30 September 2012 of £993 million, the Enlarged Group is expected to, on that basis, have a loan-to-value ratio of 31 per cent. post the Tender Offer. Taking into account borrowings under such facilities up to 50 per cent. on a loan-to-value basis, the Enlarged Group's existing cash following the Tender Offer and the equity commitments of its joint venture partners, it is expected to have approximately £870 million available to invest.

The London & Stamford Directors believe that the marginal cost of any new debt would be approximately 3.8 per cent..

London & Stamford attaches great importance to the skills and experience of the existing management and employees of Metric and believes that they will benefit from greater opportunities within the Enlarged Group. Following the completion of the Merger, the existing employment rights, including pension rights, of the management and employees of Metric will be fully safeguarded. The current plans do not involve any material change in the conditions of employment of Metric's employees. It is intended that following completion of the Merger, Metric and London & Stamford will find new premises in which to relocate.

Following completion of the Merger, the Enlarged Company will remain listed on the London Stock Exchange and it is intended that the Enlarged Group will operate under a new name, LondonMetric Property Plc and have a new ticker, LMP.L., on the London Stock Exchange.

5.3 Property portfolio and trending

If the Merger becomes effective, the Enlarged Group would initially have a balanced split across the portfolio (on the basis of their respective valuations at 30 September 2012) between retail property

(25 per cent.), opportunistic investments (18 per cent.), London area offices (22 per cent.), London area development (7 per cent.), London area residential property (20 per cent.) and cash (8 per cent.).⁽¹⁾

The aggregate exposure to the London market across all sectors of the portfolio would be 49 per cent., a figure which the board of directors of the Enlarged Company would expect to remain relatively constant in the medium term. The board of directors of the Enlarged Company expects its exposure to retail property and opportunistic investments to grow over time and accordingly cash to decline.

As at 30 September 2012, the Enlarged Group would have a total rent roll of £50.3m, a 93 per cent. occupancy level across its investment portfolio, a weighted average unbroken lease term of 11.4 years (10.6 years to the first break) and its top ten tenants would contribute 49 per cent. of its total rent.

The current economic environment has suppressed the take up of offices across central London and the South East and kept speculative construction at modest levels. The exception is the City of London where availability is higher than average, however the Board believe that in the next 12 to 18 months the lack of construction will give rise to a shortage of high quality new and refurbished mid-size buildings.

The central London residential market remains buoyant with continued growth in the private rented sector driven primarily by the continued lack of mortgage availability across the first time buyer market. The increased levels of tenant demand over the course of the last few years has driven rents up accordingly, but whether this level of growth will be maintained is unknown.

The overall trend within the logistics market over the last 12 months has been the continued decline in available premises, both in terms of second-hand buildings but more acutely in new, speculatively built warehouses. The availability of second-hand buildings has seen some oscillation but the overall trend remains the same.

The market for London & Stamford's retail focused occupiers continues to be challenging. Many retailers will need to accelerate plans to rightsize their real estate portfolios, while others will be able to capitalise on the opportunities presented through the withdrawal of capacity and growth in multi-channel retailing.

Against this background, the Enlarged Group is well placed to continue to navigate these challenging markets, and seek out and deliver value creating opportunities for its Shareholders. The Enlarged Group's strong balance sheet and access to capital are key factors behind why the Enlarged Group will be well positioned in this environment. The robust nature of the Enlarged Group's retail portfolio, with high occupancy and demand, long leases and an increasing spread of tenants, coupled with strong relationships with leading retailers are also key factors. The Enlarged Group's ability to capitalise on existing strong retailer relationships and to broaden these in to the logistics sector, is a positive one, which is anticipated will lead to further investment in the sector.

5.4 Investment policy

The investment policy; investment criteria; gearing and restrictions that apply to the London & Stamford Group (as set out in paragraph 4 of Part 10) will continue to apply to the Enlarged Group.

5.5 Valuation policy

The valuation policy of the London & Stamford Group (as set out in paragraph 6 of Part 10) will continue to apply to the Enlarged Group.

5.6 Dividend policy

The dividend policy of the London & Stamford Group (as set out in paragraph 7 of Part 10) will continue to apply to the Enlarged Group. Following completion of the Merger, the Board intends that the Enlarged Group will maintain an annual dividend of 7 pence per Ordinary Share, with further anticipated growth in the future**. However, there can be no guarantee as to the amount of any dividend payable by the Company or the Enlarged Company.

⁽¹⁾ Following completion of the Tender Offer and taking into account transaction costs relating to the Proposals.

** This is a target and not a profit forecast.

5.7 The Enlarged Group's UK REIT status

Both the London & Stamford and Metric groups fall within the UK-REIT regime and enjoy the tax benefits provided by that regime. The Enlarged Group is expected to fall within the UK-REIT regime and the relevant tax benefits will continue to apply to the Enlarged Group.

6. SUMMARY FINANCIAL INFORMATION ON THE LONDON & STAMFORD GROUP

Summary financial information for the London & Stamford Group for the three financial years ended 31 March 2012 and the six-month period ended 30 September 2012 as set out below has been extracted without material adjustment from the audited financial statements of LSP⁽¹⁾ for the year ended 31 March 2010 and the audited financial statements of the London & Stamford Group for the two financial years ended 31 March 2011 and 2012, respectively, and the unaudited interim financial statements of the London & Stamford Group for the six-month period ended 30 September 2012.

	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Six-month period ended 30 September 2011	Six-month period ended 30 September 2012
	£000	£000	£000	£000	£000
	IFRS ⁽¹⁾	IFRS	IFRS	IFRS	IFRS
Net income	16,140	41,828	42,237	21,466	20,510
Underlying profit ⁽²⁾	6,656	14,744	24,180	12,965	14,603
Revaluation surplus ⁽²⁾	101,945	51,033	5,688	1,627	16,934
Impairment of Meadowhall bonds	—	—	—	—	(23,178)
Movement in derivatives ⁽²⁾	(4,210)	6,975	(8,859)	(10,159)	(3,369)
Exceptional costs and tax ⁽²⁾	1,675	(29,440)	(15,670)	(9,691)	(9,890)
Profit for the year	106,066	43,312	5,339	(5,258)	(4,900)
EPRA earnings for the year	(2,748)	15,778	23,961	11,494	13,415
Investment properties ⁽²⁾	575,140	987,700	1,021,188	1,012,296	723,123
Investment held for sale	—	—	—	—	95,832
Cash deposits	276,593	156,785	136,934	124,568	98,874
Bank debt	121,565	382,956	319,833	316,275	231,596
Net assets	600,570	668,720	633,554	645,531	609,824
NAV per share	120.1p	122.5p	116.7p	118.3p	112.3p
EPRA NAV per share	120.7p	122.5p	119.1p	120.6p	114.0p
Earnings per share	24.8p	8.3p	1.0p	(1.0)p	(0.9)p
EPRA earnings per share	(0.6)p	3.0p	4.4p	2.1p	2.5p
Dividend per share	4.4p	6.3p	7.0p	3.5p	3.5p
Gearing ⁽³⁾	(43)%	31%	28%	30%	26%

(1) The acquisition of LSP by London & Stamford on 1 October 2010 was accounted for as a reverse transaction. This means that although the consolidated financial statements have been prepared in the name of the legal parent, London & Stamford for the years ended 31 March 2011 and 31 March 2012, they are in substance a continuation of the financial statements of the legal subsidiary, LSP.

(2) Includes share of joint ventures and associates.

(3) Net debt as a percentage of investment property assets.

7. SUMMARY FINANCIAL INFORMATION ON THE METRIC GROUP

Summary financial information for the Metric Group for the period ended 31 March 2011, the financial year ended 31 March 2012 and the six-month period ended 30 September 2012 as set out below has been extracted without material adjustment from the audited financial statements of the Metric Group for the period ended 31 March 2011, the financial year ended 31 March 2012 and the unaudited interim financial statements of the Metric Group for the six-month period ended 30 September 2012.

	Period ended 31 March 2011	Year ended 31 March 2012	Six-month period ended 30 September 2011	Six-month period ended 30 September 2012
	£000	£000	£000	£000
	IFRS	IFRS	IFRS	IFRS
Net income	4,581	12,549	6,505	6,243
Revaluation surplus ⁽¹⁾	7,618	8,087	3,443	710
Movement in derivatives ⁽¹⁾	—	(1,702)	(1,389)	(1,190)
Exceptional costs and tax ⁽¹⁾	—	—	—	—
Profit for the year	8,495	13,199	6,012	3,059
EPRA earnings for the year	877	6,574	3,901	3,465
Investment properties	192,387	225,907	228,932	246,100
Investment in joint ventures	—	8,820	—	20,401
Cash deposits	28,036	4,215	7,024	4,849
Bank debt	—	33,498	29,088	61,632
Net assets	191,067	201,324	195,988	200,062
NAV per share	101p	106p	103p	105p
EPRA NAV per share	101p	107p	104p	107p
Earnings per share	4.8p	6.9p	3.2p	1.6p
EPRA earnings per share	0.5p	3.5p	2.1p	1.8p
Dividend per share	0.6p	3.3p	1.0p	1.8p
Gearing ⁽²⁾	N/A	13.5%	10.0%	23.5%

(1) Includes share of joint ventures and associates.

(2) Net debt as a percentage of investment property assets.

8. FINANCIAL EFFECTS OF THE PROPOSALS

A pro forma statement of the net assets of the London & Stamford Group and illustrations of the effect of the Merger on the London & Stamford Group as at 30 September 2012 are set out in Part 16 of this document.

The Board believes that the effect of the Merger on earnings of the Company will significantly enhance earnings per share.

9. CONDITIONS TO THE MERGER

The Merger is conditional upon, among other things, the following events occurring on or before 31 March 2013 or such later date as London & Stamford and Metric agree (with the consent of the Panel and (if required) the Court):

- (a) approval of the resolution proposed at the Metric Court Meeting by the requisite majority of Scheme Shareholders;
- (b) approval of the special resolution necessary to implement the Scheme and to sanction the related Capital Reduction by the requisite majority of Metric Shareholders at the Metric General Meeting;
- (c) approval of Resolution 1 by the requisite majority of London & Stamford Shareholders at the General Meeting;
- (d) the sanction of the Scheme and confirmation of the related Capital Reduction by the Court;
- (e) the delivery of a copy of the Court Order and the statement of capital attached thereto to, and, if so ordered by the Court, the registration of the Court Order together with the statement of capital attached thereto by, the Registrar of Companies;
- (f) the UK Listing Authority and the London Stock Exchange approving the admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange's Main Market for listed securities; and
- (g) the satisfaction or waiver of the other conditions which are considered to be customary for a transaction of this nature.

Please refer to Part 8 of this document for further details of the Conditions to the Merger.

10. STRUCTURE OF THE MERGER

10.1 *Scheme of Arrangement and New Ordinary Shares*

It is intended that the Merger will be effected by means of a scheme of arrangement between Metric and Metric Shareholders under Part 26 of the Companies Act.

The purpose of the Scheme is to provide for London & Stamford to become the owner of the whole of the issued and to be issued share capital of Metric.

The Scheme will involve a reduction of capital pursuant to section 641 of the Companies Act. The procedure involves an application by Metric to the Court to sanction the Scheme and to confirm the cancellation of the Scheme Shares by way of the Capital Reduction and the application of the reserve arising from such cancellation in paying up in full a number of New Metric Shares (which is equal to the number of Metric Ordinary Shares cancelled) and issuing the same to London & Stamford, in consideration for which the Metric Shareholders will receive New Ordinary Shares on the basis of the Merger Ratio.

The New Ordinary Shares will be issued in registered form and will be capable of being held in both certificated and uncertificated form. Fractions of the New Ordinary Shares will not be allotted or issued pursuant to the Merger, but entitlements of Scheme Shareholders will be rounded down to the nearest whole number of New Ordinary Shares.

10.2 *Conditions*

The implementation of the Scheme will be subject to the Conditions which are summarised in paragraph 9 above and which are fully set out in Part 8 of this document.

Under the Companies Act, the Scheme also requires the sanction of the Court. The hearing by the Court to sanction the Scheme and to confirm the Capital Reduction comprised in the Scheme is expected to be held on 24 January 2013, subject to satisfaction or waiver of the other Conditions. London & Stamford has confirmed that it will be represented by Counsel at such hearing so as to consent to the Scheme and undertake to the Court to be bound thereby.

Once the necessary approvals from Metric Shareholders have been obtained and the other Conditions have been satisfied, or (where applicable) waived, the Scheme will become effective upon sanction by the Court and the delivery of a copy of the Court Order to, and, if so ordered by the Court, the registration of the Court Order together with the statement of capital attached thereto by the Registrar of Companies. Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted in favour of the Scheme at the Metric Court Meeting or the resolution proposed at the Metric General Meeting.

If the Scheme does not become effective by 31 March 2013 (or such later date and time (if any) as London & Stamford and Metric may agree and (if required) the Court and the Panel may allow) the Scheme will not become effective and Merger will not take place.

10.3 *Election to switch*

London & Stamford has reserved the right to elect (with Metric's consent in writing) to implement the Merger by way of a Takeover Offer (subject to the Panel's consent where necessary). In this event, the Takeover Offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Scheme. If London & Stamford does elect to implement the Merger by way of a Takeover Offer, and if sufficient acceptances of such offer are received and/or sufficient Metric Ordinary Shares are otherwise acquired, it is the intention of London & Stamford to apply the provisions of sections 979 to 982 (inclusive) of the Companies Act to acquire compulsorily any outstanding Metric Ordinary Shares to which such offer relates.

10.4 *Metric Share Schemes*

The Scheme will extend to any Metric Ordinary Shares unconditionally allotted or issued prior to the Scheme Record Time, including any shares issued pursuant to the exercise of options or release of shares granted under the Metric Share Schemes as described in paragraph 15 of this Part 7.

11. DEALINGS, COMPULSORY ACQUISITION AND RE-REGISTRATION

Prior to the Scheme becoming Effective, an application will be made to the London Stock Exchange and the UK Listing Authority respectively for trading of the Metric Ordinary Shares on the London Stock Exchange's main market for listed securities and the listing of Metric Ordinary Shares on the Official List to be cancelled. The last day of dealings in, and for registration of transfers of, Metric Ordinary Shares is expected to be the day before the Metric Court Hearing and at the close of business on that date the trading of Metric Ordinary Shares on the London Stock Exchange's main market for listed securities will be suspended. No transfers of Metric Ordinary Shares will be registered after this date, other than the registration of Metric Ordinary Shares released, transferred or issued under the Metric Share Schemes.

It is intended that the delisting of the Metric Ordinary Shares will take effect on the Effective Date. In addition, on the Effective Date, entitlements to Metric Ordinary Shares held within the CREST system will be cancelled and share certificates in respect of Scheme Shares will cease to be valid and should, if so requested by Metric, be sent to Metric for cancellation. It is also intended that Metric will be re-registered as a private limited company as part of the Scheme.

Upon the Scheme becoming Effective, London & Stamford (and/or its nominee(s)) will acquire New Metric Shares fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them including the right to receive and retain all dividends and distributions (if any) declared or made after the Effective Date save for the Metric Interim Dividend.

12. LISTING, DEALING AND SETTLEMENT

An application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange's market for listed securities for such shares to be admitted to trading.

It is expected that Admission will become effective and that unconditional dealings in the New Ordinary Shares will commence at 8.00 a.m. on 28 January 2013.

No application is currently intended to be made for the Existing Ordinary Shares or the New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

On completion of the Merger, New Ordinary Shares will be issued credited as fully paid, and on identical terms to and will rank *pari passu* with the Ordinary Shares in issue at the time the New Ordinary Shares are issued in connection with the Merger (including the right to receive and return all dividends and other distributions declared, made or paid on the Ordinary Shares after the merger becomes Effective). The New Ordinary Shares will be registered in the names of the persons to whom they are issued, either:

- in certificated form, with the relevant share certificate expected to be despatched by post, at the applicant's risk, within seven days of Admission; or
- in CREST, with delivery (to the designated CREST account) of the New Ordinary Shares applied for expected to take place as soon as possible after 8.00 a.m. on 28 January 2013.

13. THE TENDER OFFER

As at the date of this document, it is proposed that Eligible Shareholders will be invited to tender, in aggregate, up to 88,573,959 Ordinary Shares for purchase under the Tender Offer, representing approximately 12 per cent. of the Enlarged Share Capital, for a maximum aggregate cash consideration of £100 million.

Full details of the Tender Offer, including the Tender Offer Price and detailed terms and conditions, will be announced following the Effective Date but in any event the price per Ordinary Share at which tenders can be made will be not less than 112.9 pence per Ordinary Share which equates to the Pro Forma EPRA NAV of the Enlarged Group as at 30 September 2012. When determining the Tender Offer Price, the board of directors of the Enlarged Company will take into account the following factors: (a) the market price of Ordinary Shares; (b) the EPRA NAV per Ordinary Share; and (c) any other factors affecting their expectation of the Enlarged Company's future share price, such as prevailing macroeconomic conditions, the outlook for the UK property market and the state of the financing markets.

The Tender Offer is to be effected by the Intermediary purchasing Ordinary Shares from Shareholders as principal. The Intermediary, in turn, will have the right to require the Company to purchase such Ordinary

Shares from it under the Repurchase Agreement. The Company intends to cancel the Ordinary Shares purchased by it under the Repurchase Agreement.

Successfully tendered Ordinary Shares will be purchased free of commissions and dealing charges. Upon purchase they will be cancelled and will not rank for any future dividends. Any rights of Shareholders who choose not to tender their Ordinary Shares will be unaffected.

The Metric Directors and the London & Stamford Directors have undertaken, if the Merger becomes Effective, not to accept the Tender Offer in respect of any of their own beneficial holdings of Ordinary Shares, representing, in aggregate, 6 per cent. of the Enlarged Issued Share Capital, save to the extent required to pay liabilities incurred as a result of exercise of options triggered by the Merger or other tax liabilities.

Some further details of the Tender Offer are set out in Part 9 of this document. Full details of the Tender Offer, including detailed terms and conditions, the Tender Offer Price and explanations as to how to tender Ordinary Shares will be sent to Eligible Shareholders following the Effective Date which is expected to be by early February 2013. At such time, Eligible Shareholders will be able to choose whether or not to participate in the Tender Offer.

The Tender Offer is expected to open by early February 2013 and remain open for approximately 10 Business Days.

14. ARRANGEMENTS BETWEEN LONDON & STAMFORD AND METRIC MANAGEMENT AND LONDON & STAMFORD EXISTING MANAGEMENT INCENTIVES AND GEPT

Following completion of the Merger, existing long term incentive plans for the management of Metric will be terminated or rights under the plan surrendered.

As a result of the significance of the Merger and the substantial changes to the composition of the Board and senior management, it is proposed that, with effect from completion of the Merger, certain clawback provisions in relation to the Existing Incentive Shares of the Existing Management Incentives Agreement will be terminated pursuant to the Existing Management Incentives Termination Agreement (details of which are set out in paragraph 14.1.2.2 of Part 20 of this document).

The release of the Former LSI Management Members from their clawback obligations and the subsequent acquisition of 76.5 per cent. of the Existing Incentive Shares for up to £9 in aggregate pursuant to the Existing Management Incentives Termination Agreement will require shareholder approval under the Companies Act. As a consequence of the acquisition of 76.5 per cent. of the Existing Incentive Shares from the Former LSI Management Members, it is proposed that GEPT may elect to pay to London & Stamford £1.91 million being the cash equivalent of 76.5 per cent. of the 2,081,599 Ordinary Shares which would have been bought back by London & Stamford if they had not been disposed of by GEPT.

After completion of the Merger, it will be a priority for the newly constituted board of directors of the Enlarged Company and its appointed remuneration committee to put in place revised salary and bonus arrangements and new long term arrangements for senior executives of the Enlarged Group in line with the market. Any scheme will be required to compensate for the value of any existing scheme which is being terminated. Patrick Vaughan and Martin McGann will not participate in any of the revised bonus or long term incentive arrangements until 30 September 2013.

15. METRIC SHARE SCHEMES

Metric's Remuneration Committee has indicated that it intends to exercise its discretion under the Metric Matching Share Plan following Court sanction of the Merger to permit 25 per cent. of the awards granted in respect of the 2010/11 financial year and 75 per cent. of the awards granted in respect of the 2011/12 financial year to vest.

The Metric Remuneration Committee has stated the exercise of such discretion will be conditional upon Andrew Jones, Valentine Beresford and Mark Sterling each agreeing that the New Ordinary Shares resulting from the effects of the Merger on the awards will not be sold before 31 May 2014 (in respect of shares from the 2010/11 financial year awards) and 31 May 2015 (in respect of shares from the 2011/12 financial year awards) save to the extent required to pay tax and social security incurred as a result of the vesting of their MSP awards and will be clawed back as if the Metric Matching Share Plan were still in effect if they cease to be employees of the Enlarged Group in certain circumstances.

Participants in the Metric Company Share Option Plan will be contacted regarding the effect of the Merger on their rights under the Metric Company Share Option Plan and appropriate proposals will be made to such participants in due course.

The Metric Matching Share Plan, Metric Management Incentive Plan and the Metric Company Share Option Plan will be terminated upon the Scheme becoming effective.

16. GENERAL MEETING

You will find set out at the end of this document a Notice of General Meeting convening a General Meeting to be held on 17 December 2012 at 10.30 a.m. at Mayfair A Suite at The Sofitel Hotel London St. James, 6 Waterloo Place, London, SW1Y 4AN. The full text of the Notice of General Meeting is set out in Part 22 of this document.

At the General Meeting, the Resolutions will be proposed to:

- (a) approve the Merger (Resolution 1);
- (b) grant the Directors a general authority pursuant to section 551 of the Companies Act to (a) allot Ordinary Shares and to grant rights to convert securities into Ordinary Shares up to an aggregate nominal amount of £24,046,506; and (b) to allot Ordinary Shares and to grant rights to convert securities into Ordinary Shares up to an additional aggregate nominal amount of £24,046,506 for use in connection with a rights issue (Resolution 2);
- (c) empower the directors to allot up to an aggregate amount of £3,606,975 ordinary shares in the capital of the Company for cash pursuant to the authority conferred by the resolution referred to above or by way of a sale of treasury shares on a non-pre-emptive basis (comprising 5 per cent. of the Enlarged Share Capital before the Tender Offer) (Resolution 3);
- (d) authorise the directors to make purchases of Ordinary Shares for the purposes of the Tender Offer at a minimum price of 112.9 pence per Ordinary Share (Resolution 4);
- (e) approve the change of the Company's name to "LondonMetric Property plc" and reflect the change of name in the Articles (Resolution 5);
- (f) approve the purchase of up to 6,369,692 Existing Incentive Shares from Former LSI Management Members in accordance with the terms of the Existing Management Incentives Termination Agreement (Resolution 6); and
- (g) grant the Directors a general authority to buy-back Ordinary Shares in the market as permitted by Section 701 the Companies Act (Resolution 7).

The Merger is only conditional on the passing of Resolution 1. Resolutions 2 to 7 above are all conditional upon completion of the Merger. Resolutions 1, 4, 5 and 6 above are required in order to effect the Proposals. Resolutions 2 and 3 above are not required in order to effect the Proposals as the Directors have sufficient existing authority to issue the New Ordinary Shares in connection Merger, however the Directors believe it is appropriate to increase the Directors' authority to issue Ordinary Shares and to grant rights to convert securities into Ordinary Shares to reflect the Enlarged Share Capital. Similarly, Resolution 7 above is not required to effect the Proposals but is considered appropriate for the Enlarged Group.

The Directors have no present intention to make use of the authority granted by Resolution 2 but believe its approval will ensure that London & Stamford has maximum flexibility in managing the London & Stamford Group's resources. Similarly, the Directors have no present intention of exercising the authority granted by Resolution 3.

Further, the Directors have no present intention of exercising the authority to purchase the Ordinary Shares granted pursuant to Resolution 7 above but will keep the matter under review, taking into account the financial resources of London & Stamford, London & Stamford's share price and future funding opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of Shareholders generally.

The Company is calling the General Meeting on less than 21 days' notice as permitted by the enabling resolution passed at the Company's annual general meeting held on 11 July 2012. The Company considers doing so to be merited by the business of the meeting and considers proceeding to Admission

and completion of the Merger as soon as possible and minimising the risk of events arising which may result in the Merger not proceeding, to be to the advantage of Shareholders as a whole.

17. IRREVOCABLE UNDERTAKINGS

London & Stamford has received irrevocable undertakings from each of the Metric Directors to vote in favour of the Scheme at the Metric Court Meeting and vote in favour of the Metric Resolution to be proposed at the Metric General Meeting, in respect of a total of 6,101,914 Metric Ordinary Shares, representing, in aggregate, approximately 3.2 per cent. of the ordinary share capital of Metric in issue on 23 November 2012 (being the latest practicable date prior to this document).

London & Stamford has also received irrevocable undertakings from each of the London & Stamford Directors to vote in favour of the resolutions to be proposed at the London & Stamford General Meeting in relation to the Merger in respect of a total of 40,212,932 Ordinary Shares, representing, in aggregate, approximately 7 per cent. of the ordinary share capital of London & Stamford in issue on 23 November 2012 (being the latest practicable date prior to this document), save for the resolution in relation to the Existing Management Incentive Agreement, where their undertakings are in respect of 100,000 Ordinary Shares in aggregate, representing 0.02 per cent. of the existing share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to publication of this document).

18. OFFER RELATED ARRANGEMENTS

London & Stamford and Metric entered into a confidentiality agreement on 3 September 2012 pursuant to which each of London & Stamford and Metric has undertaken to keep confidential information relating to the other party and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations continue in effect indefinitely.

19. ACTION TO BE TAKEN IN RESPECT OF THE GENERAL MEETING

You will find enclosed with this document a Form of Proxy for use at the London & Stamford General Meeting. Whether or not you intend to be present at the General Meeting in person, it is important that you complete and return the Form of Proxy in accordance with the instructions printed on it to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.30 p.m. on 13 December 2012. As an alternative to completing a hard copy proxy form, you can appoint a proxy electronically by logging into www.capitashareportal.com.

You may also submit your proxies electronically using your investor code detailed on the Form of Proxy. If you hold Ordinary Shares in CREST, you may also appoint a proxy by completing and transmitting a CREST Proxy Instruction to ID RA10 so that it is received by no later than 10.30 p.m. on 13 December 2012.

Completion and return of the Form of Proxy will not preclude you from attending the General Meeting in person, if you so wish and are entitled.

20. RISKS AND FURTHER INFORMATION

Attention is drawn to the risks and additional information contained in the "Summary", "Risk Factors" and "Additional Information" sections of this document. Recipients of this document are advised to read the whole of this document and not rely only on the summary information presented in the "Summary" section of this document.

21. METRIC BOARD RECOMMENDATION

The Metric Board has recommended to Metric Shareholders that Metric Shareholders vote in favour of the Scheme at the Metric Court Meeting and vote in favour of the Metric Resolution to be proposed at the Metric General Meeting as they have irrevocably undertaken to do (or procure to be done) in respect of their own beneficial holdings of 6,101,914 Metric Ordinary Shares representing, in aggregate, approximately 3.2 per cent. of the ordinary share capital of Metric in issue on 23 November 2012 (being the latest practicable date prior to publication of this document).

22. LONDON & STAMFORD BOARD RECOMMENDATION

The Board has received financial advice from Credit Suisse and Peel Hunt in relation to the Proposals. In providing their advice, Credit Suisse and Peel Hunt have relied upon the Directors' commercial assessments of the Proposals.

The Board consider that the Proposals and the Resolutions are in the best interests of the Shareholders as a whole. The Board unanimously recommends that Shareholders vote in favour of all the Resolutions to be proposed at the London & Stamford General Meeting, as they have irrevocably undertaken to do in respect of their own beneficial holdings, as set out below.

In accordance with the Companies Act, the London & Stamford Directors who are Former LSI Management Members will not vote on the resolution to approve the Existing Management Incentive Termination Agreement. The London & Stamford Directors have therefore undertaken to vote in favour of the resolutions to be proposed at the London & Stamford General Meeting in respect of 40,212,932 Ordinary Shares representing, in aggregate, 7 per cent. of the existing share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to publication of this document) save for the resolution in relation to the Existing Management Incentive Termination Agreement, where their undertakings are in respect of 100,000 Ordinary Shares, in aggregate, representing 0.02 per cent. of the existing share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to publication of this document).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Raymond Mould', written in a cursive style.

Raymond Mould
Chairman

PART 8

TERMS AND CONDITIONS OF THE MERGER

Part A: The Conditions

1. The Merger will be conditional upon the Scheme becoming unconditional and becoming effective, subject to the City Code, by not later than 31 March 2013 or such later date (if any) as London & Stamford and Metric may, with the consent of the Panel, agree and (if required) the Court may allow.
2. The Scheme will be conditional upon:
 - (a) the approval of the Scheme by a majority in number representing 75 per cent. or more in value of the Scheme Shareholders entitled to vote and present and voting, either in person or by proxy, at the Metric Court Meeting (and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting);
 - (b) all resolutions in connection with, or necessary to approve and implement the Scheme and Reduction of Capital, as set out in the notice of the Metric General Meeting, being duly passed at the Metric General Meeting or at any adjournment of that meeting;
 - (c) any resolution or resolutions of London & Stamford Shareholders required to: (i) approve, effect and implement the Merger and (ii) confer authorities for the issue and allotment of the New Ordinary Shares to be issued in connection with the Merger, being duly passed at the London & Stamford General Meeting (or at any adjournment of that meeting) in each case by the requisite majority of London & Stamford Shareholders;
 - (d) the sanction of the Scheme and the confirmation of the Reduction of Capital (in either case without modification, or with such modifications as are agreed by London & Stamford and Metric) by the Court and: (a) an office copy of the Court Order and the statement of capital attached thereto being delivered for registration to the Registrar of Companies and (b) if so ordered in order to take effect, the registration of the Court Order effecting the Capital Reduction and the statement of capital attached thereto by the Registrar of Companies;
 - (e) the UK Listing Authority having acknowledged to London & Stamford or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Ordinary Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("**listing conditions**")) will become effective as soon as a dealing notice has been issued by the FSA and any listing conditions having been satisfied and (ii) the London Stock Exchange having acknowledged to London & Stamford or its agent (and such acknowledgement not having been withdrawn) that the New Ordinary Shares will be admitted to trading;
3. In addition, subject as stated in Part B of this Part 8 and to the requirements of the Panel, the Merger will be conditional upon the following conditions and, accordingly, the Court Order(s) will not be delivered to the Registrar of Companies unless such conditions have been satisfied or, where relevant, waived in writing:
 - (a) no Third Party having intervened, and there not being outstanding any statute, regulation or order, that would:
 - (i) make the Merger, its implementation or the acquisition or the proposed acquisition by London & Stamford or any member of the Wider London & Stamford Group of any shares or other securities in, or control or management of, Metric or any member of the Wider Metric Group void, illegal or unenforceable in any jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict, delay or otherwise materially adversely interfere with the same or impose additional conditions or obligations with respect to the Merger (or its implementation) or such acquisition, or otherwise impede, challenge or interfere with the Merger (or its implementation) or such acquisition, or require material adverse amendment to the terms of the Merger or the acquisition or proposed acquisition of any Metric Ordinary Shares or the acquisition of control or management of Metric or any member of the Wider Metric Group by London & Stamford or any member of the Wider London & Stamford Group;

- (ii) materially limit or delay the ability of any member of the Wider London & Stamford Group or any member of the Wider Metric Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider Metric Group or any member of the Wider London & Stamford Group, as the case may be, taken as a whole;
- (iii) require, prevent or materially delay any divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider London & Stamford Group of any shares or other securities in Metric or any member of the Wider Metric Group (in any case to an extent which is or reasonably likely to be material in the context of the Wider London & Stamford Group or the Wider Metric Group, as the case may be, taken as a whole);
- (iv) require, prevent or materially delay any divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider London & Stamford Group or by any member of the Wider Metric Group of all or any part of their respective businesses, assets or properties or limit the ability of any of them to conduct all or any part of their respective businesses or to own or control any of their respective assets or properties or any part thereof (in any case to an extent which is or is reasonably likely to be material in the context of the Wider London & Stamford Group or the Wider Metric Group, as the case may be, taken as a whole);
- (v) other than in connection with the implementation of the Merger, require any member of the Wider London & Stamford Group or of the Wider Metric Group to subscribe for or acquire, or to offer to subscribe for or acquire, any shares or other securities (or the equivalent) or interest in any member of the Wider Metric Group or the Wider London & Stamford Group;
- (vi) materially limit the ability of any member of the Wider London & Stamford Group or of the Wider Metric Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider London & Stamford Group and/or of the Wider Metric Group in each case in a manner which is material in the context of the Merger, or as the case may be, in the context of the Wider London & Stamford Group or the Wider Metric Group, as the case may be, taken as a whole;
- (vii) result in any member of the Wider London & Stamford Group or the Wider Metric Group ceasing to be able to carry on business under any name under which it presently does so (in any case to an extent which is material in the context of the Wider London & Stamford Group or the Wider Metric Group, as the case may be, taken as a whole); or
- (viii) otherwise adversely affect the business, assets, profits, financial or trading position or prospects of any member of the Wider London & Stamford Group to a material extent, or, of the Wider Metric Group, taken as a whole, to a material extent;

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute, implement or threaten such actions, proceedings, suit, investigation, enquiry or reference or take any other step under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as the case may be);

- (b) all material notifications, filings and/or applications which are necessary having been made, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in connection with the Merger or the acquisition or proposed acquisition of any shares or other securities in, or control of, Metric or any other member of the Wider Metric Group by any member of the Wider London & Stamford Group or the carrying on by any member of the Wider Metric Group of its business;
- (c) all Authorisations which are necessary in any relevant jurisdiction for or in respect of the Merger (or its implementation) or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Metric or any other member of the Wider Metric

Group by London & Stamford or any member of the Wider London & Stamford Group or the carrying on by any member of the Wider Metric Group of its business having been obtained, in terms and in a form satisfactory to London & Stamford from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider London & Stamford Group or any member of the Wider Metric Group has entered into contractual arrangements and such Authorisations together with all authorisations necessary for any member of the Wider Metric Group to carry on its business remaining in full force and effect, and there being no notice or other intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same having been made in connection with the Merger or any other matter directly, or indirectly, arising from the Merger (or its implementation), in each case where the absence of such Authorisation would have a material adverse effect on the Wider Metric Group or the Wider London & Stamford Group taken as a whole and all necessary statutory or regulatory obligations in any relevant jurisdiction having been complied with;

- (d) save as Disclosed, there being no provision of any arrangement, agreement, lease, licence, permit, franchise or other instrument to which any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate is a party, or by or to which any such member or any of its assets is or may be bound, entitled or subject, or any circumstance, which, in each case as a consequence of the Merger (or its implementation) or of the resignation of a London & Stamford Director or the acquisition or proposed acquisition by London & Stamford or any member of the Wider London & Stamford Group or otherwise of any shares or other securities (or the equivalent) in, or control or management of, Metric or any other member of the Wider Metric Group, could reasonably be expected to result in, in any case to an extent which is or would be material in the context of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, in each case taken as a whole:
- (i) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, being or becoming repayable or being capable of being declared repayable immediately or prior to their or its stated maturity or the ability of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, or any such mortgage, charge or other security interest (wherever and whenever created, arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, lease, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or arising thereunder or any onerous obligation or liability arising thereunder;
 - (iv) any asset or interest of any member of the Wider Metric Group or any asset the use of which is enjoyed by any member of the Wider Metric Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider Metric Group or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Metric Group otherwise than in the ordinary course of business;
 - (v) the creation or assumption of any liabilities (actual or contingent) by any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, other than in the ordinary course of business;
 - (vi) the rights, liabilities, obligations or interests of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, under any such arrangement, agreement, lease, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any

agreements or arrangements relating to any such interests or business) being terminated, adversely modified or affected;

- (vii) the financial or trading position or the value or the profits of Metric or of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, being prejudiced or adversely affected;
- (viii) the creation of any liability (actual or contingent) by any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate; or
- (ix) any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, being required to acquire or repay any shares in and/or indebtedness of any member of the Wider Metric Group owned by or owed to any third party;

and no event having occurred which, under any provision of any such arrangement, agreement, lease, license, permit, franchise or other instrument to which any member of the Wider Metric Group, or the Wider London & Stamford Group, as appropriate, is a party, or by or to which any such member or any of its assets may be found entitled or subject, could result in any of the events or circumstances which are referred to in paragraphs (i) to (ix) of this condition 3(d) in any case to an extent which is or would be material in the context of the Wider Metric Group as a whole;

- (e) save as Disclosed, no member of the Wider Metric Group, or the Wider London & Stamford Group, as appropriate, having since 30 September 2012:
 - (i) issued or agreed to issue, or authorised or proposed or announced its intention to authorise or propose the issue of, additional shares or securities of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between Metric and wholly-owned subsidiaries of Metric) between London & Stamford and wholly owned subsidiaries of London & Stamford;
 - (ii) purchased or redeemed or repaid or proposed the purchase, redemption or repayment of any of its own shares or other securities (or the equivalent) or reduced or, save in respect of the matters mentioned in sub-paragraph (i) above made or authorised any other change to any part of its share capital other than pursuant to the implementation of the Merger;
 - (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution, whether payable in cash or otherwise save for the Metric Interim Dividend and the London & Stamford Interim Dividend and any dividend ("**Permitted Dividend**") declared before the Effective Date by any wholly-owned subsidiary of Metric or London & Stamford to Metric or London & Stamford or any of their respective wholly-owned subsidiaries;
 - (iv) save for transactions between Metric or London & Stamford and their respective wholly-owned subsidiaries or between such wholly-owned subsidiaries, made, authorised, proposed or announced an intention to make, propose or authorise any change in its loan capital;
 - (v) save for transactions between Metric or London & Stamford and their respective wholly-owned subsidiaries or between such wholly-owned subsidiaries merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any material assets or any right, title or interest in any material assets (including shares in any undertaking and trade investments) or authorised, proposed or announced the same;
 - (vi) issued, authorised or proposed or announced an intention to authorise or propose the issue of, or made any change in or to, any debentures or, other than trade credit incurred in the ordinary course of business, incurred or increased any indebtedness or liability (actual or contingent) except as between Metric or London & Stamford and any of their respective wholly-owned subsidiaries or between such subsidiaries, which in any case is material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group taken as a whole, as appropriate;

- (vii) entered into, varied, authorised, proposed or announced an intention to enter into or vary any contract, agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - (A) is of a long-term, onerous or unusual nature or magnitude or which involves or is or is reasonably likely to involve an obligation of such a nature or magnitude;
 - (B) restricts or could reasonably be expected to restrict the business of any member of the Wider Metric Group or the Wider London & Stamford Group; or
 - (C) is other than in the ordinary course of business,
 and which is, in any such case, material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group taken as a whole, as appropriate;
- (viii) entered into, implemented, effected or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement in respect of itself or another member of the Wider Metric Group or the Wider London & Stamford Group;
- (ix) entered into or varied or made an offer (which remains open for acceptance) to vary the terms of any contract, agreement, commitment or arrangement with any of the directors or senior executives of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, or changed or entered into any commitment to change the terms of any of the Metric Share Schemes or the Existing Management Incentive Agreement, as appropriate, save for salary increases and bonuses not resulting in total annual remuneration of any individual exceeding the immediately preceding year's remuneration by more than three per cent. or other bonuses or variations of terms in the ordinary course of business which are not material in the context of the Wider Metric Group taken as a whole;
- (x) taken any corporate action or had any step, application, filing in court, notice or legal proceedings started, served, instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction which in any case is material in the context of the Wider Metric Group taken as a whole;
- (xi) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or having entered into or taken steps to enter into a moratorium, composition, compromise or arrangement with its creditors in respect of its debts or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xii) waived, settled or compromised any claim (other than in the ordinary and usual course of business) to an extent which is material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group, taken as a whole, as appropriate;
- (xiii) terminated or varied the terms of any agreement or arrangement between any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position or prospects of the Wider Metric Group or the Wider London & Stamford Group, as appropriate;
- (xiv) made any alteration to its articles of association other than as required to implement the Merger;
- (xv) put in place any pension schemes for its directors, employees or their dependants or made or agreed or consented to any change to:
 - (A) the terms of the trust deeds constituting the pension schemes (if any) established for its directors, employees or their dependants; or
 - (B) the benefits which accrue, or to the pensions which are payable, thereunder; or

- (C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (D) the basis upon which the liabilities (including pensions) of such pension schemes are funded or made,
- or agreed or consented to any change to the trustees involving the appointment of a trust corporation;
- (xvi) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Metric Group or the Wider London & Stamford Group, as appropriate, in a manner which is material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group, taken as a whole, as appropriate; or
 - (xvii) entered into any contract, agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (e);
- (f) since 30 September 2012, save as Disclosed:
- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, which in any case is material in the context of the Wider Metric Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Metric Group is or may become a party (whether as plaintiff, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, which in any case is material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group, taken as a whole, as appropriate;
 - (iii) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider Metric Group which in any such case might reasonably be expected to be material in the context of the Wider Metric Group taken as a whole;
 - (iv) no contingent or other liability having arisen or become apparent to any member of the London & Stamford Group or increased which might reasonably be expected to adversely affect any member of the Wider Metric Group which is material in the context of the Wider Metric Group taken as a whole and no contingent or other liability having arisen or become apparent to any member of the Metric Group or increased which might reasonably be expected to adversely affect any member of the Wider London & Stamford Group which is material in the context of the Wider London & Stamford Group taken as a whole;
 - (v) no claim being made and no circumstance having arisen which might reasonably be expected to lead to a claim being made under the insurance of any member of the Wider Metric Group or the Wider London & Stamford Group, as appropriate, where such claim would not be covered by such insurance and where such claim is material in the context of the Wider Metric Group taken as a whole or the Wider London & Stamford Group, taken as a whole, as appropriate; and
 - (vi) no steps having been taken which are reasonably likely to result in the withdrawal, cancellation or termination or modification of any licence, permit or consent held by any member of the Wider Metric Group which is necessary for the proper carrying on by such member of its business and which is material in the context of the Wider Metric Group or the Wider London & Stamford Group, as appropriate;

- (g) London & Stamford not having discovered (other than to the extent Disclosed):
- (i) that any financial or business or other information concerning the Wider Metric Group disclosed at any time by or on behalf of any member of the Wider Metric Group, whether publicly, to any member of the Wider London & Stamford Group or otherwise, is materially misleading or contains any material misrepresentation of fact or omits to state a fact necessary to make any information contained therein not materially misleading;
 - (ii) that any member of the Wider Metric Group is subject to any liability (actual or contingent) which is material in the context of the Wider Metric Group taken as a whole; or
 - (iii) any information which affects the import of any information disclosed to London & Stamford at any time by or on behalf of any member of the Wider Metric Group to an extent which is material and adverse in the context of the Wider Metric Group taken as a whole;
- (h) save as Disclosed, London & Stamford not having discovered that:
- (i) any past or present member of the Wider Metric Group has failed to comply with any applicable legislation, regulations or common law of any jurisdiction or any notice, order or requirement of any Third Party with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, presence, spillage, leak or emission of any waste or hazardous or harmful substance or any substance likely to impair the environment or harm human or animal health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, presence, spillage, leak or emission (whether or not the same constituted non-compliance by any person with any legislation, regulations or law and wherever the same may have taken place) which, in any case, would be reasonably likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Metric Group which in any case is material in the context of the Wider Metric Group taken as a whole;
 - (ii) there is, or is reasonably likely to be, any obligation or liability, whether actual or contingent, to make good, repair, reinstate, remedy or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Metric Group or any other property or controlled waters under any environmental legislation, regulation, common law, notice, circular, order or other lawful requirement of any relevant authority or Third Party in any jurisdiction or otherwise which in any case is material in the context of the Wider Metric Group taken as a whole; or
- (i) Metric not having discovered (other than to the extent Disclosed):
- (i) that any financial or business or other information concerning the Wider London & Stamford Group disclosed at any time by or on behalf of any member of the Wider London & Stamford Group, whether publicly, to any member of the Wider Metric Group or otherwise, is materially misleading or contains any material misrepresentation of fact or omits to state a fact necessary to make any information contained therein not materially misleading;
 - (ii) that any member of the Wider London & Stamford Group is subject to any liability (actual or contingent) which is material in the context of the Wider London & Stamford Group taken as a whole; or
 - (iii) any information which affects the import of any information disclosed to Metric at any time by or on behalf of any member of the Wider London & Stamford Group to an extent which is material and adverse in the context of the Wider London & Stamford Group taken as a whole; or
- (j) save as Disclosed, Metric not having discovered that:
- (i) any past or present member of the Wider London & Stamford Group has failed to comply with any applicable legislation, regulations or common law of any jurisdiction or any notice, order or requirement of any Third Party with regard to the use, treatment,

handling, storage, transport, release, disposal, discharge, presence, spillage, leak or emission of any waste or hazardous or harmful substance or any substance likely to impair the environment or harm human or animal health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, presence, spillage, leak or emission (whether or not the same constituted non-compliance by any person with any legislation, regulations or law and wherever the same may have taken place) which, in any case, would be reasonably likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider London & Stamford Group which in any case is material in the context of the Wider London & Stamford Group taken as a whole; or

- (ii) there is, or is reasonably likely to be, any obligation or liability, whether actual or contingent, to make good, repair, reinstate, remedy or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider London & Stamford Group or any other property or controlled waters under any environmental legislation, regulation, common law, notice, circular, order or other lawful requirement of any relevant authority or Third Party in any jurisdiction or otherwise which in any case is material in the context of the Wider London & Stamford Group taken as a whole.

Part B: Waiver of Conditions and further terms of the Merger and the Scheme

1. Subject to the requirements of the Panel or if required by the Court, London & Stamford reserves the right to waive all or any of the above conditions in paragraph 3 of Part A above, in whole or in part, except those conditions which relate to the Wider London & Stamford Group and Metric reserves the right to waive all or any of the above conditions in paragraph 3 of Part A, except those conditions which relate to Metric or the Wider Metric Group. The Scheme will not become effective unless the Conditions have been fulfilled or (if capable of waiver) waived or where appropriate, have been determined by London & Stamford to be or remain satisfied by no later than the date referred to in condition 1 (or such later date as London & Stamford, Metric, the Panel and, if required, the Court may allow).
2. London & Stamford shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the conditions in paragraphs 3(a) to 3(h) (inclusive) by a date earlier than the latest date of the fulfilment of that condition notwithstanding that the other conditions to the Merger may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any such conditions may not be capable of fulfilment.
3. London & Stamford reserves the right to elect (with Metric's consent in writing) to implement the Merger by way of a Takeover Offer (subject to the Panel's consent). In such event, such offer will be implemented on the same terms and conditions (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such lower percentage (being more than 50 per cent.) as London & Stamford may decide (subject to the Panel's consent)) of the shares to which such offer relates), so far as applicable, as those which would apply to the Scheme (the "**General Offer Acceptance Condition**").
4. Metric Ordinary Shares will be acquired pursuant to the Merger fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other rights and interests of any nature whatsoever and together with all rights now and hereafter attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, or made on or after the date of the announcement made under Rule 2.7 of the City Code on 9 November 2012, save the Metric Interim Dividend.
5. Under Rule 13.5 of the City Code, London & Stamford may only invoke a condition to the Merger so as to cause the Merger not to proceed, to lapse or to be withdrawn where the circumstances which give rise to the right to invoke the condition are of material significance to London & Stamford in the context of the Merger. The conditions contained in paragraphs 1 and 2 of Part A of this Part 8 are not subject to this provision of the City Code.

6. The Merger and the Scheme are and will be governed by English law and will be subject to the exclusive jurisdiction of the English courts.
7. The availability of the Merger to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements. Further details in relation to overseas shareholders will be contained in the Scheme Document.
8. The Merger is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction.
9. If any dividend (other than a Permitted Dividend or the Metric Interim Dividend) or other distribution or return of capital is proposed, declared, made, paid or becomes payable by Metric in respect of a Metric Ordinary Share on or after the date of this document and prior to the Merger becoming Effective, London & Stamford reserves the right to reduce the value of the consideration payable for each Metric Ordinary Share under the Merger by up to the amount per Metric Ordinary Share of such dividend, distribution or return of capital except where the Metric Ordinary Share is or will be acquired pursuant to the Merger on a basis which entitles London & Stamford to receive the dividend and/or distribution and/or return of capital and to retain it. London & Stamford also reserves the right, with Panel consent, to reduce the value of the consideration payable for each Metric Ordinary Share under the Merger and/or to adjust the Merger Ratio.
10. Fractions of New Ordinary Shares will not be allotted or issued to Scheme Shareholders, but the entitlements of Scheme Shareholders will be rounded down to the nearest whole number of New Ordinary Shares.
11. For the purpose of these conditions:
 - (a) a Third Party shall be regarded as having “**intervened**” if it has instituted or implemented any action, proceeding, suit, investigation, enquiry or reference or has made, or enacted any statute, regulation, decision, or order and “**intervene**” shall be construed accordingly; and
 - (b) “**Disclosed**” shall mean: (i) in relation to information disclosed by Metric to London & Stamford, any information fairly disclosed in writing prior to the date hereof by or on behalf of Metric to London & Stamford, or its financial, accounting, taxation or legal advisers (specifically as London & Stamford’s advisers in relation to the Merger); and (ii) in relation to information disclosed by London & Stamford to Metric, any information fairly disclosed in writing prior to the date hereof by or on behalf of London & Stamford to Metric, or its financial, accounting, taxation or legal advisers (specifically as Metric’s advisers in relation to the Merger).

PART 9

INFORMATION ON THE TENDER OFFER

The Tender Offer will be made solely by means of the Tender Offer Document which will contain the full terms and conditions of the Tender Offer. Any decision or other response to the Tender Offer should be made only on the basis of the information in the Tender Offer Document. Shareholders of the Enlarged Company are strongly advised to read the formal documentation in relation to the Tender Offer once it has been despatched.

1. The Tender Offer is the method by which the Company is proposing to repurchase a maximum of 88,573,959 of its Ordinary Shares up to a maximum value of £100 million, representing approximately 12 per cent of the Enlarged Share Capital.
2. The Tender Offer is proposed to be made conditional upon:
 - Shareholder approval of the Tender Offer at the London & Stamford General Meeting;
 - the Merger becoming Effective; and
 - the Intermediary being satisfied that the Company has complied with its obligations and is not in breach of any of the representations and warranties given by it, under the Repurchase Agreement.
3. It is expected that the Tender Offer Document, together with the relevant Tender Form, will be posted to Shareholders of the Enlarged Company by early February 2013. The Tender Offer will remain open for acceptances for approximately 10 Business Days. The Tender Offer will close at 1.00 p.m. on the Tender Offer Closing Date and no tenders received after that time will be accepted.
4. Accordingly, this document is not intended to and does not constitute or form part of an offer to tender or sell or any invitation to tender or sell any securities or the solicitation of an offer to tender or sell any securities pursuant to the Tender Offer or otherwise.
5. Under the Tender Offer Document, Shareholders will be invited to tender their Ordinary Shares at a fixed price of not less than 112.9 pence per Ordinary Share. Shareholders will be able to choose whether they want to tender their Ordinary Shares and do not have to participate in the Tender Offer if they do not wish to do so.
6. Ordinary Shares successfully tendered under the Tender Offer will be purchased at the Tender Offer Price by the Intermediary who, in turn, will have the right to require the Company to purchase such Ordinary Shares from it at the same price. Any such Ordinary Shares sold to the Company will be cancelled. Ordinary Shares will be purchased pursuant to the Tender Offer free of commissions and dealing charges.
7. Shareholders who do not participate in the Tender Offer will not receive any cash proceeds in respect of their Ordinary Shares under the Tender Offer. Such Shareholders will benefit from owning a greater percentage of the Ordinary Shares of the Company following completion of the Tender Offer, as there will be fewer Ordinary Shares in issue.
8. The Company will not purchase the Ordinary Shares pursuant to the Tender Offer unless the Tender Offer Conditions have been satisfied. The Tender Offer Conditions may not be waived by the Intermediary and if the Conditions are not satisfied by the due date, the Tender Offer will lapse.
9. The Tender Offer will only be available to Eligible Shareholders on the register of members of the Company on the Tender Offer Record Date and in respect of the number of Ordinary Shares registered in their name on the Tender Offer Record Date.
10. The purchase of Ordinary Shares from the Intermediary pursuant to the Repurchase Agreement will be funded from available cash of the Company and paid out of its distributable reserves. If the Tender Offer is taken up in full, the Enlarged Company's distributable reserves will be reduced by the size of the Tender Offer. Upon the purchase of Ordinary Shares by the Company in connection with the Tender Offer pursuant to the Repurchase Agreement and the subsequent cancellation of such Ordinary Shares, the Company's issued ordinary share capital will be reduced to 632,821,212 Ordinary Shares, assuming that: (i) the Tender Offer is taken up in full; (ii) the Repurchase Agreement is completed; and (iii) there is no change to the Company's issued ordinary share capital after 23 November 2012, being the latest practicable date prior to the publication of this document.

11. The Tender Offer will not be subject to Section 14(d) of the US Exchange Act or Regulation 14D thereunder. Rather, the Tender Offer will be made to Eligible Shareholders pursuant to exemptions provided by Rule 14d-1(c) under the US Exchange Act. Consequently, many of the protections afforded by the US tender offer rules will not apply to the proposed Tender Offer. The proposed Tender Offer will be subject to disclosure and procedural requirements of the United Kingdom, which are different from those of the United States.

PART 10

INFORMATION ON THE LONDON & STAMFORD GROUP

1. INTRODUCTION

London & Stamford is a public limited company incorporated in England and Wales and is the holding company of the London & Stamford Group. As at 23 November (being the last practicable date prior to publication of this document), London & Stamford had a market capitalisation of £588.4 million and, as at 30 September 2012, had Net Assets of £609.8 million and unaudited Net Asset Value per Ordinary Share of 112.3 pence (114.0 pence calculated in accordance with EPRA guidelines). London & Stamford is a UK-REIT.

London & Stamford invests in residential and commercial property, including office, retail and distribution real estate assets, principally in the UK, where the Directors consider the opportunity exists to extract above-average returns for shareholders. London & Stamford is an active investor and implements strategies to enhance the quality and value of acquired assets and improve annual rental values.

London & Stamford was admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange on 1 October 2010. Prior to this LSP was the ultimate holding company of the London & Stamford Group. LSP was listed on the AIM market of the London Stock Exchange from 7 November 2007 until it de-listed on 1 October 2010, when the Company became the parent of the London & Stamford Group by way of a scheme of arrangement.

The London & Stamford Group has a highly experienced management team comprised of Raymond Mould, Patrick Vaughan, Martin McGann, Stewart Little and Jeremy Bishop. Raymond Mould, Patrick Vaughan and Martin McGann are also on the Board. Raymond Mould and Patrick Vaughan have been involved in a number of listed and unlisted property companies and funds since 1970, including Arlington and Pillar.

2. DESCRIPTION OF THE PROPERTY PORTFOLIO

The London & Stamford Group's Property Portfolio comprises of investments all of which are located in the UK. The Property Portfolio includes residential, distribution, offices and other real estate assets. Summary details of each investment held by the London & Stamford Group at the date of this document are set out in Part 17 of the document. Details of these investment properties are also set out in the Valuation Reports in Part 18 of this document.

Since being admitted to trading on the premium segment of the Official List and to trading on the Main Market the London & Stamford Group has undertaken a number of sizable transactions, as detailed below. Details of key transactions undertaken by LSP before this date can be found in the 2010 Prospectus.

In November 2010 the London & Stamford Group acquired two portfolios of distribution assets for a total consideration of £205 million. The 10 assets which are fully let total over 1.8 million sq ft and have a rent roll of over £14.7 million are predominantly located on London's periphery. The portfolios were acquired inclusive of existing debt but were refinanced in February 2011 to increase the debt to £133 million through the introduction of a new lender to the Group in the form of the Metropolitan Life Insurance Company. In May 2011 the Company sold 50 per cent. of its interest in the portfolio to its Middle Eastern joint venture partner Green Park Investments which in November 2010 had increased its capital commitment to the Company from £200 million to £300 million. Since this date a further property has been added to the portfolio and the loan increased to over £148 million.

In June 2012, the London & Stamford Group formed a £200 million central London residential joint venture with Green Park Investments and the Public Sector Pension Investment Board and made its first acquisition in the same month of 149 apartments at Moore House, London, SW1 for £147 million. This asset was subsequently financed with a loan of £65 million from RBS. The London & Stamford Group will focus its residential investment strategy through this new joint venture and for this reason has decided to market for sale its wholly-owned residential portfolio which has made no further acquisitions since listing on the Main Market.

The Group increased its office portfolio with the acquisitions of One Carter Lane, London, currently let to Goldman Sachs for £78.7 million in June 2011, the Unilever UK & Ireland headquarters in Leatherhead in

June 2012 for £61.15 million and a multi-let office in Marlow for £50.15 million in July 2012. All these assets have been loan financed post acquisition.

The Company has made three notable sales since IPO. In October 2010 the London & Stamford Group completed the sale of Racecourse Retail Park, Aintree, generating a return on equity of 127 per cent.. In April 2012 the L&S Distribution Portfolio consisting of 17 distribution warehouses was sold generating a 33 per cent. return on equity. In October 2012 the Company together with its joint venture partner Green Park Investments sold its 50 per cent. interest in the freehold of the Meadowhall shopping Centre to Norges Bank Investment Management, the manager of the Norwegian Government Pension Fund Global. The purchase price valued Meadowhall at £1.525 billion and the net proceeds of sale for the joint ventures 50 per cent. direct share was £307.9 million, generating a profit of £155.9 million. Taken together with income generated for the joint venture during the period of ownership of £55.5 million, the total return on equity (excluding fees and after deducting the cost of acquiring surrounding development land and capital expenditure) was 129.3 per cent., an equity multiple of 2.29 and an IRR of 32.3 per cent..

As part of the Meadowhall sale, warranty and indemnity insurance comprising £100 million was taken out by Norges Bank Investment Management in respect of the warranties in the sale and purchase agreement and the tax deed associated with the sale (the “**Warranty and Indemnity Insurance**”), the premium payable in respect of the Warranty and Indemnity Insurance was £1.875 million which was paid for by Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited in their capacity as trustees of LSPGP Trust No.1 (the “**Sellers**”).

The £100 million cover obtained under the Warranty and Indemnity Insurance is split between the following insurers:

- (1) Pembroke Syndicate 4000 (“**Pembroke**”) at Lloyd’s of London as the primary insurer in respect of £30 million with an aggregate excess of £2 million;
- (2) Chartis Europe Limited (“**Chartis**”) as the excess insurer in respect of an additional £25 million;
- (3) Allied World Assurance Company (Europe) Limited in respect of £11.25 million in excess of the total underlying limit of £57 million covered by Pembroke and Chartis as the primary and excess insurers respectively (the “**Total Underlying Limit**”);
- (4) Syndicate ASP 4711 at Lloyd’s of London (41.9075 per cent.), Syndicate HIS 33 at Lloyd’s of London (35.8382 per cent.), Syndicate BRT 2987 at Lloyd’s of London (17.0191 per cent.) and Syndicate NVA 2007 at Lloyd’s of London (4.3352 per cent.) combined in respect of £11.25 million in excess of the Total Underlying Limit;
- (5) Zurich Insurance plc, UK Branch in respect of £11.25 million in excess of the Total Underlying Limit; and
- (6) Beazley Solutions Limited in respect of £11.25 million in excess of the Total Underlying Limit.

Any claims by Norges Bank Investment Management not covered by the Warranty and Indemnity Insurance would fall to be covered by the Sellers.

3. INFORMATION ON THE BOARD AND THE INVESTMENT COMMITTEE

3.1 The Board

The Directors are responsible for the determination of the investment policy of the Company and its overall supervision, including compliance with the Corporate Governance Code. The Directors are as follows:

- 3.1.1 Raymond Mould (Executive Chairman) qualified as a solicitor in 1964 and in 1976 was a co-founder of Arlington, of which he became chairman in 1990, having been involved in the UK property market since 1970. Arlington was floated in 1986 and sold to British Aerospace plc (which was renamed BAE Systems plc) in 1989 for £287 million. He was a director of BAE Systems plc from 1991 to 1992. Mr Mould was instrumental in the establishment of Pillar in 1991 and became its chairman in 1994 when Pillar was floated, a position he held until 2005 when Pillar was sold to British Land for £811 million. Until May 2010 Mr Mould served as non-executive chairman of Arena Leisure plc.
- 3.1.2 Patrick Vaughan (Chief Executive Officer) has also been involved in the UK property market since 1970 and was a co-founder of Arlington in 1976 and of Pillar in 1991. He was chief

executive of Arlington, which was floated in 1986, from 1990 to 1993 and of Pillar, which was floated in 1994, from 1994 to 2005. Mr Vaughan also served as an executive director of British Land from July 2005 to July 2006, following British Land's acquisition of Pillar.

- 3.1.3 Martin McGann (Finance Director) joined LSP in September 2008. From 2002 to 2005 he worked for Pillar, latterly as finance director. Between 2005 and 2008, Mr McGann was a director of Kandahar Real Estate. Prior to joining Pillar, Mr McGann was finance director of the Strategic Rail Authority, a body with responsibility for the strategic planning for UK railways, and head of real estate finance for Railtrack PLC. Mr. McGann is a qualified chartered accountant having trained and qualified with Deloitte.
- 3.1.4 Mark Burton (Non-executive Director) retired in June 2010 as the Chief Investment Officer for Real Estate for the Abu Dhabi Investment Council. He currently holds a range of non-executive directorships and advisory roles, all in real estate and on a global basis. Chartered surveyor and banker during his career, Mr. Burton started working at London-based Cluttons in 1967. In 1982 he joined the United Bank of Kuwait, where he worked until 1999 when he joined AXA Investment Managers. After less than a year with AXA, Mr. Burton joined AIG Global Real Estate Investment (Europe) before joining Abu Dhabi Investment Authority as chief investment officer in its Real Estate Department in 2001.
- 3.1.5 Charles Cayzer (Non-executive Director) having gained experience of merchant banking, commercial banking and corporate and project finance with Baring Brothers, Cayzer Irvine and Cayzer Ltd, was appointed a director of Caledonia Investments in 1985. Mr. Cayzer is also chairman of Easybox, Edinmore and The Sloane Club and a non-executive director of Eredene Capital and Varun Shipping.
- 3.1.6 Richard Crowder (Non-executive Director) joined LSP in October 2007 and holds a range of directorships and consultancy appointments. Having worked as an investment manager with Ivory & Sime in Edinburgh and as a head of investment research with W.I. Carr in the Far East, he undertook a wide range of responsibilities for Schroders in London and the Far East, culminating in the role of managing director for Schroders' Singapore associate. Having then worked as chairman of Smith New Court Far East and director of Smith New Court Plc, Mr. Crowder was the founding managing director of Schroders' Channel Islands subsidiary from 1991 until he became a non-executive director in 2000. Mr. Crowder is a member of the Securities and Investment Institute.
- 3.1.7 James Dean (Non-executive Director) is a Chartered Surveyor, Mr. Dean has worked with Savills plc since 1973 and was a director from flotation in 1988 to 1999. He is a non-executive Director of Daniel Thwaites plc and Branston Holdings, a partner in Heracles LLP and also Chairman of Pearl Crown, London & Lincoln and Patrick Dean which are family property investment and farming businesses.
- 3.1.8 Humphrey Price (Non-executive Director) was finance director of Arlington Securities plc from 1982 to 1992. Mr. Price was a director of Pillar from its formation and finance director from 1993 to 2004, resigning from the board in 2005 on its sale to British Land. Mr. Price was a non-executive director of LSP from incorporation until April 2009. Mr. Price is a qualified Chartered Accountant.

3.2 Investment Committee

The Board are assisted in relation to the London & Stamford Group's property investment activities by an investment committee. The investment committee reports to the Board and is responsible for identifying new investment opportunities for the London & Stamford Group, performing due diligence and conducting negotiations in relation to those investment opportunities and managing the Property Portfolio.

The investment committee comprises Raymond Mould, Patrick Vaughan and Martin McGann together with Jeremy Bishop, Stewart Little, Michael Tyler, Henry Pepper and Jackie Jessop.

4. INVESTMENT POLICY

4.1 Key principles of the investment policy

The London & Stamford Group is focussed on investing in residential and commercial property, including office, retail and industrial real estate assets, principally in the UK and may also consider opportunities

overseas, where the Directors consider the opportunity exists to extract above-average returns for shareholders. The London & Stamford Group is an active investor and has implemented strategies to enhance the quality and value of acquired assets and improve annual rental values.

4.2 Investment criteria

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

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

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

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

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

4.3 Gearing

The level of gearing of the London & Stamford Group is governed by careful consideration of the cost of borrowing and the ability to mitigate the risk of interest rate increases and the effect of leverage on the returns generated from assets acquired. The London & Stamford Group's level of borrowing has been up to 65 per cent. of the gross value of its real estate assets through the cycle but will not exceed 100 per cent. of the gross value of the London & Stamford Group's real estate assets at any one time.

4.4 Restrictions

The London & Stamford Group has the following investment restrictions:

- (a) not more than 30 per cent. of the London & Stamford Group's gross assets will be invested in non-UK real estate assets;
- (b) not more than 40 per cent. of its gross assets will be invested in non-commercial real estate assets; and
- (c) the London & Stamford Group will not acquire a single property unit with a value greater than 40 per cent. of the London & Stamford Group's gross assets.

5. CHANGES TO THE INVESTMENT POLICY

The Company applies its investment policy to all investments made and held by it. Any material changes to the investment policy of the Company will only be made with the approval of Shareholders by ordinary resolution at any general meeting, which will also be notified through a Regulatory Information Service provider to the London Stock Exchange.

If the Company breaches its investment policy, the Company will make a notification via a Regulatory Information Service provider to London Stock Exchange of details of the breach and of actions it may or may not have taken.

Notwithstanding this, for as long as the Company remains admitted to the premium segment of the Official List changes made to the Company's investment policy will comply with the ongoing eligibility requirements issued by the UK Listing Authority.

6. VALUATION POLICY

Investment properties owned by the London & Stamford Group are carried at fair value as determined primarily by the Company's external valuers on the basis of market value.

The NAV attributable to the Ordinary Shares are published at the time of publication of the Company's interim and annual financial results, based on the Property Portfolio's most recent valuations and calculated in accordance with IFRS, through a Regulatory Information Service to the London Stock Exchange as soon as practicable after review by the Board.

The Directors may temporarily suspend the determination of NAV per Ordinary Share if in the opinion of the Directors the interests of the Shareholders would otherwise be materially prejudiced. If the calculation of the NAV is suspended, all reasonable steps will be taken to bring this period of suspension to an end as soon as possible. Details of each valuation, and of any suspension in the making of such valuations, will be announced by the Company to the London Stock Exchange through a Regulatory Information Service.

7. DIVIDEND POLICY

It is the intention of the Directors that the Company will pay dividends from surplus income to the extent that such income is distributable. Where opportunities exist that fit the London & Stamford Group's investment criteria, the London & Stamford Group may reinvest disposal proceeds.

The Company is required to meet a minimum distribution test for each year that it is the principal company of a group UK-REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of the Property Rental Business for each year. After Royal Assent of the second 2010 Finance Bill, the issue of stock dividends will count towards the minimum distribution test. The Board continues to believe that a continuation of London & Stamford's dividend policy of recent years will enable the Company to continue to meet this minimum distribution requirement.

There can be no guarantee as to the amount of any dividend payable by the Company.

8. PROPERTY MARKET TRENDS

Office market

The current economic environment has suppressed the take up of offices across central London and the South East and kept speculative construction at modest levels. This trend has kept vacancy rates broadly stable. The exception is the City of London where availability is higher than average, however the Board believe that that in the next 12 to 18 months the lack of construction will give rise to a shortage of high quality new and refurbished mid-size buildings. Similarly, in the South East market there has been very little development and availability rates have been falling particularly in towns such as Reading, Maidenhead, Staines and Richmond. This has supported to headline rental values.

Residential market

The central London residential market remains buoyant with continued growth in the private rented sector driven primarily by the continued lack of mortgage availability across the first time buyer market. The increased levels of tenant demand over the course of the last few years has driven rents up accordingly, but whether this level of growth will be maintained is unknown. Away from the rental market, capital values continue to rise for the best locations within London. The performance of London & Stamford's portfolio has been strong over the last 12 months with almost full occupancy and the capture of both rental and capital growth. Letting and renewal activity is good, demonstrating further rental growth and where approaches by potential buyers are received, consideration will be given to unit sales.

Logistics market

The overall trend within the logistics market over the last 12 months has been the continued decline in available premises, both in terms of second-hand buildings but more acutely in new, speculatively built warehouses. The availability of second-hand buildings has seen some oscillation but the overall trend remains the same. Focussing on the South East market, where London & Stamford's portfolio is located, the availability of new buildings is equivalent to approximately one month's take-up based on average annual take-up. This has begun to filter through to a reduction in tenant incentives and in time it is believed it will lead to visible rental growth. More generally, the market is witnessing structural shifts in occupier

markets due to the need for defined (and separate) fulfilment strategies particularly amongst the food retailers and multi-channel.

Retail market

As with Metric, the market for London & Stamford's retail focussed occupiers continues to be challenging. Retailers are continuing to face downward pressure on sales and margins whilst needing to realign their business models to the shopping patterns of today's consumer. Many will need to accelerate plans to rightsize their real estate portfolios, while others will be able to capitalise on the opportunities presented through the withdrawal of capacity and growth in multi-channel retailing. This in turn presents challenges and opportunities for landlords to work with their customers to provide the right space and at the right rents.

PART 11

INFORMATION ON THE METRIC GROUP

1 INTRODUCTION

Metric is a public limited company incorporated in England and Wales and is the holding company of the Metric Group. As at 23 November 2012 (being the last practicable date prior to publication of this document), Metric had a market capitalisation of £188.1 million and, as at 30 September 2012, had Net Assets of £200.1 million and an EPRA NAV of 107 pence per share.

As at 31 March 2012, the Metric Group had consolidated gross assets of £251.1 million and Net Assets of £201.3 million and, in the financial year to 31 March 2012, the Metric Group made a consolidated profit of £13.2 million.

Following its establishment, Metric assembled a portfolio of freehold and long leasehold retail properties throughout the UK and Ireland, principally investing in the retail property markets.

Metric employs an occupier-led approach to extracting long-term value from investment properties through opportunistic acquisitions, joint ventures, active asset management, limited risk development and timely disposals.

Metric was co-founded by Andrew Jones, Valentine Beresford, Mark Stirling, whose biographies are set out in paragraph 4 below, and Sue Ford. Sue Ford has served as Metric's finance director since its inception. Metric's board of directors is completed by non-executive Chairman Andrew Huntley and non-executive directors Alec Pelmore, Andrew Varley and Philip Watson.

Metric is a UK REIT and has been listed on the Official List and admitted to trading on the Main Market since its IPO on 24 March 2010.

MIPP joint venture

In November 2011, Metric set up a £150 million joint venture with USS to focus on higher income yielding investment opportunities within the out-of-town retail sector. Metric contributed £25 million, which represented one-third of the total equity invested. Assets under management in MIPP currently total £75 million across eight properties, with a running yield of seven per cent. Thirty six per cent. of the portfolio benefits from RPI-linked income.

The joint venture provides access to secure income on long leases and the Board believes that the attractive yields coupled with low debt costs and additional 0.4 per cent. management fees will be accretive to the Enlarged Group going forward. Management fees are expected to generate revenue of £600,000 gross per annum once MIPP is fully invested.

2 INVESTMENT POLICY

Metric's investment policy aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values.

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

Metric employs 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. Metric focuses on assets that it has identified as having enduring occupier appeal and which provide opportunities for management to improve both rental values and the longevity and security of income. Metric also undertakes limited re-development of properties (e.g. extending, reconfiguring and refurbishing existing schemes) with the aim of enhancing shareholder returns.

Metric 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 Metric to undertake property investments that otherwise would be too large) such as the MIPP joint venture described at paragraph 14.2.2(i) of Part 20 of this document, and partners where Metric is bidding for properties as part of a consortium. In selected situations Metric might also invest in other investment companies or funds, such as property investment trusts or other investment vehicles

that Metric manages, or as a means of facilitating property acquisition opportunities. In any event, Metric does not invest more than 10 per cent. in aggregate, of the value of the total assets of Metric, 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 their total assets in other listed closed-ended investment funds. The focus of Metric's investment is the ownership and active management of retail property.

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

Metric may manage other investment companies or funds within the retail property sector. Metric will receive the benefit of any management and performance fees generated from managing such other investment companies or funds.

Metric 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.

Metric 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

Metric seeks 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 exceeds 20 per cent. of Metric's total assets (including cash) at the time of acquisition and Metric does not invest in direct long-cycle retail developments. No more than 20 per cent. of Metric's rental income is derived from any one occupant of Metric's property portfolio.

Metric further manages risk by focusing on the covenants and quality of tenants, the terms of the leases, length of income stream and tenancy agreements.

Metric focuses on the UK retail market although it may invest in the Irish retail market. Metric only invests in properties or property portfolios in the retail or leisure sectors.

Metric hedges its interest rate exposure through the use of forward contract options, swaps or other forms of derivative instruments.

3 PROPERTY PORTFOLIO

Valuations

The Metric property portfolio was valued at £273.2 million based on a valuation date of 17 October 2012 for all properties other than those at Lichfield and Nottingham where a valuation date of 22 November 2012 was used following the recent purchase of those properties by MIPP.

Portfolio metrics

As at 30 September 2012, the investment portfolio was over 99 per cent. occupied and generated secure and dependable cash flows on long-term leases delivering a contracted yield on cost of 6.8 per cent. The longevity of Metric's income adds further security with average unexpired lease terms, as at 30 September 2012, of 11.5 years (10.8 years to first break). Metric's lease expiry profile is well staggered with only six per cent. of Metric's income, as at 30 September 2012, due to expire in the next three years. This compares favourably with the broader market where, as at the end of 2011, 15 per cent. of out-of-town leases and 51 per cent. of shopping centre and high street leases are due to expire by the end of 2015.

The average passing rents on the investment portfolio as at 30 September 2012 was £14.75 per sq. ft, which on a like-for-like basis is about £1 psf higher than at acquisition, with further reversionary potential as Metric looks to move towards sustainable rental levels over time.

Furthermore, as at 30 September 2012, 16 per cent. of the investment portfolio's income was subject to fixed rental uplifts (Metric: 13 per cent.; MIPP: 36 per cent.).

The development portfolio comprises six schemes totalling over 371,000 sq ft at Bishop Auckland, Cannock, Bristol, Leeds, St Austell and at Berkhamsted, Metric's first in-town high street development.

Tenant diversity and covenant strength

The diversity of income within the portfolio is spread across the key retail subsectors with 18 per cent. of income derived from food operators, one of the few retail subsectors demonstrating organic rental growth. This represents Metric's largest sector exposure.

As at 23 November 2012, Metric's top 10 tenants account for 61 per cent. of the total contracted rent. The granularity and diversity of income has improved as Metric has grown the portfolio and is expect this to continue as Metric undertakes further asset management initiatives and acquire more assets.

As at 23 November 2012, Metric's largest tenant exposure was to Currys/PC World at 12.0 per cent. spread across five units.

4 METRIC'S PROPERTY DIRECTORS

Andrew Jones was appointed Chief Executive Officer of Metric in March 2010. Previously he was an executive director and head of retail at British Land. Andrew joined British Land in July 2005 following the acquisition of Pillar, where he was the main board Director responsible for its entire retail and leisure portfolio including responsibility for the company's fund advisory roles in relation to specialist retail property investment funds. Andrew will be appointed as a non-executive director of The UNITE Group plc from 1 February 2013.

Valentine Beresford was appointed Investment Director of Metric in March 2010. Previously he was the European director of British Land. Valentine joined British Land in July 2005 following the acquisition of Pillar where he had been on the main board since 2001, having joined Pillar in 1991. At British Land, Valentine was responsible for British Land's European retail and leisure developments and investments.

Mark Stirling was appointed Retail Director of Metric in March 2010. Previously he was the asset management director of British Land. Mark joined British Land in July 2005 following British Land's acquisition of Pillar 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.

Andrew, Valentine and Mark have each been involved in the retail property market for over 20 years and have worked together for approximately 17 years. They have concentrated their focus on the retail sector, during which time they have been responsible for running two of the largest UK retail property portfolios by value. They have a track record of assembling retail investment portfolios which consistently outperformed relevant IPD benchmarks in terms of capital growth, estimated rental values, vacancy rates and average lease lengths.

During their time at British Land, they were involved in approximately £8 billion-worth of retail property disposals and acquisitions, and were responsible for a total of 4.8 million sq. ft. of new lettings and lease renewals in the last five years to the end of 2009. At Pillar, they ran the UK's largest retail warehouse portfolio and, following its takeover by British Land in 2005, became responsible for running British Land's entire retail portfolio within the UK.

Pillar was acquired by British Land in July 2005 for £811 million and at that time it was recognised as the leading investment manager and owner of retail parks in the UK with approximately 6.0 million sq. ft. valued at £4.6 billion either owned or under management. Pillar achieved average annual returns for its shareholders of approximately 22 per cent. during the 10-year period to 31 December 2004, which was significantly higher than the average returns from the FTSE 350 property sector of 11.9 per cent. over the same period.

Andrew, Valentine and Mark have built extensive relationships with leading retailers such as Arcadia, Asda, Boots, Dixons, Marks & Spencer, NEXT, Primark, River Island, Tesco and Sports World, and have adopted an occupier-led approach to managing Metric's assets. They regard retailer contentment as key to driving rental values and believe this approach plays a significant role in their aim to deliver attractive returns.

At Metric they have assembled a £250 million portfolio of retail assets within the out-of-town and superstores sub sectors. Their strong retailer relationships and a deep understanding of the occupier

contentment of real estate has been central to the assembly of an investment portfolio which is over 99 per cent. let.

The Metric portfolio is characterised by strong, long, sustainable rental income, with accretive asset management and development opportunities. The current portfolio extends to more than 1 million sq ft with a further 346,500 sq ft available for future development.

The executives also have considerable experience in previous joint ventures with partners such as Aviva, Caisse de dépôt et placement du Québec, Hermes, LaSalle, Schroders, Tesco and Universities Superannuation Scheme. At Metric they have recently formed a £150 million retail property joint venture with Universities Superannuation Scheme to invest in long, well let, high income retail warehouse investments.

5 FINANCING

The Metric Group has two committed loan facilities in place, an £80 million revolving credit facility which matures in November 2016 with interest currently payable at a rate of 2.15 per cent. above LIBOR from RBS, of which (as at the latest practicable date prior to the date of this document) £35 million is currently drawn, and a £34.7 million term loan which matures in April 2016 with interest currently payable at a rate of 1.8 per cent. above LIBOR from Eurohypo. As at 23 November 2012 (being the latest practicable date prior to the publication of this document), the Metric Group had net debt of £66.9 million (excluding for this purpose net debt of its joint ventures).

Under the £80 million revolving credit facility, the lending banks may require prepayment of the outstanding amount, with not less than 10 days' notice. Metric has requested that RBS gives its consent to the change of control effected by the Merger. Although this has not yet been obtained, the Board are not aware of any reason why this would not be forthcoming.

Further details of the two facilities of the Metric Group are set out at paragraph 14.2.2 of Part 20 of this document.

On 7 November 2012, MIPP entered into a £75 million credit facility with Deutsche Pfandbriefbank AG, of which (as at the latest practicable date prior to the date of this document) £25.3 million is currently drawn.

6 CAPITAL COMMITMENTS AND RETAIL MARKET TRENDS

Capital commitments

Including its share of MIPP's commitments, the Metric Group is committed to spend a further £21.0 million of which £2.8 million relates to acquisition costs; £15.7 million of expenditure is committed relating to redevelopments currently on site or about to commence; and a further £2.5 million is conditionally committed dependant on obtaining planning permission and/or pre-lets.

A further £30.1 million of the resources of the Metric Group have been earmarked for developments at Leeds, Bishop Auckland (Phase 2), Congleton, and St Austell but is not yet committed.

Retail market trends

Retailer conditions continue to remain challenging. Retailers' real estate portfolios continue to come under ever increasing focus as the retail market continues to evolve with polarisation of shopping habits and the increasing adoption of a multi-channel strategy. This evolution may continue over the next few years as many occupational leases expire, allowing retailers to relocate their existing offers into the fewer locations both in and out of town, as well as renegotiating rentals in some more marginal locations.

Retail vacancies may continue to increase with a corresponding downward pressure on rental values, particularly in-town, as impending lease expiries allow retailers to vacate poorly performing units and further retailer insolvencies occur. A number of the weaker retailers have already failed, however the retailers who have survived will continue to benefit from the reduced capacity and grow their market share.

Understanding these occupier trends continues to be critical to investing successfully in the retail real estate sector today. The dynamic nature of the retail market is such that increased occupier mobility will likely create opportunities.

PART 12

OPERATING AND FINANCIAL REVIEW OF THE LONDON & STAMFORD GROUP

The following discussion of London & Stamford's financial condition and results of operations should be read in conjunction with the historical financial information on London & Stamford and the notes related thereto set out in Part 13 Historical Financial Information on the London & Stamford Group. The financial information contained in this section as relates to the London & Stamford Group has been extracted without material adjustment from financial information referred to in Part 13 Historical Financial Information on the London & Stamford Group, which has been incorporated into this document by reference. The historical financial information referred to in this discussion has been prepared in accordance with IFRS. Investors should read the whole of this document and not just rely on the key or summarised data below.

Section A-Operating and financial review for the interim period ended 30 September 2012

Overview of the year

The Group generated a loss for the period of £4.9 million with an underlying profit of £14.6 million. This table provides an analysis of the underlying profit.

	Six months to 30 September 2011	Six months to 30 September 2012
	£000	£000
Net rental income	17,436	12,211
Property advisory fee income	3,055	8,236
Corporate overheads	(4,483)	(4,546)
Share of trading profit of joint ventures and associates ⁽¹⁾	2,789	3,142
	<u>18,797</u>	<u>19,043</u>
Net finance costs	(6,727)	(5,526)
Profit on sale of investment and trading properties	895	1,086
Underlying profit	12,965	14,603
Change in fair value of derivatives ⁽²⁾	(10,159)	(3,369)
Profit on revaluation of investment properties ⁽²⁾	1,627	16,934
Impairment of investments held for sale	—	(23,178)
Profit before exceptional items and taxation	4,433	4,990
Accounting for internalisation	(8,664)	(8,752)
Taxation	(1,027)	(1,138)
Profit for the year	<u>(5,258)</u>	<u>(4,900)</u>

(1) Reflects profit after tax adjusted for movements in revaluation, derivatives and goodwill.

(2) Includes share of joint ventures and associates.

Income statement

The loss for the period ended 30 September 2012 was £4.9 million (six months to 30 September 2011: £5.3 million loss).

An important focus for management is the underlying profit which is £14.6 million (2011: £13.0 million). The underlying profit is identified as the sustainable net rent after net finance costs and overheads, inclusive of realised surpluses on sales. It excludes, in particular, the accounting impact of the internalisation of the management of London & Stamford in 2010 and property and derivative valuations which are not expected to recur, unless debt arrangements are repaid early.

Net rental income has fallen by £5.2 million principally as a result of the Triangle Distribution Portfolio disposal in April 2012 and as a result of the transfer of Distribution assets into our Joint Venture with Green Park and the administration of Focus DIY at Tamworth. Offset against this is an increase in net rents for properties acquired at Marlow, Leatherhead and Clapham Road and for a full period's rent at Carter Lane.

The lease at One Carter Lane will be terminated by Goldman Sachs in March 2013 resulting in lost annual rental income of £6.1 million. Management is progressing detailed refurbishment plans which it aims to commence immediately on vacant possession of the building.

Property advisory fees have increased compared with 2011 as a result of additional fees arising on the establishment of the Residential Joint Venture with Green Park and The Public Sector Pension Investment Board in June 2012 and due to a full six months' entitlement from the Distribution Joint Venture. In addition, performance fees of £4.2 million were due from LSP Green Park Property Trust in 2012.

In June 2012 the Residential Joint Venture acquired 149 apartments at Moore House, SW1 for £147 million.

Corporate overheads have remained broadly in line with the previous comparative period.

Capital growth in the portfolio has been stronger than last year, with net uplifts being c. 2 per cent. of the portfolio, with assets held in joint venture arrangements performing particularly well.

In October 2012 the Group disposed of its 15.7 per cent. interest in the Meadowhall Shopping Centre held in Joint Venture with Green Park Investments. At 30 September 2012 the group's interest in this investment is held as a current asset held for sale at its fair value of £95.8 million. This reflects a gross asset purchase price of £1.525 billion and an £11.2 million valuation uplift from March 2012 (LSP share: £1.76 million) offset by a debt mark to market adjustment which under IFRS is only recognised on disposal. The fair valuation impairment of £23.2 million has been reflected in the income statement for the half year to September 2012.

The impact of the impairment of the Group's investment in Meadowhall alongside the adverse accounting adjustments for internalisation of £8.8 million and mark to market hedging derivatives have resulted in a net loss for the half year of £4.9 million.

The tax charge is in line with the previous period and represents the movement in the deferred tax asset in the period.

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

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

At 30 September 2012 the Group had £266 million of hedges in place and its debt was 98 per cent. fixed. Our current cost of borrowing is 4.53 per cent.

Balance sheet

The NAV movement reflected in the balance sheet in the period can be summarised as follows:

	<u>£ million</u>
Net Asset Value as at 1 April 2012	633.6
Loss for the period	(4.9)
Dividends paid in the period	(19.0)
Share based payments	<u>0.1</u>
Net Asset Value as at 30 September 2012	<u><u>609.8</u></u>

Cash balances remain an important component part of the balance sheet.

The cash balance at 31 March 2012 has been supplemented by the £74 million received on disposal of the Triangle portfolio and £92 million was utilised for the acquisitions at Marlow, Leatherhead, and Moore House along with £19 million for the payment of the final 2012 dividend.

Following the disposal of our interest in Meadowhall our cash balance now stands at approximately £200 million.

Liquidity and cash management

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

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

Bank debt

The banking industry continues to be under significant pressure to degear and to meet new and stringent regulatory requirements. The ability of the property sector to source new loans is therefore reduced. Senior debt, to the extent that it is available, will be directed towards the best product albeit at increasing prices. Nevertheless, we have been able to source significant new funding during the period.

In July we completed the £61.7 million financing of our South East office portfolio; Marlow International and Unilever House, Leatherhead, with DekaBank Deutsche Girozentrale Sparkassen-Finanzgruppe and Deutsche Postbank AG.

In August, following the acquisition of apartments at Moore House, our Residential Joint Venture completed the £65 million refinancing with The Royal Bank of Scotland Plc.

Finally, in June 2012 we extended and amended our revolving credit facility with Bank of Scotland to provide £100 million of undrawn and available bank debt.

Financial covenants

The net debt position at 30 September 2012 was £135.7 million which represents gearing of 26% calculated as a percentage of investment property assets. The Group was compliant at all times during the year with its loan covenants.

Section B-Operating and financial review for the three years ended 31 March 2012

The key information that comprises the operating and financial review of London & Stamford for the year ended 31 March 2012 can be found on the following pages of London & Stamford's Annual Report and Accounts 2012 and is incorporated by reference herein:

Pages 6 to 14

The key information that comprises the operating and financial review of London & Stamford for the year ended 31 March 2011 can be found on the following pages of London & Stamford's Annual Report and Accounts 2012 and is incorporated by reference herein:

Pages 8 to 16

The key information that comprises the operating and financial review of London & Stamford for the year ended 31 March 2010 can be found on the following pages of the London & Stamford 2010 Prospectus and is incorporated by reference herein:

Pages 39 to 59

See the section headed "Information Incorporated by Reference" for further details about information that has been incorporated by reference into this document.

Section C-Liquidity and capital resources

The London & Stamford Group's cash requirements stem primarily from the purchase and development of properties and the payment of interest, management and performance fees and dividends. During the review period the London & Stamford Group has met these requirements through a combination of the proceeds of a share issue, operating cash flows and long-term debt financing. The London & Stamford Group's borrowings consist of a mixture of committed bank facilities and financial derivatives.

Cash flows

The following table sets out certain information with respect to the London & Stamford Group's cash flows for the year ended 31 March 2010, the year ended 31 March 2011 and the year ended 31 March 2012 and for the interim periods ended 30 September 2011 and 30 September 2012:

	Year ended 31 March 2010	Period ended 31 March 2011	Year ended 31 March 2012	Period ended 30 September 2011	Period ended 30 September 2012
	£000 IFRS	£000 IFRS	£000 IFRS	£000 IFRS	£000 IFRS
Cash flows from operations before changes in working capital	4,445	22,103	32,722	16,983	15,964
Change in trade and other receivables	(3,710)	(1,984)	6,828	2,412	(7,272)
Change in trade and other payables	5,328	1,316	21,273	(515)	343
Movement in lease incentives	—	(2,862)	63	(125)	19
(Acquisition)/disposal of trading properties	—	(5,760)	1,923	1,451	—
Change in other provisions	(210)	—	—	—	—
Cash flows from operations	5,853	12,813	62,809	20,206	9,054
Net interest paid	(4,428)	(10,281)	(12,007)	(5,872)	(3,789)
Finance arrangement fees paid	(3,076)	(10,768)	(2,359)	(1,851)	(1,636)
Taxation paid/(received)	(44)	(1,123)	(10,489)	(8,236)	338
Cash flow from operating activities	(1,695)	(9,359)	37,954	4,247	3,967
Cash flow from investing activities	(147,383)	(46,139)	(86,003)	(84,656)	(85,793)
Cash flow from financing activities	255,815	(64,310)	28,198	48,192	43,766
Net increase/(decrease) in cash and cash equivalents	106,737	(119,808)	(19,851)	(32,217)	(38,060)
Cash and cash equivalents at the end of the year	276,593	156,785	136,934	124,568	98,874

Cash flows from operating activities

Cash flows from operations have improved over the three years to 31 March 2012 due to the increases in rental income received as the Group's property portfolio has expanded.

Cash flows from operations in the six months to September 2012 have fallen slightly due to the disposal of the Triangle portfolio in April 2012 outweighing the benefits from reinvestment in assets at Marlow and Leatherhead in July 2012.

Net interest costs have risen over the three-year period in line with increases in borrowings from £123.5 million in 2010 to £386.7 million in 2011 and £322.8 million in 2012. Bank debt was reduced by £150 million following the Triangle disposal in April 2012 and interest payable in the six months has fallen compared with the comparative six-month period. In 2011 break fees incurred on the closing out of derivative instruments was £5.9 million compared with only £0.9 million and £0.1 million in 2010 and 2012 respectively.

Taxation paid in the year to 31 March 2011 and six months to 30 September 2011 was in respect of the REIT charges for entering the regime on 1 October 2010 and for the corporate acquisitions of the former Lojix and AEW property portfolios.

Cash flow from investing activities

The London & Stamford Group's cash flow from investing activities mainly relates to the acquisition and sale of investment property and cash flows in relation to associates. In the year to 31 March 2010 the

London & Stamford Group generated an outflow of £147.4 million, which decreased to an outflow of £46.1 million in the year ended 31 March 2011 and increased again to an outflow of £86.0 million in the year ended 31 March 2012.

The increases and decreases in cashflows in the review period resulted primarily from the following:

In the year ended 31 March 2010 the London & Stamford Group acquired the following investment properties: Whitehall Riverside, Leeds (£37.6 million), Somerfield Distribution Unit, Wellingborough (£19.6 million), Racecourse Retail Park, Aintree (£61.0 million), The North Stand Highbury, London (£41.4 million) and the Focus Distribution Centre, Tamworth (£33.3 million). The total cost of these investments was £192.9 million with professional fees making up the difference between this and the cost of £199.0 million detailed in the cash flow statement. In February 2010 the Group sold Whitehall Riverside Leeds for £52.2 million.

In the year ended 31 March 2011 the London & Stamford Group acquired further residential property at Bridges Wharf, Battersea as well as three portfolios of prime distribution warehouses through corporate acquisitions. The Group disposed of the Aintree Racecourse Retail Park for £101.5 million in September 2010.

In the year ended 31 March 2012 the London & Stamford Group acquired One Carter Lane, an office building in the City of London for £78.7 million, 74 residential units at Clapham Road, Oval for £24.4 million and contracted to acquire 107 residential units at Seward Street, London for £49.1 million, paying a deposit and costs in the year of £3.1 million. In addition the Group acquired a distribution unit at Magna Park for £9.5 million. In May 2011, the Group disposed of the distribution portfolio previously acquired in November 2010 from Lojix and AEW by way of a corporate transaction to a new Distribution Joint Venture with Green Park in which it retained a 50 per cent. interest.

In the six months to 30 September 2012, the London & Stamford Group acquired two office buildings in the South East of England at Marlow International and Unilever House, Leatherhead, for £51.4 million and £64.3 million respectively. In addition, it acquired a 40 per cent. interest in 149 apartments at Moore House, London, SW1 through its Central London Residential Joint Venture in July 2012 for £39.1 million. It completed the disposal of the Triangle Distribution portfolio of 17 distribution units to Blackstone Real Estate Fund generating further cash of £72 million.

Cash flow from financing activities

In the year ended 31 March 2010 the London & Stamford Group generated a cash flow from finance activities of £255.8 million, largely comprising £219.5 million (net of transaction costs) from a placing and open offer of new ordinary shares. The London & Stamford Group was also issued new bank loans totalling £150.0 million less repayments on existing facilities of £95.0 million and paid dividends of £16.7 million.

In the year ended 31 March 2011 the London & Stamford Group's net outflow of £64.3 million was due to a net repayment of bank loan facilities of £36.1 million and a £27.7 million dividend payment.

In the year ended 31 March 2012 a net cash inflow from financing of £28.2 million was generated as new bank borrowings of £143.0 million exceeded loan repayments of £73.6 million and dividend payments of £37.5 million.

In the six months to 30 September 2012 the Group generated a cash inflow of £43.8 million as a result of new bank borrowing of £61.8 million for the acquisitions of Leatherhead and Marlow offset by the final dividend payment for 2012 of £19.0 million.

London & Stamford Group debt

The London & Stamford Group's debt obligations, not including the London & Stamford Group's share of joint venture debt, as at the years ended 31 March 2010, 31 March 2011 and 31 March 2012 and the interim periods ended 30 September 2011 and 30 September 2012 are summarised in the table below.

	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2012	Period ended 30 September 2011	Period ended 30 September 2012
	£000 IFRS	£000 IFRS	£000 IFRS	£000 IFRS	£000 IFRS
Non-current financial liabilities					
Secured bank loans	123,542	386,669	322,769	319,105	234,544
Unamortised finance costs	(1,977)	(3,713)	(2,936)	(2,830)	(2,948)
	121,565	382,956	319,833	316,275	231,596
Derivative financial instruments	5,902	6,642	12,274	(13,842)	(8,691)
	<u>127,467</u>	<u>389,598</u>	<u>332,107</u>	<u>330,117</u>	<u>240,287</u>

In the period to 30 September 2012 the London & Stamford Group entered into new bank facilities in order to finance the acquisition of investment properties. At 30 September 2012 the London & Stamford Group's bank debt comprised:

	Property	Facility £000	Maturity	As at 30 September 2012 £000
Secured bank loans:				
Bank of Scotland	n/a	100,000	June 2016	—
Santander & Deka	One Fleet Place & One Carter Lane, London	100,000	March 2016	96,000
Helaba	Wellingborough, Crawley, Nottingham	29,790	January 2015	29,790
Metlife	Highbury, Battersea, Clapham	46,980	July 2016	46,980
Deka & Postbank	Leatherhead, Marlow	61,774	July 2017	61,774
				<u>234,544</u>

On 20 June 2012 the London & Stamford Group entered into a £100 million revolving credit facility with Bank of Scotland. Borrowings in the first year to June 2013 bear interest at a floating rate of 1.5 per cent. over LIBOR. This margin rises in the second, third and fourth years to 1.65 per cent., 1.85 per cent. and 2.05 per cent. respectively. As at 30 September 2012 the London & Stamford Group had available and undrawn bank loan facilities of £100.0 million under this facility. There is a requirement to hedge 50 per cent. of all borrowings and a commitment fee on the undrawn balance is charged on an increasing scale in years 1 to 4 of 0.3 per cent., 0.5 per cent., 0.7 per cent. and 0.9 per cent. respectively.

The London & Stamford Group had no off-balance sheet financing at 31 March 2010, 31 March 2011, 31 March 2012 or 30 September 2012.

As at 30 September 2012, the London & Stamford Group had raised £234.5 million of bank debt to acquire specific investment properties. The bank debt is secured by fixed charges over certain of the London & Stamford Group's investment properties. These had a carrying value of £472.3 million at 30 September 2012. As at 30 September 2012 these facilities were repayable within two to five years. The London & Stamford Group uses interest rate swaps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. At 30 September 2012 the London & Stamford Group had £266 million of hedges in and its debt was 98 per cent. fixed. The average interest rate payable by the London & Stamford Group was 4.53 per cent.

As at 23 November 2012 (being the latest practicable date prior to publication of this document), London & Stamford had cash at bank of £195.9 million.

Joint venture debt

The London & Stamford Group's share of outstanding debt (including derivative liabilities) raised in relation to joint ventures was £107.2 million at 31 March 2010, £105.1 million at 31 March 2011, £179.7 million at 31 March 2012 and £101.8 million at 30 September 2012. The debt has been raised specifically for the purpose of the joint ventures.

Covenants

The net debt position as at 30 September 2012 was £135.7 million representing gearing of 26 per cent. calculated as percentage of investment property assets. The Group was compliant throughout the period with its loan covenants.

The London & Stamford Group's key covenants are set out below:

		July 2012	October 2012
<i>Bank of Scotland £100 million revolving credit facility</i>			
Loan to value	< 70%	n/a	n/a
Interest cover	> 150%	n/a	n/a
<i>Santander/Deka £100 million facility (drawn £96 million)</i>			
Loan to value	< 63%	53%	53%
Interest cover	None	n/a	n/a
<i>Helaba £29.8 million facility</i>			
Loan to value	< 65%	37%	37%
Interest cover	> 160%	230%	230%
<i>MetLife £47.0 million facility</i>			
Loan to value	< 60%	47%	47%
Interest cover	> 125%	195%	209%
<i>Deka/Postbank £61.8 million facility</i>			
Loan to value	< 65%	n/a	56%
Interest cover	> 175%	n/a	357%

Section E-Capitalisation and indebtedness

The following table shows the consolidated gross indebtedness of the Group as at 30 September 2012 and the consolidated Group capitalisation as at 30 September 2012. The figures for capitalisation and indebtedness have been extracted without material adjustment from the unaudited interim consolidated financial statements for the period ended 30 September 2012, incorporated by reference in Part 13 of this document. The indebtedness figures have been extracted from the underlying accounting records of the Group as at 30 September 2012.

	As at 30 September 2012 £000 (unaudited)
Total current debt:	
—Guaranteed	—
—Secured	—
—Unguaranteed/unsecured	—
Total non-current debt (excluding current portion of long-term debt):	
—Guaranteed	—
—Secured	234,544
—Unguaranteed/unsecured	—
Total indebtedness	234,544

	As at 30 September 2012
	£000 (unaudited)
Capitalisation:	
—Called up share capital	54,280
—Capital redemption reserve	300
—Other reserve ⁽¹⁾	47,069
Total capitalisation	101,649

(1) Comprises a reserve relating to the application of merger relief on the acquisition of LSI Management Limited by London & Stamford, the cost of the Company's shares held in Treasury and the cost of the shares held in Trust to provide for the Company's future obligations under Share Award Schemes.

Capitalisation does not include retained earnings.

The following table shows the consolidated Group net financial indebtedness as at 30 September 2012.

	As at 30 September 2012
	£000 (unaudited)
Cash and cash equivalents	98,874
Liquidity	98,874
Current bank debt	—
Current portion of non-current debt	—
Other current financial debt	—
Current financial debt	—
Net current financial indebtedness	98,874
Non-current bank loans	234,544
Other non-current loans	—
Non-current financial indebtedness	234,544
Net financial indebtedness	135,670

As at 30 September 2012 the Group had no material indirect or contingent indebtedness.

There has been no material change in the London & Stamford Group's debt as stated above as at 23 November 2012 (being the latest practicable date prior to the issue of this document).

PART 13

HISTORICAL FINANCIAL INFORMATION ON THE LONDON & STAMFORD GROUP

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information which is relevant to the Proposals and is incorporated by reference in this document:

1. The unaudited consolidated interim financial statements contained in the interim results of the London & Stamford Group for the period ended 30 September 2012.
2. The audited consolidated financial statements contained in the annual report and account of the London & Stamford Group for the financial year ended 31 March 2012.
3. The audited consolidated financial statements contained in the annual report and account of the London & Stamford Group for the financial year ended 31 March 2011.
4. The 2010 Prospectus, containing LSP's* audited consolidated financial statements for the year ended 31 March 2010, together with the accountant's report in respect of that year.

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of London & Stamford and of the Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of London & Stamford.

In respect of each document set out in the second column of the table below, only that information which is set out in the first column is incorporated by reference into this document. Those parts of each document that are not incorporated by reference are either not relevant for the investor or are covered elsewhere in this document.

Information incorporated by reference into this document	Reference document	Page numbers in reference document
For the period ended 30 September 2012		
Independent review report	London & Stamford Interim Report and Accounts 2012	4
Consolidated income statement	London & Stamford Interim Report and Accounts 2012	5
Consolidated balance sheet	London & Stamford Interim Report and Accounts 2012	6
Consolidated statement of changes in equity	London & Stamford Interim Report and Accounts 2012	6
Consolidated cash flow statement	London & Stamford Interim Report and Accounts 2012	7
Notes to the financial statements	London & Stamford Interim Report and Accounts 2012	8
For the year ended 31 March 2012		
Independent auditor's report	London & Stamford Annual Report and Accounts 2012	28
Consolidated income statement	London & Stamford Annual Report and Accounts 2012	29
Consolidated balance sheet	London & Stamford Annual Report and Accounts 2012	30
Consolidated statement of changes in equity	London & Stamford Annual Report and Accounts 2012	31
Consolidated cash flow statement	London & Stamford Annual Report and Accounts 2012	32
Notes to the financial statements	London & Stamford Annual Report and Accounts 2012	33–48

* The acquisition of LSP by London & Stamford on 1 October 2010 was accounted for as a reverse transaction. This means that although the consolidated financial statements have been prepared in the name of the legal parent, London & Stamford for the years ended 31 March 2011 and 31 March 2012, they are in substance a continuation of the financial statements of the legal subsidiary, LSP.

<u>Information incorporated by reference into this document</u>	<u>Reference document</u>	<u>Page numbers in reference document</u>
For the year ended 31 March 2011		
Independent auditor's report	London & Stamford Annual Report and Accounts 2011	29
Consolidated income statement	London & Stamford Annual Report and Accounts 2011	30
Consolidated balance sheet	London & Stamford Annual Report and Accounts 2011	31
Consolidated statement of changes in equity	London & Stamford Annual Report and Accounts 2011	32
Consolidated cash flow statement	London & Stamford Annual Report and Accounts 2011	33
Notes to the financial statements	London & Stamford Annual Report and Accounts 2011	34–51
For the year ended 31 March 2010		
Independent accountant's report	2010 Prospectus	70–71
Consolidated income statement	2010 Prospectus	72
Consolidated balance sheet	2010 Prospectus	73
Consolidated statement of changes in equity	2010 Prospectus	74
Consolidated cash flow statement	2010 Prospectus	75
Notes to the financial statements	2010 Prospectus	76–97

PART 14

OPERATING AND FINANCIAL REVIEW OF THE METRIC GROUP

A discussion of Metric's financial condition and results of operation is set out in Section B "Unaudited Interim Financial Information of the Metric Group for the period ended 30 September 2012" in Part 15 "Historical Information on the Metric Group". This should be read in conjunction with the historical financial information on Metric and the notes related hereto set out in Section A "Historical financial information on the Metric Group for the period ended 31 March 2011 and the year ended March 2012" in Part 15. The historical financial information referred to in Part 15 has been prepared in accordance with IFRS.

PART 15

HISTORICAL FINANCIAL INFORMATION ON THE METRIC GROUP

Section A-Historical financial information on the Metric Group for the period ended 31 March 2011 and the year ended 31 March 2012

(i) Basis of historical financial information

The following tables set out the audited consolidated financial statements of the Metric Group for the period from incorporation on 1 March 2010 to 31 March 2011 and the year ended 31 March 2012 (which have been prepared in accordance with IFRS). The financial information for the period ended 31 March 2011 and the year ended 31 March 2012 set out in this Part 15 has been extracted without material adjustment from the audited consolidated financial statements of the Metric Group for each period. The auditors' report of Deloitte LLP for each of the period ended 31 March 2011 and the year ended 31 March 2012 was unqualified.

The London & Stamford Directors confirm that, for the period ended 31 March 2011 and the year ended 31 March 2012, no material adjustment to the consolidated financial statements of the Metric Group is required to achieve consistency with the accounting policies of the London & Stamford Group.

The unaudited interim consolidated financial information of the Metric Group for the six months ended 30 September 2012 is set out in Section B of Part 15 of this document.

Historical financial information on the Metric Group for the period ended 31 March 2011 and the year ended 31 March 2012

Metric Group income statements

	Note	1 March 2010 to 31 March 2011 £000	1 April 2011 to 31 March 2012 £000
Gross rental income	3	4,705	12,771
Property operating expenses	3	(124)	(222)
Net rental income		4,581	12,549
Administrative expenses	4	(4,390)	(4,722)
Gain arising on valuation of investment properties	9	7,618	7,668
Profit on sale of investment properties		—	122
Share of profits of joint venture	10	—	558
Operating profit		7,809	16,175
Finance income		1,070	93
Finance costs	5	(176)	(1,367)
Change in fair value of derivative financial instruments	16	—	(1,702)
Profit before tax		8,703	13,199
Tax-REIT conversion charge	6	(208)	—
Profit after tax		8,495	13,199
Earnings per share-basic and diluted	7	4.8p	6.9p
Adjusted earnings per share-basic and diluted	7	0.5p	3.5p

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 Metric Group's total comprehensive income.

Metric Group balance sheets

	Note	Metric Group as at 31 March 2011 £000	Metric Group as at 31 March 2012 £000
Non-current assets			
Investment properties	9	192,387	225,907
Investment in joint venture	10	—	8,820
Investment in subsidiaries	11	—	—
Plant and equipment		127	90
Derivative financial instruments	16	—	73
		<u>192,514</u>	<u>234,890</u>
Current assets			
Trade and other receivables	12	2,003	12,041
Cash and short-term deposits	13	28,036	4,215
		<u>30,039</u>	<u>16,256</u>
Total assets		<u>222,553</u>	<u>251,146</u>
Current liabilities			
Trade and other payables	14	(31,486)	(15,166)
		<u>(31,486)</u>	<u>(15,166)</u>
Non-current liabilities			
Bank loans	15	—	(33,498)
Derivative financial instruments	16	—	(1,158)
		—	<u>(34,656)</u>
Total liabilities		<u>(31,486)</u>	<u>(49,822)</u>
Net assets		<u>191,067</u>	<u>201,324</u>
Equity			
Share capital	19	1,900	1,900
Share premium	21	—	—
Other reserve	21	180,672	180,672
Retained earnings		8,495	18,752
Total equity		<u>191,067</u>	<u>201,324</u>
Net assets per share	22	<u>101p</u>	<u>106p</u>
Adjusted net assets per share	22	<u>101p</u>	<u>107p</u>

Metric Group statements of changes in equity

Period ended 31 March 2011

<u>Metric Group</u>	<u>Share capital</u> <u>£000</u>	<u>Share premium</u> <u>£000</u>	<u>Other reserve</u> <u>£000</u>	<u>Retained earnings</u> <u>£000</u>	<u>Total</u> <u>£000</u>
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
Total equity at 31 March 2011	<u>1,900</u>	<u>—</u>	<u>180,672</u>	<u>8,495</u>	<u>191,067</u>

Year ended 31 March 2012

<u>Metric Group</u>	<u>Share capital</u> <u>£000</u>	<u>Share premium</u> <u>£000</u>	<u>Other reserve</u> <u>£000</u>	<u>Retained earnings</u> <u>£000</u>	<u>Total</u> <u>£000</u>
At 1 April 2011	1,900	—	180,672	8,495	191,067
Profit for the year	—	—	—	13,199	13,199
Dividends paid in the year (note 8)	—	—	—	(3,040)	(3,040)
Adjustment for share based awards	—	—	—	98	98
Total equity at 31 March 2012	<u>1,900</u>	<u>—</u>	<u>180,672</u>	<u>18,752</u>	<u>201,324</u>

Metric Group cash flow statements

	Metric Group 1 March 2010 to 31 March 2011 £000	Metric Group 1 April 2011 to 31 March 2012 £000
Cash flows from operating activities		
Operating profit / (loss)	7,809	16,175
Adjustments for non-cash items:		
(Gain) / deficit arising on valuation of investment properties	(7,618)	(7,668)
Profit on sale of investment properties	—	(122)
Share of profits of joint venture	—	(558)
Lease incentives and unsettled rent reviews recognised	(331)	(1,070)
Share based awards	—	98
Depreciation	32	58
Cash flows from operations before changes in working capital . .	(108)	6,913
Increase in trade and other receivables	(1,364)	(374)
(Decrease) / increase in trade and other payables	4,192	(107)
Net cash flows from operations	2,720	6,432
Interest received	1,034	128
Interest paid	(57)	(1,036)
Corporation tax: REIT conversion charge paid	—	(208)
Net cash flows from operating activities	3,697	5,316
Cash flows from investing activities		
Purchase of investment properties	(156,141)	(53,754)
Sale of investment properties	—	10,817
Redevelopment and refurbishment expenditure	(1,834)	(7,459)
Investment in / loans advanced to joint venture	—	(8,399)
Distributions received from joint venture	—	75
Investment in / loans advanced to subsidiary undertakings	—	—
Purchase of plant and equipment	(159)	(21)
Net cash flows from investing activities	(158,134)	(58,741)
Cash flows from financing activities		
Net proceeds from issue of shares	182,572	—
Dividends paid	—	(3,040)
Bank loans drawn down	—	48,700
Bank loans repaid	—	(14,000)
Loan arrangement fees paid	(99)	(1,439)
Purchase of derivative financial instruments	—	(617)
Net cash flows from financing activities	182,473	29,604
Net (decrease) / increase in cash and short-term deposits	28,036	(23,821)
Cash and short-term deposits at beginning of year / at incorporation . .	—	28,036
Cash and short-term deposits at end of year / period	28,036	4,215

Notes to the historical financial information

1. Principal accounting policies

The principal accounting policies adopted by the Metric Group and applied to the historical financial information set out below.

Basis of preparation

The Historical Financial Information has been prepared in accordance with IFRS adopted by the European Union and therefore the Metric Group historical financial information complies with Article 4 of the EU IAS Regulation.

The Historical Financial Information has been prepared on the historical cost basis, except for the revaluation of properties. In the process of applying the Metric Group's accounting policies, the Metric Directors are required to make judgements, estimates and assumptions that may affect the historical financial information. It is believed that the judgements made in the preparation of the Historical Financial Information are reasonable. The key estimates and assumptions relate to property valuations applied by the Metric Group's property valuer.

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

Basis of consolidation

The Metric Group Historical Financial Information consolidates the financial statements of Metric and all its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the Metric Group. Control is assumed when Metric 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 Metric Group income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. All inter Metric Group balances and transactions are eliminated.

The Historical Financial Information is prepared in British pounds sterling which is determined to be the functional currency of the Metric Group.

Rent receivable

This comprises rental income and premiums on lease surrenders on investment properties for the year, 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 lease term or another systematic basis if applicable.

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 Metric 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 Metric 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 Metric 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 year in which they arise. In accordance with IAS 40, as the Metric 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.

Additions to investment properties consist of costs of a capital nature and, in the case of investment properties being redeveloped for continued use as an investment property, capitalised interest, and certain internal staff and associated costs directly attributable to the management of the investment properties being redeveloped.

Borrowing costs associated with direct expenditure on investment properties under development or undergoing major refurbishment are capitalised using the Metric Group's weighted average cost of debt of the relevant borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. The capitalisation of borrowing costs is suspended if there are prolonged periods when development activity is suspended.

Joint ventures

Joint ventures are accounted for under the equity method. Using this method the investment is initially recorded at cost and is subsequently adjusted to reflect the Metric Group's share of the net profit or loss of the joint venture. The Metric Group balance sheet contains the Metric Group's share of the net assets in the joint venture. The Metric Group's share of joint venture profits or losses are included in the Metric Group income statement in a single line. The Metric Group's joint venture has adopted the same accounting policies as the Metric Group for inclusion in the Metric Group Historical Financial Information.

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 Metric Group as a lessee: In accordance with IAS 40, leases of investment property are assessed on a property by property basis. The Metric 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).

Metric 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 Metric 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 Metric 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 on a straight line basis.

Derivatives: The Metric 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 Metric 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 year 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 Historical Financial Information 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 Metric Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 Metric Directors is recognised within administration expenses in the income statement. The Metric 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 Historical Financial Information.

Impairment of assets

The Metric 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 Metric 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 Metric's balance sheet at cost less any provision for impairment.

Standards and interpretations in issue not yet adopted

At the date of approval of the Historical Financial Information, the following standards and interpretations which have not been applied in the Historical Financial Information were in issue but not yet effective:

- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 13 Fair Value Measurement;
- Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities;
- IAS 28 Investments in Associates and Joint Ventures (2011); and
- Improvements to IFRS—2011.

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

2. Segmental information

During the year, the Metric Group operated in and was managed as one business segment, being retail property investment, with all properties located in the United Kingdom.

3. Gross and net rental income

	1 March 2010 to 31 March 2011	1 April 2011 to 31 March 2012
	£000	£000
Rent receivable	4,284	10,853
Spreading of tenant incentives and guaranteed rent increases	171	590
Surrender premiums	250	1,328
Gross rental income	4,705	12,771
Service charge income	279	583
Management fee income	—	27
Gross rental and related income	4,984	13,381
Service charge expenses	(279)	(621)
Property operating expenses	(124)	(211)
Net rental and related income	4,581	12,549

Property operating expenses in respect of investment properties that did not generate rental income during the year were £41,000 (2010/11: £nil). Total revenue is the same as gross rental and related income.

4. Administrative expenses

	<u>1 March 2010 to 31 March 2011</u>	<u>1 April 2011 to 31 March 2012</u>
	£000	£000
Employee costs	3,087	4,037
Other administrative expenses	1,106	1,039
Exceptional professional fees relating to the Metric Group's conversion to REIT status	240	—
Share-based awards	—	98
Depreciation of plant and equipment	32	58
Staff costs capitalised	(75)	(510)
	<u>4,390</u>	<u>4,722</u>

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

	<u>1 March 2010 to 31 March 2011</u>	<u>1 April 2011 to 31 March 2012</u>
	£000	£000
Salaries	2,524	3,319
Social security costs	330	452
Pension costs	233	266
	<u>3,087</u>	<u>4,037</u>

Directors' emoluments and pension benefits included in the above table totalled £2,399,000 (2010/11: £2,162,000) and are set out below.

Directors' emoluments

2010/11 basic salaries/fees, annual bonus, 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 Metric Executive Directors.

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Andrew Jones	295,000	305,000	315,000
Valentine Beresford	225,000	232,500	240,000
Mark Stirling	225,000	232,500	240,000
Sue Ford	195,000	202,000	210,000

Directors' interests in the Company's shares

The interests of the Metric Directors and their immediate families in the ordinary shares of the Company were:

<u>Number of ordinary shares</u>	<u>31 March 2011</u>	<u>31 March 2012</u>
Andrew Jones	2,000,000	2,055,720
Valentine Beresford	2,075,000	2,109,693
Mark Stirling	1,500,000	1,534,693
Sue Ford	50,000	76,808
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 Metric Directors' interest in the Company's shares between 31 March 2012 and 30 May 2012.

Directors' share based incentives

Matching Share Plan (MSP)

In accordance with the rules of MSP, on 31 May 2011 the Company conditionally awarded a right to receive a Match Share Award as shown in the table below:

<u>Name</u>	<u>No. of shares under award 1 April 2011</u>	<u>No. of shares over which awards granted</u>	<u>Share price of shares on grant</u> (pence)	<u>No. of shares under award 31 March 2012</u>	<u>End of performance period over which performance conditions have to be met</u>
Executive					
Andrew Jones	—	111,440	113p	111,440	31.03.14
Valentine Beresford	—	69,386	113p	69,386	31.03.14
Mark Stirling	—	69,386	113p	69,386	31.03.14
Sue Ford	—	53,616	113p	53,616	31.03.14
Total	<u>—</u>	<u>303,828</u>		<u>303,828</u>	

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

The average monthly number of employees, including Directors, during the period was 18 (2010/11: 10).

Auditor's remuneration

	<u>1 March 2010 to 31 March 2011</u> £000	<u>1 April 2011 to 31 March 2012</u> £000
Audit services:		
Parent Company	75	79
Subsidiary undertakings	15	55
Audit related assurance services, including interim review	<u>121</u>	<u>25</u>
Audit and audit related services	211	159
Other services:		
REIT conversion advice	240	—
Other taxation advisory advice	116	53
Other advice	<u>30</u>	<u>26</u>
	<u>597</u>	<u>238</u>

Amounts for regulatory filings include £nil (2010/11: £106,000) in respect of Metric'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. Finance costs

	1 March 2010 to 31 March 2011	1 April 2011 to 31 March 2012
	£000	£000
Interest payable on bank loans and overdrafts	—	637
Loan commitment fees	127	580
Amortisation of loan issue costs	49	287
Total borrowing costs	176	1,504
Less amounts capitalised on the development of properties	—	(137)
Total finance costs	176	1,367

Interest was capitalised during the year at an average rate of 3.0% (2010/11: not applicable).

6. Tax

	1 March 2010 to 31 March 2011	1 April 2011 to 31 March 2012
	£000	£000
REIT conversion charge	208	—
Total tax charge	208	—

Factors affecting tax charge for the period:

	1 March 2010 to 31 March 2011	1 April 2011 to 31 March 2012
	£000	£000
Profit before tax	13,199	8,703
Profit before tax at the standard rate of income tax in the UK of 26% / 28%	3,432	2,437
Effects of:		
REIT tax exemption	(3,432)	(2,437)
REIT conversion charge	—	208
Total tax charge	—	208

The Metric 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.

7. Earnings per share

	1 March 2010 to 31 March 2011		1 April 2011 to 31 March 2012	
	Profit/(loss) after tax £000	Earnings/(loss) per share pence	Profit/(loss) after tax £000	Earnings/(loss) per share pence
Basic and diluted	8,495	4.8p	13,199	6.9p
Gain on revaluation of investment properties	(7,618)	(4.3)p	(7,668)	(4.0)p
Profit on sale of investment properties	—	—	(122)	—
Share of joint venture gain on revaluation of investment properties	—	—	(419)	(0.2)p
Change in fair value of derivative financial instruments	—	—	1,584	0.8p
Adjusted	877	0.5p	6,574	3.5p
Weighted average number of shares (000)				
Ordinary shares in issue		178,706		190,000
Potentially dilutive share awards issued in year		—		254
Total		178,706		190,254

Adjusted earnings per share have been calculated in accordance with European Public Real Estate Association (EPRA) guidelines. The change in the fair value of financial instruments reflects the fair value movement from inception of the derivative financial instrument until the balance sheet date of £1,702,000 as well as the amortisation, on a straight line basis, of the premium paid on entering into the interest rate cap of £118,000.

8. Dividends

	1 March 2010 to 31 March 2011 £000	1 April 2011 to 31 March 2012 £000
Ordinary dividends paid		
Final dividend for the period ended 31 March 2011 of 0.6p per share	—	1,140
Interim dividend for the year ended 31 March 2012 of 1.0p per share	—	1,900
Total dividends paid	—	3,040

As at 31 March 2012 the Board of Directors had proposed a final dividend of 2.3p per share which will result in a distribution of £4,370,000 which if approved would give total dividends for the year of 3.3p or £6,270,000. The dividend was to be paid on 23 July 2012 to shareholders on the register at the close of business on 22 June 2012. The proposed final dividend needed to be approved by the shareholders of the Company at the Annual General Meeting and consequently was not recognised as a liability as at 31 March 2012.

The dividend was to 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.

9. Investment properties

	Metric Group investment properties	Metric Group investment properties under development	Metric Group total investment properties	Metric investment properties
	£000	£000	£000	£000
At incorporation	—	—	—	—
Acquisition of properties	182,604	—	182,604	109
Redevelopment and refurbishment expenditure	1,834	—	1,834	—
Total additions	184,438	—	184,438	109
Revaluation surplus / (deficit)	7,618	—	7,618	(2)
	192,056	—	192,056	107
Tenant incentives and accrued rental income . .	331	—	331	—
At 31 March 2011	192,387	—	192,387	107

	Metric Group investment properties	Metric Group investment properties under development	Metric Group total investment properties	Metric investment properties
	£000	£000	£000	£000
At 1 April 2011	192,387	—	192,387	107
Acquisition of properties	26,727	9,640	36,367	—
Redevelopment and refurbishment expenditure	4,995	3,812	8,807	—
Total additions	31,722	13,452	45,174	—
Reclassification on commencement of redevelopment	(8,050)	8,050	—	—
Disposals	(10,817)	(9,575)	(20,392)	—
Revaluation surplus	3,078	4,590	7,668	—
	208,320	16,517	224,837	107
Tenant incentives and accrued rental income . .	962	108	1,070	—
At 31 March 2012	209,282	16,625	225,907	107

Metric's freehold and leasehold investment properties were valued as at 31 March 2012 by Glyn Harper MRICS on behalf of the external valuer, CBRE, in accordance with the requirements of the RICS Valuation—Professional Standards 2012 (the "Red Book"), sixth edition, on the basis of "Fair Value" assuming that the properties would be sold subject to any existing leases. The valuations were prepared by an RICS Registered Valuer, whose opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms. We confirm that 'Fair Value' for the purposes of financial reporting under International Financial Reporting Standards is effectively the same as 'Market Value'. The total fees earned by CBRE for this assignment represent less than 5 per cent. of their total UK revenues. The valuer has continuously been the signatory of valuations for Metric since September 2010. CBRE has carried out valuation and professional services on behalf of Metric for less than five years.

The historic cost of investment properties and investment properties under development amounts to £211,304,000 (31 March 2011: £184,769,000) and the cumulative valuation surplus at 31 March 2012 amounted to £14,603,000 (31 March 2011: £7,618,000).

Long leasehold properties, which are treated as finance leases and included in investment properties above, amounted to £35,550,000 (31 March 2011: £33,900,000).

At 31 March 2012 properties with a value of £91,965,000 (31 March 2011: £nil) had been secured under the bank loan facility with The Royal Bank of Scotland plc and properties with a value of £72,385,000 (31 March 2011: £nil) had been secured under the bank loan facility with Eurohypo AG.

Investment properties under development include properties under development and construction in progress.

Capital commitments

Capital commitments have been entered into amounting to £20,622,000 (31 March 2011: £3,734,000) which have not been provided for in the historical financial information. Including the Metric Group's share of joint ventures, capital commitments amount to £21,305,000 (31 March 2011: £3,734,000).

10. Investment in joint venture

Share of profits of joint venture–Metric Income Plus Limited Partnership

	1 March 2010 to 31 March 2011	1 April 2011 to 31 March 2012
	£000	£000
Gross rental income	—	157
Property operating expenses	—	(11)
Net rental income	—	146
Administrative expenses	—	(7)
Adjusted profit before and after tax	—	139
Gain arising on valuation of investment properties	—	419
Profit before and after tax	—	558

Summarised balance sheet–Metric Income Plus Limited Partnership

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
Non-current assets–investment properties	—	34,825
Trade and other receivables	—	63
Cash and short-term deposits	—	1,755
Total current assets	—	1,818
Total assets	—	36,643
Current liabilities–trade and other payables	—	(10,183)
Total net assets	—	26,460
Metric Group share of net assets	—	8,820

On 17 November 2011 the Metric Group sold a two-thirds interest in MIPP to the USS. The Metric Group also sold an investment property to MIPP for £9,700,000 during the year. The Metric Group had a one-third stake in MIPP at 31 March 2012.

MIPP's freehold investment properties were valued as at 31 March 2012 by Glyn Harper MRICS on behalf of the external valuer, CBRE Limited, in accordance with the requirements of the RICS Valuation–Professional Standards 2012 (“the Red Book”), sixth edition, on the basis of Fair Value assuming that the properties would be sold subject to any existing leases. The valuations were prepared by an RICS registered valuer, whose opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

Investment by the Metric Group-Metric Income Plus Limited Partnership

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
At 1 April 2011 / incorporation	—	—
Investment in and loans advanced	—	8,399
Share of profit after tax	—	558
Profit eliminated on sale of investment property to MIPP	—	(62)
Distributions received	—	(75)
At 31 March	<u>—</u>	<u>8,820</u>

During the year to 31 March 2012 the Metric Group advanced loans totalling £8,230,000 (2010/11: £nil).

11. Investment in subsidiaries

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

	Metric shares in subsidiary undertakings	Metric loans to subsidiary undertakings	Metric total
	£000	£000	£000
At 1 April 2011	153,900	4,121	158,021
Additions	19,750	—	19,750
Transferred to other Metric Group subsidiaries	(133,790)	—	(133,790)
Movement on loans	—	143,745	143,745
At 31 March 2012	<u>39,860</u>	<u>147,866</u>	<u>187,726</u>

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

Metric is the ultimate holding company of the Metric 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 Bishop Auckland Limited	England	100%	Property investment
Metric Property Sheffield Limited	England	100%	Property investment
Metric Property Kings Lynn Limited	England	100%	Property investment
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Finance 2 Limited	England	100%	Intermediate holding company

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

12. Trade and other receivables

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
Amounts due from tenants	548	319
Other taxes	663	1,069
Other debtors	13	146
Investment property sale proceeds	—	9,758
Prepayments and accrued income	779	749
At 31 March	2,003	12,041

The Metric Directors consider that the carrying amount of trade and other receivables approximates their fair values. The Metric 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 £105,000 (2010/11: £nil). Trade and other receivables are initially measured at invoiced value and have settlement dates within one year.

The provision for impairment of amounts due from tenants as at 31 March 2012 was £96,000 (31 March 2011: £nil); there were no other amounts relating to trade and other receivables which were impaired (31 March 2011: £nil) as the risk of impairment of the amounts is not considered to be significant.

Trade and other receivables outside their payment terms yet not impaired are as follows:

	Total	Within credit terms	Outside credit terms but not impaired		
			0-1 month	1-3 months	More than 3 months
	£000	£000	£000	£000	£000
At 31 March 2011	548	215	319	4	10
At 31 March 2012	319	109	183	5	22

13. Cash and short-term deposits

	Metric Group 31 March 2012	Metric Group 31 March 2011	Metric 31 March 2012	Metric 31 March 2011
	£000	£000	£000	£000
Cash at bank	382	478	69	173
Short-term deposits	3,833	27,558	1,114	27,558
At 31 March 2012	4,215	28,036	1,183	27,731

As at 31 March 2012 £2,719,000 (31 March 2011: £nil) was held in rent and restricted accounts which are not readily available to the Metric Group for day-to-day commercial purposes.

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 Metric Group's exposure to bank failure is minimised and consequently there is an insignificant risk of changes in value.

14. Trade and other payables

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
Rents invoiced in advance	1,546	1,854
REIT conversion charge payable	208	—
Other taxes	817	611
Accrued capital expenditure in respect of property acquisitions	26,463	10,089
Other trade payables and accruals	2,452	2,612
At 31 March 2012	31,486	15,166

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

15. Bank loans

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
Secured bank loans	—	34,700
Unamortised finance costs	—	(1,202)
At 31 March	—	33,498

The bank loans are secured by fixed charges over certain of the Metric Group's investment properties with a carrying value of £164,350,000 (31 March 2011: £nil) and are repayable within two to five years of the balance sheet date.

Maturity of undrawn committed borrowing facilities:

	Metric Group 31 March 2011	Metric Group 31 March 2012
	£000	£000
Expiring		
In more than two years	50,000	80,000
At 31 March	50,000	80,000

In addition to the principal payment noted above the Metric Group is also committed to future contracted undiscounted interest payments of £1,999,000 (31 March 2011: £nil) within one year and £5,223,000 (31 March 2011: £nil) within two to five years.

16. Derivative financial instruments

The Metric Group is exposed to market risk through interest rate fluctuations. It is the Metric Group's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest. The Metric 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 it is believed it provides an appropriate balance of exposure.

All derivative financial instruments are carried at fair value and would be classified as level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Details of the Metric Group's derivative financial instruments that were in place at 31 March 2012 are provided below.

	Protected rate	Expiry	Cost £000	Market value £000	Movement recognised in income statement £000
Non-current assets					
£17.5 million cap	3.0%	April 2016	617	73	(544)
Total non-current assets			617	73	(544)
Non-current liabilities					
£10.5 million swap	3.3%	April 2016	—	(868)	(868)
£20.0 million forward starting swap*	1.5%	October 2016	—	(235)	(235)
£10.0 million forward starting swap#	1.6%	October 2016	—	(55)	(55)
Total non-current liabilities			—	(1,158)	(1,158)
Total all derivative financial instruments .			617	(1,085)	(1,702)

* Commences April 2012. The protected rate increases to 2.0% for the last year of the swap, effective from October 2015.

Commences January 2013.

There were no derivative financial instruments as at 31 March 2011 and there were no derivative financial instruments in Metric at 31 March 2012 and 31 March 2011. All derivative financial instruments are non-current and are interest rate derivatives.

17. Financial risk management and borrowings

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

Liquidity risk

Liquidity risk reflects the risk that the Metric Group will have insufficient resources to meet its financial liabilities as they fall due. The Metric Group maintains a rolling three year forecast of anticipated recurring and non-recurring cash flows. The Metric Group's available cash and 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 £12,041,000 (31 March 2011: £2,003,000), and cash and short-term deposits £4,215,000 (31 March 2011: £28,036,000), are all due for receipt or maturity within one year. Non-derivative financial liabilities, being trade and other payables £15,166,000 (31 March 2011: £31,486,000), are all due for payment within one year.

Credit risk

Credit risk reflects the risk that a counter party will default on its contractual obligations, resulting in a financial loss to the Metric Group.

The concentration of credit risk is limited by the diverse tenant base. Accordingly it is believed that there is no further credit provision required in excess of the allowance for doubtful debts. Details of the Metric Group's receivables are summarised in note 12 of the Historical Financial Information.

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

Capital risk

The Metric Group manages its capital to ensure that entities in the Metric 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 Metric Group's Statement of Changes in Equity. Debt comprises drawings against the committed bank loan facilities.

Market and interest rate risk

The Metric Group is exposed to market risk through interest rate fluctuations. It is the Metric Group's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest. The Metric Group uses 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.

Borrowings

At 31 March 2012, the Metric Group had two loan facilities (31 March 2011: None). Firstly, a five year, £80 million revolving credit facility which matures in November 2016 with interest payable at rates ranging from 2.0% to 2.5% above LIBOR. Secondly, a five year, £34.7 million term loan which matures in April 2016 with interest payable at rates ranging from 1.8% to 2.0% above LIBOR. The amount undrawn under the revolving credit facility as at 31 March 2012 is £80 million (31 March 2011: £50 million) and as a result the Directors consider the Metric Group to have adequate liquidity to fund the ongoing operations of the business. Both bank loans are secured by fixed charges over certain investment properties of the Metric Group and are repayable within two to five years of the balance sheet date. In addition, under both of the loan facilities, the lending banks may require repayment of the outstanding amount, with not less than 10 days' notice, following any change of control.

Market rate sensitivity analysis

Financial instruments affected by market rate risk include borrowings, deposits and derivative financial instruments. Management's assessment of the sensitivity of a 50bp change in floating rate interest rates on the amount of liability at 31 March 2012 was outstanding for the whole year:

	50bp increase in interest rates	50bp decrease in interest rates
(Decrease)/increase in fair value of financial instruments	924	(924)
Impact on net interest payable-(loss)/gain	(100)	100
Total impact on profit and equity	<u>824</u>	<u>(824)</u>

18. Operating lease arrangements

The Metric Group as a lessor

The Metric Group leases out all of its investment properties under operating leases with a weighted average lease length of 11.6 years or 10.8 years to first break (31 March 2011: 11.8 years or 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	31 March 2012
	£000	£000
Less than one year	11,762	12,500
Between two and five years	43,879	53,861
Greater than five years	75,773	87,943
At 31 March	<u>131,414</u>	<u>154,304</u>

The group as a lessee

At 31 March 2012 the future minimum lease payments payable under non-cancellable operating leases of land and buildings totalled £106,000 (31 March 2011: £256,000), of which £106,000 (31 March 2011: £150,000) is payable in less than one year and £nil (31 March 2011: £106,000) is payable in the second to fifth years.

19. Share capital

	31 March 2011	31 March 2011	31 March 2012	31 March 2012
	Number	Amount paid £000	Number	Amount paid £000
Issued and fully paid				
Ordinary shares of 1p each	<u>190,000,000</u>	<u>1,900</u>	<u>190,000,000</u>	<u>1,900</u>

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 Metric on 8 March 2010. Metric does not hold any ordinary shares in the capital of Metric in treasury.

20. Share-based payments

The Company has three share incentive plans.

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

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 vest, in three equal tranches, on the second, third and fourth anniversaries of the performance period start date. Share awards are subject to claw-back and will only vest if an additional performance hurdle is satisfied on the relevant anniversary. The group's property total return must exceed the growth of the IPD All Retail (Quarterly) Index for that year for the relevant tranche of shares to vest. 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 invested 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 2011/12 financial year.

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.

(b) 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 a 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.

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

The first awards under the MSP were granted on 31 May 2011. In accordance with the rules of the MSP, Metric conditionally awarded a right to receive a Matching Share Award over 303,828 ordinary shares of 1p each. The award is subject to a three-year performance. The awards were based on a share price of 113 pence and the amount outstanding at 31 March 2012 was 303,828 ordinary shares of 1p each (31 March 2011: nil).

(c) 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 were granted on 31 May 2011. In accordance with the rules of the CSOP, Metric conditionally awarded a right to purchase shares in Metric at an exercise price of 110.2 pence over 110,706 ordinary shares of 1p each. The awards were based on the middle market share price for the five days before the awards were issued. The amount outstanding at 31 March 2012 was 110,706 ordinary shares of 1p each (31 March 2011: nil). The option can be exercised from the third anniversary of grant until 10 years after grant. The option will lapse if the employee leaves Metric.

21. Share premium and other reserve

	31 March 2011		31 March 2012	
	Share premium	Other reserve	Share premium	Other reserve
	£000	£000	£000	£000
At 1 April / incorporation	—	—	—	180,672
Premium on issue of shares	188,100	—	—	—
Share issue costs	(7,428)	—	—	—
Transfer in respect of capital reduction	(180,672)	180,672	—	—
At 31 March	—	180,672	—	180,672

On 18 August 2010 Metric cancelled its share premium account, having received Court approval and been previously approved by a special resolution passed at the general meeting of the Metric Group held on 4 March 2010. The balance on the share premium was transferred to a distributable other reserve.

22. Net asset value

	31 March 2011		31 March 2012	
	Total equity	Pence per share	Total equity	Pence per share
	£000		£000	
Basic and diluted net asset value	191,067	101p	201,324	106p
Fair value adjustment in respect of derivative financial instruments	—	—	1,584	1p
Adjusted net asset value	191,067	101p	202,908	107p

The basic net asset value per share has been calculated based on 190,000,000 shares in issue at 31 March 2012 (31 March 2011: 190,000,000).

Diluted and adjusted net asset value per share has been calculated based on 190,303,828 shares in issue at 31 March 2012 (31 March 2011: 190,000,000). Diluted and adjusted net asset value per share has been calculated in accordance with European Public Real Estate Association (EPRA) guidelines.

The change in the fair value of derivative financial instruments reflects the fair value movement from inception of the derivative financial instrument until the balance sheet date of £1,702,000 as well as the amortisation, on a straight line basis, of the premium paid on entering into the interest rate cap of £118,000.

23. Post balance sheet events

The Metric Group has made further loans of £8,916,000 to the MIPP joint venture to enable it to complete the acquisition of Milburn Road Retail Park, Inverness and B&Q Faustina Retail Park, Londonderry which completed on 15 May 2012 and 16 May 2012 respectively.

24. Related party transactions

Transactions between Metric 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 Metric Executive Directors as they are the persons having authority and responsibility for planning, directing and controlling the activities of the Metric Group. Full details of their remuneration are disclosed in note 4.

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

Transactions with joint venture-Metric Income Plus Limited Partnership

Transactions during the year between the Metric Group and the joint venture, Metric Income Plus Limited Partnership are disclosed below:

	<u>1 March 2010 to 31 March 2011</u>	<u>1 April 2011 to 31 March 2012</u>
	£000	£000
Investment in and new loans advanced in the year	—	8,232
Investment in and loans outstanding at the year end	—	8,232
Distributions received	—	75
Management fees receivable	—	27
Management fees receivable outstanding at the year end	—	20
Proceeds from the sale of investment properties	—	20,517
Proceeds from the sale of investment properties outstanding at the year end	—	9,700

Further details of transactions with the joint venture are set out in note 10.

Section B-Unaudited interim financial information on the Metric Group for the period ended 30 September 2012

The following is the unaudited interim financial information for the Metric Group for the six months ended 30 September 2012 which has been extracted without material adjustment from the interim report relating to Metric's unaudited results for the six months ended 30 September 2012. These results have been prepared in accordance with IFRS.

The London & Stamford directors confirm that, for the six months ended 30 September 2012, no material adjustment to the financial statements of the Metric Group is required to achieve consistency with the accounting policies of the London & Stamford Group.

Overview of results

Despite the current challenges presented by the economic environment the Metric Group has continued to focus on delivering strong underlying earnings growth.

Metric's profit before tax for the six month period was £3.1 million, which includes a revaluation surplus of £0.7 million. The EPRA profit before tax was £3.5 million or 1.8 pence per Metric Ordinary Share, a like for like increase of 35 per cent. over the same period last year (£2.6 million or 1.4 pence). Including the one-off surrender premiums of £1.3 million received in the first half of last year the EPRA earnings decreased by 11 per cent.

The benefits of Metric's focus on earnings growth is clear with a further six new lettings achieved in the six month period which has increased the investment portfolios' occupancy rate to over 99 per cent. These asset management initiatives, together with the short cycle development programme, will continue to deliver earnings growth in the second half of the year and more significantly in 2013/14. Reflecting the current and expected future growth in earnings, the Metric Board has declared an increased interim dividend of 1.8 pence per Metric Ordinary Share to be paid on 7 December 2012, representing an 80 per cent. increase over last year's interim dividend.

The Metric portfolio was valued at £266.2 million across 25 retail properties delivering a revaluation surplus in the six month period of £0.7 million or a 0.3 per cent. increase in the value since March 2012. This surplus along with our retained profits and offset by dividends paid has contributed to a stable adjusted net asset value at 107 pence per Metric Ordinary Share compared to the year-end. Metric has delivered a total ungeared property return of 3.1 per cent. outperforming the IPD All Retail Quarterly Universe, which delivered a return of 0.5 per cent.

Post period end two acquisitions have taken the assets under management in the MIPP joint venture to £75 million, across eight assets. The joint venture has now committed 50 per cent. of the fund's target investment value of £150 million. The fund's running yield is 7 per cent. and an additional 0.4 per cent. management fee will continue to contribute to earnings growth.

Metric's development programme now totals 371,000 sq ft at six schemes. Developments at Bishop Auckland Phase 1 and Cannock have progressed well and both are nearing completion and are 100 per cent. and 87 per cent. pre-let respectively. Metric has also continued to build on the planning successes achieved last year, receiving a further four consents in the six month period totalling 65,000 sq ft, including consent for a new 22,500 sq ft M&S store at Berkhamsted. Post period end Metric received an Open A1 planning consent for its 27,000 sq ft Bishop Auckland Phase 2 development. Planning applications for a further 113,000 sq ft have been submitted, most notably an application for a 103,000 sq ft Open A1 shopping park at St Austell.

The portfolio is now well positioned to weather the challenges presented in the current economic environment. A deep and proven knowledge of the occupier market and careful and considered stock selection has allowed us to avoid many of the retailer administrations over the last six months, which is evidenced by the investment portfolio's occupancy rate of over 99 per cent.

Investment and occupier outlook

The market continues to witness ongoing outward yield movement, caused by reduced appetite for risk across all investments with the majority of investors targeting prime and liquid assets. Consequently the divergence between prime and secondary assets has widened. Accordingly, Metric has deliberately slowed down the pace of its investment acquisitions in the last six months, acquiring just four properties in the period to 30 September; two of which were for the MIPP joint venture. However assets owned by

distressed vendors have presented some opportunistic acquisitions, with vendors of all four of Metric's acquisitions in the period having been receivers or bank motivated vendors. Metric envisages this trend to continue as domestic banks continue to focus on improving their core tier one ratios and return to domestic consumer lending.

Income security and longevity, as well as occupier contentment, continue to be the key valuation metrics. These continue to drive Metric's approach to new retail opportunities, as it focuses its capital on higher yielding, sustainable income opportunities and new short cycle redevelopments.

Metric continues to believe that assets with long and strong income offer good value relative to the low cost of borrowing; especially where there is limited asset obsolescence and inherent value in the planning consents on the underlying land. This contrasts sharply to many retail opportunities available today where the initial yield at first sight may look attractive, however chronic over-renting, short security of income, weakening covenants, increasing obsolescence, high irrecoverable costs and low occupier contentment offer a very different perspective on likely returns. We will only invest in assets that we are happy to own, even if the market were to shut down for many years.

Retailer conditions continue to remain challenging although there are a number of more encouraging economic indicators.

Retailers' real estate portfolios continue to come under ever increasing focus as the retail market continues to evolve with polarisation of shopping habits and the increasing adoption of a multi channel strategy. This evolution will continue over the next few years as many occupational leases expire, allowing retailers to relocate their existing offers into the fewer locations both in and out of town, as well as renegotiating rentals in some more marginal locations.

The Metric Directors expect retail vacancies to continue to increase with a corresponding downward pressure on rental values, particularly in-town, as impending lease expiries allow retailers to vacate poorly performing units and further retailer insolvencies occur. A number of the weaker retailers have already failed, consequently Metric anticipates the rate of failures will start to decline and the retailers who have survived will continue to benefit from the reduced capacity and grow their market share.

Understanding these occupier trends continues to be critical to invest successfully in the retail real estate sector today. The dynamic nature of the retail market is such that increased occupier mobility will undoubtedly create opportunities. The Metric Directors continue to try to position Metric as the preferred real estate provider to the retail industry and will continue to stay close to our customers, building and delivering modern retail space that is fit for purpose in today's market.

Investments

Six acquisitions focused on higher yielding assets

Metric has concentrated on its MIPP joint venture, securing higher yielding, smaller retail parks with long unexpired lease terms, enabling it to take advantage of the c.300 bps differential between the cost of debt and property yields to deliver, post leverage, double digit returns on equity. Consequently, in the last six months, we have deliberately slowed the pace of our larger multi let retail warehouse acquisitions as we continue to see less value in this market.

During the period Metric made four new acquisitions totalling £35.9 million net of acquisition costs (£18.8 million at share). The four properties acquired have an average yield on cost of 7.4 per cent. and a weighted unexpired lease length of nearly 15 years. Post period end MIPP acquired two further properties for £14.9 million (£5 million at share) with an average yield on cost of 6.8% and average unexpired lease term of 15.6 years.

In June 2012 Metric completed the acquisition of a high street investment in Bedford let to Next and Iceland for £5.7 million based on a yield of 7 per cent., on lease terms of 10 and 15 years, respectively. Metric also completed the acquisition, in August 2012, of an out of town retail unit in St Albans let to Dunelm plc for £4.6 million off a yield of 7.8 per cent.

Metric acquired two properties during the six-month period to 30 September 2012 for the MIPP joint venture. In May, MIPP acquired Faustina Retail Park, Londonderry for £17.4 million reflecting a yield of 7.5 per cent. and in June MIPP acquired Camborne Retail Park, Cornwall for £8.2 million off a yield of 7.3 per cent. Both properties are let to B&Q and have weighted average unexpired lease terms of 18 and 15 years, respectively.

Post period end MIPP has acquired two properties; Lichfield Retail Park, a well let five unit scheme anchored by Wickes (c. 18 years unexpired) in Lichfield for £11.0 million reflecting a yield of 6.6 per cent. rising to 7.2 per cent. based on fixed uplifts in 2015. In addition, a standalone Wickes unit in Nottingham was acquired for £3.9 million reflecting a yield of 7.3 per cent. and with 18 years remaining on the lease.

At 30 September 2012, assets under management in MIPP totalled £60.3 million rising to £75 million including post period end acquisitions and reaching 50 per cent. of the fund's target investment of £150 million when launched in November last year. The fund now has eight properties in total which produce a running yield of 7.0 per cent. with 36 per cent. of the portfolio benefiting from RPI linked income.

Post period end Metric and USS committed their remaining balance of equity to MIPP and future acquisitions will now be financed by the new £75 million loan facility signed with Deutsche Pfandbriefbank AG (see page 140).

Conditionally exchanged on 90 acre site in St Austell, Cornwall for development

During the period Metric conditionally exchanged contracts to acquire 90 acres for £5.5 million to the south west of St Austell, where Metric has been working up proposals to develop a new 103,000 sq ft Open A1 shopping park. Metric has already exchanged contracts with Sainsbury's on a freehold land sale for a new 68,000 sq ft supermarket. The additional space beyond the shopping park scheme will be promoted for mixed use commercial and residential development.

The purchase is conditional on obtaining an implementable planning consent and pre lets on the park of 60 per cent. based on rental income. The purchase will only be recognised on balance sheet once these conditions are satisfied and the risks of ownership pass to Metric. Since the conditional acquisition Metric has been working up design of the shopping park and post period end Metric has submitted a detailed planning application. Metric's discussions to date with local planning authority and key stakeholders have on the whole been supportive and Metric anticipate the application being determined and an implementable consent obtained during 2013.

ASSET MANAGEMENT

Occupier transactions

During the period Metric concluded six new lettings across 53,000 sq ft, on average lease terms of 14 years (12 years to first break). These lettings have further improved the occupancy rate across the investment portfolio which is now over 99 per cent. Metric has only three vacant units, totalling 7,000 sq ft, in the wholly owned investment portfolio with the MIPP portfolio fully occupied.

Metric has concluded five rent reviews in the period with a resulting increase over the previous passing rent of nearly £30,000 per annum.

Rental growth on the existing investment portfolio has been delivered by growing passing rents through rent reviews and lease re-gears, as well as by creating new sources of rental income through additional on-site development and ancillary tenants. Average rents on the investment portfolio are now £14.75 per sq. ft., which is about £1 per sq. ft. or 7.2 per cent. higher than at the time of acquisition, based on an average hold period of 19 months.

Metric's ability to execute new lettings on long leases in a challenging occupational market across its investment and redevelopment portfolios highlights Metric's strong retailer relationships, the appeal of Metric's assets and the attractiveness of Metric's low rents.

During the period Metric let the unit previously occupied by Peacocks at Launceston, who went in administration last year. In the first six months of the current year Metric has not suffered from any tenant insolvencies, however, post period end Comet went into administration impacting one unit at King's Lynn and representing 0.6 per cent. of its rental income. Over the period Metric has been working up a planning application to extend the unit which will be submitted shortly, and negotiations have been under way for some time with a specific retailer to reoccupy the unit.

Letting Summary

<u>Scheme name</u>	<u>Asset management initiatives</u>
St Mary's Road, Sheffield	<ul style="list-style-type: none">• Remaining unit of 8,600 sq ft let to Wren Kitchens on 15-year lease (10 years to first break)• DFS opened in April 2012 and trading above expectations• Refurbishment works completed
Tindale Crescent, Bishop Auckland	<ul style="list-style-type: none">• New lettings to Pets at Home for 15 years (10 years to first break)• 82 per cent. of development now let• Remainder of the space is under offer to Burger King and Poundland
Kirkstall, Leeds	<ul style="list-style-type: none">• New letting to M&S (10,100 sq ft) for new 15-year lease• Further 1,850 sq ft unit in solicitors' hands to Costa• 43 per cent. of development now pre-let or in under offer
Channons Hill Retail Park, Bristol	<ul style="list-style-type: none">• New letting to Iceland (8,000 sq ft) for new 15-year lease (10 years to first break)• Refurbishment and reconfiguration works due to complete early 2013• Further 12,000 sq ft unit under offer
Havens Head Retail Park, Milford Haven	<ul style="list-style-type: none">• New letting to Home Bargains on 15-year lease taking space due to be vacated by Littlewoods
Launceston Retail Park, Launceston	<ul style="list-style-type: none">• New letting to 99p Stores on 10 year lease taking the unit previously occupied by Peacocks who went into administration last year.
Longwell Green, Bristol	<ul style="list-style-type: none">• Planning consent received for new 2,500 sq ft pod unit; lettings to Costa Coffee and Subway are in solicitors' hands

Development

Building out Metric's short cycle redevelopment pipeline

Metric is continuing to build an attractive pipeline of short cycle redevelopments in locations where there is strong retailer demand and a favourable planning outlook.

Metric successfully completed redevelopments at Sheffield (28,600 sq ft) and Inverness (10,000 sq ft). These are now both income producing and 100 per cent. let. Inverness was also forward sold to the MIPP joint venture with the sale completing in May 2012. Sheffield now sits within the investment portfolio.

Metric's current redevelopment programme includes six schemes totalling over 371,000 sq ft at Bishop Auckland, Cannock, Bristol, Leeds, St Austell and at Berkhamsted, Metric's first in-town high street development.

The redevelopment at Bishop Auckland Phase 1 (49,000 sq ft) and Cannock (24,500 sq ft) are both progressing well and are due to complete in the coming weeks. Bishop Auckland, which is 100 per cent. pre-let, including agreements under offer, with leases agreed with Next, Boots, Costa, Brantano, M&S Simply Food and Pets at Home. Cannock is 87 per cent. pre-let, to DFS and Sleepright, with only one remaining unit of 3,600 sq ft to let.

Leeds (105,000 sq ft) is now 43 per cent. pre-let, including agreements in solicitors' hands and under offer. In the period, Metric completed the pre-letting of 10,100 sq ft to M&S. Metric anticipates commencing on site in late spring of 2013 once it has secured sufficient additional pre-lets.

Planning has now been received for the reconfiguration at Channons Hill Retail Park, Bristol and Metric is now on site. 23,000 sq ft has been let to B&M with a further 8,000 sq ft pre-let to Iceland. Work is due to complete early in 2013 and occupancy is now 80%.

Following the recent planning consent for the redevelopment of the former Post Office at Berkhamsted Metric will start work in the late spring 2013. Metric has agreed a new 20 year lease with M&S Simply Food to occupy 18,000 sq ft with the remaining 4,500 sq ft being marketed to high quality restaurant occupiers.

At Bishop Auckland, Metric has successfully received Open A1 planning consent for an additional 27,000 sq ft Phase 2 development. The proposed scheme is to be built on land adjacent to the current Phase 1 development that Metric had under option and recently acquired for £0.5 million.

At St Austell, Metric has been working up proposals to develop a new 103,000 sq ft Open A1 shopping park and post period end Metric submitted a planning application. Discussions to date with the local planning authority have been positive and Metric remains cautiously optimistic the application will be approved.

Development summary

<u>Scheme name</u>	<u>Description</u>	<u>Progress</u>
Tindale Crescent, Bishop Auckland	49,000 sq ft Open A1 new retail park development	<ul style="list-style-type: none"> • Planning consent received • 82 per cent. pre-let, 18 per cent. in solicitors' hands • Practical completion due November 2012 and tenants currently fitting out • Development expected to be open for trade in December 2012
Phase 2, Bishop Auckland	27,000 sq ft Open A1 new retail park development	<ul style="list-style-type: none"> • Planning consent received • Land acquired
Longford Island, Cannock	24,500 sq ft three-unit redevelopment	<ul style="list-style-type: none"> • Planning consent received • 87 per cent. pre-let to Sleepright and DFS • Practical completion expected in November 2012.
Channons Hill Retail Park, Bristol	40,000 sq ft redevelopment	<ul style="list-style-type: none"> • Planning application to split 30,000 sq ft Focus DIY unit received • Planning application to split 10,000 sq ft unit received • New lettings to B&M and Iceland
Kirkstall Bridge, Leeds	105,000 sq ft Open A1 shopping park development	<ul style="list-style-type: none"> • Planning consent received • Pre-let to M&S, BHS and Outfit • 43 per cent. pre-let or in solicitor's hands
M&S, Berkhamsted	22,500 sq ft food store development	<ul style="list-style-type: none"> • Planning consent received • 77 per cent. pre-let to M&S Simply Food • Redevelopment expected to commence in late spring 2013 and complete in early 2014
St Austell	103,000 sq ft Open A1 shopping park development	<ul style="list-style-type: none"> • Planning application submitted • Contracts exchanged for freehold land sale for a new 68,000 sq ft supermarket with Sainsbury

Continued planning gains on existing investments

In the six months to September 2012 Metric has continued its strong momentum of planning wins receiving a further four planning consents on nearly 65,000 sq ft.

At Channons Hill Retail Park, Bristol Metric obtained two consents totalling 40,000 sq ft. Firstly, to subdivide the former 30,000 sq ft Focus DIY store into two units of which nearly 23,000 sq ft has been let to B&M. Secondly, to subdivide another 10,000 sq ft unit of which 8,000 sq ft has been let to Iceland. The unit is currently occupied by What! Stores, who are relocating to a vacant unit at the same property.

At Berkhamsted, Metric received planning consent to develop 22,500 sq ft of which 18,000 sq ft has been pre-let to M & S Simply Food. Tenants are being actively sought for two smaller restaurant units at the development.

At Longwell Green, Bristol (MIPP JV) Metric has received permission to build a new 2,500 sq ft pod and both units are currently in solicitors' hands to Costa Coffee and Subway.

Post period end, we received Open A1 planning consent at Bishop Auckland for our 27,000 sq ft (Phase 2) development on land recently acquired which is adjacent to the existing retail park development. We will progress lettings with interested parties prior to commencing construction.

Planning summary

<u>Scheme name</u>	<u>Planning success</u>
Channons Hill Retail Park, Bristol	<ul style="list-style-type: none">• Sub-division of 30,000 sq ft former Focus unit into two smaller units• Sub-division of 10,000 sq ft unit into two smaller units
Berkhamsted	<ul style="list-style-type: none">• 22,500 sq ft redevelopment of former Post Office site
Longwell Green, Bristol (MIPP JV)	<ul style="list-style-type: none">• 2,500 sq ft pod unit

Post period end

Bishop Auckland Phase 2 • 27,000 sq ft Open A1 new retail park development

Planning applications have also been submitted for a further 113,000 sq ft. Most notably at St Austell were an application to develop a new 103,000 sq ft Open A1 shopping park has been submitted post period end. At Damolly Retail Park, Newry permission is being sought to relax the existing use over a 9,700 sq ft unit to enable the surrender from the current occupier and a re-letting to Home Bargains to proceed.

PROPERTY PORTFOLIO

Valuation uplift of £0.7 million

The portfolio valuation as at 30 September 2012 was £266.2 million, reflecting a valuation uplift of 0.3 per cent. (£0.7 million) or 0.6 per cent. (£1.7 million) underlying (excluding acquisition costs) over the six month period. The average period of ownership for the portfolio now stands at 19 months.

The development portfolio generated a revaluation surplus of £3.3 million driven mainly by planning and pre-letting progress at Bishop Auckland, Kirkstall and Berkhamsted. Despite continued asset management progress the investment portfolio suffered from 15 bps of outward market yield movement. The impact of this yield shift would have been greater but was partly mitigated by income growth. The resulting revaluation deficit was £2.6 million.

Valuation contributors

	<u>% contribution to valuation uplift</u>
New lettings and rent reviews	1.0
New space	0.8
Asset management yield shift	0.6
Market yield shift	(2.1)
Total valuation uplift	<u>0.3</u>

Robust portfolio metrics

Metric's investment portfolio is over 99 per cent. occupied and generates secure and dependable cash flows on long-term leases delivering a contracted yield on cost of 6.8 per cent. The longevity of Metric's income adds further security with average unexpired lease terms of 11.5 years (10.8 years to first break). Metric's lease expiry profile is well staggered with only 6 per cent. of income due to expire in the next five years. This compares favourably with the broader market where 15 per cent. of out-of-town leases and 51 per cent. of shopping centre and high street leases are due to expire by the end of 2015.

Lease expiry profile on investment portfolio

0-3 years	6%
3-10 years	36%
10-15 years	40%
15 years +	18%
Total	<u>100%</u>

The average passing rent on the investment portfolio is £14.75 psf, which on a like-for-like basis is £1 psf higher than at acquisition, with further reversionary potential as Metric looks to move towards sustainable rental levels over time.

16 per cent. of the portfolio's income is subject to fixed rental uplifts (Metric: 13%, MIPP: 36%).

Tenant diversity and covenant strength

The diversity of income within the portfolio is spread across the key retail subsectors with 18 per cent. of income derived from food operators, one of the few retail subsectors demonstrating organic rental growth. This represents Metric's largest sector exposure.

Sector Exposure

	(% of contracted rental income)
Food	18%
General merchandise	17%
DIY	15%
Home furnishings	15%
Electrical	13%
Furniture	11%
Discount	6%
Other	5%
Total	<u>100%</u>

Metric's top ten customers account for 61 per cent. of the total contracted rent. The granularity and diversity of income has improved as Metric has grown the portfolio and the Metric Directors expect this to continue as Metric undertakes further asset management initiatives and acquire more assets. Metric's largest tenant exposure is to Currys/PC World at 12 per cent., declining from 13.9 per cent. at September 11 and 24.6 per cent. at September 2010.

+ Includes pre-lets on committed developments

Tenant exposure (weighted by income)

<u>Trading name</u>	<u>Rent p.a.</u>	<u>% of total rent</u>
	<u>£m</u>	
Currys/PC World	2.1	12.0
B&Q	1.7	9.8
DFS	1.3	7.2
Dunelm	1.1	5.9
Morrisons	1.0	5.7
Carpetright	0.9	4.9
M&S	0.9	4.9
Next	0.8	4.2
Homebase	0.6	3.5
Tesco	0.5	2.9
Total top ten customers	10.9	61.0
Other	6.9	39.0
Total income	<u>17.8</u>	<u>100.0</u>

Including £0.4 million of rental income from post period end acquisitions, deals in solicitors' hands and outstanding rent reviews.

Financial review

The results for the six months ended 30 September 2012 continue to benefit from the investments made in 2011/12 together with the asset management initiatives which are now starting to flow through to the income statement.

Income statement and earnings per Metric Ordinary Share

The Metric Group made a profit after tax of £3.1 million in the six months to 30 September 2012 which equates to earnings per Metric Ordinary Share of 1.6p. The profit arose mainly from the EPRA earnings of £3.5 million (see note 7) and a gain on revaluation and profit arising on the sale of investment properties of £0.7 million. These profits were offset by a loss of £1.1 million arising on the valuation of the derivative financial instruments arising in the period. Excluding the revaluation surplus, profit on sale of investment properties and loss on the derivative financial instruments the Metric Group made an EPRA profit after tax of £3.5 million or EPRA earnings per Metric Ordinary Share of 1.8p-a decrease of 11 per cent. over the prior period. However, if the one-off surrender premiums of £1.3 million received in the first half 2011/12 are excluded the underlying adjusted earnings per Metric Ordinary Share increased by 35 per cent.

Net rental income in the six months to 30 September 2012 was £6.2 million an increase of £1.0 million compared to £5.2 million in the prior period excluding one-off surrender premiums received of £1.3 million. The effect of acquisitions made in the current period and prior year contributed £1.0 million to net rental income. New lettings arising from asset management initiatives contributed a further £0.5 million, although this was offset by the loss of income which arose as a result of insolvencies in 2011/12 of £0.5 million, primarily Focus DIY and Peacocks.

The MIPP joint venture contributed £0.5 million to the operating profit reflecting the continued investment build up in the six-month period to 30 September 2012. MIPP also contributed a further £0.1 million in management fees. The revaluation of the MIPP portfolio resulted in a deficit of £0.6 million which arose as a result of the outward yield movement on the portfolio together with the absorption of acquisition costs arising in the six-month period to 30 September 2012.

Administration expenses continue to be tightly controlled and with no change over the prior period of £2.1 million despite the current period reflecting a full six months of cost for staff hired partway through the previous period.

Net interest payable was £1.1 million, reflecting the interest on debt drawn to finance acquisitions and capital expenditure along with the amortisation of loan arrangement fees and commitment fees incurred on the facilities. During the six-month period to 30 September 2012, the average interest cost increased to 3.5 per cent. reflecting fixed rate swaps entered into in the previous year, this rate will continue to increase in the future to about 3.7 per cent. when fully drawn based on current LIBOR and swap rates. A loss of £1.2 million was incurred on the mark to market valuation of the derivative portfolio reflecting the continued decline in anticipated LIBOR rates. The five fixed rate interest rate swaps completed to date have been set at a weighted average rate of 1.7 per cent. (excluding loan margins and costs).

Dividend and dividend policy

The Metric Board have declared an interim dividend of 1.8p per Metric Ordinary Share or £3.4 million, an increase of 80 per cent. over the 1.0p declared for the first half of 2011/12. The dividend will be paid on 7 December 2012 to Metric Shareholders on the register at the close of business on 23 November 2012. The dividend will be paid entirely as a Property Income Distribution. The 2011/12 final PID dividend of 2.3p per Metric Ordinary Share or £4.4 million was paid during the period and has been recognised in these financial statements.

Balance sheet and net asset value

As at 30 September 2012 the Metric Group's portfolio was valued at £246.1 million (£266.2 million including Metric's share of MIPP). Expenditure in the six-month period to 30 September 2012 on property acquisitions was £10.8 million and a further £8.0 million was spent on tenant incentives and capital expenditure relating to the redevelopment and refurbishment of the portfolio. After acquisition costs and capital expenditure the wholly-owned property portfolio generated a revaluation surplus of £1.3 million.

The Metric Group's investment in MIPP was valued at £20.4 million as at 30 September 2012 and generated a revaluation deficit of £0.6 million after acquisition costs.

Including MIPP, total acquisitions (net of acquisition costs) in the six-month period to 30 September 2012 were £35.9 million (£18.8 million at share).

The net asset value per Metric Ordinary Share at the period end was 105p and the EPRA net asset value was 107p. The table below sets out the reasons for the movement in the EPRA net asset value since 31 March 2012:

	£m	pence per Metric Ordinary Share
Net asset value as at 31 March 2012	201.3	106
Fair value of derivative financial instruments (note 16)	1.6	1
Adjusted net asset value 31 March 2012	202.9	107
Adjusted profit after tax (note 7)	3.5	2
Revaluation surplus and profit on disposal	0.7	—
Dividends paid	(4.3)	(2)
Adjusted net asset value as at 30 September 2012	202.8	107
Fair value of derivative financial instruments (note 16)	(2.7)	(2)
Net asset value as at 30 September 2012	<u>200.1</u>	<u>105</u>

Financing

As at 30 September 2012, the Metric Group had net debt of £57.9 million with an LTV of 24 per cent. or 22 per cent. on a “look through” basis including the Metric Group’s net share of MIPP.

Including Metric’s share of MIPP, the Metric Group is committed to spend a further £21.0 million of which £2.8 million relates to acquisition costs; £15.7 million of expenditure is committed relating to redevelopments currently on site or about to commence; and a further £2.5 million is conditionally committed dependant on obtaining planning and/or pre-lets.

The Metric Group is also committed to investing a further £4.8 million in the MIPP joint venture being the balance of the £25 million initial investment. This commitment was invested post period end following the acquisition of Lichfield Retail Park and Wickes, Nottingham by MIPP.

A further £30.1 million has been earmarked for developments at Leeds, Bishop Auckland (Phase 2), Congleton, and St Austell but is not yet committed.

The Metric Group has two committed loan facilities totalling £114.7 million (£80.0 million expiring in four years; £34.7 million expiring in three and a half years). Post 30 September 2012 the MIPP joint venture signed a £75 million loan facility with Deutsche Pfandbriefbank AG. The Metric Group also continues its ongoing discussions with a number of other lenders with a view to entering into additional loan facilities in the future.

The Deutsche Pfandbriefbank AG facility provides MIPP with a £75 million facility to acquire further retail investments. The anticipated all-in cost of debt for the facility is expected to be 4.0 per cent. once fully drawn and the required amount of hedging has been put in place. The principal financial covenants of the facility are:

- 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;
- Loan to value-total drawings not to exceed 60 per cent. of the total value of the properties secured.

The Metric Group has hedged 68 per cent. of its available facilities. The derivatives were valued at fair value with a net liability to the Metric Group of £2.3 million or 1.2p per Metric Ordinary Share which has been included on the balance sheet.

As at 30 September 2012 and including anticipated future debt facilities and capital expenditure committed and earmarked, the Metric Group has firepower totalling about £67 million in Metric and £87 million in MIPP, calculated as follows:

	<u>Metric</u>	<u>MIPP</u>
	<u>£m</u>	<u>£m</u>
Cash at bank and on deposit	4.8	1.7
Undrawn committed bank facilities	52.0	75.0
Investment in MIPP joint venture	(4.8)	14.4
Less capital commitments (including conditional)	(20.3)	(4.1)
Total firepower excluding earmarked developments	31.7	87.0
Earmarked development expenditure	(30.1)	—
Anticipated debt on above developments once completed ⁽¹⁾⁽²⁾	65.4	—
Total anticipated firepower at 30 September 2012	<u>67.0</u>	<u>87.0</u>

(1) Based on leveraging existing and anticipated properties at a 50 per cent. LTV and the availability of funds.

(2) The availability of these facilities is dependent upon the timing of completion of anticipated developments.

Post period end, MIPP has acquired properties in Lichfield for £11.6 million and Nottingham for £4.1 million (including acquisition costs) which reduced the available firepower in MIPP to £71 million.

Key risks and uncertainties

Whilst the ultimate responsibility for risk management rests with the Metric Board, the management of risks is engrained across the Metric organisation and in how Metric approaches all aspects of its business. The close involvement of senior management in all significant decisions, combined with Metric's cautious analytical approach and open communication with the Metric Board provide the framework to manage risks effectively.

Strategic risks

<u>Risk</u>	<u>Mitigation</u>
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 Metric 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 conditions in the retail sector	Extensive experience of the Metric 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 risks	Developments only in areas of high occupier demand Development acquisitions conditional on achieving planning consents Significant level of pre-lets achieved before commitment to develop made Highly experienced project management team
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

£114.7 million of credit facilities signed with The Royal Bank of Scotland plc and Eurohypo AG
£75 million credit facility signed with Deutsche Pfandbriefbank AG for MIPP joint venture
Relationships with several banks and new entrants to real estate lending have been established

Adverse interest rate movements

Metric has hedged £78 million or 68 per cent. of available debt facilities and 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, forecasting and Metric Board reporting process

Failure to comply with UK-REIT conditions

The Metric Group actively monitors its compliance with UK-REIT conditions as part of its budgeting and forecasting process, the results of which are reported to the Metric Board or Directors. The effect of all acquisitions and disposals on UK-REIT conditions is monitored and considered

Counterparty credit risk resulting in loss of cash deposit

Deposits are placed with counterparties who have a credit rating of at least AA- or are government backed. Documented treasury process approved by the Metric Board

Asset management risks

Risk

Mitigation

Tenant failure

Tenant covenant strength and concentration assessed for all acquisitions and leasing transactions

Failure to let vacant units

Specialist retail market contacts and knowledge and detailed appraisal of each investment including potential tenant demand

Operational risks

Risk

Loss of key staff

Mitigation

Remuneration structure reviewed and benchmarked and a substantial part of remuneration share based with period of time before vesting

Metric 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

Failure to adequately insure the property portfolio

A reinstatement valuation is carried out for each acquisition and is insured at a value increased by 30 per cent. Loss of rental income is insured for three years

Environmental liabilities

Environmental surveys carried out as part of the due diligence for all acquisitions

METRIC GROUP INCOME STATEMENT

Six months ended 30 September 2012

	Note	(Unaudited) Six-months to 30 September 2012	(Unaudited) Six-months to 30 September 2011	(Audited) Year to 31 March 2012
		£000	£000	£000
Gross rental income	3	6,358	6,579	12,771
Property operating expenses	3	(115)	(74)	(222)
Net rental income		6,243	6,505	12,549
Administrative expenses	4	(2,092)	(2,118)	(4,722)
Gain arising on valuation of investment properties . . .	9	1,332	3,443	7,668
Profit on sale of investment properties		12	—	122
Share of (losses)/profits of joint venture	10	(116)	—	558
Operating profit		5,379	7,830	16,175
Finance income		11	71	93
Finance costs	5	(1,141)	(500)	(1,367)
Change in fair value of derivative financial instruments .	15	(1,190)	(1,389)	(1,702)
Profit before and after tax		3,059	6,012	13,199
Earnings per share-basic and diluted	7	1.6p	3.2p	6.9p
Adjusted earnings per share-basic and diluted . .	7	1.8p	2.1p	3.5p

All amounts relate to continuing activities.

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

METRIC GROUP BALANCE SHEET

As at 30 September 2012

	Note	(Unaudited) as at 30 September 2012 £000	(Audited) as at 31 March 2012 £000	(Unaudited) as at 30 September 2011 £000
Non-current assets				
Investment properties	9	246,100	225,907	228,932
Investment in joint venture	10	20,401	8,820	—
Plant and equipment		60	90	105
Derivative financial instruments	15	35	73	152
		<u>266,596</u>	<u>234,890</u>	<u>229,189</u>
Current assets				
Trade and other receivables	11	2,723	12,041	1,721
Cash and short-term deposits	12	4,849	4,215	7,024
		<u>7,572</u>	<u>16,256</u>	<u>8,745</u>
Total assets		<u>274,168</u>	<u>251,146</u>	<u>237,934</u>
Current liabilities				
Trade and other payables	13	(10,164)	(15,166)	(11,934)
		<u>(10,164)</u>	<u>(15,166)</u>	<u>(11,934)</u>
Non-current liabilities				
Bank loans	14	(61,632)	(33,498)	(29,088)
Derivative financial instruments	15	(2,310)	(1,158)	(924)
		<u>(63,942)</u>	<u>(34,656)</u>	<u>(30,012)</u>
Total liabilities		<u>(74,106)</u>	<u>(49,822)</u>	<u>(41,946)</u>
Net assets		<u>200,062</u>	<u>201,324</u>	<u>195,988</u>
Equity				
Share capital		1,900	1,900	1,900
Other reserve		180,672	180,672	180,672
Retained earnings		17,490	18,752	13,416
Total equity		<u>200,062</u>	<u>201,324</u>	<u>195,988</u>
Net assets per share	16	<u>105p</u>	106p	103p
EPRA net assets per share	16	<u>107p</u>	107p	104p

METRIC GROUP STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2012 (Unaudited)

	Share capital	Other reserve	Retained earnings	Total
	£000	£000	£000	£000
At 1 April 2012	1,900	180,672	18,752	201,324
Profit for the period	—	—	3,059	3,059
Dividends paid	—	—	(4,370)	(4,370)
Adjustment for share based awards	—	—	49	49
Total equity at 30 September 2012	1,900	180,672	17,490	200,062

Year ended 31 March 2012 (Audited)

	Share capital	Other reserve	Retained earnings	Total
	£000	£000	£000	£000
At 1 April 2011	1,900	180,672	8,495	191,067
Profit for the period	—	—	13,199	13,199
Dividends paid	—	—	(3,040)	(3,040)
Adjustment for share based awards	—	—	98	98
Total equity at 31 March 2012	1,900	180,672	18,752	201,324

Six months ended 30 September 2011 (Unaudited)

	Share capital	Other reserve	Retained earnings	Total
	£000	£000	£000	£000
At 1 April 2011	1,900	180,672	8,495	191,067
Profit for the period	—	—	6,012	6,012
Dividends paid	—	—	(1,140)	(1,140)
Adjustment for share based awards	—	—	49	49
Total equity at 30 September 2011	1,900	180,672	13,416	195,988

METRIC GROUP CASH FLOW STATEMENT

Six months ended 30 September 2012

	(Unaudited) Six-months to 30 September 2012	(Unaudited) Six-months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Cash flows from operating activities			
Operating profit	5,379	7,830	16,175
Adjustments for non-cash items:			
Gain arising on valuation of investment properties	(1,332)	(3,443)	(7,668)
Profit on sale of investment properties	(12)	—	(122)
Share of losses/(profits) of joint venture	116	—	(558)
Lease incentives and unsettled rent reviews recognised	(733)	(475)	(1,070)
Share based awards	49	49	98
Depreciation	31	28	58
Cash flows from operations before changes in working capital	3,498	3,989	6,913
(Increase)/decrease in trade and other receivables	(416)	249	(374)
Decrease in trade and other payables	(199)	(1,236)	(107)
Net cash flows from operations	2,883	3,002	6,432
Interest received	12	105	128
Interest paid	(1,157)	(266)	(1,036)
Corporation tax: REIT conversion charge paid	—	(206)	(208)
Net cash flows from operating activities	1,738	2,635	5,316
Cash flows from investing activities			
Purchase of investment properties	(16,428)	(48,231)	(53,754)
Sale of investment properties	9,733	—	10,817
Redevelopment and other capital expenditure	(6,334)	(2,849)	(7,459)
Investment in/loans advanced to joint venture	(11,990)	—	(8,399)
Distributions received from joint venture	287	—	75
Purchase of plant and equipment	(2)	(6)	(21)
Net cash flows from investing activities	(24,734)	(51,086)	(58,741)
Cash flows from financing activities			
Dividends paid	(4,370)	(1,140)	(3,040)
Bank loans drawn down	28,000	30,000	48,700
Bank loans repaid	—	—	(14,000)
Loan arrangement fees paid	—	(804)	(1,439)
Purchase of derivative financial instruments	—	(617)	(617)
Net cash flows from financing activities	23,630	27,439	29,604
Net increase/(decrease) in cash and short-term deposits	634	(21,012)	(23,821)
Cash and short-term deposits at beginning of period	4,215	28,036	28,036
Cash and short-term deposits at end of the period	4,849	7,024	4,215

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and general information

Basis of preparation

The condensed consolidated financial information included in this half-yearly report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim Financial Reporting", as adopted by the European Union. The same accounting policies, estimates, presentation and methods of computation are followed in this half year report as applied in the Metric Group's latest annual audited financial statements. The current period information presented in this document is reviewed but unaudited and does not constitute statutory accounts within the meaning of S435 of the Companies Act 2006.

The financial information for the year to 31 March 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

These condensed financial statements were approved by the Metric Board of Directors on 5 November 2012.

Going concern

The Metric Directors are satisfied that the Metric 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.

The Metric Group's business activities, together with the factors affecting its performance, position and future development are set out in the Business Review. The finances of the Metric Group, its liquidity position and borrowing facilities are set out in the Financial Review and in notes 12 and 14 of the condensed consolidated financial information.

The Metric Directors have reviewed the current and projected financial position of the Metric Group, making reasonable assumptions about future trading performance. As part of the review the Metric Directors have considered the Metric 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 Metric Directors have a reasonable expectation that the Metric Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

2. Segmental information

During the period and comparative periods, the Metric Group operated in and was managed as one business segment, being retail property investment, with all properties located in the United Kingdom.

3. Gross and net rental income

	(Unaudited) Six months to 30 September 2012	(Unaudited) Six months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Rent receivable	5,709	4,993	10,853
Spreading of tenant incentives and guaranteed rent increases	649	258	590
Surrender premiums	—	1,328	1,328
Gross rental income	6,358	6,579	12,771
Service charge income	252	242	583
Management fee income	99	—	27
Gross rental and related income	6,709	6,821	13,381
Service charge expenses	(275)	(242)	(621)
Property operating expenses	(191)	(74)	(211)
Net rental and related income	6,243	6,505	12,549

4. Administrative expenses

	(Unaudited) Six months to 30 September 2012	(Unaudited) Six months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Employee costs	1,697	1,625	4,037
Other administrative expenses	515	481	1,039
Share-based awards	49	49	98
Depreciation of plant and equipment	31	28	58
Staff costs capitalised	(200)	(65)	(510)
Total administrative expenses	2,092	2,118	4,722

5. Finance costs

	(Unaudited) Six months to 30 September 2012	(Unaudited) Six months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Interest payable on bank loans and overdrafts	870	149	637
Loan commitment fees	268	264	580
Amortisation of loan issue costs	135	102	287
Total borrowing costs	1,273	515	1,504
Less amounts capitalised on the development of properties	(132)	(15)	(137)
Total interest payable and other finance charges . . .	1,141	500	1,367

6. Tax

The Metric Group converted to a UK-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.

Factors affecting the tax charge for the period:

	(Unaudited) Six-months to 30 September 2012	(Unaudited) Six-months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Profit before tax	3,059	6,012	13,199
Profit before tax at the standard rate of income tax in the UK of 24% / 26%	734	1,563	3,432
Effects of REIT tax exemption	(734)	(1,563)	(3,432)
Total tax charge	—	—	—

7. Earnings per share

	(Unaudited) Six-months to 30 September 2012		(Unaudited) Six-months to 30 September 2011		(Audited) Year to 31 March 2012	
	Profit/ (loss) after tax	Earnings/ (loss) per Metric Ordinary Share	Profit/ (loss) after tax	Earnings/ (loss) per Metric Ordinary Share	Profit/ (loss) after tax	Earnings/ (loss) per Metric Ordinary Share
	£000	pence	£000	pence	£000	pence
Basic and diluted	3,059	1.6p	6,012	3.2p	13,199	6.9p
Gain on revaluation of investment properties	(1,332)	(0.7)p	(3,443)	(1.8)p	(7,668)	(4.0)p
Profit on sale of investment properties	(12)	—	—	—	(122)	—
Share of joint venture loss/(gain) on revaluation of investment properties	622	0.3p	—	—	(419)	(0.2)p
Change in fair value of derivative financial instruments	1,128	0.6p	1,332	0.7p	1,584	0.8p
EPRA	3,465	1.8p	3,901	2.1p	6,574	3.5p
Weighted average number of shares (000)						
Ordinary shares in issue	190,000		190,000		190,000	
Potentially dilutive share awards issued in period	304		101		254	
Total	190,304		190,101		190,254	

Adjusted earnings per Share have been calculated in accordance with European Public Real Estate Association (EPRA) guidelines. The change in the fair value of financial instruments reflects the fair value movement from inception of the derivative financial instrument until the balance sheet date of £1,190,000 as well as the amortisation, on a straight line basis, of the premium paid on entering into the interest rate cap of £62,000 (six months ended 30 September 2011: £57,000; year ended 31 March 2012: £118,000).

8. Dividends

The Metric Board of Directors has proposed an interim dividend of 1.8p per Metric Ordinary Share which was approved by the Metric Board of Directors on 8 November 2012 and will result in a distribution of £3,420,000. The dividend will be paid on 7 December 2012 to Metric Shareholders on the register at the close of business on 23 November 2012. The dividend will be paid entirely as a PID (Property Income Distribution). This dividend has not been recognised in the condensed consolidated financial statements.

The Metric Group Statement of Changes in Equity shows total dividends in the six months to 30 September 2012 of £4,370,000 (2.3p per Metric Ordinary Share) being the final dividend for the year to 31 March 2012 which was approved at the Annual General Meeting in July 2012. The dividend was paid entirely as a PID.

PID dividends are paid, as required by UK-REIT legislation, after deduction of withholding tax at the basic rate of income tax (currently 20 per cent.).

9. Investment properties

<u>Six months ended 30 September 2012</u>	(Unaudited) Investment properties	(Unaudited) Investment properties under development	(Unaudited) Total investment properties
	£000	£000	£000
At 1 April 2012	209,282	16,625	225,907
Acquisition of properties	10,807	32	10,839
Redevelopment and refurbishment expenditure	1,147	6,142	7,289
Total additions	11,954	6,174	18,128
Reclassification on completion of redevelopment	6,725	(6,725)	—
Revaluation (deficit)/surplus	(1,736)	3,068	1,332
	226,225	19,142	245,367
Tenant incentives and accrued rental income	450	283	733
At 30 September 2012	226,675	19,425	246,100

<u>Year ended 31 March 2012</u>	(Unaudited) Investment properties	(Unaudited) Investment properties under development	(Unaudited) Total investment properties
	£000	£000	£000
At 1 April 2011	192,387	—	192,387
Acquisition of properties	26,727	9,640	36,367
Redevelopment and refurbishment expenditure	4,995	3,812	8,807
Total additions	31,722	13,452	45,174
Reclassification on commencement of redevelopment	(8,050)	8,050	—
Disposals	(10,817)	(9,575)	(20,392)
Revaluation surplus	3,078	4,590	7,668
	208,320	16,517	224,837
Tenant incentives and accrued rental income	962	108	1,070
At 31 March 2012	209,282	16,625	225,907

<u>Six months ended 30 September 2011</u>	(Unaudited) Investment properties	(Unaudited) Investment properties under development	(Unaudited) Total investment properties
	£000	£000	£000
At 1 April 2011	192,387	—	192,387
Acquisition of properties	26,739	2,445	29,184
Redevelopment and refurbishment expenditure	3,060	383	3,443
Total additions	29,799	2,828	32,627
Reclassification on commencement of redevelopment	(8,050)	8,050	—
Revaluation surplus	2,186	1,257	3,443
	216,322	12,135	228,457
Tenant incentives and accrued rental income	435	40	475
At 30 September 2011	216,757	12,175	228,932

Metric's freehold and leasehold investment properties were valued as at 30 September 2012 by Glyn Harper MRICS on behalf of the external valuer, CBRE Limited, in accordance with the requirements of the RICS Valuation-Professional Standards 2012 ("the Red Book"), on the basis of "Fair Value" assuming that the properties would be sold subject to any existing leases. The valuations were prepared by an RICS Registered Valuer, whose opinion of "Fair Value" was primarily derived using comparable recent market transactions on arm's length terms. "Fair Value" for the purposes of financial reporting under International Financial Reporting Standards is effectively the same as 'Market Value'. The total fees earned by CBRE for this assignment represent less than five per cent. of their total UK revenues. The valuer has continuously been the signatory of valuations for Metric since September 2010. CBRE has carried out Valuation and professional services on behalf of Metric for less than five years.

The historic cost of investment properties and investment properties under development amounts to £230,165,000 (31 March 2012: £211,304,000; 30 September 2011: £217,871,000) and the cumulative valuation surplus amounted to £15,935,000 (31 March 2012: £14,603,000; 30 September 2011: £11,061,000).

Long leasehold properties, which are treated as finance leases and included in investment properties above, amounted to £35,925,000, (31 March 2012: £35,550,000; 30 September 2011: £34,400,000).

Properties with a value of £91,170,000 (31 March 2012: £91,965,000; 30 September 2011: £56,250,000) had been secured under the bank loan facility with The Royal Bank of Scotland plc and properties with a value of £69,180,000 (31 March 2012: £72,385,000; 30 September 2011: £73,300,000) had been secured under the bank loan facility with Eurohypo AG.

Investment properties under development only include those currently under construction or refurbishment. The factors affecting the valuation of investment properties are included in the Business Review on pages 4 to 13.

Capital commitments

Capital commitments have been entered into amounting to £16,336,000 (31 March 2012: £20,622,000; 30 September 2011: £5,830,000) which have not been provided for in the Historical Financial Information.

10. Investment in joint venture

Share of profits of joint venture—Metric Income Plus Limited Partnership

	(Unaudited) Six-months to 30 September 2012	(Unaudited) Six-months to 30 September 2011	(Audited) Year to 31 March 2012
	£000	£000	£000
Gross rental income	554	—	157
Property operating expenses	(41)	—	(11)
Net rental income	513	—	146
Administrative expenses	(7)	—	(7)
Adjusted profit before and after tax	506	—	139
(Loss)/gain on valuation of investment properties	(622)	—	419
(Loss)/profit before and after tax	(116)	—	558

Summarised balance sheet—Metric Income Plus Limited Partnership

	(Unaudited) as at 30 September 2012	(Audited) as at 31 March 2012	(Unaudited) as at 30 September 2011
	£000	£000	£000
Non-current assets—investment properties	60,300	34,825	—
Trade and other receivables	104	63	—
Cash and short-term deposits	1,713	1,755	—
Total current assets	1,817	1,818	—
Total assets	62,117	36,643	—
Current liabilities—trade and other payables	(914)	(10,183)	—
Total net assets	61,203	26,460	—
Metric Group share of net assets	20,401	8,820	—

As at 30 September 2012 the Metric Group owns a one-third stake in Metric Income Plus Limited Partnership (“MIPP”). MIPP’s freehold and leasehold investment properties were valued as at 30 September 2012 by Glyn Harper MRICS on behalf of the external valuer, CBRE Limited, in accordance with the requirements of the RICS Valuation—Professional Standards 2012 (“the Red Book”), sixth edition, on the basis of Fair Value assuming that the properties would be sold subject to any

existing leases. The valuations were prepared by an RICS Registered Valuer, whose opinion of Fair Value was primarily derived using comparable recent market transactions on arm's length terms.

Investment by the Group-Metric Income Plus Limited Partnership

	(Unaudited) Six-months to 30 September 2012	(Audited) Year to 31 March 2012	(Unaudited) Six-months to 30 September 2011
	£000	£000	£000
At start of period	8,820	—	—
Investment in and loans advanced	11,990	8,399	—
Share of profit after tax	(116)	558	—
Profit eliminated on sale of investment property to MIPP	(6)	(62)	—
Distributions received	(287)	(75)	—
At end of period	<u>20,401</u>	<u>8,820</u>	<u>—</u>

During the period the Metric Group advanced loans totalling £11,990,000 (year to 31 March 2012: £8,230,000; six months to 30 September 2011: £nil).

11. Trade and other receivables

	(Unaudited) 30 September 2012	(Audited) 31 March 2012	(Unaudited) 30 September 2011
	£000	£000	£000
Amounts due from tenants	532	319	239
Other taxes	748	1,069	16
Other debtors	439	146	32
Investment property sale proceeds	25	9,758	—
Prepayments and accrued income	979	749	1,434
At end of period	<u>2,723</u>	<u>12,041</u>	<u>1,721</u>

The Metric Directors consider that the carrying amount of trade and other receivables approximate to their fair values. The Metric 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 £46,000 (six months to 30 September 2011: £83,000; year to 31 March 2011: £105,000). Trade and other receivables are initially measured at invoiced value and have settlement dates within one year.

12. Cash and short-term deposits

	(Unaudited) 30 September 2012	(Audited) 31 March 2012	(Unaudited) 30 September 2011
	£000	£000	£000
Cash at bank	849	382	701
Short-term deposits	4,000	3,833	6,323
At end of period	<u>4,849</u>	<u>4,215</u>	<u>7,024</u>

As at 30 September 2012 £3,310,000 (31 March 2012: £2,719,000; 30 September 2011: £2,249,000) was held in rent and restricted accounts which are not readily available to the Metric Group for day-to-day commercial purposes.

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- or government backed, and strict counterparty limits ensure the Metric Group's exposure to bank failure is minimised and consequently there is an insignificant risk of changes in value.

13. Trade and other payables

	(Unaudited) 30 September 2012	(Audited) 31 March 2012	(Unaudited) 30 September 2011
	£000	£000	£000
Rents invoiced in advance	1,931	1,854	2,022
REIT conversion charge payable	—	—	2
Other taxes	829	611	597
Accrued capital expenditure in respect of property acquisitions and redevelopment expenditure	3,962	10,089	7,994
Other trade payables and accruals	3,442	2,612	1,319
At end of period	10,164	15,166	11,934

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

14. Bank loans

	(Unaudited) 30 September 2012	(Audited) 31 March 2012	(Unaudited) 30 September 2011
	£000	£000	£000
Secured bank loans	62,700	34,700	30,000
Unamortised finance costs	(1,068)	(1,202)	(912)
At end of period	61,632	33,498	29,088

The bank loans are secured by fixed charges over certain of the Metric Group's investment properties with a carrying value of £160,350,000 (31 March 2012; £164,350,000; 30 September 2011: £129,550,000) and are repayable within two to five years of the balance sheet date.

Maturity of undrawn committed borrowing facilities:

	(Unaudited) 30 September 2012	(Audited) 31 March 2012	(Unaudited) 30 September 2011
	£000	£000	£000
Expiring			
In more than two years	52,000	80,000	54,700
At end of period	52,000	80,000	54,700

15. Derivative financial instruments

The Metric Group is exposed to market risk through interest rate fluctuations. It is the Metric Group's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest. The Metric 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.

All derivative financial instruments are carried at fair value and would be classified as level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly

(i.e. derived from prices). Details of the Metric Group's derivative financial instruments that were in place at 30 September 2012 are provided below.

	Protected rate	Expiry	(Unaudited) Market value 30 September 2012 £000	(Unaudited) Market value 31 March 2012 £000	(Unaudited) Movement recognised in income statement £000
Non-current assets					
£17.5m cap	3.0%	April 2016	<u>35</u>	<u>73</u>	<u>(38)</u>
Total non-current assets			<u>35</u>	<u>73</u>	<u>(38)</u>
Non-current liabilities					
£10.5m swap	3.3%	April 2016	<u>(976)</u>	<u>(868)</u>	<u>(108)</u>
£20.0m swap	1.5%	October 2016	<u>(709)</u>	<u>(235)</u>	<u>(474)</u>
£10.0m forward starting swap*	1.6%	October 2016	<u>(304)</u>	<u>(55)</u>	<u>(249)</u>
£10.0m forward starting swap*	1.2%	October 2016	<u>(167)</u>	<u>—</u>	<u>(167)</u>
£10.0m forward starting swap#	1.2%	October 2016	<u>(154)</u>	<u>—</u>	<u>(154)</u>
Total non-current liabilities			<u>(2,310)</u>	<u>(1,158)</u>	<u>(1,152)</u>
Total all derivative financial instruments			<u>(2,275)</u>	<u>(1,085)</u>	<u>(1,190)</u>

* commences January 2013

commences April 2013

All derivative financial instruments are non-current and are interest rate derivatives.

16. Net asset value

	(Unaudited) 30 September 2012		(Audited) 31 March 2012		(Unaudited) 30 September 2011	
	Total equity £000	Pence per Metric Ordinary Share	Total equity £000	Pence per Metric Ordinary Share	Total equity £000	Pence per Metric Ordinary Share
Basic and diluted net asset value	200,062	105p	201,324	106p	195,988	103p
Fair value adjustment in respect of derivative financial instruments	<u>2,712</u>	<u>2p</u>	<u>1,584</u>	<u>1p</u>	<u>1,332</u>	<u>1p</u>
EPRA net asset value	<u>202,774</u>	<u>107p</u>	<u>202,908</u>	<u>107p</u>	<u>197,320</u>	<u>104p</u>

The basic net asset value per Metric Ordinary Share has been calculated based on 190,000,000 shares in issue at 30 September 2012, 31 March 2012 and 30 September 2011.

EPRA net asset value per Metric Ordinary Share has been calculated based on 190,303,828 Metric Ordinary Shares in issue at 30 September 2012, 31 March 2012 and 30 September 2011. Diluted and adjusted net asset value has been calculated in accordance with European Public Real Estate Association (EPRA) guidelines.

The change in the fair value of financial instruments reflects the fair value movement from inception of the derivative financial instrument until the balance sheet date of £2,892,000 as well as the amortisation, on a straight line basis, of the premium paid on entering into the interest rate cap of £180,000 (30 March 2012: £118,000; 30 September 2011: £57,000).

17. Post balance sheet events

On 30 October 2012 the Metric Group has made a further loan of £3,854,000 to the MIPP joint venture to enable it to complete the acquisition of Lichfield Retail Park, Lichfield which completed on 31 October 2012.

On 7 November 2012 the Metric Group committed to make a further loan of £927,000 to the MIPP joint venture to enable it to complete the acquisition of Wickes, Mansfield Road, Nottingham on 13 November 2012. This loan completes the £25 million of partner loans committed by Metric.

On 7 November 2012 the MIPP joint venture entered into a £75,000,000 credit facility with Deutsche Pfandbriefbank AG.

Directors' responsibility statement

The Metric Directors are responsible for preparing the condensed set of financial statements, in accordance with applicable law and regulations. The Metric Directors confirm that, to the best of their knowledge:

- this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union; and
- this condensed set of financial statements includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By order of the Metric Board

Andrew Jones

Chief Executive

Sue Ford

Finance Director

8 November 2012

Independent review report to Metric Property Investments

We have been engaged by Metric to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to Metric in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to Metric those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Metric, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Metric Directors. The Metric Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of Metric are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to Metric a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

DELOITTE LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
8 November 2012

PART 16
UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF
THE ENLARGED GROUP

Part A Accountant's report on the unaudited proforma statement of net assets of the Enlarged Group



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
London & Stamford Property Plc
21 St. James's Square
London SW1Y 4JZ

27 November 2012

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Dear Sirs

London & Stamford Property Plc ("London & Stamford")

Pro forma financial information

We report on the unaudited pro forma statement of net assets of the Enlarged Group (the "**Pro Forma Financial Information**") set out in Part B of Part 16 of the prospectus dated 27 November 2012 (the "**Prospectus**") which has been prepared on the basis described in the notes to the unaudited pro forma statement of net assets, for illustrative purposes only, to provide information about how the proposed recommended merger with Metric Property Investments plc (the "**Merger**"), proposed issue and admission of up to 178,600,000 new ordinary shares in connection with the Merger, the sale of London & Stamford's interest in Meadowhall and the proposed tender offer to purchase a maximum of up to 88,573,959 of London & Stamford's enlarged share capital in order to return capital with a maximum value of up to £100 million (the "**Tender Offer**") might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the unaudited interim financial statements for the period ended 30 September 2012.

This report is required by item 20.2 of annex I of the Commission Regulation (EC) No. 809/2004 (the "**PD Regulation**") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with items 23.1 of annex I of the PD Regulation and LR 13.4.1(6) of the Listing Rules consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP
Chartered Accountants

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

Part B Unaudited pro forma statement of net assets of the Enlarged Group

The unaudited pro forma statement of net assets set out in this Part 16 has been prepared for illustrative purposes only to show the effect of the Merger, proposed issue and admission of up to 178,600,000 New Ordinary Shares in connection with the Merger, the sale of London & Stamford's interest in Meadowhall and the proposed Tender Offer to purchase a maximum of 88,573,959 of London & Stamford's enlarged share capital, in order to return capital with a maximum value of £100 million, on the net assets of the Company as if they had occurred on 30 September 2012. Because of its nature, the unaudited pro forma statement of net assets addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position.

Unaudited pro forma statement of net assets of the Enlarged Group as at 30 September 2012

	London & Stamford Group as at 30 September 2012 (note 1)	Metric Group as at 30 September 2012 (note 2)	Adjustments		Pro forma net assets of the Enlarged Group (pre Tender Offer)	Adjustment	Pro forma net assets of the Enlarged Group (post Tender Offer)
			Disposal of interest in Meadowhall (note 4)	Transaction costs (note 5)		Tender offer (assuming 100% take up) (note 6)	
	£000	£000	£000	£000	£000	£000	£000
Non-current assets							
Investment properties	527,679	246,100	—	—	773,779	—	773,779
Investment in equity accounted associates and joint ventures	97,534	20,401	—	—	117,935	—	117,935
Intangible assets	10,441	—	—	—	10,441	—	10,441
Other tangible assets	294	60	—	—	354	—	354
Derivative financial instruments	—	35	—	—	35	—	35
Deferred tax assets	4,991	—	—	—	4,991	—	4,991
	<u>640,939</u>	<u>266,596</u>	<u>—</u>	<u>—</u>	<u>907,535</u>	<u>—</u>	<u>907,535</u>
Current assets							
Trading properties	3,837	—	—	—	3,837	—	3,837
Investment held for sale	95,832	—	(95,832)	—	—	—	—
Trade and other receivables	22,811	2,723	—	—	25,534	—	25,534
Cash and cash equivalents	98,874	4,849	95,832	(7,450)	192,105	(100,650)	91,455
	<u>221,354</u>	<u>7,572</u>	<u>—</u>	<u>(7,450)</u>	<u>221,476</u>	<u>(100,650)</u>	<u>120,826</u>
Total assets	<u>862,293</u>	<u>274,168</u>	<u>—</u>	<u>(7,450)</u>	<u>1,129,011</u>	<u>(100,650)</u>	<u>1,028,361</u>
Current liabilities							
Trade and other payables	(11,193)	(10,164)	—	—	(21,357)	—	(21,357)
Taxation payable	(989)	—	—	—	(989)	—	(989)
	<u>(12,182)</u>	<u>(10,164)</u>	<u>—</u>	<u>—</u>	<u>(22,346)</u>	<u>—</u>	<u>(22,346)</u>
Non-current liabilities							
Borrowings	(231,596)	(61,632)	—	—	(293,228)	—	(293,228)
Derivative financial instruments	(8,691)	(2,310)	—	—	(11,001)	—	(11,001)
	<u>(240,287)</u>	<u>(63,942)</u>	<u>—</u>	<u>—</u>	<u>(304,229)</u>	<u>—</u>	<u>(304,229)</u>
Total liabilities	<u>(252,469)</u>	<u>(74,106)</u>	<u>—</u>	<u>—</u>	<u>(326,575)</u>	<u>—</u>	<u>(326,575)</u>
Net assets	<u>609,824</u>	<u>200,062</u>	<u>—</u>	<u>(7,450)</u>	<u>802,436</u>	<u>(100,650)</u>	<u>701,786</u>
Net asset value per share	112.3p				111.2p		110.9p
EPRA net asset value per share	114.0p				112.9p		112.7p

Notes:

The unaudited pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the London & Stamford Group at 30 September 2012 have been extracted without material adjustment from the unaudited interim financial statements of the London & Stamford Group for the period ended 30 September 2012, as incorporated by reference in Part 13 of this document.

Adjustments:

2. The net assets of the Metric Group at 30 September 2012 have been extracted without material adjustment from the unaudited interim financial statements of the Metric Group for the period ended 30 September 2012, as set out in Section B of Part 15 of this document.

3. The Merger

The Merger will be accounted for as an acquisition in accordance with IFRS 3 (revised) "Business Combinations".

The estimated consideration payable by London & Stamford to Metric Shareholders will be satisfied wholly by the issue of 178.6 million New Ordinary Shares. At the closing London & Stamford share price on the 23 November 2012 (being the latest practicable date prior to publication of this document) of 108.4p per share, the share consideration is valued at £193.6 million.

As the value of the consideration is lower than the book value of Metric's net assets at 30 September 2012, being £200 million, an estimated gain on bargain purchase arises on completion of the Merger of £6.5 million. The gain on bargain purchase is accounted for through the income statement and has no impact on the pro forma statement of net assets. The gain on bargain purchase is calculated as follows:

	<u>Gain on bargain purchase</u> £000
Estimated consideration payable in New Ordinary Shares	(193,602)
Book value of Metric's net assets at 30 September 2012	<u>200,062</u>
Estimated Gain on bargain purchase arising on completion of the Merger	<u>6,460</u>

For the purposes of this unaudited pro forma statement of net assets, no adjustment has been made to the separate assets and liabilities of the Metric Group to reflect their fair value.

The acquisition of 100% of the issued share capital in Metric will be effected on completion of the Merger at which point the net assets of the Metric Group will be subject to a fair value restatement. The actual gain on bargain purchase or intangible asset included in the London & Stamford Group's next published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

4. Disposal of Interest in Meadowhall

On 8 October 2012, the London & Stamford Group announced that together with its joint venture partner, Green Park Investments, it had sold its 50% interest in the freehold of Meadowhall to Norges Bank Investment Management. The net proceeds of sale of the joint venture's 50 per cent. direct share was £307.9 million of which the London & Stamford Group's share was £95.8 million. At 30 September 2012 the London & Stamford Group's investment in Meadowhall had been reclassified as an 'Investment held for sale' and was recorded at its net realisable value.

5. Transaction costs

As a result of the completion of the Merger and the Tender Offer the Enlarged Group will incur transaction costs of approximately £8.1 million (excluding applicable VAT) of which £0.6 million relates to the Tender Offer and has been included in the adjustment under Note 6. The London & Stamford Group's share of this total transaction costs is £4.7 million (£4.1 million net of Tender Offer costs).

6. Tender Offer

Following successful completion of the Merger, the Enlarged Group will have net cash resources of approximately £200 million. It is therefore proposed that a return of capital with a maximum value of up to £100 million will be made to shareholders in the Enlarged Company to be effected by way of the Tender Offer. The Tender Offer will attract stamp duty at the rate of 0.5 per cent (£0.5 million) and associated costs of £0.1 million. The impact of 100 per cent. take up of the Tender Offer on the Enlarged Group has been shown in the unaudited pro forma statement of net assets based on the Tender Offer Price being no less than 112.9 pence per share.

7. For the purpose of the unaudited pro forma the statement of net assets adjusted net debt has been calculated as follows:

	<u>Cash and cash equivalents</u>	<u>Borrowings</u>	<u>Total Net debt</u>
	£000	£000	£000
Net debt in the London & Stamford Group at 30 September 2012	98,874	(231,596)	(132,722)
Net debt in the Metric Group at 30 September 2012 . . .	4,849	(61,632)	(56,783)
Meadowhall consideration received	95,832	—	95,832
Transaction costs	<u>(7,450)</u>	<u>—</u>	<u>(7,450)</u>
Estimated adjusted net debt balance pre completion of the Tender Offer	192,105	(293,228)	(101,123)
Impact of 100 per cent. acceptance of the Tender Offer including stamp duty and directly attributable costs . .	<u>(100,650)</u>	<u>—</u>	<u>(100,650)</u>
Estimated adjusted net debt balance assuming 100 per cent. acceptance of the Tender Offer	<u>91,455</u>	<u>(293,228)</u>	<u>(201,773)</u>

8. The net asset value per share and EPRA net asset value per share of the Enlarged Company before the Tender Offer is based on the number of London & Stamford shares in issue on 30 September 2012 of 542.8 million plus 178.6 million New Ordinary Shares issued as consideration for the Merger. The net asset value per share and EPRA net asset value per share of the Enlarged Company after the Tender Offer reflects the additional impact of 100 per cent. acceptance of the proposed Tender Offer (described in note 6 above).

	<u>Enlarged Company shares in issue at completion</u>
London & Stamford ordinary share capital in issue on 30 September 2012 . .	542,795,171
London & Stamford ordinary share capital issued as consideration for the Merger	<u>178,600,000</u>
London & Stamford's enlarged share capital following implementation of the Merger (pre Tender Offer)	721,395,171
Proposed Tender Offer to purchase 12.3 per cent. of London & Stamford's enlarged share capital following the Merger based on a minimum price of 112.9 pence per share	<u>(88,573,959)</u>
London & Stamford's enlarged share capital following implementation of the Proposals (post Tender Offer)	<u>632,821,212</u>

The impact of the Existing Management Incentive Termination Agreement is not reflected in the above calculation.

9. No account has been taken of the financial or trading performance of the London & Stamford Group or the Metric Group since 30 September 2012, the interim dividends disclosed by each company since 30 September 2012, nor of any other event save as disclosed above.

PART 17
PROPERTY PORTFOLIO OF THE
ENLARGED GROUP

The Enlarged Group's Property Portfolio comprises 47 investments, all of which are located in the UK.

PART A: LONDON & STAMFORD GROUP'S PROPERTY PORTFOLIO

1. OVERVIEW

As set out in Part 18 of this document, London & Stamford Group's Property Portfolio including third-party interests in the Distribution JV and Residential JV, as at 30 September 2012, has been valued at £1,007.3 million, being the aggregate of £635.2 million (as set out in the CBRE Valuation of London & Stamford's Property Portfolio excluding Residential on page 170) and £372.1 million (as set out in the Savills Valuation of London & Stamford's Residential Portfolio on page 180).

London & Stamford's Property Portfolio, excluding properties held by the Distribution JV and Residential JV, has been valued as at 30 September 2012 at £578.0 million, calculated by deducting the value of the Distribution JV of £237.3 million (as set out in the CBRE Valuation of London & Stamford's Property Portfolio excluding Residential on page 175) and the value of the Residential JV of £192.0 million (as set out in the Savills Valuation of London & Stamford's Residential Portfolio on page 184) from £1,007.3 million (as set out above).

Including the values of London & Stamford's interests in 50% of the Distribution JV of £118.6 million and 40% of the Residential JV of £76.8 million, London & Stamford Group's Property Portfolio has been valued as at 30 September 2012 at £773.5 million.

Details of these investment properties are set out in the Valuation Reports in Part 18 of this document. The Property Portfolio includes residential, distribution, retail, office, business space and other real estate assets.

Set out below is a summary of each of the investments the London & Stamford Group holds at the date of this document.

London & Stamford has used existing cash resources and debt finance to fund the purchase of the Property Portfolio.

Details relate to the entire asset, not just London & Stamford Group's interest (where applicable).

2. OFFICE PORTFOLIO

2.1 *London-1 Fleet Place*

Property	1 Fleet Place, London EC4
Ownership	100%
Property net internal area	169,296 sq ft
Key dates	Development completed in 1992
Tenure	Virtual Freehold, held on a 999 year lease from 12 December 1990 at a Peppercorn
Principal occupiers	SNR Denton LLP (97% of the income)
Number of tenants	4
Weighted average unexpired lease term	13 yrs
Occupancy rate	100%
Rents passing	£6,070,352 pa
Average rents passing	£36 psf overall
Joint venture	N/A
Related financing	Fleet Place and Carter Lane Facility
Encumbrances	Yes

2.1.1 *Background*

1 Fleet Place is a 169,631 sq ft high quality, modern, Grade A office development. The building forms part of the Ludgate Estate and is located in the City of London. The building was designed by architects Skidmore, Owings & Merrill, developed by Rosehaugh Stanhope and

completed in 1992. The office accommodation (approximately 97 per cent. of the income) is let to SNR Denton LLP until September 2025 (13 years unexpired). This is an unusually long unexpired term in today's market of shorter occupational leases, where the norm is 10 years. There are five retail units representing approximately 3 per cent. of the income, including Corney & Barrow. The total rent is £6,070,352 per annum, which equates to a rent of approximately £36 per sq ft overall on the office accommodation. The purchase price reflected a net initial yield of approximately 7.81 per cent.

2.1.2 Strategy

The property generates a quality income stream and it is intended that it is held in anticipation of capital growth.

2.2 *London-One Carter Lane*

Property	One Carter Lane, London EC4
Ownership	100%
Property net internal area	132,654 sq ft
Key Dates	Development Completed in 1997
Tenure	Long leasehold expiring 22 December 2147, rent of 8.05% of rents receivable
Principal occupiers	Goldman Sachs (97% of the income)
Number of tenants	2
Weighted average unexpired lease term	0.4 yrs
Occupancy rate	100%
Rents passing	£5,813,999 pa
Average rents passing	£46.3 psf overall
Joint venture	N/A
Related financing	Fleet Place and Carter Lane Facility
Encumbrances	Yes

2.2.1 Background

1 Carter Lane is a modern, high quality headquarters office building situated directly opposite St. Paul's Cathedral. The offices are let to Goldman Sachs, who have served a notice to break their lease, vacant possession is anticipated by 18 March 2013.

2.2.2 Strategy

Refurbish and relet the offices.

2.3 *South East-Marlow International, Marlow*

Property	Marlow International, Marlow
Ownership	100%
Property net internal area	231,016 sq ft
Key dates	Refurbished in 2000
Tenure	Freehold
Principal occupiers	Allergan Limited, Dun & Bradstreet Limited and Veolia Water Solutions (UK) Limited (97% of the income)
Number of tenants	4
Weighted average unexpired lease term	6.9 yrs
Occupancy rate	100%
Rents passing	£4,715,448 pa
Average rents passing	£20.40 psf overall
Joint venture	N/A
Related financing	Leatherhead & Marlow Facility
Encumbrances	Yes

2.3.1 Background

Marlow International is a modern headquarters office building, located adjacent to Globe Park and the A404 between the M40 to the North and the M4 to the South.

2.3.2 Strategy

The property generates a good quality income stream and it is intended that it is held in anticipation of capital growth.

2.4 **South East-Unilever House, Leatherhead**

Property	Unilever House, Leatherhead
Ownership	100%
Property net internal area	179,457 sq ft
Key dates	Developed in 2008
Tenure	Freehold
Principal occupiers	Unilever UK Limited (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	10.6 yrs
Occupancy rate	100%
Rents passing	£4,431,502 pa
Average rents passing	£24.69 psf overall
Joint venture	N/A
Related financing	Leatherhead & Marlow Facility
Encumbrances	Yes

2.4.1 Background

The property is the UK & Ireland headquarters for Unilever and was developed in 2008.

2.4.2 Strategy

The property generates a good quality income stream and it is held in anticipation of capital growth.

2.5 **Crawley**

Forest House

Property	Forest House, Crawley RH11 9BP
Ownership	100%
Property net internal area	38,477 sq ft
Key dates	Fully refurbished 2008/2009
Tenure	Freehold
Principal occupiers	Bard Ltd
Number of tenants	1
Unexpired lease term	16.5 yrs
Occupancy rate	100.0%
Rent passing	£909,000 per annum
Average rents passing	£23.62 psf overall
Joint venture	N/A
Related financing	Landesbank Facility
Encumbrances	Yes

2.5.1 Background

The property is located on Tilgate Forest Business Park, an established office location approximately 1.5 miles south of Crawley. London & Stamford Group own two of the four buildings on the complex, Forest House and Elm Park Court. A comprehensive refurbishment of Forest House was completed in 2009. The property was also extended by 10,000 sq ft and a new 20-year lease was granted in favour of Bard Ltd, the UK operating company of CR Bard Inc. who are involved in the manufacture and marketing of health care products to hospitals worldwide. There is a guarantee in place from CR Bard Inc.

Elm Park Court

Property	Elm Park Court, Crawley RH11 9BP
Ownership	100%
Property net internal area	29,105 sq ft
Key dates	Acquired 2007
Tenure	Freehold
Principal occupiers	Maple Oak Plc
Number of tenants	1 (4 sub-lettings)
Unexpired lease term	2.97 yrs
Occupancy rate	100.0%
Rent passing	£438,500 per annum
Average rents passing	£15 psf overall
Joint venture	N/A
Related financing	Landesbank Facility
Encumbrances	Yes

2.5.2 Background

The second of two buildings that London & Stamford Group own at Tilgate Forest Business Park. Elm Park Court is an office building that was constructed in the 1980s. The property is let to Maple Oak plc with a guarantee from Mowlem plc. Mowlem plc is a wholly owned subsidiary of Carillion plc. Maple Oak are not in occupation but there are a number of sub-lettings including Norwich Union and MWH (Montgomery Watson Harza). Maple Oak's liability extends until 2015. The situation will be continued to be reviewed. There is the potential for a full refurbishment as with Forest House, however this is dependant on an improvement in the occupational market and a stabilisation of property values.

2.5.3 Strategy

The properties generate a quality income stream and it is intended that they are held in anticipation of capital growth. Consideration will be given to a refurbishment of Elm Park Court as and when occupational market conditions stabilise.

3. DISTRIBUTION SPACE PORTFOLIO

3.1 Tamworth

Property	Tamworth, Meadow Road
Ownership	100%
Property net internal area	594,444 sq ft
Key dates	Purchased 18 January 2010
Tenure	Freehold
Principal occupiers	Vacant
Number of tenants	0
Unexpired lease term	N/A
Occupancy rate	0.0%
Rent passing	£0 pa
Average rents passing	£0.0 psf overall
Joint venture	N/A
Related financing	Landesbank Facility
Encumbrances	Yes

3.1.1 Background

The property is located in Tamworth, West Midlands and comprises a purpose built distribution warehouse. The original unit was built in 1994 and extended in 2005 and now totals 594,444 sq ft in three blocks. The property was originally occupied by Focus DIY prior to the company entering administration in 2011. Since then, refurbishment works have been undertaken and the property is currently being marketed for occupation.

3.1.2 Strategy

To relet the entire property to a single occupier at the market rent.

3.2 Nottingham-Glaisdale Parkway

Property	Glaisdale Parkway, Nottingham
Ownership	100%
Property net internal area	133,717 sq ft
Key dates	Bought vacant possession, refurbished and let in 2007
Tenure	Long leasehold
Principal occupiers	Hillary's Blinds Limited
Number of tenants	1
Weighted average unexpired lease term	9.81 yrs
Occupancy rate	100.0%
Rents passing	£568,310 per annum
Average rents passing	£4.25 psf
Joint venture	N/A
Related financing	Landesbank Facility
Encumbrances	Yes

3.2.1 Background

The property is located approximately 4 miles west of Nottingham City Centre, in close proximity to the outer ring road (A6002) leading to J26 of the M1, which is approximately four miles to the North West. The property is situated on Glaisdale Industrial Estate. The long leasehold interest was acquired with vacant possession in 2007. Following refurbishment, the warehouse was let to Hillary's Blinds Ltd, by way of a 15-year lease at an initial rent of £568,310 per annum.

3.2.2 Strategy

The property generates a quality income stream and it is intended that it is held in anticipation of regearing.

3.3 Wellingborough-Somerfield Distribution Unit

Property	Somerfield Distribution Unit, Park Farm Industrial Estate, Wellingborough
Use	Distribution
Ownership	100%
Property net internal area	341,320 sq ft
Key dates	Constructed in 1995. Extended in 1996
Tenure	Freehold
Principal occupiers	Somerfield Stores Ltd with Somerfield Ltd as guarantor
Number of tenants	1
Weighted average unexpired lease term	15.12 yrs
Occupancy rate	100%
Rents passing (p.a.)	£1,792,279
Average rents passing (psf)	£5.25
Joint venture	N/A
Related financing	Landesbank Facility
Encumbrances	Yes

3.3.1 Background

The property is located on the established Park Farm Industrial Estate, in close proximity to junction 15 of the M1 motorway, with nearby occupiers including DHL/Homebase, TNT, Ricoh, Cummins and Budgens. The unit is well specified with 61 cross docked loading doors (one per 5,502 sq ft), 180 trailer car parking spaces, large and segregated car park, a low site cover of 37 per cent. and lorry wash and diesel pumps. The warehouse is leased to Somerfield for a further 15.12 years who are not in occupation and it is sub-let to Yusen Logistics (UK) Limited until November 2015 at a rent of £1,584,125 (£4.64 psf).

3.3.2 Strategy

The property generates a quality income stream and it is intended that it is held in anticipation of capital growth.

4. LSP GREEN PARK DISTRIBUTION HOLDINGS LIMITED PORTFOLIO

Property	Distribution assets
Ownership	50%
Property net internal area site	2,112,110 sq ft
Key dates	Acquired in November 2010
Tenure	Freehold
Principal occupiers	Tesco Distribution, Royal Mail, Next Group Plc, Metropolitan Police Authority
Number of tenants	11
Unexpired lease term	9.9
Occupancy rate	100%
Rents passing	£16,594,785 pa
Average rents passing	£7.86 per sq ft
Joint venture	50% owned by Green Park
Related financing	Metlife Distribution Portfolio Facility
Encumbrances	Yes

4.1.1 Background

The portfolio was assembled following the acquisition of assets from three different vendors. It comprises 11 prime distribution assets predominantly located in the South East. All are let to single occupiers.

4.1.2 Strategy

Assets are held for income.

5. RESIDENTIAL (WHOLLY OWNED)

5.1 *Highbury Court, Avenall Road, Highbury, London N5*

Property	Portfolio of 134 residential apartments and 91 car parking spaces located at The Stadium, in Highbury Square
Use	Residential apartments
Ownership	100%
Property net internal area site	94,588 sq ft
Key dates	Acquired 25 September 2009
Tenure	Long Leasehold
Principal occupiers	Residential (Assured Shorthold Tenancies)
Number of tenants	130
Rents passing	£2,776,997 pa
Unexpired lease term	1 year with six month break option
Lease term	254 years (less three days) from 1 January 2007
Occupancy rate	97%
Joint venture	N/A
Related financing	Metlife Residential Facility
Encumbrances	Yes

5.1.1 Background

The property is located on Highbury Square, Islington and was home to the Arsenal Football Club until 2006. The 134 apartments comprise one and two bed flats over eight floors on the historic site. The flats are finished to a high standard and designed to a modern specification.

5.1.2 Strategy

Continue to manage for income and capital growth and a possible sale as part of the central London residential portfolio currently under consideration.

5.2 **Bridges Wharf, Battersea, London SW11**

Property	Portfolio of 52 residential apartments and 53 car parking spaces; located at Bridges Wharf, Battersea
Use	Residential apartments
Ownership	100%
Property net internal area	44,620 sq ft
Key dates	Purchase completed 30 June and 20 July 2010
Tenure	Long Leasehold
Principal occupiers	Residential (Assured Shorthold Tenancies)
Number of tenants	36
Rents passing	£988,787
Unexpired lease term	1 year with six month break option
Occupancy rate	69%
Joint venture	N/A
Related financing	Metlife Residential Facility
Encumbrances	Yes

5.2.1 Background

The Company's holding represents 52 residential units of varying sizes within a new development of approximately 250 units in three blocks. The development is well located with a number of the units benefitting from riverside views, both up and down the Thames.

5.2.2 Strategy

Continue to manage for rental and capital growth and a possible sale as part of the central London residential portfolio currently under consideration.

5.3 **Clapham Road, Oval London SW9**

Property	Portfolio of 74 residential apartments and 30 car parking spaces located at Clapham Road, Oval
Use	Residential apartments
Ownership	100%
Property net internal area site	48,510 sq ft
Key dates	Acquired 26 September 2011
Tenure	Long Leasehold
Principal occupiers	Residential (Assured Shorthold Tenancies)
Number of tenants	70
Rents passing	£1,313,328 pa
Unexpired lease term	1 year with 6 month break option
Lease term	
Occupancy rate	95%
Joint venture	N/A
Related financing	Metlife Residential Facility
Encumbrances	Yes

5.3.1 Background

The Company's holding represents 74 residential units of varying sizes within 3 blocks in a new development of approximately 152 private flats, 90 affordable units and 18 town houses. The development is located equidistant between Oval and Stockwell tube stations on Clapham Road.

5.3.2 Strategy

Continue to manage for rental and capital growth and a possible sale as part of the central London residential portfolio currently under consideration.

5.4 Seward Street, Islington, London EC1

Property	Portfolio of 107 residential apartments and 31 car parking spaces currently under construction located at Seward Street, Islington
Use	Residential apartments
Ownership	100%
Property Net Internal Area Site	72,749 sq ft
Key Dates	Exchanged 21 July 2011, due to complete imminently
Tenure	Long Leasehold
Principal Occupiers	Vacant (not yet completed)
Number of Tenants	n/a
ERV	£3,120,780 pa
Unexpired Lease Term	N/A
Lease Term	150 year leases from completion
Occupancy Rate	N/A
Joint Venture	N/A
Related financing	N/A
Encumbrances	N/A

5.4.1 Background

The development is currently under construction with phased completions scheduled from November 2012 to December 2012. Overall the development comprises 161 units with 107 private apartments and 54 affordable units. The scheme is located in Clerkenwell and in close proximity to the City. The London & Stamford Group will fund its commitment in respect of this development out of its cash resources.

5.4.2 Strategy

When completed, this will be managed for rental and capital growth and a possible sale as part of the central London residential portfolio currently under consideration.

6. RESIDENTIAL (JOINT VENTURE)

Moore House, London SW1

Property	Portfolio of 149 residential apartments and 97 car parking spaces located at Grosvenor Waterside
Use	Residential apartments
Ownership	40%
Property net internal area site	118,514 sq ft
Key dates	Acquired 19 July 2012
Tenure	Long Leasehold
Principal occupiers	Residential (Assured Shorthold Tenancies)
Number of tenants	59
Rents passing	£2,573,312 pa
ERV	£6,200,000 pa
Unexpired lease term	1 year with six month break option
Lease term	999 yrs from 1 January 2003
Occupancy rate	40%
Joint venture	N/A
Related financing	Moore House Facility
Encumbrances	Yes

6.1 Background

Located within Grosvenor Waterside, Moore House is the final block to be constructed. Comprising of 149 residential units and 97 car parking spaces, Moore House is a standalone block where the units are held on individual 999 year leases.

6.2 Strategy

Continue to implement the letting strategy until 100% occupation achieved and then manage for rental and capital growth.

7. LEGACY PORTFOLIO

7.1 Stoke-on-Trent

Property	Campbell Road, Stoke
Ownership	100%
Property net internal area	433,783 sq ft
Key dates	Acquired in 2007
Tenure	Freehold
Principal occupiers	Vacant
Number of tenants	0
Weighted average unexpired lease term	0.0 yrs
Occupancy rate	0.0%
Rents passing	£0 per annum
Average rents passing	£0.00 psf
Joint venture	N/A
Related financing	N/A
Encumbrances	N/A

7.1.1 Background

The premises are located in a prime distribution location on the outskirts of Stoke-on-Trent with excellent links to the M6 motorway. The site area is approximately 13.5 acres and the warehouse includes office accommodation of approximately 16,600 sq ft. The original building was constructed during the late 1920s and since then has had a number of extensions, increasing the building area. The building was formerly let to Michelin Plc who vacated the premises in December 2007.

7.1.2 Strategy

The property continues to be marketed to secure a tenant or tenants for the whole or part.

7.2 Newcastle-Under-Lyme

Property	Barracks Road, Newcastle-Under-Lyme
Ownership	100%
Property net internal area	33,033 sq ft
Key dates	Open A1 Planning achieved in September 2008
Tenure	Freehold, part long leasehold
Principal occupiers	Bathstore.com and Domino Pizzas
Number of tenants	2
Weighted average unexpired lease term	12.71 yrs
Occupancy rate	12.2%
Rents passing	£63,700 per annum
Average rents passing	£1.93 psf
Joint venture	N/A
Related financing	N/A
Encumbrances	N/A

7.2.1 Background

This property comprises four edge of town modern retail warehouse units with dedicated car parking, totalling approximately 33,033 sq ft. Two of the units are let to Bathstore.com and

Dominos Pizza producing £63,700 per annum. The other two units are vacant, both with open A1 planning consent.

7.2.2 Strategy

The vacant units continue to be marketed in particular to foodstore operators either for letting or owner occupation. Upon letting it is envisaged that the properties will be sold.

7.3 *Small Unit Industrial Development Sites*

Gillingham

Property	Site at Bailey Drive, Gillingham
Ownership	100%
Property net internal area	7.8 acres
Key dates	Acquired 2007
Tenure	Freehold
Principal occupiers	Vacant
Number of tenants	0
Weighted average unexpired lease term	N/A
Occupancy rate	0.0%
Rents passing	£0 per annum
Average rents passing	£0.00 psf
Joint venture	N/A
Related financing	N/A
Encumbrances	N/A

7.3.1 Background

A cleared site on Gillingham Business Park. Gillingham Business Park is considered to be the prime business park in the Medway and one of the most successful business parks in Kent. Planning permission has now been granted for 88,000 sq ft of industrial and 43,000 sq ft of office space.

7.3.2 Strategy

The site is under offer by way of a freehold sale to an owner occupier.

7.4 *Yeovil*

Property	Site at Copse Road, Yeovil, BA22
Ownership	100%
Site area	2.23 acres
Key dates	Acquired 2007
Tenure	Freehold
Principal occupiers	Vacant
Number of tenants	0
Weighted average unexpired lease term	N/A
Occupancy rate	0.0%
Rents passing	£0 per annum
Average rents passing	£0.00 psf
Joint venture	N/A
Related financing	N/A
Encumbrances	N/A

7.4.1 Background

The site was acquired in 2007 and planning has subsequently been granted for 46 units comprising of B1/B2 and B8 uses.

7.4.2 Strategy

The site will be held until the occupational market has recovered and developed once a pre-let has been secured.

7.5 Nottingham

Property	Site at Glaisdale Parkway, Nottingham
Ownership	100%
Property net internal area site	2.4 acres
Key dates	Acquired 2007
Tenure	Leasehold, 120 yrs remaining
Principal occupiers	Vacant
Number of tenants	0
Weighted average unexpired lease	Term N/A
Occupancy rate	0.0%
Rents passing	£0 per annum
Average rents passing	£0.00 psf
Joint venture	N/A
Related financing	N/A
Encumbrances	N/A

7.5.1 Background

A cleared site on Glaisdale Parkway. The site is located within the established industrial area of the city of Nottingham. The location is considered good being on the fringe of the city centre but also being only a few minutes' drive from the M1. The site benefits from detailed planning consent for approximately 47,000 sq ft of light industrial units.

7.5.2 Strategy

The site is being held pending a pre-let development or an extension to our adjoining warehouse (Hillary's).

PART B: METRIC GROUP'S PROPERTY PORTFOLIO

1. OVERVIEW

The Metric property portfolio was valued at £273.2 million based on a valuation date of 17 October 2012 for all properties other than those at Lichfield and Nottingham where a valuation date of 22 November 2012 was used following the recent purchase of those properties by MIPP.

The development portfolio comprises six schemes totalling over 371,000 sq ft at Bishop Auckland, Cannock, Bristol, Leeds, St Austell and at Berkhamsted, Metric's first in-town high street development.

Details of these properties are set out in the Valuation Reports in Part 18 of this document. The portfolio includes retail parks, supermarkets and retail high street space.

Set out below is a summary of each of the investments the Wider Metric Group holds at the date of this document.

Details relate to the entire asset, not just the Wider Metric Group's interest, where applicable.

2. METRIC INVESTMENTS

2.1 *Bedford-Alban Retail Park*

Property	Bedford-Alban Retail Park
Ownership	100%
Property net internal area	64,366 sq ft
	Built in mid 1980s, subsequent refurbishment
Key dates	2010
Tenure	Freehold
	Dunelm, B&M Bargains, Paul Simon (87% of the income)
Principal occupiers	
Number of tenants	4
Weighted average unexpired lease term	12 yrs
Occupancy rate	100%
Rents passing	£859,027 pa
Average rents passing	£13.25 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.1.1 *Background*

Alban Retail Park fronts onto the A600 London Road, south-east of the Bedford town centre. Alban Retail Park was acquired in November 2010. The 65,000 sq ft restricted open A1 consented park comprised a 40,000 sq ft Focus and a 25,000 sq ft Dunelm.

At the point of acquisition a number of asset management opportunities had been identified including an agreement to re-gear the existing Dunelm on a new 15-year lease whilst increasing their previous passing rent.

In May 2011 Focus entered into administration. The Focus lease contained an original tenant guarantee from Cemex from which Metric accepted a surrender premium of £1.25 million.

As part of the re-gear with Dunelm and the business plan at acquisition Metric then invested £1.57 million improving the fabric of the property whilst splitting the former Focus unit into three units (1x 25,000 sq ft, 1x 8,317 sq ft and 1x 6,027 sq ft unit). These works completed in Q1 2012.

Since acquisition, a revised planning application has also been submitted for two units covering 3,000 sq ft at the front of the scheme.

2.1.2 *Strategy*

The asset currently provides robust, strong income and it is intended to remain in the investment portfolio, however would be considered for an opportunistic sale.

2.2 *Bedford-Midland Road*

Property	Bedford-Midland Road
Ownership	100%
Property net internal area	19,356 sq ft
Key dates	Constructed in 1930s
Tenure	Freehold
Principal occupiers	Next & Iceland (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	11 yrs
Occupancy rate	100%
Rents passing	£425,000 pa
Average rents passing	£21.96 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.2.1 Background

Acquired in June 2012 from the receiver to a private overseas property company. The scheme comprises two prime open A1 consented high street units on Midland Road, Bedford. The asset provides a secure income stream off a 2011 market rent, following new lettings to strong institutional covenants Next (60% income) and Iceland (40% income) on 10 and 15 years respectively.

2.2.2 Strategy

The property provides robust dividend income, and as such will be a core asset in the investment portfolio. We do envisage strong investor appetite for this product when the market recovers and would consider an opportunistic sale if presented.

2.3 Cannock-Watling Street

Property	Cannock-Watling Street
Ownership	100%
Property net internal area	24,517 sq ft
Key dates	Development completed in Nov 2012
Tenure	Freehold
Principal occupiers	DFS & Carpetright (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	19 yrs
Occupancy rate	87%
Rents passing	£395,854 pa
Average rents passing	£18.96 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

2.3.1 Background

The asset was acquired in February 2012, as a vacant car show room. A retail planning consent was obtained post acquisition for a 24,700 sq ft scheme with restricted retail planning consent. Simultaneous to the acquisition a 20 year agreement for a lease with DFS and a 15-year lease with Sleepright was signed. Metric have committed to invest c.£4m of capital expenditure creating a new 24,500 sq ft scheme. There is currently one vacant unit of 3,600 sq ft which represents 13% of total rental income.

2.3.2 Strategy

Let vacant unit and hold with benefit of annual RPI reviews on the DFS lease.

2.4 Congleton-Congleton Retail Park

Property	Congleton-Congleton Retail Park
Ownership	100%
Property net internal area	64,462 sq ft
Key dates	Development completed in 2003/2004
Tenure	Freehold
Principal occupiers	M&S, Family Bargains, Boots (56% of the income)
Number of tenants	10
Weighted average unexpired lease term	9 yrs
Occupancy rate	100%
Rents passing	£1,004,177 pa
Average rents passing	£15.32 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.4.1 Background

The asset was acquired in June 2011 and comprises 65,000 sq ft of open A1 retail space. Since acquisition asset management activity includes the surrender of the Carpetright unit and subsequent letting to Boots, vacant unit letting to M&S Simply Food and Brantano and the letting of the former Focus to Family Bargains. Since acquisition, planning has been obtained for two separate development units (standalone 8,000 sq ft unit and the 6,400 sq ft former focus garden centre unit) for which construction will commence with sufficient pre-lets.

2.4.2 Strategy

Hold whilst developing out remaining development units whilst growing passing rent closer to sustainable rents with the view of a potential opportunistic sale.

2.5 Coventry-Airport Retail Park

Property	Coventry-Airport Retail Park
Ownership	100%
Property net internal area	102,508 sq ft
Key dates	Development completed in mid 1990s
Tenure	Freehold
Principal occupiers	DSG & Dunelm (64% of the income)
Number of tenants	5
Weighted average unexpired lease term	8 yrs
Occupancy rate	100%
Rents passing	£1,323,111 pa (includes residential)
Average rents passing	£12.51 psf overall
Joint venture	N/A
Method of financing	Eurohypo Loan
Encumbrances	Yes

2.5.1 Background

The asset was acquired in September 2010 and comprises 102,500 sq ft of bulky goods consented retail space. Since acquisition asset management initiatives include the vacant unit letting to Carpetright and the reconstruction of the Dunelm Mill store. The asset provides asset management opportunities including a 15,000 sq ft development and the “right sizing” and reconfiguration of the existing occupiers’ space.

2.5.2 Strategy

Hold whilst developing out remaining development units whilst growing passing rent closer to sustainable rents with the view of a potential opportunistic sale.

2.6 Hove-Old Shoreham Road

Property	Hove-Old Shoreham Road
Ownership	100%
Property net internal area	28,280 sq ft
Key dates	Development completed in early 2000s
Tenure	Freehold
Principal occupiers	DSG (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	13 yrs
Occupancy rate	100%
Rents passing	£747,500 pa
Average rents passing	£26.43 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

2.6.1 Background

Acquired in January 2011 and since acquisition planning has been obtained for a new 10,000 sq ft development unit that has been pre-let to Hobbycraft on a new 15-year lease. The new unit will sit alongside the existing bulky goods consented 19,280 sq ft PC World unit.

2.6.2 Strategy

Develop Hobbycraft unit re-gear PC World lease and sale thereafter.

2.7 Kings Lynn-Pierpoint Retail Park

Property	Kings Lynn-Pierpoint Retail Park
Ownership	100%
Property net internal area	66,290 sq ft
Key dates	Development completed in mid 1980s
Tenure	Freehold
Principal occupiers	Homebase, DFS, Next (86% of the income)
Number of tenants	5
Weighted average unexpired lease term	3 yrs
Occupancy rate	100%
Rents passing	£1,009,833 pa
Average rents passing	£15.17 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.7.1 Background

The asset was acquired in September 2011 and provides 66,300 sq ft of open A1 retail space. The scheme is anchored by Homebase, with other tenants including DFS, Next, Comet and Barclays Bank. Since acquisition an additional unit to the east of the property has been incorporated into the scheme, this has opened up the scheme further. Discussions continue with existing occupiers to provide the right accommodation.

2.7.2 Strategy

The property provides strong asset management opportunities and will remain as a core holding of the investment portfolio.

2.8 Launceston-Launceston Retail Park

Property	Launceston-Launceston Retail Park
Ownership	100%
Property net internal area	69,016 sq ft
Key dates	Development completed in 2002
Tenure	Freehold
Principal occupiers	B&Q, New Look, Pets at Home (55% of the income)
Number of tenants	7
Weighted average unexpired lease term	13 yrs
Occupancy rate	100%
Rents passing	£924,181 pa
Average rents passing	£13.39 psf overall
Joint venture	N/A
Method of financing	Eurohypo Loan
Encumbrances	Yes

2.8.1 Background

The asset was acquired in August 2010 and provides the sole out-of-town retail provision in Launceston. The asset comprises 62,000 sq ft of open A1 retail space. Since acquisition the lease over the former Co-op store has been surrendered and planning gained for the subdivision and subsequent lettings to New Look, Peacocks (now 99p stores) and Pets at Home. The former Focus unit has been let to B&Q which has strengthened the tenant line up.

2.8.2 Strategy

Hold whilst growing passing rents closer to sustainable rents.

2.9 **Launceston-Scarne Retail Park**

Property	Launceston-Scarne Retail Park
Ownership	100%
Property net internal area	9,112 sq ft
Key dates	Development completed in 2002
Tenure	Freehold
Principal occupiers	Carpetright, Topps Tiles (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	9 yrs
Occupancy rate	100%
Rents passing	£106,842 pa
Average rents passing	£11.73 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.9.1 *Background*

The asset was acquired in August 2011 and has been incorporated into the main scheme.

2.9.2 *Strategy*

Hold in line with Launceston Retail Park.

2.10 **Loughborough-Gorse Covert Shopping Centre**

Property	Loughborough-Gorse Covert Shopping Centre
Ownership	100%
Property net internal area	51,196 sq ft
Key dates	Development completed in mid 1980s
Tenure	LLH
Principal occupiers	Morrisons (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	6 yrs
Occupancy rate	100%
Rents passing	£1,017,000 pa
Average rents passing	£16.51 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.10.1 *Background*

Acquired in September 2010 the asset comprises a 51,000 sq ft open A1 consented district shopping centre subject to an overriding lease to Morrisons. The scheme consists of seven retail units let to a variety of tenants (all sub-tenants of Morrisons) and a petrol filling station. Currently implementing plans to extend and refurbish the existing Morrisons food store by circa 13,000 sq ft, whilst simultaneously re-gearing the lease.

2.10.2 *Strategy*

It is intended that the property is sold following completion of the extension.

2.11 **Mansfield-Nottingham Road Retail Park**

Property	Mansfield-Nottingham Road Retail Park
Ownership	100%
Property net internal area	47,126 sq ft
Key dates	Development completed in late 1980s
Tenure	Freehold
Principal occupiers	DSG (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	13 yrs
Occupancy rate	100%
Rents passing	£801,142 pa
Average rents passing	£17.00 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.11.1 *Background*

The asset was acquired in September 2010 and comprised 47,100 sq ft of bulky goods consented retail space which was let to Currys, PC World and a vacant former MFI. Simultaneous to the acquisition, a regear was agreed with Dixons for a new 15-year lease at a rent of £17.00 psf (previous passing £13.30 psf) for its Megastore format over the entire site. As part of the letting, capital expenditure of £2.2 million was invested in the unit. Since acquisition planning has also been submitted for a 2,500 sq ft POD unit.

2.11.2 *Strategy*

Develop POD and hold.

2.12 **Milford Haven-Havens Head Retail Park**

Property	Milford Haven-Havens Head Retail Park
Ownership	100%
Property net internal area	85,689 sq ft
Key dates	Development completed in mid 1990s
Tenure	Long leasehold
Principal occupiers	Tesco (52% of the income)
Number of tenants	7
Weighted average unexpired lease term	13 yrs
Occupancy rate	97%
Rents passing	£985,839 pa
Average rents passing	£11.22 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.12.1 *Background*

The asset was acquired in December 2010 and comprises an 85,700 sq ft open A1 (food) consented retail park anchored by a 38,000 sq ft Tesco. Since acquisition the former Littlewoods unit has been surrendered and let to Home Bargains on a new 15-year lease resulting in longer and stronger income.

2.12.2 *Strategy*

Dispose of Tesco post settlement of 2013 rent review and hold the remaining park for strong cash yield.

2.13 **Newry-Damolly Retail Park**

Property	Newry-Damolly Retail Park
Ownership	100%
Property net internal area	165,034 sq ft
Key dates	Development completed in late 1990s
Tenure	Freehold
Principal occupiers	B&Q & Lidl (36% of the income)
Number of tenants	12
Weighted average unexpired lease term	13 yrs
Occupancy rate	99%
Rents passing	£2,398,288 pa
Average rents passing	£14.60 psf overall
Joint venture	N/A
Method of financing	Eurohypo Loan
Encumbrances	Yes

2.13.1 *Background*

Acquired in July 2010, the asset comprises 162,000 sq ft of wide bulky goods consented retail accommodation. Since acquisition asset management initiatives include the vacant unit letting to Mothercare, the construction of a new 13,700 sq ft Lidl unit. Planning gains since acquisition also include the 2,500 sq ft consent for a two unit POD, where construction has commenced with a pre-let to Costa agreed.

2.13.2 *Strategy*

The asset will be held in anticipation of capital growth whilst generating a strong cash yield.

2.14 **Sheffield-St Mary's Road Retail Park**

Property	Sheffield-St Mary's Road Retail Park
Ownership	100%
Property net internal area	28,600 sq ft
Key dates	Development completed in 2012
Tenure	Freehold
Principal occupiers	DFS & Wren Kitchens (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	13 yrs
Occupancy rate	100%
Rents passing	£572,500 pa
Average rents passing	£20.02 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.14.1 *Background*

Acquired in May 2011 as a vacant former Uno, which had been vacant for the previous eight years. The 28,600 sq ft bulky goods consented unit was then substantially refurbished and subdivided with £5.3 million invested in the scheme. Simultaneous to the acquisition, a pre-let was agreed with DFS with the remaining unit having been let to Wren Kitchens post PC.

2.14.2 *Strategy*

It is intended that the property is sold in 2013.

2.15 **St Albans-Alban Park**

Property	St Albans-Alban Park
Ownership	100%
Property net internal area	25,333 sq ft
Key dates	Development completed in early 1980s
Tenure	Freehold
Principal occupiers	Dunelm (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	8 yrs
Occupancy rate	100%
Rents passing	£375,000 pa
Average rents passing	£14.80 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.15.1 *Background*

Acquired in August 2012 the unit comprises 25,000 sq ft of bulky goods consented retail accommodation. The asset is let to Dunelm Mill with a weighted unexpired term of eight years.

2.15.2 *Strategy*

Hold.

2.16 **Wick-Wick Retail Park**

Property	Wick-Wick Retail Park
Ownership	100%
Property net internal area	60,715 sq ft
Key dates	Development completed in 2005
Tenure	Freehold
Principal occupiers	Homebase and Argos (51% of the income)
Number of tenants	7
Weighted average unexpired lease term	11 yrs
Occupancy rate	100%
Rents passing	£683,096 pa
Average rents passing	£11.25 psf overall
Joint venture	N/A
Method of financing	RBS Facility
Encumbrances	Yes

2.16.1 *Background*

Acquired in November 2010, the scheme comprises 60,700 sq ft of open A1 consented retail (non-food) space and is anchored by Homebase, with other tenants including New Look, Superdrug and Argos.

2.16.2 *Strategy*

Hold whilst growing passing rents closer to sustainable rents.

3. METRIC DEVELOPMENTS

3.1 *Berkhamsted-High Street*

Property	Berkhamsted-High Street
Ownership	100%
Property net internal area	22,500 sq ft
Key dates	Development completed in 2014
Tenure	Freehold
Principal occupiers	Marks and Spencer (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	20 yrs
Occupancy rate	77%
Rents passing	£455,000 pa
Average rents passing	£25.28 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

3.1.1 *Background*

The asset is a former Royal Mail depot on Berkhamsted high street. Since acquisition a resolution to grant planning consent has been obtained for a new 22,500 sq ft open A1 consented retail unit for which the majority of the site has been pre-let to Marks & Spencer Simply Food, who has signed a 20 year lease, the remainder of the site will be marketed to high quality restaurant occupiers. A total of £7.55 million will be invested in the asset.

3.1.2 *Strategy*

The intention is to sell the property once fully let and ahead of practical completion in 2014.

3.2 *Bristol-Channons Hill*

Property	Bristol-Channons Hill
Ownership	100%
Property net internal area	61,432 sq ft
Key dates	Development due to be completed in 2013
Tenure	Freehold
Principal occupiers	B&M, What!, DSG and Iceland (55% of the income)
Number of tenants	4
Weighted average unexpired lease term	7 yrs
Occupancy rate	80%
Rents passing	£508,348 pa
Average rents passing	£9.37 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

3.2.1 *Background*

Acquired January 2011 the asset comprises 63,000 sq ft of restricted bulky goods consented retail accommodation. Since acquisition the scheme has benefitted from planning capital expenditure of £1.48 million with the former Focus having been subdivided with the majority pre-let to B&M retail and the vacant unit letting to Iceland. These lettings have both lengthened and strengthened income.

3.2.2 *Strategy*

Hold.

3.3 **Leeds-Kirkstall Bridge Shopping Park**

Property	Leeds-Kirkstall Bridge Shopping Park
Ownership	100%
Property net internal area	120,000 sq ft
Key dates	Development due to be completed in 2014
Tenure	Freehold
Principal occupiers	BHS (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	2 yrs
Occupancy rate	100%
Rents passing	£500,000 pa
Average rents passing	£4.17 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

3.3.1 *Background*

Acquired in February 2011 with an outline planning consent for a 85,000 sq ft open A1 retail scheme over the existing 7.2 acre site. Since acquisition a revised planning consent has been granted for a reconfigured 120,000 sq ft open A1 scheme. The asset is currently let to BHS who will continue to occupy the existing store until commencement of the redevelopment. Total pre-lets and those deals in solicitor's hands represent 42% of a total rent roll of £2.97 million. Construction is anticipated to commence in spring 2013.

3.3.2 *Strategy*

Develop then hold.

3.4 **Bishop Auckland-Tinsdale Crescent Retail Park**

Property	Bishop Auckland-Tinsdale Crescent Retail Park
Ownership	100%
Property net internal area	49,225 sq ft
Key dates	Development completed in November 2012
Tenure	Freehold
Principal occupiers	Marks & Spencer, Boots, Next (70% of the income)
Number of tenants	6
Weighted average unexpired lease term	12 yrs
Occupancy rate	82%
Rents passing	£709,562 pa
Average rents passing	£16.97 psf overall
Joint venture	N/A
Method of financing	N/A
Encumbrances	No

3.4.1 *Background*

The asset was acquired in June 2011, as a four acre site with a vacant and derelict former Focus unit benefiting from restricted retail consent. The purchase was conditional on achieving a revised planning consent to allow for a new 49,000 sq ft Open A1 retail park which was subsequently obtained. The scheme is 82% pre-let, with the remaining 18% under offer, construction commenced in April 2012 with practical completion due in October 2012. Planning consent for an additional 27,000 sq ft of open A1 consent has been submitted for an adjacent site which represents phase II. There is also a further option to develop an additional 10,000 sq ft subject to planning which represents phase III.

3.4.2 *Strategy*

Let remaining vacant units. Obtain planning and develop phase II whilst submitting planning for phase III. Hold.

4. MIPP INVESTMENTS

In November 2011, Metric set up a £150 million joint venture with USS to focus on higher income yielding investment opportunities within the out-of-town retail sector. Metric committed to contribute £25 million which represented one-third of the equity invested. Currently, assets under management in MIPP total £75 million across eight properties.

4.1 *Bristol-Longwell Green*

Property	Bristol-Longwell Green
Ownership	33%
Property net internal area	22,582 sq ft
Key dates	Development due to be completed in 2013
Tenure	Freehold
Principal occupiers	DFS and Carpetright (88% of the income)
Number of tenants	4
Weighted average unexpired lease term	18 yrs
Occupancy rate	100%
Rents passing	£695,335 pa
Average rents passing	£30.39 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.1.1 *Background*

Acquired in March 2012 and comprised a 10,000 sq ft Carpetright and 10,200 sq ft vacant unit with open A1 planning consent. Since acquisition the units have been pre-let to DFS and Carpetright and planning has been granted for the construction of a 2,500 sq ft two unit POD which have been pre-let to Subway and Costa. The development is due for completion in second quarter of 2013.

4.1.2 *Strategy*

Hold.

4.2 *Camborne Retail Park*

Property	Camborne Retail Park
Ownership	33%
Property net internal area	48,500 sq ft
Key dates	Development completed in 2004
Tenure	Freehold
Principal occupiers	B&Q (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	15 yrs
Occupancy rate	100%
Rents passing	£631,200 pa
Average rents passing	£13.01 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.2.1 *Background*

Acquired in June 2012 and comprises a 48,066 sq ft open A1 consented unit let to B&Q. The scheme is located adjacent to Halfords, Comet, Pets at Home, Carpet Right and Sleepmasters stores.

4.2.2 *Strategy*

Hold.

4.3 *Inverness-Milburn Road Retail Park*

Property	Inverness-Milburn Road Retail Park
Ownership	33%
Property net internal area	30,000 sq ft
Key dates	Development completed in 2011
Tenure	Freehold
Principal occupiers	DFS & Carpetright (100% of the income)
Number of tenants	2
Weighted average unexpired lease term	16 yrs
Occupancy rate	100%
Rents passing	£649,994 pa
Average rents passing	£21.67 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.3.1 *Background*

Acquired from Metric in May 2012 the scheme comprises a 20,000 sq. ft. bulky goods consented unit let to DFS and a 10,000 sq ft unit let to Carpetright.

4.3.2 *Strategy*

Hold.

4.4 *Londonderry, Northern Ireland-Faustina Retail Park*

Property	Londonderry, Northern Ireland-Faustina Retail Park
Ownership	33%
Property net internal area	102,400 sq ft
Key dates	Development completed in 2005
Tenure	Freehold
Principal occupiers	B&Q (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	18 yrs
Occupancy rate	100%
Rents passing	£1,382,400 pa
Average rents passing	£13.50 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.4.1 *Background*

Acquired in May 2012 the scheme comprises a 102,000 sq ft open A1 consented unit on an overriding lease to B&Q. 77,200 sq ft is let to B&Q and 25,200 sq ft let Dunelm Mill. Planning is being worked up for a new 20,000 sq ft unit and 3,500 sq ft POD.

4.4.2 *Strategy*

Hold.

4.5 **Orpington-Sevenoaks Way**

Property	Orpington
Ownership	33%
Property net internal area	48,342 sq ft
Key dates	Development completed in 1960's
Tenure	Freehold
Principal occupiers	Carpetright (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	14 yrs
Occupancy rate	100%
Rents passing	£506,272 pa
Average rents passing	£10.47 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.5.1 *Background*

Acquired in December 2011 on a sale-and-leaseback basis from Carpetright plc the scheme is a 48,300 sq ft bulky goods consented retail unit. The leaseback from Carpetright comprised a 15-year lease on the entire accommodation at an initial rent of £506,300 per annum, the lease benefits from five yearly uncapped RPI.

4.5.2 *Strategy*

Hold.

4.6 **Swindon-Fleming Way Retail Park**

Property	Swindon-Fleming Way Retail Park
Ownership	33%
Property net internal area	57,731 sq ft
Key dates	Development completed in mid 1980s
Tenure	Freehold
Principal occupiers	The Range & Halfords (100%)
Number of tenants	2
Weighted average unexpired lease term	19.3 yrs
Occupancy rate	100%
Rents passing	£776,709 pa
Average rents passing	£13.45 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.6.1 *Background*

Acquired in November 2011 the scheme comprises 57,730 sq ft of bulky goods retail accommodation and is let to The Range and Halfords.

4.6.2 *Strategy*

Hold.

Post period end acquisitions

4.7 **Lichfield-Lichfield Retail Park**

Property	Lichfield-Lichfield Retail Park
Ownership	33%
Property net internal area	44,804 sq ft
Key dates	Development completed in 2009
Tenure	Freehold
Principal occupiers	Wickes (46% of the income)
Number of tenants	5
Weighted average unexpired lease term	15 yrs
Occupancy rate	100%
Rents passing	£764,215 pa
Average rents passing	£17.05 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.7.1 *Background*

Acquired in October 2012 the scheme comprises 44,804 sq ft of bulky goods retail accommodation and is let to Wickes, Halfords, Carpetright, Pets at Home and Sleepmasters. 63% of the income benefits from fixed uplifts of RPI.

4.7.2 *Strategy*

Hold.

4.8 **Nottingham-Mansfield Road**

Property	Nottingham-Mansfield Road
Ownership	33%
Property net internal area	23,564 sq ft
Key dates	Development completed in mid 1980s
Tenure	Freehold
Principal occupiers	Wickes (100% of the income)
Number of tenants	1
Weighted average unexpired lease term	18 yrs
Occupancy rate	100%
Rents passing	£345,100 pa
Average rents passing	£14.65 psf overall
Joint venture	USS/MIPP
Method of financing	Deutsche Pfandbriefbank Facility
Encumbrances	Yes

4.8.1 *Background*

Acquired in November 2012 the scheme comprises 23,564 sq ft of bulky goods retail accommodation and is Wickes.

4.8.2 *Strategy*

Hold.

PART 18
VALUATION REPORTS

Part A1—CBRE Valuation of London & Stamford Portfolio (excluding Residential)

CBRE

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Switchboard 020 7182 2000

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VALUATION

Report Date

27 November 2012

Addressee

The Directors and the Proposed Directors
London & Stamford Property Plc ("**London & Stamford**")
21 St James's Square
London
SW1Y 4JZ

and

Peel Hunt LLP ("**Peel Hunt**")
Moor House
120 London Wall
London
EC2Y 5ET

and

Credit Suisse Securities (Europe) Limited ("**Credit Suisse**")
One Cabot Square
London
E14 4QL

The Properties

As listed in the Schedule set out below.

Instruction

To value on the basis of Market Value the Company's freehold and leasehold Properties as at the Valuation Date in accordance with our agreed Terms of Engagement letter dated 26 November 2012.

Valuation Date

30 September 2012

Capacity of Valuer

Independent.

Purpose of Valuation

We understand that this valuation report and Schedule ("**the Valuation Report**") are required firstly, to confirm to the directors and proposed directors of London & Stamford the current Market Value of the Properties and secondly, for inclusion in (a) a circular in relation to the proposed merger of London & Stamford with Metric Property Investments plc ("**Metric**") by way of scheme of arrangement of Metric and effected by a share for share exchange; and (b) a prospectus in connection with the admission of the new ordinary shares in London & Stamford to the premium listing segment of the Official List of the Financial Services Authority and to trading on the London Stock Exchange's main market for listed securities which investors will rely on in making their decision to invest in London & Stamford.

We understand that this Valuation Report will be relied upon by Peel Hunt and Credit Suisse.

Market Value

£635,209,000 exclusive of VAT, as shown in the table below and further details of which are shown in the Schedule below.

We have valued the Properties detailed in the schedule hereto (together, the "Properties" and each a "Property") individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

This can be apportioned between different interests in properties as follows:

Market Values Apportioned by Tenure

	<u>Valuation 100% Market Value</u>	<u>Valuation Adjusted for JV Shares</u>	<u>Current Net Annual Rent Receivable 100%</u>	<u>Current Net Annual Rent Receivable Adjusted for JV Shares</u>	<u>No of Properties</u>
Freehold Properties	£365,390,000	£281,521,500	£24,025,963	£18,156,346	17
Leasehold Properties	£266,289,000	£231,514,000	£16,995,337	£14,723,999	7
Freehold and leasehold Properties	<u>£3,530,000</u>	<u>£3,530,000</u>	<u>£63,700</u>	<u>£63,700</u>	<u>1</u>
Total	<u>£635,209,000</u>	<u>£516,565,500</u>	<u>£41,085,000</u>	<u>£32,944,045</u>	<u>25</u>

Portfolio Analysis

The values of the properties as at 30 September 2012, show the following:

<u>Portfolio</u>	<u>Market Value % of Aggregate</u>	<u>% Ownership</u>
Office Portfolio	50.63%	100%
Distribution Portfolio—Wholly Owned	10.05%	100%
Distribution Portfolio—Joint Venture	37.36%	50%
Initial Portfolio & Development Land	<u>1.96%</u>	<u>100%</u>
TOTALS	<u>£635,209,000</u>	

Application of valuation figures in financial statements

We have been asked to include an explanation of the difference between the valuation figures set out in this property valuation and the equivalent figure reported by the Company as at 31 March 2012 for the purposes of its year end financial statements. As at 31 March 2012, the aggregated figure of 100 per cent. market value for the whole portfolio was £2,149 million. This included £1,513,805 in respect of Meadowhall. However, prior to the valuation date London & Stamford Group and its joint venture partner, Green Park Investments sold their 50 per cent interest in the freehold of Meadowhall. The net proceeds of sale of the joint venture's 50 per cent. direct share was £307.9 million of which the London & Stamford Group's share was £95.8 million. In the summer of 2012, London & Stamford acquired two large office investments in Leatherhead and Marlow. These two investments are valued as at 30 September 2012 at a combined £115,581,000. Were the value of the two office investments to be deducted from the aggregated figure of £635,209,000 as reported herein, a net position of £519,628,000 is reached. This compares to the equivalent figure (discounting Meadowhall) of £522,367,000 as reported by the Company as at 31 March 2012. Therefore, due to market movement, the value of the

	London & Stamford Group's property portfolio decreased by £2,739,000 between 31 March 2012 and 30 September 2012.
Compliance with Valuation Standards	<p>The valuations of all the properties have been prepared in accordance with The RICS Valuation Standards. The property details on which these valuations are based are as set out in this report.</p> <p>We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.</p>
Assumptions	<p>The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites—including ground and groundwater contamination—as set out below.</p> <p>If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.</p>
Variation from Standard Assumptions	None.
Valuer	The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation Standards.
Independence	<p>The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from London & Stamford (or other companies forming part of the same group of companies) is less than 5 per cent. of the total UK revenues.</p> <p>CBRE Ltd has carried out valuation, agency and professional services on behalf of the Company for the past 6 years. We confirm that prior to involvement with the regular valuations for accounting purposes we had no previous material involvement with any of the properties. Copies of our conflict of interest checks have been retained within the working papers.</p> <p>Over the past three years we have undertaken acquisition and disposal advice on behalf of the Company and have also carried our rating appeals on their behalf. The properties where we have been involved in the past and which remain in the portfolio are:</p> <ul style="list-style-type: none"> • Radial Point, Stoke on Trent — (Agency) Letting of the unit in August 2011; • Barracks Road, Newcastle Under Lyme — Rating Advice; and • Logix Portfolio — (Investment) Acquired portfolio in 2010. <p>We do not consider these involvements/potential conflicts of interest affect our independence and objectivity as valuers.</p>
Disclosure	The principal signatory of this report has continuously been the signatory of valuations for London & Stamford and for the same valuation purpose as this report since 2007. CBRE Ltd has continuously been carrying out valuation instructions for London & Stamford since 2007.
Responsibility	For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for this Valuation Report and we accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its

import. This Valuation Report complies with Prospectus Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA update to the CESR recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards or the incorporation of the special assumptions referred to herein.

CBRE has given and has not withdrawn its written consent to the inclusion of this Valuation Report in the scheme document and the combined circular and prospectus.

Yours faithfully

Yours faithfully

MICHAEL BRODTMAN FRICS

Executive Director

RICS Registered Valuer

For and on behalf of

CBRE Ltd

JONATHAN COMPTON MRICS

Director

RICS Registered Valuer

For and on behalf of

CBRE Ltd

SCHEDULE

Address	Building Size Sq Ft	Vacant %	Ownership	100% Market Value Net (rounded)	Current Annual Rent	Comments
1. OFFICE PORTFOLIO						
LONDON One Fleet Place, EC4	169,280	0.70%	100%	£90,000,000 - £110,000,000	£6,070,352	Long Leasehold-Property held on a 999 year lease from the British Railways Board, commencing on 21 December 1990 at a peppercorn. Located in the City of London. Office building completed in 1992. Extends to 15,726.11 sq m (169,280 sq ft) with the accommodation arranged over basement, ground and nine upper floors. Retail split into 5 units at Ground Floor level. Majority of accommodation let to Denton Wilde Sapte LLP on 6 leases expiring September/October 2025.
LONDON One Carter Lane, EC4	132,654	0%	100%	£70,000,000 - £90,000,000	£6,323,000	Long Leasehold-Property held on a 150 year lease, commencing on 23 December 1997 at a geared ground rent. The ground rent is calculated at 8.05% of the rents receivable subject to a minimum of £240,000 per annum. The minimum rent is reviewed every 25 years to 4% of the full rack rents. The current ground rent is £509,001 per annum; therefore the net rent received is £5,813,999 per annum. Located in the City of London. The majority of the property is let to Goldman Sachs, who have exercised their break option effective 18 March 2013. Following Goldman Sachs leaving, the vacancy rate within the building will be 94.87% by floor area. London and Stamford are currently in negotiations with Goldman Sachs in respect of the dilapidations settlement.
CRAWLEY Forest House, Tilgate Forest Business Park	38,477	0%	100%	£10,000,000 - £30,000,000	£909,000	Freehold. Purpose built offices located in an out of town business park near Crawley. Let to Bard UK Ltd (CR Bard Inc as Guarantor) on a lease expiring on 22 May 2029. No break options. Unexpired term certain of 16.6 years.
CRAWLEY Elm Park Court, Tilgate Forest Business Park	29,105	0%	100%	£1,000,000 - £5,000,000	£438,500	Freehold. Late 1980s purpose built office building located adjacent to Forest House above. Let to Maple Oak Plc (Carillion Plc as Guarantor) on a lease expiring 20 September 2015. No break options. Unexpired term certain of 2.9 years.
LEATHERHEAD Unilever House, Leatherhead Office Park	179,457	0%	100%	£50,000,000 - £70,000,000	£4,431,502	Freehold. HQ office building built in 2008. Accommodation is arranged over ground and two upper floors, with a full height atrium. Let to Unilever UK Limited on a lease expiring 18 May 2023. No break options. Unexpired term certain of 10.5 years.
MARLOW Marlow International, Parkway	231,016	0%	100%	£50,000,000 - £70,000,000	£4,715,448	Freehold. Purpose built, multi-let office building. Originally constructed in 1987 and refurbished in 2000. Accommodation is arranged over ground and three upper floors, with a full height atrium. Let to 4 occupiers (Dun & Bradstreet, Allergan Limited, Veolia Water Solutions UK Limited and Lexington Catering Limited). The unexpired terms range from 3.5 years to 8.5 years. A weighted average unexpired term certain of 6.8 years.
Sub-Total	<u>610,709</u>			<u>£321,618,000</u>	<u>£321,618,000</u>	<u>£22,887,802</u>
2. DISTRIBUTION PORTFOLIO WHOLLY OWNED						
TAMWORTH Tamworth 594, Meadow Road	594,444	100%	100%	£10,000,000 - £30,000,000	£0	Freehold. Distribution unit built in 2 phases (Block B and C completed 1994, Block A in 2005). The building is currently vacant (previously let to Focus (DIY) Limited). The property benefits from ancillary three storey offices, training rooms, board rooms, a canteen and administration areas.
WELLINGBOROUGH Park Farm Industrial Estate, Rutherford Drive	341,320	0%	100%	£10,000,000 - £30,000,000	£1,792,279	Freehold. Distribution unit built in 1995 and extended in 1996. Let to Somerfield Stores Plc (Somerfield Ltd (formerly Somerfield Plc) as Guarantor) until 14 November 2027. No break options. The unexpired lease term certain is 15 years. The unit is sub-let to NYK Logistics (UK) Limited. The next Rent Review is due on the 15 November 2012. Comparable evidence for Rent Review purposes can be drawn from units in excess of 100,000 sq ft within a 25 mile radius of the property.

Address	Building Size Sq Ft	Vacant %	Ownership	100% Market Value Net (rounded)	Current Annual Rent	Comments
NOTTINGHAM Glaisdale Parkway	133,717	0%	100%	£5,000,000 - £10,000,000	£568,310	Long Leasehold-Held by way of a lease expiring October 2132. The ground rent is fixed at a peppercorn. Detached industrial unit. Let to Hillary's Blinds Ltd on a lease expiring 22 July 2022. No break options. The unexpired lease term certain is 9.7 years.
Sub-Total	<u>1,069,391</u>		<u>£63,849,000</u>	<u>£63,849,000</u>	<u>£2,360,589</u>	
3. DISTRIBUTION PORTFOLIO JOINT VENTURES						
THURROCK Unit B Dolphin Way, Dolphin Park	148,980	0%	50%	£10,000,000 - £30,000,000	£1,020,000	Freehold. Distribution unit built in 2005. Let to French Connection UK Limited until 28 September 2020. No break options. Unexpired term certain of 7.9 years. 2010 Rent Review recently settled at Arbitration. Sub-let in part (38,000 sq ft) to TDG (UK) Limited.
NORTHAMPTON DC1, Cheany Drive, Grange Park	167,653	0%	50%	£10,000,000 - £30,000,000	£883,000	Freehold. Distribution unit built in 2001. Let to NYK Logistics (UK) Limited on assignment from NYK Logistics (UK) Consumer and Retail Limited until 13 December 2016. No break options. Unexpired term certain of 4.1 years. Rent Review of 14 December 2011 is outstanding.
HEMEL HEMPSTEAD DC1, Eastman Way	171,232	0%	50%	£10,000,000 - £30,000,000	£1,325,483	Freehold. Distribution unit built in 2001. Let to Next Group Plc until 4 November 2021. No break options. Unexpired term certain of 9 years. Rent Review of 5 November 2011 is outstanding.
HEMEL HEMPSTEAD DC2, Boundary Way	245,975	0%	50%	£10,000,000 - £30,000,000	£1,922,398	Freehold. Distribution unit originally built in 2002. Completely refurbished in 2007 following significant damage caused by the Buncefield explosion. Let to Keystone Distribution Limited until 23 September 2027. Guarantor of Keystone Foods Intermediate LLC. No break options. Unexpired term certain of 14.9 years. Rent Review of 24 September 2012 is outstanding.
HEMEL HEMPSTEAD DC3, Boundary Way	122,856	0%	50%	£10,000,000 - £30,000,000	£914,062	Freehold. Distribution unit originally built in 1999. Completely refurbished in 2007 following significant damage caused by the Buncefield explosion. Let to Gist Limited until 31 December 2021, on assignment from Gillette UK Limited. Tenant break option dated 31 December 2016 on 6 months' notice (no break penalty). Unexpired term certain of 4.2 years.
RUGBY 1 Castle Mound Way, Central Park	446,411	0%	50%	£30,000,000 - £50,000,000	£2,582,291	Freehold. Distribution unit built in 2003. Let to Pearson Shared Services Limited until 11 February 2019. No break options. Unexpired term certain of 6.3 years. Lease provides for fixed rental increases in August 2013 to £2,892,166 per annum and a further fixed increase in August 2018 to £3,239,266 per annum.
FELTHAM Unit 1 Heathrow Gateway, Godfrey Way	220,967	0%	50%	£30,000,000 - £50,000,000	£2,298,000	Long Leasehold-999 years less 3 days from 4 March 2003 subject to a fixed ground rent of £1,000 per annum. Distribution unit built in 2002. Let to Royal Mail Group until 26 June 2025. No break options. Unexpired term certain of 12.6 years. Lease provides that the size of the unit for Rent Review purposes is 220,433 sq ft. The Rent Review of 29 June 2010 is outstanding.
FELTHAM Unit 2 Heathrow Gateway, Godfrey Way	127,078	0%	50%	£10,000,000 - £30,000,000	£1,452,000	Long Leasehold-999 years less 3 days from 4 March 2003 subject to a fixed ground rent of £1,000 per annum. Distribution unit built in 2002. Let to CEVA Freight (UK) Limited until 4 August 2022. No break options. Unexpired term certain of 9.8 years. Rent Review of 5 August 2012 is outstanding.
HEATHROW Unit 3 Polar Park, Bath Road	60,051	0%	50%	£10,000,000 - £30,000,000	£795,676	Long Leasehold-Head Lease from 12 May 2009 expiring 17 December 3000 at a peppercorn. Distribution unit built in 2006. Let to The Metropolitan Police Authority until 12 February 2028. No break options. Unexpired term certain of 15.4 years.

Address	Building Size Sq Ft	Vacant %	Ownership	100% Market Value Net (rounded)	Current Annual Rent	Comments
GREENFORD 325-347 Oldfield Lane	133,351	0%	50%	£10,000,000 - £30,000,000	£1,275,000	Freehold. London and Stamford also own the Long Leasehold interest which has 989 years unexpired at a fixed ground rent of £1,000 per annum. A 1990s built distribution unit. Let to Kuehne and Nagel Drinkflow Logistics Limited until 24 December 2022 on assignment from Scottish and Newcastle Plc. No break options. Unexpired term certain of 10.1 years. The floor area provided is on a Gross External Area basis. Plowman Craven has measured the Gross Internal Area to be 129,961 sq ft. The lease provides that the unit is assumed to be 50,000 sq ft for Rent Review purposes.
HARLOW Flexmeadow, Pinnacles West	267,556	0%	50%	£10,000,000 - £30,000,000	£1,817,000	Freehold. Distribution unit built in late 1980s. Let to Tesco Stores Limited (Guarantee from Tesco Plc) until 24 December 2023. No break options. Unexpired term certain of 11.1 years.
Sub-Total	<u>2,112,110</u>		<u>£118,643,500</u>	<u>£237,287,000</u>	<u>£16,284,910</u>	
4. INITIAL PORTFOLIO & DEVELOPMENT LAND						
STOKE-ON-TRENT The Campbell Centre, Campbell Road	433,783	0%		£1,000,000 - £5,000,000	£0	Freehold. Detached vacant factory/depot premises on a site area of approximately 11 acres. Located within close proximity to Junction 15 of the M6. Comprehensive redevelopment opportunity. The property is currently being marketed by London and Stamford.
NEWCASTLE-UNDER-LYME Barracks Road	33,033	88%		£1,000,000 - £5,000,000	£63,700	Part freehold, with leasehold rights over part of the car park. Edge of town centre location. Comprises 4 units, the largest of which extends to 25,000 sq ft. This unit is currently vacant and was constructed as health and fitness unit. It is in shell condition having never been occupied and benefits from a planning consent for a change of use to A1 retail use. Floor area includes first floor (10,000 sq ft) of vacant gym unit. The mezzanine is unsuitable for the consented retail use. There are three further retail units, one of which is vacant. The two occupied units (let to Bathstore.com and Domino's Pizza) are subject to leases expiring in December 2024.
GILLINGHAM Land at Gillingham Business Park	N/A	N/A	100%	£1,000,000 - £5,000,000	£0	Freehold. A site extending to 3.176 hectares (7.848 acres). Planning consent for 8,175.2 sq m (88,000 sq ft) of industrial space and 3,994.7 sq m (43,000 sq ft) of office space was granted on 21 May 2008.
YEOVIL Land at Copse Road	N/A	N/A	100%	£1,000,000 - £5,000,000	£0	Freehold. A site extending to 2.21 hectares (5.46 acres). Planning approval for a mixed use development subject to highways condition(s) being approved. The development includes 1,822.3 sq m (19,616 sq ft) of trade counter use, 3,290.1 sq m (35,416 sq ft) of offices and 5,886 sq m (63,359 sq ft) of industrial.
NOTTINGHAM Land at Glaisdale Parkway	N/A	N/A	100%	£0 - £1,000,000	£0	Long Leasehold-Held by way of a Head Lease expiring in October 2132. The ground rent is fixed at a peppercorn. The site extends to 0.97 ha (2.4 acres). The site previously benefited from detailed planning consent for a re-development of 4,418 sq m (47,560 sq ft) of industrial accommodation. The planning consent was granted in April 2007, but has subsequently time elapsed.
Sub-Total	<u>466,816</u>		<u>£12,455,000</u>	<u>£12,455,000</u>	<u>£63,700</u>	

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of information	We have carried out our work based upon information supplied to us by London & Stamford and their professional advisors, as set out within this report, which we have assumed to be correct and comprehensive.
The Properties	Our report contains a brief summary of the property details on which our valuation has been based.
Revaluation without inspection	As instructed, we have not re-inspected all the properties for the purpose of this valuation. All properties have been inspected between May 2010 and September 2012. With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their locations, since the last inspection. We have assumed this advice to be correct.
Areas	We have not measured the Properties but have relied upon the floor areas provided.
Environmental matters	We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigations into the past or present uses of the Properties. nor any neighbouring land, in order to establish whether there is any potential for contamination and have, therefore, assumed that none exists.
Repair and condition	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect. We have not been provided with building condition surveys.
Town planning	We have not undertaken planning enquiries.
Titles, tenures and lettings . . .	Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal advisor. We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

- Capital values** Each valuation has been prepared on the basis of “**Market Value**” which is defined as:
- “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.
- No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.
- No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.
- No account has been taken of the availability or otherwise of capital based Government or European Community grants.
- Rental values** Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.
- The Properties** Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.
- Landlord’s fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.
- Process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our valuations.
- All measurements, areas and ages quoted in our report are approximate.
- Environmental matters** In the absence of any information to the contrary, we have assumed that:
- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; and
 - (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; and
 - (c) the properties possess current Energy Performance Certificated (EPCs) as required under the Government’s Energy Performance of Buildings Directive.
- Repair and condition** In the absence of any information to the contrary, we have assumed that:
- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
 - (b) the Properties are free from rot, infestation, structural or latent defect;
 - (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and

- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, tenure, planning and
lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted.
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

Part A2—Savills Valuation of London & Stamford’s Residential Portfolio

27 November 2012

The Directors and the Proposed Directors
London & Stamford Property Plc (the “the Company”)
21 St James’s Square
London
SW1Y 4JZ



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Credit Suisse Securities (Europe) Limited
One Cabot Square
London
E14 4QL

Ladies and Gentlemen,

VALUATION AS AT 30 SEPTEMBER 2012

CERTAIN RESIDENTIAL APARTMENTS AT:

1. BRIDGES WHARF, BATTERSEA, LONDON SW11;
2. Highbury Square, Avenall Road, Highbury London N5
3. 131-143 Clapham Road, Stockwell, London SW9;
4. Moore House, Grosvenor Waterside, London SW1W; and
5. 89-93 Central Street, Seward Street, London EC1V.

1. INSTRUCTIONS

- 1.1 In accordance with instructions received from the Company as confirmed in our letter dated 26 November 2012, we have carried out a valuation of certain residential apartments detailed above and described in more detail in the schedule attached to this report (together the “**Properties**” and each a “**Property**”).
- 1.2 It is understood that our Valuation Report and Schedules (the “**Valuation Report**”) are required for inclusion in: (a) a circular to be published by the Company in relation to the proposed merger (the “**Merger**”) of the Company with Metric Property Investments plc (“**Metric**”) to be implemented by way of scheme of arrangement of Metric and effected by a share for share exchange; and (b) a prospectus to be published by the Company in connection with the admission of the new ordinary shares to the premium listing segment of the Official List of the Financial Services Authority (“**FSA**”) and to trading on the London Stock Exchange’s main market for listed securities, which investors will rely on (the “**Purpose of this Report**”).
- 1.3 We confirm that these valuations are each prepared for a Regulated Purpose as defined in the Royal Institution of Chartered Surveyors (“**RICS**”) Valuation Standards (March 2012) (“**Valuation Standards**”).

- 1.4 The Valuation Report will be relied upon by the Company, Peel Hunt LLP and Credit Suisse Securities (Europe) Limited.
- 1.5 The effective date of the valuation is 30 September 2012 (the “**Valuation Date**”).

2. THE PROPERTIES

- 2.1 The Properties we have valued are briefly described in the Schedule attached to this Valuation Report. These are all held for investment purposes.
- 2.2 Each individual residential unit forming part of each property identified in the Schedule has been valued individually and not as part of a portfolio. The aggregate stated is the aggregate of the individual apartment values at each property and no allowance has been made for any possible discount or premium which may apply for a bulk portfolio sale.

3. INSPECTIONS

We have not inspected each and every apartment at each property but have inspected a representative sample within the last 3 months. In accordance with our instructions, we have not undertaken additional inspections specifically for the purpose of this valuation. We have been advised by the Company that no material changes have occurred to any part of the Properties in the intervening period.

4. COMPLIANCE AND INDEPENDENCE

- 4.1 We confirm that our valuations have been prepared in accordance with both the Listing Rules and Prospectus Rules of the FSA and the Valuation Standards. They have been undertaken by External Valuers, as defined in the Valuation Standards.
- 4.2 The total fees, including the fees for this instruction, earned by Savills Advisory Services Limited (or other companies forming part of the same group of companies within the UK) from the Company (or other companies forming part of the same group of companies) is substantially less than 5 per cent. of our total UK turnover.
- 4.3 Mr. Stephen Reasbeck, one of the signatories of this report has been the signatory of valuations in respect of the Properties for the Company this year and since their acquisition by the Company.
- 4.4 Savills Advisory Services Limited has been carrying out valuation services for the Company for 2.5 years and has carried out agency and other professional services on behalf of the Company for 3 years.

5. BASIS OF VALUATION

In accordance with the Valuation Standards and the Listing Rules, our valuations have been prepared on the basis of Market Value. This is an internationally recognised basis and is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

6. VALUATIONS

- 6.1 On the bases outlined in this Valuation Report, we are of the opinion that each individual Market Value as at 30 September 2012 of the Company’s long leasehold interests, subject to and with the benefit of the various occupational leases and otherwise with the benefit of vacant possession, as summarised in the Schedule, is as stated against that Property in the Schedule.
- 6.2 Our valuations are exclusive of any VAT.
- 6.3 The aggregate of the said individual Market Values for the Properties as at 30 September 2012 is **£372,095,000** (Three Hundred and Seventy Two Million and Ninety Five Thousand Pounds). All of the individual apartments making up each property are held on a long leasehold basis. The exception to this is the property at Seward Street where the Company have the benefit of a contract to acquire the leasehold interests and where we have made certain specific assumptions as noted on the Schedule. The total also includes a 100% share of the property at Moore House Grosvenor Waterside and if London & Stamford’s 40% share is reflected then the aggregate of the said

individual Market Values would fall to £256,895,000 (Two Hundred and Fifty Six Million Eight Hundred and Ninety Five Thousand Pounds).

6.4 As instructed, we have reported the individual Market Values for the Properties on the Schedule within a range rather than the specific figures (although the specific total is reported). This is done on the basis that the disclosure of the specific figures is commercially sensitive.

6.5 We include in the Schedule some information on the Net Annual Rent receivable at the date of valuation. "Net Annual Rent" is defined as:

"the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent."

We have reported on this basis with the figures stated being the aggregate of the net annual rents for tenancies in place after allowance is made for superior rents and costs of insurance, service charge, rent collection, letting fees and similar.

7. REALISATION COSTS

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of a Property.

8. ASSUMPTIONS AND SOURCES OF INFORMATION

8.1 *Floor areas*

We have relied upon the floor areas provided to us by the Company. In certain instances check measurements have previously been taken on-site and the floor area figures provided have proved to be accurate. We assume that all floor area figures provided are complete and correct and calculated in accordance with the Code of Measuring Practice issued by the RICS. All measurements and areas quoted in this Valuation Report are approximate.

8.2 *Plant and machinery*

Landlord's plant and machinery such as lifts, escalators, air conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

No specialist tests have been carried out on any of the service systems and, for the purpose of our valuations, we have assumed that all are either in good working order and in compliance with any relevant statute, bye-law or regulation, or will be upon completion of development of the Property concerned.

8.3 *Environmental investigations and ground conditions*

We have not ourselves undertaken any environmental investigations, for contamination or otherwise but have assumed that, except to the extent (if any) disclosed to us by the Company, there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

8.4 *Building structure*

We are not instructed to carry out structural surveys for the purpose of this valuation and have assumed that there are not, and will not be, any structural or latent defects within the Properties. From our inspections, all of the Properties appeared to be well maintained and in good condition. We have assumed that no known deleterious or hazardous materials have been, or are being, utilised in the construction of any of the Properties.

We have assumed that each apartment is supported by a National House-Building Certificate certificate or equivalent although we have not been provided with copies.

8.5 *Town planning and statutory requirements*

We have made verbal town planning enquiries only and information has been provided to us on the basis that it should not be relied upon. In general terms, we have assumed that there are no adverse town planning, highway or other schemes or proposals in respect of any of the Properties.

We have assumed that, save as may be disclosed in the Schedule hereto, all relevant planning consents exist for the Properties and their respective present or proposed uses (as appropriate).

We have assumed that all buildings currently comply with all statutory and local authority requirements including building, fire and health and safety regulations.

8.6 *Tenure and tenancies*

We have not reviewed or had access to the title deeds or various agreements and our valuation has been based on the information which the Company has supplied to us as to tenure and similar.

Unless disclosed to us to the contrary our valuation is on the basis that:

- 8.6.1 the Properties possess good marketable titles free from any unusual encumbrances, restrictions or obligations;
- 8.6.2 nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the respective values of the Properties; and
- 8.6.3 in respect of leasehold property, consent (if required) to assign the leasehold interest would not be withheld or delayed by the relevant landlord if requested.

No account has been taken of any mortgages, debentures or other security which may now or in the future exist over any of the Properties.

We have not read copies of the leases or related documents but have relied upon the tenancy information provided to us directly by the Company.

8.7 *Third party covenants*

We have not conducted credit enquiries into the financial status of any of the tenants. However, in undertaking our valuations, we have reflected our understanding of the market's perception of the financial status of those parties. We have also assumed that each party is capable of meeting its obligations, and that there are no material undisclosed breaches of covenant.

9. RELIANCE AND CONFIDENTIALITY

- 9.1 No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of this Report. Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.
- 9.2 We authorise, and accordingly take responsibility for the contents of this report for the purposes of item 5.5.3R (2) (f) of the Prospectus Rules and confirm that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. Our Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA update to the CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No.809/2004
- 9.3 Savills has given and not withdrawn its written consent to the inclusion of this Valuation Report in the scheme document and the combined prospectus and circular.

Yours faithfully
For and on behalf of
Savills Advisory Services Limited

S R REASBECK MRICS
RICS Registered Valuer
Divisional Director

Yours faithfully
For and on behalf of
Savills Advisory Services Limited

M ONGLEY MRICS
RICS Registered Valuer
Associate

SCHEDULE

<u>Property</u>	<u>Location and Description</u>	<u>Tenure and Tenancies</u>	<u>Market Value</u>	<u>Net Annual Rent</u>
1. RESIDENTIAL				
Bridges Wharf, Bridges Court, Battersea, London SW11	<p>The property is located on the west side of Bridges Court, a private road accessed from York Road (A3205) to the south of central Battersea and close to Wandsworth. The River Thames runs along the whole western edge of the scheme whilst London Heliport is situated to the north.</p> <p>The property comprises 52 residential apartments and 54 car parking spaces situated in three larger blocks (out of a total of 259 units and up to 15 storeys in height) in this recently completed scheme by Weston Homes. There are five live/work units, a single one-bed unit and 51 two-bed units with a total gross internal floor area of 44,620 sq ft.</p> <p>Detailed planning consent was granted in August 2006.</p>	<p>Each apartment is held on a 150-year lease from March 2006 with ground rents of £250 per annum for the one bed units and £300 per annum for the two bed flat and live/work units. Each lease includes the right to use a dedicated car parking space in the basement with the exception of a penthouse unit which has the right to use three spaces.</p> <p>Eighteen of the units are held with vacant possession whilst the remainder are subject to separate Assured Shorthold Tenancies with an aggregate gross rent passing of £956,020 per annum.</p>	£25,000,000 to £35,000,000 Note(a) and (b)	£510,000
Highbury Court, Avenall Road, Highbury, London N5	<p>Highbury is located in north London and around 2.7km north of Islington and 5.5km north of the City of London. The property is situated close to Arsenal London Underground Station with the main entrance onto Avenall Road.</p> <p>The property comprises 134 residential apartments and 91 car parking spaces situated within the Highbury Square development (a total of 711 units in four blocks) which was formerly the Arsenal Football Stadium. One of the units is located in the west stand whilst the remaining units, 133 in total, are located in the north stand. The total gross internal floor area is 94,588 sq ft and the scheme was completed in 2009.</p> <p>Detailed planning consent was granted in September 2005 following earlier permissions.</p>	<p>The 134 apartments are held leasehold from Highbury Square Management Company Ltd on two leases. The first is for 133 units in the north stand and the second is for one unit in the west stand (9 units assumed to have been sold from this on sub-leases for nominal ground rent). The lease terms are for 254 years less three days from 1 January 2007 with peppercorn ground rents.</p> <p>Four of the units are held with vacant possession whilst the remainder are subject to separate assured shorthold tenancies mainly to private individuals. The aggregate gross rent passing is £2,776,800 per annum.</p>	£50,000,000 to £70,000,000 Note(a)(b) and (c)	£2,170,000

Property	Location and Description	Tenure and Tenancies	Market Value	Net Annual Rent
131 - 143 Clapham Road, Stockwell, London SW9	<p>Stockwell is located in south London approximately 3.7km to the south of central London. The property is situated 400m to the north of Stockwell London Underground Station on the east side of Clapham Road (A3). There are two entrances to the property directly from Clapham Road (A3).</p> <p>The wider development comprises 152 private flats/houses and 90 affordable housing units (located in a separate block to the north of the development). The private apartments are situated in three buildings Causton House, Grant House and Zachary House. The development is located to the rear of a 'T' shaped building known as The Printworks, which fronts Clapham Road and which will provide office accommodation. A total of 74 apartments are included in this valuation and the total gross internal floor area of these units is 48,510 sq ft.</p> <p>In addition, the development includes a total of 149 basement car parking spaces, which are accessed off Printers Road from either end. A total of 30 car parking spaces are included in this valuation.</p> <p>Detailed planning consent was granted in 2006, with construction commencing in 2009 and practical completion reached in 2011.</p>	<p>The 74 apartments are held on individual 999 year leases from February 2007 with a ground rent of £350 per annum per apartment. The car parking spaces are held by way of a grant of an exclusive right to use a designated parking space for the length of the lease on the flats.</p> <p>Two of the units are held with vacant possession whilst the remainder are subject to separate Assured Shorthold Tenancies mainly to private individuals under an aggregate gross rent passing of £1,350,988 per annum.</p>	<p>£25,000,000 to £35,000,000 Note (a),(b)</p>	£1,003,000
Moore House, Grosvenor Waterside, London, SW1W	<p>The property is located in Chelsea within the City of Westminster and Prime Central London. It is situated on the east side of Ebury Bridge Road, on the north side of Gatliff Road and to the west of Wentworth Court/Caro Point. The Inner and Outer Grosvenor Docks around which the development is based are located to the south.</p> <p>The property forms part of the final phase in the Grosvenor Waterside development by St James (part of the Berkeley Group) which has been under construction since 2003. Grosvenor Waterside includes 635 private flats and 282 affordable housing units in nine new build blocks, together with a number of commercial ground floor units, a spa and an underground car park.</p>	<p>Each apartment is held on a 999 year lease from 1 January 2003 with ground rents of £500 per annum for the studio flats, £750 per annum for the 1 bedroom flats, £1,000 per annum for the 2 bedroom flats and £1,250 per annum for the 3 bedroom flats.</p> <p>122 of the units are held with vacant possession whilst the remaining 27 are subject to separate Assured Shorthold Tenancies mainly to private individuals with an aggregate gross rent passing of £1,133,132 per annum.</p>	<p>£192,000,000 Note (b),(d)</p>	£0

Property	Location and Description	Tenure and Tenancies	Market Value	Net Annual Rent
	<p>The development was completed in different phases over a number of years with planning permission for the first phase granted in 2002. The first phase was completed and fully sold by July 2007.</p> <p>The property comprises all 149 apartments in Moore House, with a total gross internal floor area of 118,514 sq ft, together with 97 car parking spaces located in the wider Grosvenor Waterside underground car park. The apartments comprise 17 studio flats, 54 one bedroom flats, 35 two bedroom flats, 36 three bedroom flats and 7 duplexes.</p>			
89-93 Central Street, Seward Street, London EC1V	<p>The property is located in the London Borough of Islington and is close to several London Underground stations.</p> <p>It is currently being developed as part of a joint venture between Mount Anvil and Notting Hill Housing Corporation as part of a larger development of 107 private sector flats and 54 affordable sector housing units together with 32 basement car parking spaces.</p> <p>Upon completion, the subject property will comprise 107 private sector flats with a total proposed gross internal area of 72,749 sq ft together with 31 basement car parking spaces.</p> <p>Planning consent was granted in 2008 with construction commencing in 2011 and practical completion expected in phases over the last quarter of 2012.</p>	<p>The Company have contracted to acquire a 150 year lease in each apartment with ground rents of £300 per annum for the 1 bed flats, £350 per annum for the 2 bed flats and £400 per annum for the 3 bed flats. We understand and have assumed that no ground rent will be due on the car parking spaces.</p>	<p>£55,000,000 to £65,000,000 Note (a)(e)</p>	<p>Nil</p>
Total			£372,095,000	

Notes:

- (a) As instructed, this figure is stated within a range due to commercial sensitivity
- (b) The total stated is the aggregate of the individual apartment values and assumes a sale of each in a single lot by private treaty. No allowance has been made for any possible portfolio or bulk sale.
- (c) For the north stand units at Highbury, we have assumed a sub-leasehold sale of each unit from the head lease.
- (d) This figure disregards any joint venture arrangements that may be in place and assumes a 100% interest in the asset. We understand that the Company actually hold a 40% share in this property which would result in an apportioned figure of £76,800,000. We assume that this 40% interest can be freely marketed and sold.
- (e) This figure represents the expected aggregate Market Value of the long leasehold interest in each individual apartment together with car parking spaces and assumes a sale of each in a single lot by private treaty following completion of the development works. No allowance has been made for any possible portfolio bulk sale. The Market Value as at the date of valuation is £10,400,000 (Ten Million Four Hundred Thousand Pounds) which reflects the value of the Company's contract to acquire the long leasehold units together with the total payments and costs outstanding as advised to us by the Company. The latter is also made on the specific assumption that the Company's contractual interest is openly alienable at the date of valuation so that it could be freely assigned to a third party in the open market.

PART B: CBRE Valuation of Metric Portfolio

CBRE

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

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VALUATION

Report date

27 November 2012

Addressees

The Directors and proposed Directors
London & Stamford Property Plc ("**London & Stamford**")
21 St James's Square
London
SW1Y 4JZ

and

Peel Hunt LLP ("**Peel Hunt**")
Moor House
120 London Wall
London
EC2Y 5ET
and

Credit Suisse Securities (Europe) Limited ("**Credit Suisse**")
One Cabot Square
London
E14 4QL

The Properties

As listed in the Schedule set out below.

Instruction

To value on the basis of Market Value Metric Property Investments plc's (the "**Company**") freehold and leasehold Properties as at the valuation date in accordance with our agreed Terms of Engagement letter dated 26 November 2012.

Valuation Date

17 October 2012 for all properties other than Lichfield and Nottingham, where we have adopted a valuation date of 22 November 2012 following the recent purchases by the Company.

Capacity of Valuer

Independent.

Purpose of Valuation

We understand that this valuation report and Schedule ("**the Valuation Report**") are required firstly, to confirm to the directors and proposed directors of London & Stamford the current Market Value of the Properties and secondly, for inclusion in (a) a circular in relation to the proposed merger of London & Stamford with the Company by way of scheme of arrangement of the Company and effected by a share for share exchange; and (b) a prospectus in connection with the admission of the new ordinary shares in London & Stamford to the premium listing segment of the Official List of the Financial Services Authority and to trading on the London Stock Exchange's main market for listed securities, which investors will rely on in making their decision to invest in London & Stamford.

We understand that this Valuation Report will be relied upon by Peel Hunt and Credit Suisse.

Market Value

£308,175,000 exclusive of VAT, for all properties other than Lichfield and Nottingham.

£15,850,000 exclusive of VAT for recent purchases by the Company at Lichfield and Nottingham.

Market Values and further details on the properties are shown in the Schedule below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

This can be apportioned between different interests in properties as follows:

Market Values Apportioned by Tenure

	<u>Valuation 100% Market Value</u>	<u>Valuation Adjusted for share of joint ventures</u>	<u>Current Net Annual Rent Receivable at 100%</u>	<u>Current Net Annual Rent Receivable Adjusted for share of joint ventures</u>	<u>No of Properties</u>
Freehold Properties . . .	£288,100,000	£237,333,333	£17,062,100	£13,586,700	27
Leasehold Properties . .	£35,925,000	£35,925,000	£2,003,000	£2,003,000	2
Total	<u>£324,025,000</u>	<u>£273,258,333</u>	<u>£19,065,100</u>	<u>£15,589,700</u>	<u>29</u>

Portfolio Analysis

The values of the investment properties as at 17 October 2012, and 22 November 2012 for Lichfield and Nottingham

<u>Portfolio</u>	<u>Market Value</u>	<u>MV %</u>
Retail Portfolio	£212,175,000	89%
MIPP Joint Venture ⁽¹⁾	£25,383,333	11%
TOTALS	<u>£237,558,333</u>	<u>100%</u>

Portfolio Comments:

- (1) The valuation of the Metric Income Property Plus Limited Partnership joint venture portfolio with Universities Superannuation Scheme has been adjusted to reflect the one-third share owned by the Company

Compliance with Valuation Standards

The valuations of all the properties have been prepared in accordance with The RICS Valuation – Professional Standards (2012) (“the Red Book”). The property details on which these valuations are based are as set out in this report.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the Red Book.

Independence

With the exception of the involvements listed below, we confirm we have had no previous material involvement with any of the properties, and that copies of our conflict of interest checks have been retained within the working papers:

We are currently instructed to act on Metric's behalf in respect of outstanding rent reviews at Airport Retail Park, Coventry (DSG t/a PC World) and at Launceston Retail Park (B&Q). We previously acted on behalf of McDonalds Restaurants Ltd against Metric on the May 2010 rent review at Damolly Retail Park, Newry, which has recently been settled. We also acted as valuers and as vendors agents in respect of the recent disposal of Lichfield Retail Park on behalf of the previous owners, Aviva.

We have also prepared loan security valuations on behalf of Metric's lender, RBS, in respect of 11 of the standing investment properties.

We do not consider these involvements/potential conflicts of interest affect our independence and objectivity as valuers.

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues.

Disclosure

The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report since 2010. CBRE Ltd has continuously been carrying out valuation instructions for the Company since 2010.

CBRE Ltd has carried out Valuation and Professional services on behalf of the Company for less than 5 years.

Responsibility

For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for this Valuation Report and we accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Report complies with Prospectus Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of the ESMA update to the CESR recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004.

For the purposes of Rule 29.4 of The City Code on Takeovers and Mergers, there is no material difference between the values stated in this Valuation Report and the values that would be stated were the Valuation Date the date of this Valuation Report.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards or the incorporation of the special assumptions referred to herein.

CBRE has given and has not withdrawn its written consent to the inclusion of this Valuation Report in the Scheme Document and the Combined Circular and Prospectus.

Yours faithfully

Yours faithfully

PETER STOUGHTON-HARRIS MRICS

EXECUTIVE DIRECTOR

RICS Registered Valuer

For and on behalf of

CBRE Ltd

GLYN HARPER MRICS

DIRECTOR

RICS Registered Valuer

For and on behalf of

CBRE Ltd

SCHEDULE

Address	Building Size Sq Ft	Vacant %	Market Value Net (range)	Current Annual Rent	Comments
RETAIL PORTFOLIO (100% OWNED)					
BEDFORD, Alban Retail Park	64,370	0%	£10,000,000- £30,000,000	£867,000	Retail warehouse park built in 1986, and refurbished in 2011. Comprises of four units with restricted bulky goods consent. Tenants are B&M, Paul Simon, Jollyes Pet Stores and Dunelm. Overall average unexpired term certain of circa 12 years. Freehold.
BEDFORD, 7-11 Midland Road	24,780	0%	£5,000,000- £10,000,000	£425,000	Newly refurbished pair of retail units occupying prime location within Bedford town centre. Recently let to Next and Iceland. Overall average unexpired term certain of circa 11 years. Freehold.
BRISTOL, Channon's Hill Retail Park	61,430	20%	£5,000,000- £10,000,000	£361,000	Retail warehouse park built in the mid 1980's, Comprises of six units with full open A1 consent (part food). Key tenants are B&M, Currys and What! Stores, with a further unit currently under offer to Iceland. Overall average unexpired term certain of circa 12 years. Freehold.
CANNOCK, Longford Island	24,490	14%	£5,000,000- £10,000,000	£0	Newly redeveloped retail warehouse park comprising three units with restricted bulky goods consent. Tenants are DFS and Sleepright, with one unit of 3,643 sq ft to let. Overall average unexpired term certain of circa 19 years. Freehold.
CONGLETON, Congleton Retail Park	64,460	0%	£10,000,000- £30,000,000	£1,008,000	Retail warehouse park built in 2004 with an additional unit added in 2007. Comprises of 10 units, 9 with full open A1 consent and one with full restricted bulky goods consent, with planning permission secured to construct an additional 8,000 sq ft unit on adjoining land and 6,400 sq ft on the former Focus garden centre. Key tenants are Marks and Spencer, Family Bargains, Boots, Halfords and Laura Ashley. Overall average unexpired term certain of circa 9 years. Freehold.
COVENTRY, Airport Retail Park	102,510	0%	£10,000,000- £30,000,000	£1,308,000	Retail warehouse park built in 1996. Comprises of 6 units with restricted bulky goods consent. Tenants are DSG Retail t/a Currys PC World Megastore, Dunelm, Dreams, Carpetright and Halfords. Overall average unexpired term certain of circa 8 years. Freehold.
HOVE, PC World, Old Shoreham Road	19,280	0%	£5,000,000- £10,000,000	£540,000	Stand-alone retail warehouse unit built in 1999 and let to DSG Retail t/a PC World under a restricted bulky goods consent. Planning permission secured for a 9,000 sq ft extension with terms agreed to let to Hobbycraft. Unexpired term certain of circa 13 years. Freehold.

Address	Building Size Sq Ft	Vacant %	Market Value Net (range)	Current Annual Rent	Comments
KINGS LYNN, Pierpoint Retail Park	66,290	0%	£10,000,000- £30,000,000	£1,025,000	Retail warehouse park built in the late 1980's, Comprises of four retail warehouse units with full open A1 consent, together with a banking hall unit. Planning permission has been secured for an extension. Tenants are Homebase, Next, DFS, Comet and Barclays Bank. Overall average unexpired term certain of circa three years. Freehold.
LAUNCESTON, Launceston Retail Park	78,190	0%	£10,000,000- £30,000,000	£1,031,000	Retail warehouse park built in 2002, with an additional pair of units detached from the main scheme built in 2005. Comprises of 9 units, one unit (B&Q) has restricted bulky goods consent with remaining 8 units having full open A1 consent including food. Key tenants are B&Q, Argos, New Look and Pets at Home. Overall average unexpired term certain of circa 12 years. Freehold.
LOUGHBOROUGH, Gorse Covert Shopping Centre	51,200	0%	£10,000,000- £30,000,000	£1,017,000	Supermarket with petrol filling station and 7 retail units. Entire let to Safeway Stores t/a Morrisons with unexpired term certain of circa 6 years. Leasehold. Held on a 125 year lease from Charnwood Borough Council at a ground rent of £1 per annum.
MANSFIELD, PC World, Nottingham Road	47,130	0%	£10,000,000- £30,000,000	£801,000	Stand-alone retail warehouse unit built in 1999 and substantially refurbished in 2011. Let to DSG Retail t/a Currys PC World Megastore under a restricted bulky goods consent. Unexpired term certain of circa 13 years. Freehold.
MILFORD HAVEN, Havens Hill Retail Park	86,030	3%	£10,000,000- £30,000,000	£986,000	Retail warehouse park built in 1997 and anchored by a Tesco foodstore together with 7 retail warehouse units with full open A1 consent. Key tenants are Tesco, Home Bargains, Poundstretcher and Boots. Overall average unexpired term certain of circa 13 years. Leasehold. Held on a 118 year lease from Capita Trust Company at a ground rent of £50 per annum.
NEWRY, Damolly Retail Park	165,090	1%	£30,000,000- £50,000,000	£2,348,000	Retail warehouse park built in 1999. Comprises of 10 units with restricted bulky goods consent and one unit with full open A1 food consent. Key tenants are B&Q, Next at Home, Halfords, Mothercare, Smyths Toys and Lidl. Overall average unexpired term certain of circa 13 years. Freehold.
SHEFFIELD, St Mary's Retail Park	28,880	0%	£5,000,000- £10,000,000	£573,000	Retail warehouse park built in the late 1980's and substantially refurbished in 2011. Comprises of two units with restricted bulky goods consent. Tenants are DFS and Wren Kitchens. Overall average unexpired term certain of circa 15 years. Freehold.
ST ALBANS, Dunelm Mill, Alban Park	24,850	0%	£1,000,000- £5,000,000	£375,000	Stand-alone retail warehouse unit built in 1985, extended in 2006 and refurbished in 2010. Let to Dunelm Mill under a restricted bulky goods consent with an unexpired term certain of circa 8 years. Freehold.

Address	Building Size Sq Ft	Vacant %	Market Value Net (range)	Current Annual Rent	Comments
ST HELENS, 2/72 Telford Drive & 101/103 Hoghton Road	0	0%	£100,000- £500,000	£4,000	Portfolio of 31 residential properties let on long lease to private individuals/householders with an unexpired term certain of circa 145 years. Freehold.
WICK, Wick Retail Park	70,790	0%	£5,000,000- £10,000,000	£683,000	Retail warehouse park built in 2005. Comprises of 7 units with full open A1 planning consent. Anchored by Homebase (35,000 sq ft) other tenants include Edinburgh Woollen Mill, Carpetright, Argos, New Look, Pets at Home and Superdrug. Overall average unexpired term certain of circa 11 years. Freehold.
RETAIL PORTFOLIO (MIPP JOINT VENTURE — ONE THIRD SHARE)					
BRISTOL, Longwell Green Retail Park	20,380	0%	£5,000,000- £10,000,000	£158,000	Terrace of two adjoining retail warehouse units currently under construction. Let to DFS from November 2012 with annual RPI linked rental increases (cap & collar 1 & 4%). Carpetright trading from a pre existing unit within the development and will move into the new unit in June 2013, co terminus trading. Overall average unexpired term certain of circa 18 years to lease expiry. Freehold. Construction of two pod units under construction pre-lets to Costa Coffee and Subway contracted.
CAMBORNE, B&Q, Camborne Retail Park	48,000	0%	£5,000,000- £10,000,000	£631,000	Solus retail warehouse unit located within Camborne Retail Park. Constructed in 2002 the unit includes a garden centre and builder's yard. Occupiers on Camborne Retail Park include Carpetright, Pets at Home, Comet, Halfords and Sleepmasters. Planning consent for bulky goods retail. Freehold.
INVERNESS, DFS/Carpetright, Milburn Road	30,000	0%	£5,000,000- £10,000,000	£650,000	Two adjoining retail warehouse units constructed in 2011. Occupiers include DFS and Carpetright with an average unexpired lease term to expiry of circa 15 years. DFS lease contains annual RPI fixed rental increases (cap & collar of 1 & 4%). The Carpetright lease has five yearly RPI linked rental uplifts, capped at 3%. Freehold.
LICHFIELD, Lichfield Retail Park	45,520	0%	£10,000,000- £30,000,000	£764,100	Retail warehouse park built in 2009/2010. Comprises of five retail warehouse units with restricted bulky goods consent. Tenants are Wickes, Sleepmasters, Pets at Home, Carpetright and Halfords. Overall average unexpired terms of circa 15 years. Freehold.
LONDONDERRY, B&Q Warehouse, Faustina Retail Park	102,400	0%	£10,000,000- £30,000,000	£1,382,000	Stand-alone purpose built retail warehouse unit built in 2005. Average unexpired term to lease expiry of circa 18 years with a restricted DIY bulky planning consent. Freehold.
NOTTINGHAM, Wickes, Mansfield Road	20,050	0%	£1,000,000- £5,000,000	£345,000	Stand-alone retail warehouse unit built in the mid to late 1980's and let to Wickes under a restricted bulky goods consent. Unexpired term certain of circa 18 years. Freehold.

<u>Address</u>	<u>Building Size Sq Ft</u>	<u>Vacant %</u>	<u>Market Value Net (range)</u>	<u>Current Annual Rent</u>	<u>Comments</u>
ORPINGTON, Carpetright, Sevenoaks Way	48,240	0%	£5,000,000- £10,000,000	£506,000	Stand-alone warehouse unit occupied by Carpetright. Used for retail, office and storage purposes with planning consent for 8,000 sq ft of bulky goods retail use. Carpetright lease subject to uncapped five yearly RPI linked rental uplifts, to a minimum of 2.8% compounded. Unexpired lease term of 14.17 years. Freehold.
SWINDON, Fleming Way Retail Park	58,560	0%	£5,000,000- £10,000,000	£777,000	Two adjoining purpose built retail warehouse units built in the late 1980's. The property is let to The Range and Halfords with an average unexpired lease term of circa 19 years. Both units have a wide bulky goods planning consent. Freehold.
Total (100% Market Value)	1,352,920		£288,325,000	£18,565,100	
Total (share owned by the Company after adjustments for JVs)			£237,558,333	£15,089,700	

DEVELOPMENT PORTFOLIO:

<u>Address</u>	<u>Description & Tenure</u>	<u>Market Value</u>	<u>Value after Development Completed</u>	<u>Value after Development Completed and Income Producing</u>	<u>Estimated Total Costs to Completion from 30.09.2012</u>
Berkhamsted, 300 High Street	<p>The property once completed will comprise a foodstore and two restaurant units providing approximately 22,500 sq ft of accommodation within Berkhamsted town centre. The foodstore, comprising approximately 18,000 sq ft, is pre let to Marks & Spencer.</p> <p>The scheme is due for completion in January 2014. We consider the scheme will be fully let and income producing by January 2014.</p> <p>Planning permission exists for the proposed development and was granted in September 2012.</p> <p>Freehold.</p>	£5,000,000- £10,000,000	£10,000,000- £30,000,000	£10,000,000- £30,000,000	£1,000,000-£5,000,000
Bishop Auckland, Bishop Auckland Shopping Park Phase 1, Tindale Crescent	<p>The property once completed will comprise a retail warehouse park consisting of approximately 9 units with Open A1 non food consent and will provide approximately 49,200 sq ft of accommodation. 6 units are currently pre let, with key tenants including Marks & Spencer, Boots, Next and Brantano.</p>	£5,000,000- £10,000,000	£10,000,000- £30,000,000	£10,000,000- £30,000,000	£1,000,000-£5,000,000

<u>Address</u>	<u>Description & Tenure</u>	<u>Market Value</u>	<u>Value after Development Completed</u>	<u>Value after Development Completed and Income Producing</u>	<u>Estimated Total Costs to Completion from 30.09.2012</u>
	<p>The scheme is due for completion in December 2012. We consider the scheme will be fully let and income producing by September 2013.</p> <p>Planning permission exists for the proposed development and was granted in November 2011</p> <p>Freehold.</p>				
Bishop Auckland, Bishop Auckland Shopping Park, Phase 2, Tindale Crescent	<p>The property once completed will comprise a retail warehouse park consisting of approximately four units with Open A1 non food consent and will provide approximately 27,000 sq ft of accommodation.</p> <p>The scheme is due to commence in September 2013 and is due for completion in September 2014. We consider the scheme will be fully let and income producing by September 2014.</p> <p>Resolution to grant planning consent was obtained in November 2012.</p> <p>Freehold.</p>	£1,000,000-£5,000,000	£5,000,000-£10,000,000	£5,000,000-£10,000,000	£1,000,000-£5,000,000
Leeds, Kirkstall Bridge Shopping Park	<p>The property once completed will comprise a retail warehouse park consisting of approximately 18 units with Open A1 non food consent and will provide approximately 120,000 sq ft of accommodation.</p> <p>The scheme is due to commence in April 2013 and is due for completion in April 2014. We consider the scheme will be fully let and income producing by April 2014.</p> <p>Resolution to grant planning consent was obtained in February 2012.</p> <p>Freehold.</p>	£10,000,000-£30,000,000	£30,000,000-£50,000,000	£30,000,000-£50,000,000	£10,000,000-£30,000,000
Total		£35,700,000	£71,200,000	£80,300,000	£26,000,000

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information	We have carried out our work based upon information supplied to us by the Company and their professional advisors, as set out within this report, which we have assumed to be correct and comprehensive.
The Properties	Our report contains a brief summary of the property details on which our valuation has been based.
Revaluation Without Inspection	As instructed, we have not re-inspected all the properties for the purpose of this valuation. All properties have been inspected between August 2011 and November 2012. With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their locations, since the last inspection. We have assumed this advice to be correct.
Areas	We have not measured the Properties but have relied upon the floor areas provided.
Environmental Matters	We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigations into the past or present uses of the Properties, nor any neighbouring land, in order to establish whether there is any potential for contamination and have, therefore, assumed that none exists.
Repair and Condition	<p>We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.</p> <p>We have not been provided with building condition surveys.</p>
Town Planning	We have not undertaken planning enquires.
Titles, Tenures and Lettings	<p>Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal advisor.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

VALUATION ASSUMPTIONS

Capital Values

Each valuation has been prepared on the basis of "Market Value" which is defined as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.

The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; and
- (c) the properties possess current Energy Performance Certificated (EPCs) as required under the Government's Energy Performance of Buildings Directive.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential

tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted.

- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

PART 19

UK-REIT STATUS

1. INTRODUCTION

1.1 *Current and future UK-REIT status*

At present, London & Stamford and Metric both separately benefit from the REIT regime. Following the Scheme, the Enlarged Group should also benefit from the UK-REIT regime as the Enlarged Group should be treated as a continuation of the London & Stamford Group UK-REIT.

1.2 *Principal advantages of group UK-REIT status*

The principal advantages of group UK-REIT status are as follows:

- 1.2.1 the companies within the Enlarged Group will be exempt from corporation tax on property rental profits and chargeable gains arising on disposals of investment properties. This will remove the effective double tax charge currently suffered by many investors in UK companies (see paragraph 2.1 of this Part 19 for more information); and
- 1.2.2 as a group UK-REIT, the Enlarged Group is able to substantially shelter potential chargeable gains in corporate vehicles that are acquired.

1.3 *Principal disadvantages of group UK-REIT status*

The principal disadvantages of group UK-REIT status are as follows:

- 1.3.1 in order for it to remain a group UK-REIT, the Enlarged Group has to comply with the various tests outlined in paragraph 2.2 of this Part 19 on an ongoing basis; and
- 1.3.2 withholding tax of 20 per cent. must be deducted from certain distributions made to certain Shareholders (see paragraph 3 of this Part 19 for further details).

Overall, the Board believes that the advantages of group UK-REIT status outweigh the disadvantages.

1.4 *Enlarged Group tax profile under UK-REIT status*

Most of the Enlarged Group's current activities will fall within the Property Rental Business. However, the activities that will remain subject to corporation tax mainly consist of the Enlarged Group's property management income provided to joint ventures and third parties. However, the profits arising from these activities are small compared with the Enlarged Group's Property Rental Business.

1.5 *Dividend policy under UK-REIT regime*

The Company will have to meet a minimum distribution test for each year that it is the principal company of a group UK-REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the Property Rental Business for each year. The issue of stock dividends are treated as distributions for this purpose. The Board believes that a continuation of London & Stamford's dividend policy of recent years will enable the Enlarged Group to meet this minimum distribution requirement.

1.6 *The Substantial Shareholder rule*

Under the UK-REIT Regime, a tax charge may be levied on the Company if the Company makes a distribution to a Substantial Shareholder, unless the Company has taken "reasonable steps" to avoid such a distribution being paid. This tax charge may be imposed only if, after joining the UK-REIT regime, the Company pays a dividend in respect of a Substantial Shareholding and the dividend is paid to a person who is a Substantial Shareholder. The charge is not triggered merely because a Shareholder is a Substantial Shareholder, or if the person beneficially entitled to the dividend is a Substantial Shareholder. The amount of the charge is calculated by reference to the full amount of the dividend paid to the Substantial Shareholder, and not just that part of the dividend attributable to Ordinary Shares held by the Substantial Shareholder in excess of 10 per cent. of the Company's issued share capital (this may be lower if, for example, a parent controls 2 per cent. and its subsidiaries have 9 per cent.).

A summary of the Articles is set out in Part 20 and the relevant provisions intended to give the Board the powers it needs to demonstrate to HMRC that “reasonable steps” have been taken to avoid making distributions to Substantial Shareholders are set out in paragraph 2.3.2 and 4 of this Part 19. As at 23 November 2012 (being the last practicable date prior to the publication of this document), the Board does not believe that the Company has any Substantial Shareholders.

1.7 Close company condition

As mentioned below in the section headed ‘Exit from the UK-REIT regime’ and further explained in paragraph 2.2.1 of this Part 19, the Enlarged Group would lose group UK-REIT status if the Company became (in certain circumstances) a close company. Loss of group UK-REIT status would have a material impact on the Enlarged Group because of the loss of tax benefits conferred by the group UK-REIT regime. From 1 April 2013 the participation of certain institutional investors should not cause the Company to be considered a close company for these purposes.

Although the Board does not expect the close company condition to be breached in the ordinary course, there is a risk that the Company may fail to meet this condition for reasons beyond its control. In such circumstances, the UK-REIT regime would allow the Company until the end of the following accounting period in order to become compliant with the close company condition.

1.8 Exit from the UK-REIT regime

The Company can give notice to HMRC at any time that it wants the Enlarged Group to leave the group UK-REIT regime. The Board retains the right to decide to exit the UK-REIT regime at any time in the future without the consent of Shareholders if it considers this to be in the best interests of the Enlarged Group and the Shareholders.

If the Enlarged Group voluntarily leaves the UK-REIT regime within ten years of London & Stamford’s entry to the UK-REIT regime (i.e. before 1 October 2020) and any company within the Enlarged Group disposes of any property or other asset that was involved in its qualifying property rental business within two years of leaving, the uplift in the base cost of the property as a result of the deemed disposal on entry into the UK-REIT regime would be disregarded if the property would have resulted in a chargeable gain on the deemed disposal. Similarly, movement into the ringfence or exit from the UK-REIT regime may also mean that the rebased cost on entry to the UK REIT regime is disregarded when calculating the gain or loss on the disposal.

It is important to note that the Company cannot guarantee continued compliance with all of the group UK-REIT conditions and that the UK-REIT regime may cease to apply in some circumstances. HMRC may require the Enlarged Group to exit the group UK-REIT regime if:

- 1.8.1 it regards a breach of the conditions (including failure to satisfy the conditions relating to the Property Rental Business), or an attempt by any entity within the Enlarged Group to avoid tax, as sufficiently serious;
- 1.8.2 the Enlarged Group has committed a certain number of breaches of the conditions within a specified period; or
- 1.8.3 HMRC has given the Company two or more notices in relation to the avoidance of tax by the Enlarged Group within a ten year period.

In addition, the Enlarged Group would automatically lose UK-REIT status if any of the following were to occur:

- 1.8.4 the conditions for UK-REIT status relating to the share capital of the Company and the prohibition on entering into loans with abnormal returns are breached (i.e. the company cannot borrow under terms that entitle the lender to interest which depends on the results of the company’s business, the value of the company’s assets or is in excess of market rates or which entitles the recipient to receive an excess return on repayment);
- 1.8.5 the Company ceases to be UK resident for tax purposes;
- 1.8.6 the Company becomes dual resident for tax purposes;
- 1.8.7 the Company becomes an open-ended company; or
- 1.8.8 future changes in legislation may cause the Enlarged Group to lose its UK-REIT status.

If the Enlarged Group is required to leave the group UK-REIT regime within 10 years of London & Stamford's entry to the UK-REIT regime (i.e. before 1 October 2020), HMRC has wide powers to direct how the companies within the Enlarged Group should be taxed, including in relation to the date on which the Enlarged Group is treated as exiting the group UK-REIT regime.

Shareholders should note that it is possible that the Enlarged Group could lose its status as a group UK-REIT as a result of actions by third parties (for example, if the Company is taken over by a company that is not itself a UK-REIT).

2. THE UK-REIT REGIME

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of current UK law and HMRC practice, each of which is subject to change. They are not advice.

2.1 Overview

The UK-REIT regime is intended to encourage greater investment in the UK property market and follows similar legislation in other European countries, as well as the long-established regime in the United States.

Investing in property through a corporate investment vehicle (such as a UK company) has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholders (but not most UK companies) effectively suffer tax twice on the same income: first, indirectly, when the vehicle pays UK direct tax on its profits; and secondly, directly (but with the benefit of a tax credit), when the shareholder receives a dividend. Non-tax paying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a UK-REIT in a manner they do not suffer if they invest directly in the property assets.

Provided certain conditions and tests are satisfied (see "Qualification as a UK-REIT" below), UK-REITs do not pay UK direct taxes on their Property Rental Business. Instead, distributions in respect of the Property Rental Business are treated for UK tax purposes as property income in the hands of shareholders. However, corporation tax is still payable in the normal way in respect of income and gains from a group's Residual Business (generally including any property trading business) not included in the Property Rental Business.

While within the UK-REIT regime, the Property Rental Business is treated as a separate business for corporation tax purposes to the Residual Business, and a loss incurred by the Property Rental Business cannot be set off against profits of the Residual Business (and vice versa).

A UK-REIT is required to distribute to its shareholders (by way of dividend), on or before the filing date for the UK-REIT's tax return for the accounting period in question, at least 90 per cent. of the income profits (calculated using normal tax rules) of the Property Rental Business arising in each accounting period. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although this charge can be avoided if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level.

Following Finance (No.3) Act 2010, the issue of stock dividends in lieu of cash can now be included for the purposes of the 90% distribution requirement.

In this document, references to a company's accounting period are to its accounting period for tax purposes. This period can differ from a company's accounting period for other purposes.

The treatment of a dividend paid by the principal company in the group in the first year after it becomes a UK-REIT will depend on whether it is paid out of profits that existed before or after the company became a UK-REIT. For example, if a company converting into a UK-REIT on 1 January 2013 that has before that date announced an intention to pay an interim dividend for payment after that date, that dividend would be paid entirely out of profits earned before that company became a UK-REIT, and should therefore be a Non-PID Dividend. A dividend later in 2013 may be paid partly out of profits earned prior to that company becoming a UK-REIT and partly out of profits earned subsequently and would therefore comprise partly a PID and partly a Non-PID Dividend. The company will provide shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.). Further details of the UK tax treatment of Shareholders under the UK-REIT regime are contained in paragraph 3 of this Part 19.

2.2 Qualification as a UK-REIT

In order for a group to qualify as a UK-REIT, the principal company (and, in certain respects, the other members of the group) must satisfy certain conditions set out in the Corporation Tax Act 2010 (as amended by Finance Act 2012). A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs 2.2.1, 2.2.2, 2.2.3 and 2.2.4 below and the group as a whole must satisfy the conditions set out in paragraph 2.2.5.

2.2.1 Principal company conditions

The principal company must be a solely UK-resident company whose ordinary shares are admitted to trading on a recognised stock exchange, such as the London Stock Exchange, and not be an open-ended investment company.

For groups entering the regime after 17 July 2012, there is a grace period of up to three accounting periods for the shares to be admitted to be listed or admitted to trading on a recognised stock exchange.

The principal company must also not (apart from where it is due to the bidding of an institutional investor) be a close company. Broadly, a close company, is a UK resident company controlled by five or fewer participators, or by participators who are directors. A participator is a person having a share or interest in the income or capital of a company. There is a “quoted company” exemption which allows a close company to not be treated as close where at least 35 per cent. of the votes are held by the public and the shares have been quoted and dealt with on a recognised stock exchange within the previous 12 months. For this exemption to apply, not less than 35 per cent. of the principal company’s shares must be beneficially held by the public and for this purpose the ‘public’ excludes directors of the principal company and certain of their associates, and shareholders who, alone or together with certain associates, control more than 5 per cent. of the principal company’s share capital. From 1 April 2013, the participation of certain classes of institutional investors, such as charities, registered providers of social housing, sovereign wealth funds, pension funds etc, cannot cause the Company to be considered close for UK-REIT regime purposes.

2.2.2 Share capital restrictions

The principal company must have only one class of ordinary shares in issue and the only other shares it may issue are non-voting restricted preference shares.

2.2.3 Interest restrictions

The principal company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of its business or on the value of any of its assets. In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

2.2.4 Financial statements

The principal company must prepare financial statements in accordance with statutory requirements and submit these to HMRC. The financial statements must contain the information about the Property Rental Business and the Residual Business separately. The UK-REIT regime legislation specifies the information to be included and the basis of preparation of these financial statements.

2.2.5 Conditions for the Property Rental Business

The Property Rental Business must satisfy the conditions summarised below in respect of each accounting period during which it is to be treated as a UK-REIT:

- (a) the Property Rental Business must, throughout the accounting period, involve at least three properties;

- (b) throughout the accounting period, no one property may represent more than 40 per cent. of the total value of all the properties involved in the Property Rental Business. Assets must be valued in accordance with IFRS, and at fair value when IFRS offers a choice between a cost basis and a fair value basis;
- (c) at least 90 per cent. of the amounts shown in the financial statements of a group as income profits (broadly, calculated using normal tax rules) of the UK resident members of the group arising in respect of their Property Rental Business in the accounting period, and the income profits of the non-UK resident members of the group insofar as they arise in respect of such members' UK qualifying property rental business in the accounting period, must be distributed to shareholders of the UK-REIT in the form of a property income distribution ("**PID**") on or before the filing date for the UK-REIT's tax return for the accounting period (the "**90 per cent. distribution test**"). For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the rule relating to Substantial Shareholders (as described in paragraph 2.3.3 below) will be treated as having been paid. The issue of stock dividends counts towards the 90 per cent. threshold;
- (d) the income profits arising from the qualifying property rental business must represent at least 75 per cent. of a group's total profits for the accounting period (the "**75 per cent. profits test**"). Profits for this purpose means profits before deduction of tax and excludes realised and unrealised gains and losses (for example, gains and losses on the disposal of property, and gains and losses on the revaluation of properties) calculated in accordance with IFRS; and
- (e) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by a group (the "**75 per cent. assets test**"). Assets must be valued in accordance with IFRS and at fair value where IFRS offers a choice of valuation between cost basis and fair value. In applying this test, no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically). Following the enactment of the Finance Act 2012, cash is now considered a qualifying property rental business asset.

2.3 *Effect of being a UK-REIT*

2.3.1 *Tax savings*

As a group UK-REIT, a group will not pay UK direct tax on profits and gains from the Property Rental Business. Corporation tax will still apply in the normal way in respect of the Residual Business which includes certain trading activities, incidental letting in relation to property trades, intra-group letting of property, letting of administrative property which is temporarily surplus to requirements and certain income such as dividends from other UK-REITs. Corporation tax could also be payable in respect of profits arising in joint venture arrangements where no REIT JV election has been made (or on the non-REIT proportion of the profits of joint ventures where a REIT JV election has been made); and also where a member of a group or an interest in an entity such as a unit trust (as opposed to property involved in the UK qualifying property rental business) is sold. A group would also continue to pay indirect taxes such as VAT, stamp duty land tax, stamp duty and payroll taxes (such as national insurance) in the normal way.

2.3.2 *The Substantial Shareholder rule*

A UK-REIT will become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder. The additional tax charge will be calculated by reference to the whole dividend paid to a Substantial Shareholder, and not just by reference to the proportion which exceeds the 10 per cent. threshold. It should be noted that this restriction only applies to shareholders that are bodies corporate and to certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double taxation agreements. It does not apply to nominees.

This tax charge will not be incurred if the UK-REIT has taken "reasonable steps" to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that a UK-REIT may take to show it has taken such "reasonable steps". One of these actions is to include restrictive provisions in the UK-REIT's articles of association to address this requirement. The Articles of Association are consistent with such provisions.

2.3.3 Dividends

When a UK-REIT pays a dividend, (including the issue of stock dividends) that dividend is a PID to the extent necessary to satisfy the 90 per cent. distribution test. If the dividend exceeds the amount required to satisfy that test or if the UK-REIT makes a distribution that is not a dividend, the UK-REIT may determine that all or part of the balance is a Non-PID Dividend paid out of the profits of the activities of the Residual Business. Any remaining balance of the dividend (or other distribution) will be deemed to be a PID: firstly, in respect of the income profits out of which a PID can be paid and which have not been distributed in full; and secondly, a PID paid out of certain chargeable gains which are exempt from tax by virtue of the UK-REIT regime. Any remaining balance will be attributed to any other profits.

2.3.4 Financial statements

As mentioned above, a UK-REIT is required to submit special financial statements to HMRC.

2.3.5 Profit: financing cost ratio

A tax charge will arise if, in respect of any accounting period, the ratio of the income profits to financing costs is less than 1.25:1. Income profits comprise rental profits (before adjustment for capital allowances) of the UK resident members of a UK-REIT plus the UK income profits of any non-UK resident member of a UK-REIT. The financing costs are those costs incurred by the group to fund its Property Rental Business (after excluding certain intra-group financing costs). This ratio is calculated by reference to the Financial Statements, apportioning costs relating partly to the Property Rental Business and partly to the Residual Business respectively. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax.

2.3.6 Property development

A property development by a UK resident member of a group can be within the Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of (i) the date on which the relevant company becomes a UK-REIT, and (ii) the date of the acquisition of the development property, and the UK-REIT sells the development property within three years of practical completion, the deemed disposal and re-acquisition of the property on entry to the UK-REIT regime is ignored, and the sale is treated as being in the course of the Residual Business. The same treatment applies if a UK resident member of the group disposes of a property (whether or not a development property) in the course of a trade.

2.3.7 Certain tax avoidance arrangements

If HMRC believes that a member of a group UK-REIT has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Property Rental Business.

2.3.8 Movement of assets in and out of the Property Rental Business

In general, where an asset owned by a UK-resident member of a group and used for the Property Rental Business begins to be used for the Residual Business, there will be a tax-free step up in the base cost of the property. Where an asset owned by a UK-resident member of a group and used for the Residual Business begins to be used for the Property Rental Business, this will generally constitute a taxable market value disposal of the asset, except for capital allowances purposes. Special rules apply to disposals by way of a trade and of development property.

2.3.9 Funds awaiting reinvestment

Previously, where an asset used exclusively in the Property Rental Business was sold, the sale proceeds were treated as assets of the Property Rental Business for the purposes of the 75 per cent. assets test provided that they are held as cash or cash equivalents. However, this is no longer relevant as, following the enactment of Finance Act 2012, all cash is now considered a qualifying property rental business asset.

2.3.10 Joint ventures

Certain joint venture activities may qualify for REIT status if certain tests are met. There is a shareholding test where one or more members of a group must be beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company (or the parent of a joint venture group) and at least 40 per cent. of the assets of the joint venture company/group are available to equity holders in the event of a winding-up. In addition, the joint venture company/group must be carrying on a qualifying property rental business which satisfies the 75 per cent. profits test and the 75 per cent. assets test. The parent of a UK-REIT may, by giving notice to HMRC, elect for the relevant proportion of the assets and income of the joint venture company/group to be included in the Property Rental Business for tax purposes. In such circumstances, that proportion of the income and assets of the joint venture company/group will count towards the 90 per cent. distribution test, the 75 per cent. profits test and the 75 per cent. Assets test to the extent of a group's interest in the joint venture company/group.

2.3.11 Acquisitions and takeovers

If a UK-REIT is taken over by another UK-REIT, the acquired UK-REIT does not necessarily cease to be a UK-REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Property Rental Business and chargeable gains on disposal of properties in the Property Rental Business. The properties of the acquired UK-REIT are not treated as having been sold and reacquired at market value.

The position is different where a UK-REIT is taken over by an acquirer which is not a UK-REIT. In these circumstances, the acquired UK-REIT is likely in most cases to fail to meet the requirements for being a UK-REIT and will therefore be treated as leaving the UK-REIT regime at the end of its accounting period preceding the takeover and ceasing from the end of this accounting period to benefit from the exemption from tax on the profits of its Property Rental Business and chargeable gains on disposal of property forming part of its Property Rental Business. The properties in the Property Rental Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax-free as they are deemed to have been made at a time when the company was still in the UK-REIT regime and future chargeable gains on the relevant assets will, therefore, be calculated by reference to a base cost equivalent to this market value. If the company ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be recharacterised retrospectively as normal dividends.

If a group or company has been in the REIT regime for less than 10 years then properties which are sold by the non-REIT purchaser within 2 years of acquisition will be rebased to ignore any uplift at entry to the REIT regime (if a gain had been realised), or if the asset had previously ceased to be used by the REIT or on exit from the REIT regime.

3. UNITED KINGDOM TAX TREATMENT OF SHAREHOLDERS UNDER UK-REIT STATUS

3.1 Introduction

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of shares in the Company, in each case, after the Enlarged Group becomes a group UK-REIT. Except where otherwise indicated, they apply only to Shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their Ordinary Shares and who hold their Ordinary Shares as investments. They do not apply to Substantial Shareholders. They do not apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares as part of hedging or conversion transactions, or persons who hold their shares in connection with a UK branch, agency or permanent

establishment. Except where otherwise indicated at paragraph 3.3.4 (Withholding tax) below, they do not apply to persons holding Ordinary Shares by virtue of an interest in any partnerships, insurance companies, life insurance companies, mutual companies, collective investment schemes, charities, trustees, local authorities, or pension scheme administrators.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

3.2 UK taxation of Non-PID Dividends

Non-PID Dividends paid by the Company will be taxed in the same way as would dividends paid by a Company were the Enlarged Group not a member of the UK-REIT regime, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.

3.3 UK taxation of PIDs

3.3.1 UK taxation of individual Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholders. This means that surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder’s UK property business.

Please see also paragraph 3.3.4 (Withholding tax) below.

3.3.2 UK taxation of corporate Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in section 205 of the Corporation Tax Act 2009). This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to corporation tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be off-set against a PID as part of a single calculation of the Shareholder’s UK property profits.

Please see also paragraph 3.3.4 (Withholding tax) below.

3.3.3 UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK receives a PID, the PID is generally chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding. Where there is a distribution of capital gains by a REIT which were exempt from UK direct tax that distribution is taxed in the same way as if it were a PID.

Please see also paragraph 3.3.4 (Withholding tax) below.

3.3.4 Withholding tax

(a) General

Subject to certain exceptions summarised at paragraph 3.3.4(d) below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company will provide Shareholders with a certificate setting out the amount of tax withheld.

(b) Shareholders solely resident and ordinarily resident in the UK

Where income tax has been withheld at source, Shareholders who are individuals may, depending on their circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending upon their circumstances, be liable to pay corporation tax on their PID but they should note that, where income tax is withheld at source, the tax withheld can be set against the Shareholder's liability to corporation tax in the accounting period in which the PID is received.

(c) Shareholders who are not resident for tax purposes in the UK

It is not possible for a Shareholder to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any such double taxation treaty between the UK and the country in which the Shareholder is resident.

(d) Exceptions to requirement to withhold income tax

Shareholders should note that in certain circumstances the Company may not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company (or Permanent Establishment) resident for tax purposes in the UK, a charity, or a body mentioned in section 468 Corporation Tax Act 2010 which is allowed the same exemption from tax as a charity. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider of a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

The Company will also not be required to withhold income tax at source from a PID where the Company reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is a body described in the paragraph above.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form.

3.4 UK taxation of chargeable gains, stamp duty and stamp duty reserve tax ("SDRT") in respect of shares in the Company

Subject to the first paragraph of paragraph 3.1 above, the following comments apply to both individual and corporate Shareholders, regardless of whether or not such Shareholders are resident for tax purposes in the UK.

3.4.1 UK taxation of chargeable gains

Chargeable gains arising on the disposal of Ordinary Shares should be taxed in the same way as they would have been were the Enlarged Group not a member of the UK-REIT regime.

3.4.2 UK stamp duty and SDRT

A conveyance or transfer on sale or other disposal of Ordinary Shares will be subject to UK stamp duty or SDRT in the same way as it would have been were the Enlarged Group not a member of the UK-REIT regime.

4. DESCRIPTION OF THE REIT PROVISIONS INCLUDED IN THE ARTICLES

4.1 Introduction

The Articles of Association contain provisions designed to enable the Company to demonstrate to HMRC that it has taken “reasonable steps” to avoid paying a dividend (or making any other distribution) to any Substantial Shareholder.

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The Articles contain a special article for this purpose (the “Special Article”). The text of the Special Article is set out in paragraph 5 of this Part 11.

The Special Article:

- (a) provides directors with powers to identify its Substantial Shareholders (if any);
- (b) prohibits the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (c) allows dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its New Ordinary Shares; and
- (d) seeks to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding paragraph are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The effect of the Special Article is explained in more detail below.

4.2 Identification of Substantial Shareholders

The share register of the Company records the legal owner and the number of Ordinary Shares they own but does not identify the persons who are beneficial owners of the Ordinary Shares or are entitled to control the voting rights attached to the New Ordinary Shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part VI of the Companies Act and the Board’s rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act and Article 57 of the Articles) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the Special Article requires a Substantial Shareholder and any registered Shareholder holding New Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his New Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. The Special Article gives the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Board may decide), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph 4.3 below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph 4.6 below).

4.3 Preventing payment of a dividend to a Substantial Shareholder

The Special Article provides that a dividend will not be paid on any Ordinary Shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- (a) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 4.4 below);
- (b) the shareholding is not part of a Substantial Shareholding;

- (c) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends will be paid to the transferee); or
- (d) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends will be paid on the retained Ordinary Shares).

For this purpose references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that New Ordinary Share.

4.4 *Payment of a dividend where rights to it have been transferred*

The Special Article provides that dividends may be paid on Ordinary Shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of Ordinary Shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph 3 above). In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Board may require a sale of the relevant shares and retain the amount claimed from the proceeds.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it. Any such tax may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

4.5 *Trust arrangements where rights to dividends have not been disposed of by Substantial Shareholder*

The Special Article provides that if a dividend is in fact paid on Ordinary Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such charity as the Board may nominate.

If the recipient of the dividend passes it on to another without being aware that the Ordinary Shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

4.6 **Mandatory sale of Substantial Shareholdings**

The Article also allows the Board to require the disposal of shares forming part of a Substantial Shareholding if:

- (a) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (b) there has been a failure to provide information requested by the Board; or
- (c) any information provided by any person proves materially inaccurate or misleading.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the Board may, instead of requiring the Shareholder to dispose of the Ordinary Shares, arrange for the sale of the relevant Ordinary Shares and for the Company to retain from the sale proceeds of an amount equal to any tax so payable.

4.7 **Takeovers**

The Special Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Enlarged Group to cease to qualify as a group UK-REIT.

4.8 **Other**

The Special Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment.

The Special Article may be amended by special resolution passed by the Shareholders in the future, including to give powers to the Directors to ensure that the Company can comply with the close company condition described in paragraph 2.2.1 of this Part 10, which powers may include the ability to arrange for the sale of New Ordinary Shares on behalf of Shareholders.

5. **REIT ARTICLE 3**

"3 REAL ESTATE INVESTMENT TRUST

(A) **Cardinal principle**

- (i) It is a cardinal principle that, for so long as the Company is the principal company in a UK-REIT for the purposes of Part 12 of the Corporation Tax Act 2010, as such Part may be modified, supplemented or replaced from time to time it should not be liable to pay tax under Section 551 of the Corporation Tax Act 2010 (as such legislation may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution.
- (ii) This Article 3 supports such cardinal principle by, among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other Persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.

(B) **Definitions and interpretation**

- (i) For the purposes of this Article 3, the following words and expressions shall bear the following meanings:

"business day" means a day (not being a Saturday or Sunday) on which banks are normally open for business in London;

"Distribution" means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made;

“Distribution Transfer”	means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;
“Distribution Transfer Certificate”	means a certificate in such form as the directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;
“Excess Charge”	means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the directors consider may become payable by the Company under Section 551 of the Corporation Tax Act 2010 (as such legislation may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that Person;
“Group”	is to be construed in this Article 3 only as meaning the Company and the other companies in its group for the purposes of section 606 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time);
“HMRC”	means HM Revenue & Customs;
“interest in the Company”	includes, without limitation, an interest in a Distribution made or to be made by the Company;
“Person”	includes a body of persons, corporate or unincorporated, wherever domiciled;
“Relevant Registered Shareholder”	means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);
“Reporting Obligation”	means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Group’s status as a group UK-REIT;
“Substantial Shareholding”	means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder;
“Substantial Shareholder”	means any Person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause the Company to be liable to pay tax under Section 551 of the Corporation Tax Act 2010 (as such legislation may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution to or in respect of such Person including, at the date of adoption of this Article 3, any holder of excessive rights as defined in Section 553 of the Corporation Tax Act 2010.

- (ii) Where under this Article 3 any certificate or declaration may be or is required to be provided by any Person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the directors (without limitation):
 - (a) to be addressed to the Company, the directors or such other Persons as the directors may determine (including HMRC);
 - (b) to include such information as the directors consider is required for the Company to comply with any Reporting Obligation;
 - (c) to contain such legally binding representations and obligations as the directors may determine;
 - (d) to include an undertaking to notify the Company if the information in the certificate or declaration becomes incorrect, including prior to such change;
 - (e) to be copied or provided to such Persons as the directors may determine (including HMRC); and
 - (f) to be executed in such form (including as a deed or deed poll) as the directors may determine.
- (iii) This Article 3 shall apply notwithstanding any provisions to the contrary in any other article (including, without limitation, articles 134 to 145 (Dividends)).

(C) Notification of Substantial Shareholder and other status

- (i) Each shareholder and any other relevant Person shall serve notice in writing on the Company at the Office on:
 - (a) him becoming a Substantial Shareholder (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the directors may require from time to time);
 - (b) him becoming a Relevant Registered Shareholder (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the directors may require from time to time); and
 - (c) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.

Any such notice shall be delivered by the end of the second business day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder or the change in relevant particulars or within such shorter or longer period as the directors may specify from time to time.

- (ii) The directors may at any time give notice in writing to any Person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the directors may specify in the notice), to deliver to the Company at the Office such information, certificates and declarations as the directors may require to establish whether or not he is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

(D) Distributions in respect of Substantial Shareholdings

- (i) In respect of any Distribution, the directors may, if the directors determine that the condition set out in Article 3.4.2 is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided in Article 3.4.3 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

- (ii) The condition referred to in Article 3.4.1 is that, in relation to any shares in the Company and any Distribution to be paid or made on and in respect of such shares:
 - (a) the directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
 - (b) the directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,

and, for the avoidance of doubt, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders.

- (iii) If a Distribution has been withheld on or in respect of any shares in the Company in accordance with Article 3.4.1, it shall be paid as follows:
 - (a) if it is established to the satisfaction of the directors that the condition in Article 3.4.2 is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; and
 - (b) if the directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the directors are satisfied that following such transfer such shares concerned do not form part of a Substantial Shareholding); and
 - (c) if the directors are satisfied that as a result of a transfer of interests in shares referred to in (b) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this Article 3.4.3, references to the “transfer” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

- (iv) A Substantial Shareholder may satisfy the directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the directors shall be entitled to require such other information, certifications or declarations as they think fit.
- (v) The directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the directors pursuant to Article 3.3.2 in relation to such shares shall not have been complied with to the satisfaction of the directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the directors unless the directors withhold payment pursuant to Article 3 (D)(i) and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (vi) If the directors decide that payment of a Distribution should be withheld under Article 3.4.1 or Article 3.4.5, they shall within seven business days give notice in writing of that decision to the Relevant Registered Shareholder.
- (vii) If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to Article 3.6.2 or out of any subsequent Distribution in respect of the shares to such Person or to the shareholders of all shares in relation to or by virtue of which the directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

(E) Distribution trust

- (i) If a Distribution is paid in respect of a Substantial Shareholding in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution, the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the relevant Substantial Shareholder under Article 3.5.2 in such proportions as the relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company or for such charity as may be nominated by the directors from time to time.
- (ii) The relevant Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under Article 3.5.1 and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Article 3.5.1 who is or would, on becoming a beneficiary in accordance with the nomination, become a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of Article 3.5.1 the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.
- (iii) Any income arising from a Distribution which is held on trust under Article 3.5.1 shall until the earlier of (i) the making of a valid nomination under Article 3.5.2 and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- (iv) No Person who by virtue of Article 3.5.1 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.
- (v) No Person who by virtue of Article 3.5.1 holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

(F) Obligation to dispose

- (i) If at any time, the directors believe that:
 - (a) in respect of any Distribution declared or announced, the condition set out in Article 3.4.2 is satisfied in respect of any shares in the Company in relation to that Distribution;
 - (b) a notice given by the directors pursuant to Article 3.3.2 in relation to any shares in the Company has not been complied with to the satisfaction of the directors within the period specified in such notice; or
 - (c) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of the preceding provisions of this Article 3.3.1 (F)(i) was materially inaccurate or misleading,

the directors may give notice in writing (a "Disposal Notice") to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the directors consider to be appropriate in the circumstances) to dispose of such number of shares the directors may in such notice specify or to take such other steps as will cause the condition set out in Article 3.4.2 no longer to be satisfied. The directors may, if they think fit, withdraw a Disposal Notice.

- (ii) If:
 - (a) the requirements of a Disposal Notice are not complied with to the satisfaction of the directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or

- (b) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable;

the directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Substantial Shareholding concerned. For this purpose, the directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

- (iii) Any sale pursuant to Article 3.6.2 above shall be at the price which the directors consider is the best price reasonably obtainable and the directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- (iv) The net proceeds of the sale of any share under Article 3.6.2 (less any amount to be retained pursuant to Article 3.4.7 and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- (v) The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to this Article 3.

(G) General

- (i) The directors shall be entitled to presume without enquiry, unless any director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder.
- (ii) The directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to this Article 3 and any such determination or decision shall be final and binding on all Persons unless and until it is revoked or changed by the directors. Any disposal or transfer made or other thing done by or on behalf of the board or any director pursuant to this Article 3.3.1 shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.
- (iii) Without limiting their liability to the Company, the directors shall be under no liability to any other Person, and the Company shall be under no liability to any shareholder or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder.
- (iv) The directors shall not be obliged to serve any notice required under this Article 3 upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under this Article 3 shall not prevent the implementation of or invalidate any procedure under this Article 3.
- (v) The provisions of Articles 153 to 161 (Notices) shall apply to the service upon any Person of any notice required by this Article 3. Any notice required by this Article 3 to be served upon a Person who is not a shareholder or upon a Person who is a shareholder but whose address is not within the United Kingdom and who has failed to supply to the company an address within the United Kingdom pursuant to Article 154, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Person or shareholder at the address if any, at which the directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.
- (vi) Any notice required or permitted to be given pursuant to this Article 3 may relate to more than one share and shall specify the share or shares to which it relates.

- (vii) The directors may require from time to time any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 to provide such certificates or declarations as they may require from time to time.
- (viii) This Article 3 may be amended by special resolution from time to time, including to give powers to the directors to take such steps as they may require in order to ensure that the Company can satisfy Condition D of Section 528 of the Corporation Tax Act 2010 (as such section may be modified, supplemented or replaced from time to time) which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of shareholders.”

PART 20
ADDITIONAL INFORMATION

1. RESPONSIBILITIES

London & Stamford and each of the Directors and the Proposed Directors, whose names are set out on page 21 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of London & Stamford, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INFORMATION ABOUT LONDON & STAMFORD

- 2.1 London & Stamford was incorporated in England and Wales on 13 January 2010 under the Companies Act as a public limited company with registered number 7124797.
- 2.2 On 24 June 2010, London & Stamford was issued with a certificate under section 761 Companies Act entitling it to carry on business and borrow money.
- 2.3 The principal activities of the London & Stamford Group is real estate investment and development.
- 2.4 London & Stamford is domiciled in the United Kingdom. The principal legislation under which London & Stamford operates and under which Ordinary Shares have been created is the Companies Act.
- 2.5 London & Stamford's registered office and principal place of business is at 21 St. James's Square, London, England, SW1Y 4JZ.
- 2.6 London & Stamford's website address is www.londonandstamford.com.
- 2.7 London & Stamford's telephone number is +44 (0) 20 7484 9000.

3. SHARE CAPITAL OF LONDON & STAMFORD

- 3.1 As at 23 November 2012 (being the latest practicable date prior to publication of this document), the issued share capital of London & Stamford is as shown below. The issued share capital of London & Stamford as it is expected to be immediately following the Merger and the Proposals is also shown:

	Ordinary Shares	
	£	Number
At present	54,279,517.10	542,795,171
Following the Merger	72,139,517.10	721,395,171
Following the Proposals*	63,282,121.20	632,821,212

* Assuming the Tender Offer is taken up in full and excluding any Ordinary Shares acquired by the Company pursuant to the Existing Management Incentives Termination Agreement.

- 3.2 The nominal value of the Ordinary Shares is 10 pence each.
- 3.3 As at 23 November 2012, London & Stamford holds no Ordinary Shares as treasury shares.
- 3.4 There are no Ordinary Shares held by or on behalf of London & Stamford itself or by any of the subsidiaries of London & Stamford.
- 3.5 Except pursuant to the London & Stamford Share Plan, London & Stamford has not issued any convertible securities, exchangeable securities or securities with warrants but certain of the Ordinary Shares are subject to the Existing Management Incentives Arrangement under the Existing Management Incentive Agreement.
- 3.6 Except pursuant to the Merger and the London & Stamford Share Plan, there are no acquisition rights or obligations over unissued share capital or undertakings to increase the capital of London & Stamford.

- 3.7 During the three years preceding the date of this document the following changes in the issued share capital of London & Stamford have occurred:
- 3.7.1 London & Stamford was incorporated with two ordinary shares of £1.00 each which were taken by each of its two subscribers, Mikjon Limited and EPS Secretaries Limited;
 - 3.7.2 on 26 January 2010, the two subscriber shares of £1 each were subdivided into 20 ordinary shares of 10 pence each;
 - 3.7.3 on 10 June 2010, 500,000 Ordinary Shares were issued by London & Stamford at a price of 10 pence per share;
 - 3.7.4 on 3 September 2010, the Shareholders passed special resolutions approving the share buybacks provided for in the Initial Shares Buyback Agreements and on 5 October 2010, 500,000 Ordinary Shares were bought back by London & Stamford at their nominal value and cancelled.
 - 3.7.5 on 22 September 2010, the subscriber shares were surrendered and cancelled in accordance with the powers conferred by the Articles;
 - 3.7.6 on 1 October 2010, London & Stamford issued 45,795,171 Ordinary Shares pursuant to the Existing Management Incentive Agreement;
 - 3.7.7 on 1 October 2010, London & Stamford issued 500,000,000 Ordinary Shares pursuant to a scheme of arrangement dated 16 August 2010; and
 - 3.7.8 on 28 March 2012, London & Stamford cancelled 3,000,000 Ordinary Shares which it held in Treasury in accordance with the powers conferred by the Articles.
- 3.8 On 3 September 2010, the Shareholders passed special resolutions approving the share buy backs provided for in the Existing Management Incentive Agreement.
- 3.9 The Ordinary Shares are in registered form with ISIN GB00B4WFW713.
- 3.10 Subject to the Merger becoming Effective, up to 178,600,000 New Ordinary Shares will be issued. This will result in London & Stamford's issued share capital increasing by approximately 32.9 per cent. if the Merger becomes Effective, Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 75 per cent. of the Enlarged Group Share Capital.

4. LONDON & STAMFORD SHARE PLAN

- 4.1 The London & Stamford Share Plan was adopted in January 2011 to attract and retain high calibre individuals throughout the London & Stamford Group. Subject to certain exclusions, all current and future employees of the London & Stamford Group are eligible to participate in the London & Stamford Share Plan at London & Stamford's discretion.
- 4.2 The London & Stamford Share Plan provides for the grant of conditional awards (in the form of options or conditional rights to acquire) entitling recipients to receive Ordinary Shares at no cost. The awards vest on or after the third anniversary of the date granted and are subject to the same lock-in and performance conditions and targets as the Internalisation Shares (see paragraph 14.1.3.4 below). London & Stamford grants conditional awards annually and these awards are a function of basic salary.
- 4.3 As at 31 March 2012, conditional awards to receive 451,639 Ordinary Shares had been granted to London & Stamford employees. The shares were acquired by London & Stamford's employee benefit trust during the course of the financial year ending 31 March 2012. The London & Stamford employee benefit trust now holds 913,762 Ordinary Shares.

5. SHARE CAPITAL AUTHORITIES OF LONDON & STAMFORD

5.1 The share capital of London & Stamford is unlimited.

5.2 Existing shareholder authorities

At a general meeting of London & Stamford held on 11 July 2012 the following resolutions were passed:

“9. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “2006 Act”) in substitution for all existing authorities:

- a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together “relevant securities”) up to an aggregate nominal amount of £18,093,172;
- b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to an additional aggregate nominal amount of £18,093,172 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in 9a and 9b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired”;

“10. THAT the Directors be and are empowered, in accordance with Section 570 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 9 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

- a. the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by paragraph 9b, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance

with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever;

- b. and the allotment (otherwise than pursuant to paragraph 10a above) of equity securities up to an aggregate nominal amount of £2,713,976,

and shall expire upon the expiry of the general authority conferred by Resolution 9 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired"; and

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

- a. the maximum number of ordinary shares authorised to be purchased is 54,279,517;
- b. the minimum price which may be paid for an ordinary share is 10p (exclusive of expenses payable by the Company);
- c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - (i) 105% of the average market value of an ordinary share for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
 - (ii) the value of an ordinary share calculated on the basis of the higher of:
 - (A) the last independent trade of; or
 - (B) the highest current independent bid for,any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and

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

5.3 Shareholder authorities to be proposed at the London & Stamford General Meeting

The following resolutions are set out in the notice of general meeting that is to be found in Part 22 of this document and it is proposed that those resolutions, of which resolution 2 will be proposed as an ordinary resolution and resolution 3 will be proposed as a special resolution, will be voted on at the London & Stamford General Meeting on 17 December 2012:

- "2. THAT, subject to the Merger becoming Effective (as defined by the Circular) passing of Resolution 1, the Directors be and they are hereby generally and

unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “Companies Act”) in substitution for all existing authorities:

- (a) to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together “relevant securities”) up to an aggregate nominal amount of £24,046,506; and
- (b) to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the Companies Act) up to an additional aggregate nominal amount of £24,046,506 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in (a) and (b) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require relevant securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot relevant securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.”; and

“3. THAT subject to the Merger becoming Effective the Directors be and are empowered, in accordance with Section 570 of the Companies Act, to allot equity securities (as defined in Section 560(1) of the Companies Act) for cash pursuant to the authority conferred by Resolution 2 or by way of a sale of treasury shares as if Section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by Resolution 2(b), by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and

(b) the allotment (otherwise than pursuant to paragraph 3(a) above) of equity securities up to an aggregate nominal amount of £3,606,975,

and shall expire upon the expiry of the general authority conferred by Resolution 2 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.”.

6. ORGANISATIONAL STRUCTURE, SUBSIDIARY UNDERTAKINGS AND OTHER HOLDINGS

6.1 London & Stamford is the ultimate holding company of the London & Stamford Group. The following table shows details of London & Stamford’s significant subsidiaries and undertakings as at 23 November 2012 (being the latest practicable date prior to the publication of this document). The issued share capital of each of these companies is fully paid.

<u>Name</u>	<u>Place of Incorporation</u>	<u>Nature of Business</u>	<u>% Held by London & Stamford</u>
London & Stamford Property Limited	Guernsey	Intermediate holding company	100%
LSI Management Limited	Guernsey	Management company	100%
LSI (Investments) Limited	England	Property investment	100%
London & Stamford Investments Limited*	England	Intermediate holding company	100%
LSI Developments Limited*	England	Property investment and development	100%
London & Stamford Property Subsidiary Limited*	Guernsey	Intermediate holding company	100%
LSP Green Park Property Trust*	Guernsey	Intermediate holding trust	31.4%
LSPGP Trust No 1*	Guernsey	Property investment trust	31.4%
London & Stamford Offices Trust*	Guernsey	Property investment	100%
L&S Business Space Limited*	Guernsey	Property investment	100%
L&S Highbury Limited*	Guernsey	Property investment	100%
L&S Business Space II Limited*	Guernsey	Property investment	100%
L&S Battersea Limited*	Guernsey	Property investment	100%
L&S Clapham Road Limited*	Guernsey	Property investment	100%
L&S Seward St. Limited*	Guernsey	Property investment	100%
London & Stamford Offices II Limited*	Guernsey	Property investment	100%
LSP Green Park Distribution Holdings Limited*	Guernsey	Intermediate holding company	50%
L&S Distribution II Limited*	Guernsey	Property investment	50%
L&S Distribution III Limited*	Guernsey	Property investment	50%
L&S Distribution IV Limited*	Guernsey	Property investment	50%
L&S Distribution V Limited*	Guernsey	Property investment	50%
LSP Leatherhead Limited*	Guernsey	Property investment	100%
LSP Marlow Limited*	Guernsey	Property investment	100%
LSP London Residential Investments Limited*	Guernsey	Intermediate holding company	40%
LSP London Residential Holdings Limited*	Guernsey	Intermediate holding company	40%
LSP RI Moore House Limited*	Guernsey	Property investment	40%

* Undertakings indirectly held by London & Stamford.

6.2 Save for the significant subsidiaries and holdings disclosed in paragraph 6.1 above, London & Stamford does not hold any capital in any other undertakings that have a significant effect on the assessment of London & Stamford's assets and liabilities, financial position or profits and losses.

7. ARTICLES OF ASSOCIATION

7.1 *The Articles contain the following provisions (amongst others):*

7.1.1 *Votes of members*

- (a) Subject to any special terms as to voting attached to any share, on a show of hands every member who is present in person and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.
- (b) No member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of any class of shares in London & Stamford either personally or by proxy or to exercise any privilege as a member in relation to the meeting or poll, unless all calls or other sums due and payable by him in respect of the shares in London & Stamford have been paid.
- (c) Any person (whether a member or not) may be appointed to act as a proxy and a member may appoint one or more than one person to act as his proxy to exercise all or any of his rights to attend and to speak and vote as a meeting of London & Stamford. On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

7.1.2 *Dividends*

- (a) Subject to the Statutes and the Articles, London & Stamford may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests. No dividend shall exceed the amount recommended by the board.
- (b) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid-up on the shares in respect of which the dividend is paid. All dividends shall be apportioned and paid *pro rata* according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (c) The directors may in their absolute discretion declare and pay to the members such interim dividends as appear to the directors to be justified by the profits of London & Stamford and London & Stamford's financial and trading position. If the share capital of London & Stamford is divided into different classes, the directors may pay interim dividends in respect of those shares which rank after shares conferring preferred rights, unless at the time of payment a preferential dividend is in arrears.
- (d) The board may, if authorised by an ordinary resolution of London & Stamford, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend specified by the Ordinary Shares.
- (e) All dividends or other sums payable on or in respect of any share which remain unclaimed for a period of 12 years or more from the date it became due for payment shall be forfeited and shall revert to London & Stamford.

7.1.3 *Sanctions for failure to disclose interest in shares*

- (a) If a notice is served by London & Stamford under Section 793 of the 2006 Act (a “**Section 793 notice**”) on a member, or another person whom London & Stamford knows or has reasonable cause to believe to be interested in shares held by that member, and the member or other person has failed in relation to the shares (the “**default shares**”) to give London & Stamford the information required within 14 days, the board may serve on the holder of such default shares a notice (a “**disenfranchisement notice**”) whereupon the following sanctions apply, unless the board decides otherwise:
 - (b) the member is not entitled in respect of the default shares to be present or to vote at a general meeting or separate class meeting or on a poll or to exercise other rights in relation to the meeting or poll; and
 - (c) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:
 - (i) a dividend or other amount payable in respect of the default shares shall be withheld by London & Stamford, which has no obligation to pay interest on it, and the member cannot elect to receive shares instead of a dividend; and
 - (ii) no transfer of any of the default shares shall be registered unless:
 - (A) the transfer is an expected transfer; or
 - (B) the member is not himself in default in supplying the information required and proves to the satisfaction of the board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer; or
 - (C) registration of the transfer is required by the Uncertificated Securities Regulations 2001.

7.1.4 *Distribution of assets on a winding-up*

If London & Stamford shall be wound up voluntarily, the liquidator may, with the authority of a special resolution and any sanction required by law, divide among the members in kind the whole or any part of the assets of London & Stamford whether or not the assets consist of property of one kind or of different kinds and may for such purpose set such value as he deems fair on any class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, and the liquidation of London & Stamford may be closed and London & Stamford dissolved but so that no member shall be compelled to accept any shares in respect of which there is a liability or potential liability.

7.1.5 *Changes in capital*

- (a) London & Stamford may by ordinary resolution:
 - (i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; and
 - (ii) sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any such restrictions, as compared with the others.
- (b) Subject to the provisions of the 2006 Act, London & Stamford has power to purchase its own shares, including any redeemable shares.

7.1.6 *Variation of class rights and class meetings*

- (a) Subject to provisions of the 2006 Act, the rights attached to any class of shares may be modified, varied or abrogated:
 - (i) in such manner (if any) as may be provided by those rights; or
 - (ii) in the absence of any such provision, either with the consent in writing of the holders of at least three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of that class but not otherwise.
- (b) The rights attached to any class of shares are not, unless expressly provided by the Articles or in the rights attaching to the shares of that class, deemed to be modified, varied or abrogated by the creation or issue of further shares ranking equally with every other share of that class.
- (c) A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as a general meeting except that the necessary quorum (other than at an adjourned meeting) is two persons, present in person or by proxy, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and, at an adjourned meeting, one person holding shares of the class in question present in person or by proxy and any holder of shares of the class in question present in person or by proxy and entitled to vote at the meeting may demand a poll.

7.1.7 *General meetings*

- (a) London & Stamford shall in each year hold a general meeting as its annual general meeting (in addition to any other meetings which may be held in that year). Subject as aforesaid and to the provisions of the Statutes, the annual general meeting shall be held at such time and place as the directors may determine.
- (b) The directors may convene a general meeting whenever they think fit and must on requisition in accordance with the Statutes convene a general meeting, as provided by the Statutes.
- (c) Annual general meetings and all other general meetings of London & Stamford shall be called by at least such minimum period of notice as is prescribed for traded companies under the 2006 Act.
- (d) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to vote, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.
- (e) The board may make arrangements and impose restrictions it considers appropriate to ensure the security of a meeting, including, without limitation, the searching of a person attending the meeting and the restriction of the items of personal property that may be taken into the meeting place. The board is entitled to refuse entry to a meeting to a person who refuses to comply with these arrangements or restrictions.

7.1.8 *Transfer of shares*

- (a) Subject to the Articles, any member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the directors may approve and the instrument must be executed by or on behalf of the transferor and by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until

the name of the transferee is entered in the register of members in respect of it.

- (b) The board may decline to recognise any instrument or transfer unless it is:
 - (i) in respect of only one class of shares;
 - (ii) in favour of not more than four joint transferees;
 - (iii) duly stamped (if required);
 - (iv) not in favour of a minor, infant, bankrupt or person with mental disorder; and
 - (v) lodged at the registered office of London & Stamford or such other place as the directors may decide, accompanied by the certificate for the shares to be transferred and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer provided that in the case of a transfer by a stock exchange nominee the lodgement of a share certificate will only be necessary if a certificate has been issued in respect of the share in question.
- (c) The board may in their absolute discretion and without assigning any reason refuse to register any transfer of a certificated share which is not fully paid, provided that this discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.
- (d) The board may, in circumstances permitted by the UK Listing Authority and the London Stock Exchange, disprove a transfer of any share, provided that exercise of such powers does not disturb the market in the shares.
- (e) If the board refuse to register a transfer of any shares, they shall, within two months after the date on which the transfer was lodged with London & Stamford, send to the transferor and the transferee notice of the refusal, together with reasons for the refusal. The directors shall send to the transferee such further information about the reasons for the refusal as the transferee may reasonably require.

7.1.9 *Directors*

- (a) Number and appointment of directors

Unless and until otherwise determined by London & Stamford by ordinary resolution the number of directors is not subject to a maximum but must not be fewer than two.

London & Stamford may, by ordinary resolution, appoint a person who is willing to act to be a director. The directors may appoint a person who is willing to act to be a director either to fill a vacancy or as an additional director, but a director so appointed shall hold office only until the conclusion of the next annual general meeting after his appointment, unless he is reappointed during the meeting, and he shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

- (b) Executive Directors

The directors may from time to time appoint one or more of their body to be holder of any executive office for such period and on such terms for such period as they may determine.

The appointment of any director to any executive office may be terminated by the board without prejudice to any claim he may have for damages for breach of contract. A director appointed to any executive office shall not

automatically cease to be a director if he ceases from any cause to hold that executive office.

(c) Retirement by rotation

Each director shall retire from office at the third annual general meeting after that at which he was last elected. A director who retires at an annual general meeting, shall be in addition to any director who wishes to retire and not to offer himself for reappointment and any director to retire. A director who retires at an annual general meeting, whether by rotation or otherwise, may, if willing to act, be reappointed. London & Stamford, at the meeting at which a director retires by rotation, may fill the vacated office and, if it does not do so, the retiring director is, if willing, deemed reappointed, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the reappointment of such director is put to the meeting and lost.

(d) Fees, expenses, remuneration and benefits

(i) There shall be available to be paid out of the funds of London & Stamford to the directors as fees in each year an aggregate sum not exceeding £500,000 or such higher sum as may from time to time be determined by ordinary resolution of London & Stamford. London & Stamford may by ordinary resolution increase the amount of the fees payable which shall, in default of agreement to the contrary, be divided between the directors equally.

(ii) The directors are entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of London & Stamford or in travelling to and from meetings of the board or committees of the board or general meetings or separate meetings of the holders of a class of shares of London & Stamford or otherwise in connection with the discharge of their duties.

(iii) The board may grant reasonable additional remuneration and expenses to any director who goes or resides abroad or renders any special or extra services to London & Stamford, which may be paid by way of a lump sum, participation in profits or otherwise as the board may determine.

(iv) The directors may establish and maintain a pension scheme for the benefit of any persons who are or were employees of or who have been directors of London & Stamford or of any company which is or was a member of the London & Stamford Group. Subject to the Statutes, the board may establish and maintain any employees' share scheme for the benefit of employees (including directors) of London & Stamford.

(e) Directors' Interests

The directors may authorise, to the fullest extent permitted by law:

(i) any matter which would otherwise result in a director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of London & Stamford and which may reasonably be regarded as likely to give rise to a conflict of interest; and

(ii) a director to accept or continue in any office, employment or position in addition to his office as a director of London & Stamford and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either

before or at the time that such a conflict of interest arises, provided that the authorisation is only effective if:

- (A) any requirement as to the quorum at the meeting at which such matter is considered is met without counting the director in question or any other interested director; and
- (B) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

(f) If a matter, or office, employment or position, has been authorised by the directors in accordance with this Article then:

- (i) the director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to London & Stamford if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;
- (ii) the director may absent himself from discussions, whether in meetings of the directors or otherwise, and exclude himself from information, which will or may relate to that matter, or that office, employment or position;
- (iii) a director shall not, by reason of his office as a director, be accountable to London & Stamford for any benefit which he derives from any such matter, or from any such office, employment or position.

(g) Voting restrictions

- (i) A director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or right of or otherwise in or through London & Stamford. However a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (ii) A director shall (in the absence of some other material interest) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:
 - (A) the giving to him of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of London & Stamford or any of its subsidiaries;
 - (B) the giving to a third party of any security, guarantee or indemnity in respect of a debt or obligation of London & Stamford or any of its subsidiaries for which he himself has assumed responsibility, in whole or in part, by the giving of security or under a guarantee or indemnity;
 - (C) any proposal concerning an offer for subscription or purchase of shares or debentures or other securities of or by London & Stamford or any of its subsidiaries or of any other company which London & Stamford may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting;

officer, creditor, employee or holder of shares, debentures, securities or rights of that other company, but where he is not the holder (otherwise than as a nominee for London & Stamford or any of its subsidiaries) of or beneficially interested in one per cent. or more of the issued shares of any class of such company or of any third company through which his interest is derived or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

- (D) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
- (E) any proposal concerning the purchase and/or maintenance of any insurance policy under which he may benefit.

(h) Powers of the board

Subject to the Statutes and the Articles and to directions given by London & Stamford in general meeting, the business of London & Stamford shall be managed by the directors who may exercise all the powers of London & Stamford.

7.1.10 *Borrowing powers*

- (a) Subject to the Articles, the board may exercise all the powers of London & Stamford to borrow money.
- (b) The directors shall restrict the borrowings of London & Stamford and exercise all voting and other rights or powers of control exercisable by London & Stamford in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate of the amounts remaining un discharged of all monies borrowed by the London & Stamford Group does not at any time without the previous sanction of an ordinary resolution exceed a sum equal to two times:
 - (i) the amount of the share capital of London & Stamford issued and paid up; and
 - (ii) the amounts shown as standing to the credit of consolidated capital and revenue reserves of the London & Stamford Group (including share premium account, capital redemption reserve) plus or minus the credit or debit balance of the consolidated profit and loss account as shown in the latest audited consolidated balance sheet of the London & Stamford Group and in the consolidated capital and reserves of the London & Stamford Group, but
 - (A) adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the London & Stamford Group) since the date of such balance sheets except in so far as provided for therein; and
 - (B) excluding any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and

- (C) excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.

7.1.11 *Indemnity*

(a) Indemnity to Directors

Subject to the provisions of the Statutes, London & Stamford may:

- (i) indemnify any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to London & Stamford or any associated company; and/or
- (ii) indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him in connection with London & Stamford's activities as trustee of an occupational pension scheme; and/or
- (iii) purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to London & Stamford or any associated company.

For the purpose of the article described above "associated company" has the meaning set out in section 256 of the 2006 Act.

(b) Indemnity against claims in respect of shares

Whenever any law for the time being of any country, state or place imposes or purports to impose any immediate or future or possible liability upon London & Stamford to make any payment or empowers any government or taxing authority or government official to require London & Stamford to make any payment in respect of any shares registered in any of London & Stamford's registers as held either jointly or solely by any member or in respect of any dividends, bonuses or other monies due or payable or accruing due or which may become due or payable to such member by London & Stamford on or in respect of any shares registered as aforesaid or for or on account or in respect of any member and whether in consequence of:

- (i) a transmission event;
- (ii) the non-payment of any income tax or other tax by such member;
- (iii) the non-payment of inheritance tax or any estate, probate, succession, death, stamp or other duty by the executors or administrators or other legal personal representatives of such member or by or out of his estate; or
- (iv) any other act or thing;

London & Stamford in every such case:

- (v) shall be fully indemnified by such member or his executors or administrators or his other legal representatives from all liability; and

- (vi) may recover as a debt due from such member or his executors or administrators or his other legal personal representatives wherever constituted or residing any monies paid by London & Stamford under or in consequence of any such law together with interest thereon at such rate (not exceeding, without the sanction of London & Stamford given by ordinary resolution, 20 per cent. per annum) as the directors may determine from the date of payment by London & Stamford to the date of repayment by the member or his executors or administrators or his other legal personal representatives.

7.1.12 *UK-REIT provisions*

A summary of the UK-REIT provisions included in the Articles is set out in paragraph 4 of Part 19 of this document.

- 7.1.13 The Directors have power by notice in writing to require any Shareholder to disclose to London & Stamford the identity of any person (other than the Shareholder) who has an interest in the shares held by the Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given within the prescribed period which is 14 days after service of the notice. The direction notice may direct that, in respect of the Ordinary Shares in respect of which the default has occurred and any other shares held by the Shareholder, the Shareholder shall not be entitled to vote (either personally or by representative or by proxy) in general meetings or class meetings. Where the shares concerned represent at least 0.25 per cent. of their class the direction notice may additionally direct that dividends on such shares will be retained by London & Stamford (without interest), and that no transfer of the shares (other than an excepted transfer under the Articles) shall be registered until the default is rectified.

8. INTERESTS OF DIRECTORS IN LONDON & STAMFORD

8.1 *Directors' and Proposed Directors' interests in London & Stamford*

As at 23 November 2012 (being the latest practicable date prior to the publication of this document) and, following Admission and the Merger, the interests of the Directors, Proposed Directors and their immediate families and persons connected with the Directors and Proposed

Directors (within the meaning of sections 252 – 255 of the Act) (all of which are beneficial unless otherwise stated) in the issued share capital of London & Stamford are as follows:

	As at 23 November 2012 (the latest practicable date prior to publication of this document)		Interests immediately following the Merger becoming Effective▲	
	No. of Ordinary Shares	Percentage of issued share capital of London & Stamford	No. of Ordinary Shares	Percentage of Enlarged Share Capital
Executive Directors				
Raymond Mould	16,000,000	2.95%	14,473,988	2.02%
Patrick Vaughan*	18,383,510	3.39%	16,857,498	2.36%
Martin McGann†	3,823,795	0.70%	3,341,586	0.47%
Non-Executive Directors				
Charles Cayzer§	Nil	Nil	Nil	Nil
Humphrey Price	2,143,127	0.39%	2,015,734	0.28%
James Dean	Nil	Nil	Nil	Nil
Richard Crowder	100,000	0.02%	100,000	0.01%
Mark Burton	Nil	Nil	Nil	Nil
Proposed Directors				
Andrew Jones	Nil	Nil	1,932,377	0.27%
Andrew Huntley	20,000	<0.01%	114,000	0.02%
Alec Pelmore	50,000	0.01%	120,500	0.02%
Andrew Varley	Nil	Nil	47,000	0.01%
Philip Watson	Nil	Nil	94,000	0.01%

▲ Based on the Enlarged Share Capital before the Tender Offer. Figures are calculated assuming: (i) that the interests of the Directors and Proposed Directors as at close of business 23 November 2012 do not change, (ii) that the maximum number of the New Ordinary Shares are issued in connection with the Merger, (iii) 6,369,692 Ordinary Shares are purchased and cancelled pursuant to the Existing Incentive Shares Cancellation and (iv) excluding any other issues of Ordinary Shares between publication of this document and the Effective Date.

* 93,000 of the 18,383,510 Ordinary Shares noted next to Patrick Vaughan's name above are held jointly by for Patrick Vaughan's wife and one other person who is not immediate family (within the meaning of sections 252 to 255 (inclusive) of the Companies Act.) of Patrick Vaughan.

† Martin McGann and Sue Ford are connected persons for the purposes of section 253(2)(b) of the Companies Act.

§ Charles Cayzer is a director of Caledonia Investments and the Cayzer Trust Company Ltd, which hold 33,497,094 and 2,785,506 Ordinary Shares respectively (representing 6.17 per cent. and 0.51 per cent. respectively of the issued share capital of London & Stamford).

Taken together, the combined percentage interest of the Directors and Proposed Directors (i) in the issued ordinary share capital of London & Stamford as at 23 November 2012 (being the latest practicable date prior to the publication of this document) was approximately 7.42 per cent. and (ii) following the Merger becoming Effective, will be approximately 5.28 per cent. of the Enlarged Share Capital.

8.2 As at 23 November 2012 (being the latest practicable date prior to the publication of this document), none of the Directors or Proposed Directors held any conditional rights or options to acquire Ordinary Shares.

8.3 Save as disclosed in this paragraph 8, no Director nor Proposed Director nor their immediate families, nor any person connected with any Director or Proposed Director has any interests (beneficial or non-beneficial) in the share capital of London & Stamford or any of its subsidiaries.

8.4 **Significant shareholders' interests in London & Stamford**

Other than the interests of Directors or Proposed Directors disclosed in this paragraph 8, so far as London & Stamford is aware, the following persons held, directly or indirectly, three per cent. or more of London & Stamford's voting rights as at 23 November 2012 (the latest practicable

date prior to the publication of this document) or will do so immediately following the Merger becoming Effective:

	As at 23 November 2012 (the latest practicable date prior to publication of this document)		Interests immediately following the Merger becoming Effective*	
	No. of Ordinary Shares	Percentage of issued share capital of London & Stamford	No. of Ordinary Shares	Percentage of Enlarged Share Capital
Shareholder				
Blackrock Investment Management	40,172,357	7.40%	43,918,144	6.14%
Caledonia Investments Plc . . .	33,497,094	6.17%	33,497,094	4.68%
Rothschild Management (UK) Limited	31,581,633	5.82%	31,581,633	4.42%
Electra Partners Europe	30,000,000	5.53%	30,000,000	4.20%
Rathbones	24,656,049	4.54%	24,656,049	3.45%
Worldstar Limited	19,651,842	3.62%	19,651,842	2.75%
Legal & General Investment Management	17,823,384	3.28%	23,994,555	3.36%
APG Invesments	6,306,654	1.16%	22,756,654	3.18%

* Based on the Enlarged Share Capital before the Tender Offer. Figures are calculated assuming (i) that the interests of the significant shareholders as at close of business 23 November 2012 do not change, (ii) that the maximum number of the New Ordinary Shares are issued in connection with the Merger, (iii) 6,369,692 Ordinary Shares are purchased and cancelled pursuant to the Existing Incentive Shares Cancellation and (iv) excluding any other issues of Ordinary Shares between publication of this document and the Effective Date.

8.5 There are no differences between the voting rights enjoyed by those Shareholders set out in paragraph 8.4 above and those enjoyed by any other holder of Ordinary Shares.

8.6 So far as London & Stamford is aware, there are no persons who, now or at Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over London & Stamford.

9. TERMS OF APPOINTMENT, REMUNERATION AND BENEFITS OF DIRECTORS AND PROPOSED DIRECTORS

9.1 Executive Directors

Raymond Mould, Patrick Vaughan and Martin McGann each entered into a service agreement with London & Stamford on 11 August 2010 in respect of their services as executive directors of London & Stamford.

Raymond Mould is employed by London & Stamford as executive chairman. Raymond Mould is eligible to participate in London & Stamford's discretionary bonus scheme up to an amount equal to a maximum of 100 per cent. of salary. Raymond Mould's employment continues until terminated by either party giving to the other 12 months' notice. No pension benefit is provided for Mr. Mould.

Patrick Vaughan is employed by London & Stamford as chief executive. Patrick Vaughan is eligible to participate in London & Stamford's discretionary bonus scheme up to an amount equal to a maximum of 100 per cent. of salary. Patrick Vaughan's employment continues until terminated by either party giving to the other 12 months' notice. London & Stamford makes annual contributions to Mr. Vaughan's pension arrangements of 15 per cent. of his annual salary.

Martin McGann is employed by London & Stamford as finance director. Martin McGann is eligible to participate in London & Stamford's discretionary bonus scheme up to an amount equal to a maximum of 100 per cent. of salary. Martin McGann's employment continues until terminated by either party giving to the other 12 months' notice. London & Stamford makes annual contributions to Mr. McGann's pension arrangements of 15 per cent. of his annual salary.

A summary of Raymond Mould, Patrick Vaughan and Martin McGann's remuneration and benefits for the year ended 31 March 2012 is set out in paragraph 9.3 of this Part 20.

9.2 **Non-Executive Directors**

Charles Cayzer, Mark Burton, Richard Crowder, Humphrey Price and James Dean each entered into a letter of appointment with London & Stamford on 2 August 2010 in respect of their services as non-executive directors of London & Stamford.

Each of the non-executive directors receives a director's fee of £50,000 per annum and their time commitment is as agreed with the Board from time to time. In addition, Mr Dean and Mr Price each receive an additional fee of £10,000 per annum to act as the chairman of the Remuneration Committee and the Audit Committee respectively. The senior independent Director is Charles Cayzer.

Each of the non-executive directors has agreed to give not less than three months' notice should he wish to resign prior to expiry of his term of appointment. In addition to the powers of removal conferred by the Articles, London & Stamford may request that the director resigns by giving the director three months' prior notice.

9.3 **Summary of remuneration and benefits**

Under the terms of their service contracts, appointment letters and applicable bonus schemes (as applicable), in the year ended 31 March 2012, the Directors were entitled to the remuneration and benefits set out below:

<u>Name</u>	<u>Base salary and non-executive directors fees</u>	<u>Bonus*</u>	<u>Benefits in kind</u>	<u>Total remuneration (excluding pension contributions)</u>	<u>Pension contributions</u>
Executive					
Raymond Mould§	303,400	312,000	14,562	629,962	Nil
Patrick Vaughan	310,000	312,000	7,305	629,305	34,800
Martin McGann	249,180	260,000	5,264	514,444	48,125
Non-executive					
Charles Cayzer	50,000	Nil	Nil	50,000	Nil
James Dean	60,000	Nil	Nil	60,000	Nil
Humphrey Price	60,000	Nil	Nil	60,000	Nil
Mark Burton	50,000	Nil	Nil	50,000	Nil
Richard Crowder§	75,000	Nil	Nil	75,000	Nil

* Restricted to a maximum of 100 per cent. of current gross salary before deductions under salary sacrifice arrangements

§ Following the Merger becoming Effective, Raymond Mould and Richard Crowder shall retire. Neither Raymond Mould nor Richard Crowder shall be entitled to any severance, compensation or other payment as a consequence of their retirement.

9.4 **Proposed Directors**

Following the Merger, the Proposed Directors will be appointed to the board of directors of the Enlarged Company with effect from the Effective Date. The proposed terms of the Proposed Directors' service contracts and appointment letters are summarised below:

<u>Name</u>	<u>Position in Enlarged Company</u>	<u>Notice period (months)</u>	<u>Total salary/fees (£)</u>
Andrew Jones	Chief Executive	12	£315,000*
Andrew Huntley	Non executive director	3	50,000
Alec Pelmore	Non executive director	3	50,000
Andrew Varley	Non executive director	3	50,000
Philip Watson	Non executive director	3	50,000

* Does not include pension, annual bonus or other benefits.

9.5 The Directors are subject to retirement by rotation in accordance with the Articles.

- 9.6 Save as described above, there are no existing or proposed service agreements between any Director and London & Stamford or any of its subsidiaries with a notice period of one year or more.
- 9.7 London & Stamford does not operate any pension schemes and has not accrued any amounts in respect of pension contributions to Directors since its incorporation.
- 9.8 There are no existing or proposed service agreements or appointment letters between any Director and any member of the Enlarged Group providing for benefits upon termination of employment.
- 9.9 The aggregate remuneration paid (including any contingent or deferred compensation and excluding pensions contributions) and benefits in kind granted to the Directors by London & Stamford and its subsidiaries during the financial year ended 31 March 2012 for services in all capacities was £2,068,711.

10. ADDITIONAL INFORMATION ON DIRECTORS AND PROPOSED DIRECTORS

- 10.1 Further details of the Directors and the Proposed Directors functions in London & Stamford or Metric (as appropriate) and, following the Merger, the Enlarged Company, and their relevant management experience are set out in paragraph 3 of Part 10 above and paragraph 4 of Part 11 and, with regard to the Directors only, in the 2012 Annual Report (which is incorporated by reference into this document).
- 10.2 The Directors and the Proposed Directors currently hold or in the past five years before the date of this document have held the following directorships and/or have been partners of the following partnerships outside the Enlarged Group:

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
<i>London & Stamford Directors</i>		
Raymond Mould	London & Stamford Property Plc Miltons Shoot Limited The Hampshire Film LLP LSI Management Limited LSP Green Park Management Limited LSP Green Park Distribution Holdings Limited L&S Distribution II Limited L&S Distribution III Limited L&S Distribution IV Limited L&S Distribution V Limited FF&P Russia Real Estate Development Limited FF&P Russia Real Estate Limited	Former Management LLP Clearstage Limited London & Stamford Investments Limited LSI (Investments) Limited LSI Belguim Limited LSI Bruton Limited LSI Developments Limited LSI Europe Limited Half Moon Partners LLP Aldenhold Limited Arena Leisure Plc London & Stamford (Anglesea) Limited Radial Distribution Ltd Meadowhall (MLP) Limited Meadowhall Contracts Limited Meadowhall Finance PLC Meadowhall HoldCo Limited Meadowhall Nominee 1 Limited Meadowhall Nominee 2 Limited Meadowhall Shopping Centre Limited Meadowhall Shopping Centre Property Holdings Limited Meadowhall SubCo Limited MSC (Cash Management) Limited MSC Property Intermediate Holdings Limited London & Stamford Property Limited
Patrick Vaughan	London & Stamford Property Plc LSI Management Limited LSP Green Park Management Limited LSP Cavendish Management Limited LSP London Residential Investments Limited LSP London Residential Holdings Limited LSP RI Moore House Limited	Former Management LLP London & Stamford Investments Limited LSI (Investments) Limited LSI Belguim Limited LSI Bruton Limited LSI Developments Limited LSI Europe Limited London and Stamford Property Limited Half Moon Partners LLP

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
Martin McGann	<p>London & Stamford Property PLC Ingenious Film Partners 2 LLP London & Stamford Investments Limited LSI (Investments) Limited LSI Developments Limited LSI Management Limited London & Stamford Property Limited London & Stamford Offices Limited London & Stamford Offices II Limited London & Stamford Offices Unitholder 2 Limited London & Stamford Property Subsidiary Ltd L&S Business Space Limited L&S Business Space II Limited L&S Battersea Limited L&S Highbury Limited L&S Distribution Limited L&S Distribution II Limited L&S Distribution III Limited L&S Distribution IV Limited L&S Distribution V Limited L&S Management Investor (Scotland) LLC L&S Heathrow Limited LSP Green Park Distribution Holdings Limited HEREF Green Box Limited HEREF Green Box (Nominee) Limited HEREF Green Box GP Limited L&S Seward St. Limited London & Stamford Offices II Limited L&S Clapham Road Limited</p>	<p>Valderrama SA Director Meadowhall (MLP) Limited Meadowhall Finance PLC Meadowhall HoldCo Limited Meadowhall Nominee 1 Limited Meadowhall Nominee 2 Limited Meadowhall Shopping Centre Limited Meadowhall Shopping Centre Property Holdings Limited Meadowhall SubCo Limited MSC (Cash Management) Limited MSC Property Intermediate Holdings Limited Former Management LLP Blackbird Logistics Limited Daws Investments Limited Eurocoast Limited Gaskell Estates Limited London & Stamford (Anglesea) Limited Kandahar (Cambridge) Limited Kandahar (Caterham) Limited Kandahar (Caterham) No.1 Limited Kandahar (Droitwich) Limited Kandahar (Droitwich) Nominee No.1 Limited Kandahar (Droitwich) Nominee No.2 Limited Kandahar (Great Malvern) Limited Kandahar (Houndsgate) Limited Kandahar (Ipswich) Limited Kandahar (Kingston) Limited Kandahar (Leicestershire) Limited Kandahar (Leicestershire) No.1 Limited Kandahar (Leicestershire) Nominee No.1 Limited Kandahar (Leicestershire) Nominee No.2 Limited Kandahar (Nottingham) Limited Kandahar (Nottingham) No.1 Limited Kandahar (Nottingham) Nominee No.1 Limited Kandahar (Nottingham) Nominee No.2 Limited Kandahar (Salisbury) Limited Kandahar (Tavern Street) Limited Kandahar Academy II Limited Kandahar Academy Limited Kandahar Asset Management Company Limited Kandahar Group Limited Kandahar Knutsford Limited Kandahar Limited Kandahar Management Company Limited Kandahar No.2 Limited Arena Leisure Plc L&S Management Investor (Scotland) GP Limited Clearstage Limited LSI Belguim Limited LSI Bruton Limited LSI Europe Limited Meadowhall (MLP) Limited Meadowhall Contracts Limited Meadowhall Finance PLC Meadowhall HoldCo Limited Meadowhall Nominee 1 Limited Meadowhall Nominee 2 Limited Meadowhall Shopping Centre Limited Meadowhall Shopping Centre Property</p>

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
Charles Cayzer	<p>Ashby Park Investments Limited Willmoreton Properties Limited Mangalitsa Limited (in liquidation) Easybox Sarl Bedford Estates Nominees Limited Buckingham Gate Limited Caledonia GP Distribution Limited Caledonia Group Services Limited Caledonia Investments plc Caledonia Land & Property Limited Central European Property Management (Jersey) Ltd Chelsea Wharf Management Company Limited Deveronside Trading Company Limited Easybox (Bahamas) Limited (Liquidated) Easybox Self Storage SRL Edinmore Estates Limited Edinmore Holdings Limited Edinmore Investments Four Limited Edinmore Properties Limited Edinmore Trading Limited Eredene Capital plc Garlandheath Limited General Practice Investment Corporation Ltd GPG No.4 Limited GPG No.5 Limited GPG No.6 Limited GPG No.7 Limited London & Stamford Property plc March Cold Stores Ltd Morehun LP (General Partner) Limited Quintain Estates & Development plc Seagrove Holdings Limited Sloane Club Holdings Limited Southoak Limited Stancomb & Kenington Agencies Ltd The Cayzer Trust Company Limited The Sloane Club Group Limited The Sloane Club Management Limited Woburn Enterprises Limited Woburn Estate Company Limited</p>	<p>Holdings Limited Meadowhall SubCo Limited MSC (Cash Management) Limited MSC Property Intermediate Holdings Limited London & Stamford (Anglesea) II Limited Kandahar (Luxembourg) No.1 Limited S.a.r.l Kandahar (Luxembourg) No.2 Limited S.a.r.l Kandahar (Luxembourg) No.3 Limited S.a.r.l Kandahar (Luxembourg) No.4 Limited S.a.r.l Kandahar (Witney) S.a.r.l Kandahar Real Estate Limited Dimelight Services Limited L&S Leeds Limited Avondale (City) Limited (Dissolved) Deveronside Trading Company I I Limited (Dissolved) Edinmore Investments Limited (SOLD) Edinmore Investments Three Limited (SOLD) Edinmore Investments Two Limited (SOLD) Shalfleet Properties Limited (Dissolved) St. Lawrence Properties Limited (Dissolved) The Tavistock Trust for Aphasia Varun Shipping Company Limited</p>
Mark Burton	<p>Value Retail plc Roebuck Capital Al Futtain Group Norges Bank</p>	<p>Adding Value General Partner Limited Adding Value Limited Hudsons Bay Trading Company LSP Green Park Management Limited Portman Limited</p>

<u>Name of Director</u>	<u>Existing directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Richard Crowder	Absolute Alpha Fund PCC Ltd Aviva Investors Alternative Funds PCC (formerly Morley Alternative In Better Capital PCC Limited (formerly Better Capital Limited) Bracken Partners Investments Channel Islands Limited Bluecrest (formally Close Allblue Fund Limited) FCM Funds Public Limited Company FF&P Alternative Strategy PCC Limited FF&P Global Property Fund PCC Limited FF&P Enhanced Opportunities Fund PCC Limited FF&P Russia Real Estate Limited FF&P Russia Real Estate Development Limited FF&P Venture Funds PCC Limited FF&P World Equities Fund Limited Global Credit Opportunities Master Investment Company Limited Japan Residential Investment Company Limited Jupiter Insurance Limited London & Stamford Property Plc Mysia Investments Limited Pantheon Asia Fund II Limited Pantheon Asia Fund III Limited Pantheon Asia Fund IV Limited Pantheon Europe Fund IV Limited Pantheon USA Fund III Limited Pantheon USA Fund V Limited Pantheon USA Fund VII Limited PASIA V GP Limited PEURO V GP Limited PEURO VI GP Limited Pantheon International Participations Plc Rothschild Bank (CI) Limited Rothschild Bank International Limited Royal London Asset Management C.I. Limited Rufford & Ralston PCC Limited Syros Investments Limited (formerly Samos Investments Limited) FF&P Enhanced Opportunities Subsidiary Limited J-RIC International Limited JRIC Holdings Limited London & Stamford Property Limited Royal London Custody Services C.I. Limited Alster Limited Horos Limited Prelude Limited Four Leaf Clover (Jersey) Limited Vincitas Limited Veritas Limited Englehall Limited One-Forty-Five Limited PLMS Limited Depth (Bermuda) Ltd Pur (Bermuda) Ltd Stee (Bermuda) Ltd Vest (Bermuda) Ltd Greenford (Bermuda) Ltd Gold Hawk (Bermuda) Ltd Friar (Bermuda) Ltd Felix (Bermuda) Ltd Chateauneuf (Bermuda) Ltd Burnt Oak Holdings (Bermuda) Ltd	Affinity Partners Ltd Asia Direct Limited BC Property Holdings Limited Consulta Capital Fund PCC Limited Consulta Capital Holdings Limited Consulta Hedge Funds Limited Consulta Hedge (Holding) One Limited Consulta Hedge (Holding) Two Limited Consulta Hedge (Holding) Three Limited Consulta Hedge (Holding) Four Limited Consulta Hedge (Holding) Five Limited Consulta Hedge (Holding) Six Limited Consulta Hedge (Holding) Seven Limited Consulta Hedge (Disposal) One Limited Consulta Emerging Markets Debt Fund Consulta Technology Fund Da Vinci Capital Management Limited Electricity Producers Insurance Company (Bermuda) Limited FCM Asia-Pacific Fund Limited FCM Asia-Pacific Master Fund Limited FCM European Opportunities Fund Limited FCM European Opportunities Master Fund Limited FCM Global Opportunities Fund Limited FCM Global Opportunities Master Fund Limited FCM Japan Kachi Master Fund Limited FCM Japan Kachi Fund Limited FRM Manufactured Alpha Fund SPC FRM Manufactured Alpha Master Fund SPC HedgeFirst Limited Multi Risk Limited, Malta Parkmead Special Situations Energy Fund PIP Securities Limited Royal London Property Investment Company Ltd Royal London Property Portfolio Limited Schroders C.I. Limited Schroder Property Managers (Jersey) Limited Vodafone Insurance Company Limited Vodafone Malta Consulta CI Ltd Consulta Collateral Fund PCC Limited Consulta Collateral Holdings Limited Consulta High Yield Fund PCC Limited Consulta High Yield Holdings Limited Consulta Alternative Strategy Holdings Limited FCM European Frontier Fund Limited FCM European Frontier Master Fund Limited FRM Access Fund PCC Limited Mysia Investments Limited Olivant Limited Pantheon Asia Fund Limited Prelude Limited Palio UK Mid-Market Debt Fund Limited

<u>Name of Director</u>	<u>Existing directorships/partnerships</u>	<u>Past directorships/partnerships</u>
	Tio (Bermuda) Ltd Stowe Holdings (Bermuda) Ltd Somana (Bermuda) Ltd Width Holdings (Bermuda) Ltd Breadth Holdings (Bermuda) Ltd Hexagon Investments (Bermuda) Ltd Procida (Bermuda) Ltd Hillingdon (Bermuda) Ltd Fervida (Bermuda) Ltd Flavida (Bermuda) Ltd C Seventy Two C Limited Brabazon Limited (formerly B Sixty Four B Limited) B Eighty C Limited B Eighty D Limited B Eighty E Limited B Eighty F Limited B Eighty A (Bermuda) Limited B Eighty B (Bermuda) Limited C Eighty Three C (Bermuda) Limited C Eighty Three D (Bermuda) Limited H Fifty Eight A (Bermuda) Limited H Fifty Eight B (Bermuda) Limited H Fifty Eight C (Bermuda) Limited H Fifty Eight D (Bermuda) Limited M Fifty Eight (Bermuda) Limited Treva Limited (formerly Loch Lossit Limited)	
Humphrey Price	London & Stamford Property Plc Sussex Community Foundation Hansteen Holdings Plc	Auchinlea One Limited Auchinlea Two Limited Bruton Cork Investments Limited Champneys Citypoint Limited Clearstage Limited Half Moon Partners LLP London & Stamford Investments Limited London & Stamford Limited LSI Belgium Limited LSI Bruton Limited LSI Developments Limited LSI Europe Limited LSI (Investments) Limited LSI Management LLP Sussex Community Foundation
James Dean	Branston Holdings Limited Heracles LLP Heracles Special Limited Partner (1) LLP Holdingham Estates Limited Holdingham Farms LLP London and Lincoln Properties Limited London & Stamford Property plc Netherhampton Business Centre Management Limited Patrick Dean Limited Pearl Crown Limited	Barlows (Liverpool) Limited Bedford Trusts Branston Limited CLS Holdings plc Cosalt plc Daniel Thwaites plc Grosvenor Hill Properties Limited Grosvenor Hill Ventures Limited Poacher Pac Limited Savills (Dormant 1) Limited Savills Finance Holdings plc Savills Financial Services plc Savills Investor Syndicate GP Limited The DFH Sportings
<i>Proposed Directors</i>		
Andrew Jones	Metric Property Investments plc Metric Property Limited Metric Retail Limited Metric Retail Property Limited Metric Income Plus Nominee Limited Metric Property Kirkstall Limited Metric Property Hove Limited Metric Property Bristol Limited Metric Property Inverness Limited	<i>UK Companies</i> 1 & 4 & 7 Triton Limited 122 Leadenhall Street Limited 175 Bishopsgate Limited 2 Plantation Place Limited 201 Bishopsgate Limited 338 Euston Road Limited 35 Basinghall Street First Limited

<u>Name of Director</u>	<u>Existing directorships/partnerships</u>	<u>Past directorships/partnerships</u>
	Metric Property Cannock Limited	35 Basinghall Street Limited
	Metric Property Bishops Auckland Limited	35 Basinghall Street Second Limited
	Metric Property Rochdale Limited	51 Lime Street
	Metric Property Rochdale Development Limited	8/10 Throgmorton Avenue Limited
	Metric LI Income Plus Limited	Adamant Investment Corporate Limited
	Metric MPIP Asset Management Limited	Adshilta Limited
	Metric Property St Austell Limited	Apartpower Limited
	Metric Property Berkhamstead Limited	B.L.Holdings Limited
	Metric Property Finance (Holdings) Limited	Balsenia Limited
	Metric Property Finance 1 Limited	Barstep Limited
	Metric Property Loughborough Limited	Bayeast Property Co Limited
	Wick Retail Limited	Bexile Limited
	Metric Property Milford Haven Limited	BF Propco (No. 10) Limited
	Metric Property Mansfield Limited	BF Propco (No. 11) Limited
	Metric Property Congleton Limited	BF Propco (No. 12) Limited
	Metric Property Launceston 3 Limited	BF Propco (No. 13) Limited
	Metric Property Kings Lynn Limited	BF Propco (No. 14) Limited
	Metric Property Bedford Limited	BF Propco (No. 15) Limited
	Metric Property Sheffield Limited	BF Propco (No. 16) Limited
	Metric Property St Albans Limited	BF Propco (No. 17) Limited
	Metric Property Bedford 2 Limited	BF Propco (No. 18) Limited
	Metric Property Finance 2 Limited	BF Propco (No. 19) Limited
	Metric Property Newry Limited	BF Propco (No. 2) Limited
	Metric Property Launceston Limited	BF Propco (No. 20) Limited
	Metric Property Coventry Limited	BF Propco (No. 21) Limited
	Unite Group PLC	BF Propco (No. 22) Limited
		BF Propco (No. 23) Limited
		BF Propco (No. 3) Limited
		BF Propco (No. 4) Limited
		BF Propco (No. 5) Limited
		BF Propco (No. 6) Limited
		BF Propco (No. 7) Limited
		BF Propco (No. 8) Limited
		BF Propco (No. 9) Limited
		BF Propco (No. 1) Limited
		BL (SP) Investment (1) Limited
		BL (SP) Investment (2) Limited
		BL (SP) Investment (3) Limited
		BL (SP) Investment (4) Limited
		BL City Offices Holding Company Limited
		BL Crawley
		BL Davidson Limited
		BL Department Stores Holding Company Limited
		BL European Holdings Limited
		BL Guaranteeco Limited
		BL High Street and Shopping Centres Holding Company Limited
		BL Holdings Limited
		BL Intermediate Holding Company Limited
		BL Leisure and Industrial Holding Company Limited
		BL Meadowhall Holdings Limited
		BL Meadowhall Limited
		BL Meadowhall No. 4 Limited
		BL Office (Non-City) Holding Company
		BL Office Holding Company Limited
		BL Osnaburgh St Residential Ltd
		BL Properties Limited
		BL Residual Holding Company Limited
		BL Retail Holding Company Limited
		BL Sainsbury Superstores Limited
		BL Superstores (Funding) Ltd
		BL Superstores Finance Plc
		BL Superstores Holding Company Limited
		BL Universal Limited
		BL West (1 Fleet Place) Limited
		BL West (10 Fleet Place) Limited
		BL West (100 New Bridge Street) Limited
		BL West (Watling House) Limited

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
		Blackglen Limited Blaxmill (Thirty) Limited Blaxmill (Twenty-Nine) Limited BLD (A) Limited BLD (Ebury Gate) Limited BLD (SJ) Investments Limited BLD (SJ) Limited BLD (Standard House) Limited BLD Land Limited BLD Properties Limited BLD Property Holdings Limited BLD UK Limited BLSSP (Cash Management) Limited BLSSP (Lending) Limited BLSSP (PHC 1) Limited BLSSP (PHC 10) Limited BLSSP (PHC 11) Limited BLSSP (PHC 12) Limited BLSSP (PHC 13) Limited BLSSP (PHC 14) Limited BLSSP (PHC 15) Limited BLSSP (PHC 16) Limited BLSSP (PHC 17) Limited BLSSP (PHC 18) Limited BLSSP (PHC 19) Limited BLSSP (PHC 2) Limited BLSSP (PHC 20) Limited BLSSP (PHC 21) Limited BLSSP (PHC 22) Limited BLSSP (PHC 23) Limited BLSSP (PHC 24) Limited BLSSP (PHC 25) Limited BLSSP (PHC 26) Limited BLSSP (PHC 27) Limited BLSSP (PHC 28) Limited BLSSP (PHC 29) Limited BLSSP (PHC 3) Limited BLSSP (PHC 30) Limited BLSSP (PHC 31) Limited BLSSP (PHC 32) Limited BLSSP (PHC 33) Limited BLSSP (PHC 34) Limited BLSSP (PHC 35) Limited BLSSP (PHC 4) Limited BLSSP (PHC 5) Limited BLSSP (PHC 6) Limited BLSSP (PHC 7) Limited BLSSP (PHC 8) Limited BLSSP (PHC 9) Limited BLSSP Property Holdings Limited BLT Barnstaple Limited BLT Finance Limited BLT Newport Limited BLT Nottingham Limited BLT Pontypridd Limited BLT Properties Limited Blu Estates Limited Blu Holdings Limited Blu Property Management Limited Blu Securities Limited Boldswitch (No. 1) Limited Boldswitch Limited British Land (Joint Ventures) Limited British Land Acquisitions Limited British Land Aqua Partnership (2) Limited British Land Aqua Partnership Limited British Land Broadgate British Land Broadgate 2005 Limited British Land City British Land City 2005 Limited

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
		British Land City Offices Limited British Land Company Public Limited Company British Land Construction Limited British Land Department Stores Limited British Land Fund Management Limited British Land Hercules Limited British Land Hercules No. 1 Limited British Land Hercules No. 3 Limited British Land Hercules No. 4 Limited British Land HIF Limited British Land in Town Retail Limited British Land Industrial Limited British Land Investment Management Limited British Land Leisure Limited British Land Offices (Non-City) No. 2 Limited British Land Offices Limited British Land Offices No. 1 Limited British Land Properties Limited British Land Property Advisers Limited British Land Property Management Limited British Land Regeneration Limited British Land Retail Warehouses British Land Superstores (Non-Securitized) Number 2 Limited British Land Superstores (Non-Securitized) Broadgate City Limited Broadgate Court Investments Limited Broadgate Investment Holdings Limited Broadgate Phase 12 Limited Broadgate Properties Limited Broadgate Square Ltd Brunswick Park Limited Bustoni Limited Buyunite Limited BVP Financing Limited BVP Holdings Limited BVP Investments Limited BVP Plot G Limited BVP Properties Limited Caseplane Limited Cavat II Limited Cavendish Geared II Limited Cavendish Geared Limited Caymall Limited Cheshire Properties Limited Chrisilu Nominees Limited City Wall (Holdings) Limited Clarendon Property Company Clivara Limited Cornish Residential Properties Trading Limited Cornish Residential Property Investments Derby Investment Holdings Limited Dinwell Limited Diomedes Property No. 1 Limited Diomedes Property No. 2 Limited Diomedes Property No. 3 Limited Diomedes Property No. 4 Limited Diomedes Property No. 5 Limited Diomedes Property No. 6 Limited Diomedes Property No. 7 Limited Diomedes Property No. 8 Limited Eastgate Shopping Centre Basildon Limited Edgecool Limited Elementvirtue Limited Euston Tower Limited Exchange House Holdings Limited

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
		Fibbings Limited Finsbury Avenue (Phase 3) Limited Finsbury Avenue Estates Limited Focusjust Limited Four Broadgate Limited FRP Group Limited Gallions Reach Limited Gallions Reach Trustee Limited Garamead Properties Limited Gibraltar General Partner Limited Gibraltar Nominees Limited Giltbrook Retail Park Nottingham Limited Glenway Limited Grantchester Nominees (Torbay 1) Limited Grantchester Nominees (Torbay 2) Limited Grantchester Nominees (Wren Torquay 1) Limited Grantchester Nominees (Wren Torquay 2) Limited Great Western General Partner (Holdings) Limited Hercules Property UK Holdings Limited Hercules Property UK Limited Hyfleet Limited Industrial Property Limited Insistmetal 2 Limited Ivorydell Limited Ivorydell Subsidiary Limited Ivoryhill Limited Jason Estates Jetbloom Limited Kingsmere Productions Limited L & H Developments Limited Leamouth Construction Company Limited Limited BL Retail Warehousing Holding Company Limited Limited Broadgate Circle Management Limited Limited Parinv Northern Limited Linestair Limited Liverpool Exchange Company Limited (The) Lonebridge UK Limited Ludgate Investment Holdings Limited Ludgate Services Limited Ludgate West Limited Meadowbank Retail Park Edinburgh Limited Meadowhall (MLP) Limited Meadowhall Centre (1999) Limited Meadowhall Centre Limited Meadowhall Contracts Limited Meadowhall Finance Plc Meadowhall Holdco Limited Meadowhall Holdings Limited Meadowhall Nominee 1 Limited Meadowhall Nominee 2 Limited Meadowhall Opportunities Nominee 1 Limited Meadowhall Opportunities Nominee 2 Limited Meadowhall Shopping Centre Limited Meadowhall Shopping Centre Property Holdings Limited Meadowhall Subco Limited Mercari Holdings Limited Minhill Investments Limited Moorage (Property Developments) Limited MSC (Cash Management) Limited MSC (Funding) Limited

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
		MSC Property Intermediate Holdings Limited Nugent Shopping Park Limited Number 80 Cheapside Limited Orbital Shopping Park Swindon Limited Osnaburgh Street Limited Pardev (Broadway) Limited Pardev (Luton) Limited Pencilescreen Limited Pillar (Beckton) Limited Pillar (Birstall) Limited Pillar (Cricklewood) Limited Pillar (Dartford) Limited Pillar (Fulham) Limited Pillar (Kirkcaldy) Limited Pillar (Preston) Limited Pillar (York) Limited Pillar Auchinlea Limited Pillar Broadway Limited Pillar Cheetham Hill Limited Pillar City PLC Pillar Dartford No. 1 Limited Pillar Denton Limited Pillar Developments Limited Pillar Estates Limited Pillar Estates No. 2 Limited Pillar Europe Management Limited Pillar Farnborough Limited Pillar Fort Limited Pillar Fulham No. 2 Limited Pillar Gallions Reach Limited Pillar Glasgow 1 Limited Pillar Glasgow 2 Limited Pillar Glasgow 3 Limited Pillar Hercules No. 2 Limited Pillar Kinnaird Limited Pillar Nugent Limited Pillar Parks Limited Pillar Projects Limited Pillar Property Developments Limited Pillar Property Group Limited Pillar Retail No. 1 Limited Pillar Retail Parks Limited Pillar Speke Limited Pillar Wimbledon Limited Pillarcaisse (Banbury) Limited Pillarcaisse Management Limited Pillarman Limited Pillarstone Limited Pillarstone No. 3 Limited Plantation House Limited Priory Park Merton Limited Project Sunrise Investments Limited Project Sunrise Limited Project Sunrise Properties Limited Rackhams Birmingham Limited Real Property and Finance Corporation Limited Reboline Limited Regis Property Holdings Limited Rigphone Limited Rohawk Properties Limited Selected Land Property Company Shandwick Square Developments Limited Shandwick Square Limited Six Broadgate Limited Soluland Limited Sprint 1118 Limited St James Retail Park Northampton Limited St Stephens Shopping Centre Limited

<u>Name of Director</u>	<u>Existing directorships/partnerships</u>	<u>Past directorships/partnerships</u>
		Stockton Retail Park Limited Tailress Limited Tartan Holding Company (No. 1) Limited Tartan Holding Company (No. 2) Limited TBL (Brent Park) Limited TBL (Bromley) Limited TBL (Bursledon) Limited TBL (Bury) Limited TBL (Ferndown) Limited TBL (Lisnagelvin) Limited TBL (Maidstone) Limited TBL (Milton Keynes) Limited TBL (Peterborough) Limited Ten Fleet Place The Beehive Centre Cambridge Limited The British Land Corporation Limited The Mary Street Estate Limited The Retail & Warehouse Company Limited TPP Investments Limited Tweed Premier 1 Limited Tweed Premier 2 Limited Tweed Premier 3 Limited Tweed Premier 4 Limited Union Property Corporation Limited Union Property Holdings (London) Limited United Kingdom Property Company Limited Urban Estates Management Limited Vanuden (General Partner) Limited Vintners' Place Limited Vyson Wates City of London Properties Limited Wates City Point Limited Wates City Property Management Limited West London Leaseholds Limited Westgate Retail Park Wakefield Limited Whiteapple Developments Limited WK (Austral House) First Limited WK (Austral House) Limited WK (Austral House) Second Limited WK Holdings Limited Yankgold Limited York House W1 Limited <i>Irish Companies</i> Alipore British Land Arch Properties Limited British Land Firmout Limited British Land Silver Mood Limited Rathmines Properties Limited
Andrew Huntley	Miller Group Limited Metric Property Investments plc Real Office Group plc Liberty International plc Ashfern Developments Limited	Ashfern Services Limited British Land Fund Management Limited Catella UK Panceltica Holdings Limited Rock Capital Group plc
Alec Pelmore	Metric Property Investments plc Unibail-Rodamco SE (Supervisory Board and Audit Committee Member)	
Andrew Varley	Metric Property Investments plc Next Distribution Limited Next Group plc Next Near East Limited Next Plc Next Retail Limited Paige Group Limited (The) Next (Asia) Limited Next Retail Limited, Dresden Branch Next Sweden AB	British Council of Shopping Centres British Heart Foundation, Shops Committee Ashtonfawn Limited Basepledge Limited Club 24 Limited Hornmay Limited Next Transport Limited Shearwater Estates plc Tryarm Limited Utgard I Limited

Name of Director	Existing directorships/partnerships	Past directorships/partnerships
	Next Hemple Shanghai Fashion Company Limited	Utgard (M) Limited Utgard (W) Limited
Philip Watson	Cushman & Wakefield UK Limited Partnership Metric Property Investments plc Mirabaud Investment Management Limited Member, unitholder advisory committee, Pillar European Retail Park Fund	Mirabaud Asset Management A.G. (Zurich)

10.3 Save as set out above, none of the Directors or Proposed Directors have any business interests, or perform any activities, outside London & Stamford which are significant with respect to London & Stamford.

10.4 As at the date of this document, none of the Directors or Proposed Directors has at any time within the last five years:

10.4.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

10.4.2 been adjudged bankrupt or the subject of any individual voluntary arrangement;

10.4.3 had a receiver appointed with respect to any assets belonging to him;

10.4.4 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including any designated professional body);

10.4.5 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;

10.4.6 been a partner or senior manager in a partnership which, while he was a partner or senior manager or within 12 months of his ceasing to be a partner or senior manager, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement or had a receiver appointed over any partnership asset; or

10.4.7 been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time while he was a director or senior manager of that company or within 12 months after his ceasing to be a director.

10.5 There are no family relationships between any of the Directors or Proposed Directors and there are no potential conflicts of interest between their duties to London & Stamford and their private interests and or other duties.

10.6 There are no restrictions which have been agreed by the Directors or Proposed Directors on the disposal of their holdings in the share capital of London & Stamford, save in respect of Ordinary Shares issued to Proposed Directors following the vesting of awards granted under the Metric Share Matching Plan, which may not be sold before 31 May 2012 (in respect of shares from the 2010/11 financial year awards) and 31 May 2015 (in respect of shares from the 2011/12 financial year awards) save to the extent required to pay tax and social security incurred as a result of the vesting of their MSP awards.

10.7 There are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Directors or Proposed Directors by any member of the Enlarged Group.

10.8 No Directors or Proposed Directors or any director of any member of the Enlarged Group has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Enlarged Group, save as disclosed in paragraphs 14.1.2.2 and 14.1.3.1 of this Part 20 of this document.

11. LITIGATION

11.1 Litigation concerning the London & Stamford Group

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which London & Stamford is aware) during the 12-month period prior to the publication of this document which may have, or have had in the recent past, significant effects on London & Stamford or the London & Stamford Group's financial position or profitability.

11.2 Litigation concerning the Metric Group

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which London & Stamford is aware) during the 12-month period prior to the publication of this document which may have, or have had in the recent past, significant effects on Metric or the Metric Group's financial position or profitability.

12. CORPORATE GOVERNANCE AND BOARD PRACTICES

12.1 Enlarged Group

As at the date of this document, the Board consists of the executive chairman, two executive directors and five non-executive directors. It is proposed that the board of directors of the Enlarged Company shall be immediately reconstituted following the Merger becoming Effective to comprise 11 directors, including eight non-executive directors. A majority of the board of directors of the Enlarged Company will be independent non-executive directors. As from the Effective Date, the board of directors of the Enlarged Company will comprise the following members:

<u>Name</u>	<u>Role</u>	<u>Current Company</u>
Patrick Vaughan	Executive Chairman	London & Stamford
Andrew Jones	Chief Executive	Metric
Martin McGann	Finance Director	London & Stamford
Charles Cayzer	Non-executive director	London & Stamford
James Dean	Non-executive director	London & Stamford
Mark Burton	Non-executive director	London & Stamford
Humphrey Price	Non-executive director	London & Stamford
Andrew Huntley	Non-executive director	Metric
Alec Pelmore	Non-executive director	Metric
Andrew Varley	Non-executive director	Metric
Philip Watson	Non-executive director	Metric

London & Stamford is committed to high standards of corporate governance and, save as disclosed in this paragraph 12, is compliant and will continue to comply with the principles and provisions of the Corporate Governance Code.

12.2 The Corporate Governance Code provides that the board of directors of a United Kingdom public company should include a balance of executive and non-executive directors, with independent non-executive directors (excluding the chairman) comprising at least one-half of the board. The Corporate Governance Code states that the board should determine whether a director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board currently consists of 8 directors in total. Raymond Mould (executive chairman), Patrick Vaughan (chief executive) and Martin McGann (finance director) are executive directors. Charles Cayzer, Mark Burton, Richard Crowder, Humphrey Price and James Dean are non-executive directors. Whilst the executive chairman of London & Stamford is not independent on appointment, for the purposes of the Corporate Governance Code, London & Stamford considers it appropriate, following completion of the Merger, for Patrick Vaughan to act in this capacity given his knowledge and experience of the UK real estate market.

London & Stamford regards the non-executive directors to be independent within the meaning of the Corporate Governance Code, except for Humphrey Price. London & Stamford considers Mr. Cayzer to be independent notwithstanding his relationship with Caledonia Investments and the Cayzer Trust Company Limited, both of which are shareholders of London & Stamford, and London & Stamford also considers Mr. Burton to be independent notwithstanding his previous material business relationship with London & Stamford through his role as CIO Real Estate of ADIC, from which he resigned in June 2010.

The Corporate Governance Code recommends that a board of directors should appoint one of its independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that the normal channels of chairman or chief executive have failed to resolve or if such channel of

communication is inappropriate. London & Stamford's senior independent director is Charles Cayzer and London & Stamford expects Mr. Cayzer to continue in this role following completion of the Merger.

12.3 **Committees**

The Board is assisted in fulfilling its responsibilities by the audit committee and the remuneration committee. The terms of reference for these committees are set out below.

The audit committee currently comprises Humphry Price (Chair), Richard Crowder, Mark Burton and Charles Cayzer. Its responsibilities include monitoring the integrity of London & Stamford's financial statements, reviewing the effectiveness of London & Stamford's internal controls and risk management systems, reviewing whistleblowing arrangements, overseeing the relationship with the external auditor, monitoring the external auditor's independence and objectivity and reviewing the scope and results of audits.

Following the Merger, it is intended that the audit committee will be reconstituted to comprise Humphrey Price (Chair), Charles Cayzer, Mark Burton, Alec Pelmore and Andrew Varley.

The Corporate Governance Code provides that the audit committee should be comprised of independent non-executive directors. Humphrey Price is not an independent non-executive director within the meaning of the Corporate Governance Code. However, the Board believes that Humphrey Price should, following completion of the Merger, be a member of, and should chair, the audit committee due to his financial experience.

The remuneration committee currently comprises Charles Cayzer, James Dean, Richard Crowder and is chaired by James Dean. Its responsibilities include agreeing with the Board the policy for the remuneration of the chairman of the Board, the executive directors and other senior executives, determining awards and targets under management incentive schemes and determining the individual remuneration packages of the chairman and executive directors.

Following the Merger, it is intended that the remuneration committee will be reconstituted to comprise James Dean (Chair), Philip Watson, Charles Cayzer, Alec Pelmore and Andrew Huntley.

The nominations committee currently comprises Charles Cayzer (Chair), Patrick Vaughan, Mark Burton and James Dean. Its responsibilities include, but are not limited to, reviewing the structure, size and composition of the Board, considering Director succession planning, identifying and approving candidates to fill Board vacancies, reviewing the leadership needs of the Company, reviewing the time required from non-executive directors and making recommendations to the Board concerning the above.

Following completion of the Merger, it is intended that the nominations committee will remain the same.

To enable the Directors to discharge their duties, the principles of good boardroom practice require that each of them be provided with accurate, timely and clear information. In addition, every director and every committee will have the authority to seek information from any director of the Enlarged Company or employee and to obtain independent professional advice.

Save as disclosed, there are no potential conflicts of interest between the duties of the Directors to London & Stamford and their private interests or other duties and none of the Directors have, or have had, any material personal interest in any transaction which is or was unusual in its nature or conditions or significant to, the business of London & Stamford or which has been effected by London & Stamford since its incorporation.

13. EMPLOYEES

As at the date of this document, the London & Stamford Group employs 30 employees (including the Directors) which can be broken into the following categories and locations:

<u>Employees</u>		<u>Number</u> (as at 23 November 2012)
<i>Category</i>	Property	7
	Finance	8
	Administrative	7
	Directors	8
	Total	30
<i>Geographical location</i>	United Kingdom	30
	Total	30

On completion of the Merger, the Enlarged Group is expected to have a total of 44 employees.

14. MATERIAL CONTRACTS

14.1 London & Stamford material contracts.

14.1.1 The following is a summary of each contract that has been entered into by members of the London & Stamford Group otherwise than in the ordinary course of business:

14.1.1.1 in the two years immediately preceding 27 November 2012 and which is, or may be, material to the London & Stamford Group; or

14.1.1.2 otherwise than in the two years immediately preceding the date of this document which contain any provision under which any member of the London & Stamford Group has any obligation or entitlement which is material to the London & Stamford Group, as at the date of this document.

14.1.2 Contracts relating to the Proposals

14.1.2.1 Sponsors' Agreement

On 27 November 2012, London & Stamford entered into a sponsors' agreement with Peel Hunt and Credit Suisse relating to the Proposals pursuant to which Peel Hunt and Credit Suisse agreed to act as joint sponsors for London & Stamford in relation to the production of the circular, prepared by London and Stamford relating to the Merger, and Admission in accordance with the requirements of the Listing Rules, the Prospectus Rules the Disclosure Rules and Transparency Rules.

London & Stamford has given customary warranties to Peel Hunt and Credit Suisse in relation to the business, the legal and regulatory compliance of the London & Stamford Group and, in respect of certain warranties, the Metric Group and the contents of this document. London & Stamford has also given an indemnity to Peel Hunt and Credit Suisse in respect of any losses which either Peel Hunt or Credit Suisse may suffer as a result of it acting in connection with the Proposals. The liability of London & Stamford under the warranties and indemnity provided by it is unlimited.

14.1.2.2 Existing Management Incentive Termination Agreement

On 27 November 2012, London & Stamford and the Former LSI Management Members entered into the Existing Management Incentive Termination Agreement pursuant to which it was agreed that certain clawback provisions in relation to the Existing Incentive Shares of the Existing Management Incentives Agreement will be terminated. The release of the Former LSI Management Members from their clawback obligations and the subsequent acquisition of 76.5 per cent. of the Existing Incentive Shares for up to £9 in aggregate pursuant to the Existing Management Incentives Termination Agreement is conditional on shareholder approval and completion of the Merger. Under the terms of the Existing Management

Incentive Termination Agreement it is proposed that GEPT may elect to pay to London & Stamford £1.91 million being the cash equivalent of 76.5 per cent. of the 2,081,599 ordinary shares which would have been bought back by London & Stamford if they had not been disposed of by GEPT. Save as described in this paragraph, all terms of the Existing Management Incentives Agreement shall continue to have effect.

14.1.3 Contracts relating to management internalisation

14.1.3.1 Existing Management Incentive Agreement

On 11 August 2010, London & Stamford and the Former LSI Management Members entered into the Existing Management Incentive Agreement pursuant to which London & Stamford agreed to acquire the entire issued share capital of LML (following the completion of the LML Acquisition Agreement) in consideration of an issue of shares in London & Stamford. The issued share capital of LML following completion of the LML Acquisition Agreement comprised a total of 55,000,000 Ordinary Shares of no par value, all of which were held by the Former LSI Management Members.

The consideration paid by London & Stamford under the Existing Management Incentive Agreement was the sum of £55.0 million which was satisfied by the issue of a total of 45,795,171 Ordinary Shares (the “**Internalisation Shares**”) to the Former LSI Management Members at a price of 120.1 pence per share (equivalent to the NAV per LSP Ordinary Share at 31 March 2010). The Internalisation Shares were apportioned between the Former LSI Management Members as follows:

<u>Name</u>	<u>Number of Ordinary Shares held in LML</u>	<u>Number of consideration shares issued</u>
Raymond Mould	13,742,299	11,442,380
Patrick Vaughan	13,742,299	11,442,380
Martin McGann	4,420,806	3,680,938
Jeremy Bishop	3,647,298	3,036,885
Stewart Little	3,647,298	3,036,885
Jadzia Duzniak	770,000	641,132
Jacqueline Jessop	405,000	337,219
Humphrey Price	875,000	728,559
GEPT	<u>13,750,000</u>	<u>11,448,793</u>
Total	<u>55,000,000</u>	<u>45,795,171</u>

The Individual Management Members agreed with London & Stamford not to dispose of any of their Internalisation Shares within the period of three years after Admission (the “**Lock-In Arrangement**”). GEPT are free to dispose of their Internalisation Shares during this period free of the Lock-In Arrangement.

The Lock-In Arrangement is subject to exceptions for disposals of shares made:

- (i) for the purpose of meeting (and then only to the extent necessary to meet) any tax liability which the Individual Management Member incurs as a result of the completion of the Existing Management Incentive Agreement or the LML Acquisition Agreement;
- (ii) in acceptance of a takeover offer that has become unconditional as to acceptances;
- (iii) pursuant to a takeover of London & Stamford by way of a scheme of arrangement that has been sanctioned by the court;

- (iv) under any scheme or reconstruction of London & Stamford under section 110 of the Insolvency Act 1986;
- (v) in the context of a renunciation of a right to subscribe for securities where such right is derived from securities in London & Stamford or failure to take up such right;
- (vi) pursuant to an offer by or an agreement with the purchaser to purchase its own shares which is made on identical terms to all holders of shares; or
- (vii) pursuant to a court order.

If an Individual Management Member becomes a Bad Leaver within the period of three years after the 2010 Admission, he or she is required to sell all his or her Internalisation Shares back to London & Stamford for an aggregate nominal sum of £1.00.

An Individual Management Member is a “Bad Leaver” if he or she ceases to be a director or employee of or consultant to any member of the Enlarged Group within the above period for any reason other than if the Individual Management Member:

- (a) dies;
- (b) suffers, or whose spouse or civil partner suffers, a physical or mental deterioration or illness which, in the reasonable opinion of the Board, is sufficiently serious to prevent him or her from following his or her normal employment or duties or which seriously prejudices his or her earning capacity (either because of his own physical or mental deterioration or illness or, in the case of his spouse or civil partner suffering a physical or mental deterioration or illness, because of his or her need and desire to care for such person);
- (c) is dismissed or removed, by decision of the Board (in the case of a director) or being disqualified to act as a director;
- (d) is made redundant, by decision of the Board (in the case of a director);
- (e) is a director of London & Stamford and is not re-elected as a director of London & Stamford at an annual general meeting of London & Stamford at which he or she came up for re-election; or
- (f) is deemed by the Board to be a good leaver, notwithstanding any circumstances which would otherwise deem him or her a Bad Leaver.

In no circumstances can a person who is guilty of gross misconduct, the committing of a criminal offence or who is disqualified from acting as a director be treated as a good leaver. The Board has resolved that Raymond Mould will be a good leaver on his resignation upon the Merger becoming Effective.

A certain proportion of the consideration for the acquisition of LML (“**Existing Incentive Consideration**”) is subject to a clawback arrangement from the Former LSI Management Members if the London & Stamford Group fail to meet certain performance targets in the three years to 30 September 2013. The total amount of Existing Incentive Consideration is £10,000,000 represented by the Existing Incentive Shares (being 8,326,395 Internalisation Shares).

The performance targets are to achieve a year on year increase in Adjusted Net Asset Value of the London & Stamford Group over each year of calculation of at least 11.5 per cent. The three years of calculation

("**Performance Years**") are the years ending 30 September 2011, 30 September 2012 and 30 September 2013. The performance targets are calculated after adding back in dividends but taking off the amount of any new issue of shares.

By way of example, if the Adjusted Net Asset Value at 1 October 2010 is £100 million, the performance targets will be to achieve an increase in Adjusted Net Asset Value as follows:

- (a) at 30 September 2011: £111.5 million
- (b) at 30 September 2012: £124.3 million
- (c) at 30 September 2013: £138.6 million

"**Adjusted Net Asset Value**" for these purposes means net asset value of the London & Stamford Group attributable to equity shareholders, subject to: (a) an adjustment to exclude: (i) any amounts in respect of the carrying value of intangibles; (ii) share based payment prepayment; and (iii) deferred tax assets arising in the relevant accounts as a result of accounting for the acquisition of London & Stamford; and (b) adjustment to disregard all financial assets and financial liabilities arising from interest rate and other hedging arrangements (or any other derivative financial instruments) entered into by the London & Stamford Group and any related deferred tax balances in respect of this specific adjustment, if any.

The starting Adjusted Net Asset Value is the Adjusted Net Asset Value on 30 September 2010 but further adjusted to take into account the cost of the transactions effected by the proposals detailed in the 2010 Prospectus, and the cost of the London & Stamford Group entering the UK-REIT regime.

If the performance target for a Performance Year is met, then one-third of the Existing Incentive Shares (i.e. 2,775,465 Internalisation Shares) is released to the Former LSI Management Members free of the Existing Management Incentives Arrangement and for their own absolute beneficial ownership. If the performance target for a Performance Year is not met, then the Existing Incentive Shares (except any previously released) continue to be subject to the Existing Management Incentives Arrangement.

If the performance target for the first Performance Year is not met but the cumulative target for the second Performance Year is met, then two-thirds of the Existing Incentive Shares (i.e. 5,590,930 Internalisation Shares) are released to the Former LSI Management Members.

The Existing Management Incentives Arrangement is only enforced after the end of the third Performance Year once the Adjusted Net Asset Value at 30 September 2013 is determined.

If the Adjusted Net Asset Value at 30 September 2013 meets the cumulative target (£138.6 million in the above example) then none of the Existing Incentive Shares will be subject to the Existing Management Incentives Arrangement.

If the Adjusted Net Asset Value at 30 September 2013 does not meet the cumulative target (£138.6 million in the above example) all of the Existing Incentive Shares will be subject to Existing Management Incentives Arrangement, except those that have been previously released to the Former LSI Management Members as mentioned above.

The effect of Existing Incentive Shares becoming subject to Existing Management Incentives Arrangement is that those Existing Incentive Shares will be bought back by London & Stamford for the aggregate nominal sum of £1 for each Participating Management Member.

In the event that London & Stamford is the subject of a takeover during the life of the Existing Management Incentives Arrangement, the Existing Incentive Shares will vest in their entirety.

To the extent a Participating Management Member does not have sufficient Internalisation Shares to satisfy a Existing Management Incentives Arrangement, he must satisfy the relevant clawback with the cash equivalent.

A Participating Management Member will be entitled to retain any dividends or other distributions previously paid to that Participating Management Member in respect of any Internalisation Shares that are bought back by London & Stamford under any of the above arrangements.

London & Stamford's acquisition of LML under the Existing Management Incentive Agreement was a substantial property transaction within the meaning of section 190 of the 2006 Act. Accordingly, the Existing Management Incentive Agreement was approved by the shareholders of London & Stamford for this purpose.

The Existing Management Incentive Agreement contains arm's length warranties and indemnities from the Individual Management Members in respect of LML's business and assets. These warranties and indemnities are subject to customary limits on liability in favour of the Individual Management Members.

14.1.3.2 Restated Property Advisory Agreement

LSI LLP and London & Stamford entered into the Property Advisory Agreement on 30 October 2007, pursuant to which LSI LLP agreed to provide property advisory services to the London & Stamford Group. On 11 August 2010, LML, LSI LLP and London & Stamford entered into a modified property advisory agreement which amended and restated the Property Advisory Agreement by substituting LML as property adviser in place of LSI LLP with effect from completion of the LML Acquisition Agreement. Among the services provided to the London & Stamford Group, LML is required to provide day-to-day operational property management of the Property Portfolio, as well as services in connection with:

- (a) identifying and investigating the availability for purchase by the London & Stamford Group of property;
- (b) sales and lettings of property; and
- (c) the development and refurbishment of property.

LML is required to provide regular reports to London & Stamford, including its recommendations as to any of the above activities. LML is further required to make available all expertise and knowledge necessary to the performance of the services and to perform the services faithfully and diligently. LML has also agreed to devote as much time and attention to the performance of its responsibilities as is necessary to fulfil its obligations under the Property Advisory Agreement.

Term and termination

The Property Advisory Agreement remains in force until 7 November 2014, unless terminated earlier due to, amongst other reasons, negative financial performance of London & Stamford (shareholder returns that are negative or more than 5 per cent. below the prevailing FTSE 350 Real Estate Total Return Index for two successive performance fee calculation periods, excluding the initial period), insolvency of LML, material breach by LML, loss by either party of the required regulatory authorisations or failure by London & Stamford to pay fees to LML. After the initial five-year period, the Property Advisory Agreement is terminable by London & Stamford on two years' notice.

Fees costs and expenses

LML is entitled to a basic fee and a performance fee together with reasonable expenses incurred by it in the performance of its duties.

Pursuant to a deed of variation relating to the Property Advisory Agreement dated 9 July 2009 the calculation of the basic and performance fees in the Property Advisory Agreement were amended as described below.

Basic fee

The basic fee is payable quarterly in advance, at an annual rate of 1.75 per cent. of NAV.

NAV for this purpose is determined by reference to the most recent audited consolidated financial statements of London & Stamford, with certain adjustments, plus the aggregate net proceeds received in respect of any further share allotments during the relevant financial year.

Performance fee

The performance fee is payable annually. LML is eligible to receive a performance fee if NAV at the end of the relevant period exceeds an amount on the last day of the relevant period sufficient to provide London & Stamford Shareholders with an internal rate of return equal to a 10 per cent. per annum (expressed as an annualised percentage as measured from 2 November 2007 to the end of the relevant calculation period) ("**Cumulative Hurdle Amount**").

In respect of each relevant calculation period (other than the final period) if the Cumulative Hurdle Amount is exceeded, the performance fee payable is an amount equal to half of 20 per cent. of the amount by which NAV (having added back any amount deducted in the calculation of such NAV on account of the performance fee itself) at the end of the period exceeds the Cumulative Hurdle Amount; less all performance fees previously paid out.

In respect of the final calculation period, the performance fee payable is equal to 20 per cent. of the amount by which the NAV at the end of the final period exceeds the Cumulative Hurdle Amount; less the amount of all previous performance fees paid out.

Procedure for calculation of performance fee

The NAV for this purpose is determined by reference to the most recent audited consolidated financial statements of London & Stamford, with certain adjustments.

The performance fee is determined contemporaneously with the preparation of the annual audited accounts of London & Stamford. Once ascertained the performance fee earned during the relevant performance fee calculation period will be paid to LML within five days of being determined.

The performance fee calculation period is each financial year ending 31 March, save in respect of the final period which shall run until the date the Property Advisory Agreement terminates.

Conflicts

LML is required to make full disclosure to London & Stamford of any conflict of interest that may arise in its performance of property advisory services and other duties and obligations to London & Stamford. The Property Advisory Agreement requires that LML and those of its members who devote substantially all their business time and efforts to its activities are not interested (directly or indirectly) in commercial real estate. However, London & Stamford may permit members of LML to hold specific investments in commercial real estate at any time. In addition, the following interests are specifically permitted:

- (a) ownership for investment purposes of securities in any entity whose securities are dealt in on a stock exchange, provided that if part of the

business of such entity is commercial real estate investment, the interest of such member of LML must not exceed 3 per cent. in nominal value of the units in that entity (or of any class of its securities); and

(b) interests held in an investment portfolio managed on a discretionary basis.

The Property Advisory Agreement also provides that, subject to London & Stamford's consent, LML and each of its members is entitled to provide services to any third party that are similar to the services provided by LML to London & Stamford, provided that LML continues to commit sufficient resources to providing the latter to London & Stamford upon the terms of the Property Advisory Agreement. If London & Stamford reasonably believes that LML is not complying with this obligation, London & Stamford is entitled by written notice to LML to require LML to comply. If, following such notice period, London & Stamford continues reasonably to believe that LML is not in compliance, London & Stamford may by further notice require LML to cease providing services to the relevant third party. The Property Advisory Agreement provides that the provision of such services to third parties will not constitute a conflict of interest that LML is required to disclose to London & Stamford.

LML may from time to time provide services to a third party outside the London & Stamford Group, in connection with the acquisition by such third party of an interest in property or an entity holding property in which a member of the London & Stamford Group subsequently acquires an interest. London & Stamford is entitled to deduct from the fees payable by London & Stamford to LML the same proportion of the fees paid by such third party to LML as the proportion of the equity investment made by the London & Stamford Group in such property or entity bears to the aggregate equity investment of all investors in such property or entity.

Indemnities

The Property Advisory Agreement includes mutual indemnity provisions in respect of liabilities and losses incurred by the parties (and certain third parties) in connection with the Property Advisory Agreement, save for those arising out of the negligence, fraud, wilful default or bad faith of the indemnified party.

14.1.4 Contracts relating to LS London Residential

14.1.4.1 Shareholders' agreement

On 21 June 2012, LSP entered into an agreement ("**Residential JV Shareholders' Agreement**") in respect of a joint venture with Green Park and PSPIB-SDL Inc. ("**PSP**").

The Residential JV Shareholders' Agreement governs, amongst other matters, the relationship between LSP, Green Park and PSP as shareholders in LSP London Residential Investments Limited ("**LS London Residential**"). LSP is a 40 per cent shareholder and Green Park and PSP are both 30 per cent shareholders in LS London Residential. The Residential JV Shareholders' Agreement will terminate in the event that one of the shareholders acquires all of the shares in LS London Residential or if LS London Residential is wound up.

LSP is obliged to subscribe for shares in LS London Residential up to an aggregate price of £80 million. LSP may be obliged to provide further funds if it is expressly provided for in the business plan.

LSP and Green Park each have the right to appoint up to three directors to the board of LS London Residential. PSP has the right to appoint up to two directors. All key decisions relating to the operation of LS London Residential, including investment acquisition and disposal decisions, approval of the business plan, changes to funding commitments, changes to share capital and expenditure in excess of £100,000 per property, are reserved for the approval of LSP, Green Park, and PSP by virtue of their participation on the board of directors of LS London Residential.

The following provisions apply in the event of a deadlock:

- (a) matters relating to the development or refurbishment of property are resolved by an independent surveyor;
- (b) matters relating to the value of any dividend or distribution are resolved by LS London Residential's auditors;
- (c) matters relating to a dispute between LS London Residential and any of the shareholders are resolved by independent counsel;
- (d) in relation to a proposed sale of an investment the disposal shall proceed provided that the investment shall first be offered to the shareholder(s) not in favour of the disposal (except where some or all of the consideration for sale will not be in cash, in which case the sale will not take place);
- (e) in relation to all other matters where the deadlock comprises of one of the shareholders opposing the other two shareholders the matter may be resolved by the one shareholder forcing the other two shareholders to buy their shares at a price calculated on the basis of the then net asset value of LS London Residential and its subsidiaries.

LSP has an obligation to ensure that, whilst LML is the property adviser to LS London Residential, all suitable opportunities for investment in residential property in Central London are offered to LS London Residential first. LSP and/or any member of the London & Stamford Group may only pursue such an investment opportunity if the investment is declined by LS London Residential or where LS London Residential fails within six months of receiving notice of the opportunity to acquire an opportunity.

If either, LSP, Green Park or PSP fails to fund, becomes insolvent, or breaches the terms of the Residential JV Shareholders' Agreement, the defaulting shareholder will be required to sell their shares in LS London Residential to the other shareholders at a price calculated on the basis of the then net asset value of LS London Residential and its subsidiaries.

In addition LSP will be required to sell its shares in the LS London Residential in the event that:

- (a) LML becomes insolvent;
- (b) LML breaches its obligations as property advisor under the Residential JV Property Advisory Agreement;
- (c) LML ceases to hold FSMA and/or GFSC authorisations;
- (d) a director, officer or senior employee commits an act of fraud, wilful misconduct, criminal act or gross negligence;
- (e) a funder of LS London Residential exercises a right to replace or terminate the appointment of LML as property adviser;
- (f) LSP ceases to hold (directly or indirectly) all of the shares in LML; or
- (g) the internal rate of return on the investment portfolio is negative or more than five per cent below the prevailing FTSE 350 REAL Estate Total Return Index for two consecutive financial years.

14.1.4.2 Property advisory agreement

LML entered into a property advisory agreement with LS London Residential on 21 June 2012 ("**Residential JV Property Advisory Agreement**"), pursuant to which LML provides property advisory services on an exclusive basis to LS London Residential and its subsidiaries. The Residential JV

Property Advisory Agreement shall remain in force unless terminated. The Residential JV Property Advisory Agreement contains key person provisions relating to Patrick Vaughan and Raymond Mould. Consent to the resignation of Raymond Mould has been obtained.

LML is entitled to a basic fee and a further subscription fee together with reasonable expenses incurred by it in the performance of its duties. The basic fee is payable quarterly in advance, at an annual rate of 0.5 per cent. of NAV.

The further subscription fee is payable quarterly in advance. LML is eligible to receive 0.5 per cent of the aggregate subscription price paid for any shares issued in LS London Residential.

An additional dividend is payable annually. The London & Stamford Group is eligible to receive an additional dividend if the adjusted NAV at the end of the relevant period exceeds an amount on the last day of the relevant period sufficient to provide shareholders with an internal rate of return equal to a 10 per cent per annum (expressed as an annualised percentage as measured from the date of the establishment of the joint venture to the end of the relevant calculation period).

14.1.4.3 Green Park aggregation agreement

LSP and LML entered into an aggregation agreement with Green Park on 21 June 2012 pursuant to which it was agreed that the investments made by LSP and Green Park in LS London Residential shall form part of the funding commitments made by LSP and Green Park pursuant to the shareholders' agreement with Green Park (referred to at 14.1.6.1 below) and the Distribution Shareholders' Agreement (referred to at paragraph 14.1.5.2 below).

14.1.5 Contracts relating to LS Green Park Distribution

14.1.5.1 Share sale agreement

On 6 May 2011 LSP entered into a sale and purchase agreement with Green Park pursuant to which LSP sold 20,000 shares in LSP Green Park Distribution Holdings Limited ("**LS Green Park Distribution**") to Green Park in consideration for a payment of £41,508,914.

14.1.5.2 Shareholders' agreement

On 6 May 2011, LSP entered into a shareholders' agreement with Green Park, LS Distribution 2, LS Distribution 3 and LS Distribution 4. The shareholders' agreement governs, amongst other things, the relationship between LSP and Green Park as effective 50 per cent. shareholders in LS Green Park Distribution.

If LS Distribution 2, LS Distribution 3 or LS Distribution 4 require additional funding which they are unable to raise themselves, LS Green Park Distribution shall call for LSP and Green Park to each subscribe in cash for additional shares in LS Green Park Distribution at a subscription price of 50 per cent of the funding required. LSP and Green Park are obliged to subscribe for the shares and provide the additional funding within 10 business days. The obligation to provide funding is limited to £300 million in respect of Green Park and £75 million in respect of LSP.

LSP and Green Park each have the right to appoint up to three directors to the board of LS Green Park Distribution, LS Distribution 2, LS Distribution 3 and LS Distribution 4. All key decisions relating to the operation of LS Green Park Distribution, LS Distribution 2, LS Distribution 3 and LS Distribution 4, including property acquisitions and disposal decisions, raising finance, making distributions, changes to share capital and changing the articles of association, are reserved for the approval of LSP and Green Park by virtue

of their 50/50 participation on the board of directors of each LS Green Park Distribution, LS Distribution 2, LS Distribution 3 and LS Distribution 4. The following provisions apply in the event of a deadlock:

- (a) In relation to the proposed sale of an investment the disposal shall proceed.
- (b) In relation to valuation and letting matters are resolved by an independent surveyor.
- (c) Other matters are resolved by a mechanism whereby each of LSP or Green Park can elect to purchase or, as the case may be, the others shares in LS Green Park Distribution or a property (where the deadlock relates to a specific property).

If either LSP or Green Park becomes insolvent or breaches the terms of the shareholders' agreement, the defaulting shareholder will be forced to offer its shares in LS Green Park Distribution for sale to the other at their then net asset value.

LSP and Green Park may not sell, assign, dispose of or transfer their shares in LS Green Park Distribution without the prior written consent of both LSP and Green Park.

14.1.5.3 Property advisory agreement

LML entered into a property advisory agreement with London & Stamford Green Park Property Trust (the "**Trust**"), London & Stamford Green Park Management Limited, LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Green Park Distribution on 22 April 2008 amended by deeds of variation dated 2 February 2009, 17 November 2009, 11 August 2010, 22 November 2010 and 6 May 2011 (the "**Distribution Green Park Property Advisory Agreement**") pursuant to which LML provides property advisory services to the Trust and its subsidiaries.

On 16 August 2011, the parties referred to in the paragraph above together with LS Distribution 5 entered into a deed of variation and adherence pursuant to which an amended and restated version of the Distribution Green Park Property Advisory Agreement became effective which included the adherence of LS Distribution 5.

The Distribution Green Park Property Advisory Agreement shall remain in force until it terminates by virtue of:

- (a) it ceases to apply to the Trust, LS Distribution 2, LS Distribution 3, LS Distribution 4, LS Distribution 5 and LS Green Park Distribution;
- (b) the insolvency of LML; or
- (c) the Trust, LS Distribution 2, LS Distribution 3, LS Distribution 4, LS Distribution 5 or LS Green Park Distribution H serving a notice to terminate due to
 - (i) LML being in breach of its obligations;
 - (ii) the internal rate of return on the investment portfolio being negative or more than 5 per cent below the prevailing FTSE 350 REAL Estate Total Return Index for two consecutive performance fee calculation periods;
 - (iii) LML ceasing to hold FSMA and/or GFSC authorisations; or
 - (iv) Patrick Vaughan or Raymond Mould ceasing to be a director of LSP or involved in the provision of services by LML; or

- (d) LML serving a notice to terminate due to a failure to make payment by any of the other parties.

The Distribution Green Park Property Advisory Agreement contains key person provisions relating to Patrick Vaughan and Raymond Mould and exclusivity provisions. Consent to the resignation of Raymond Mould has been obtained.

LML is entitled to a basic fee and a performance fee together with reasonable expenses incurred by it in the performance of its duties. The basic fee is payable quarterly in advance and is calculated as follows:

- (a) an annual rate of 1.75% of NAV represented by the initial £200 million equity investment by Green Park (subject to (c) below);
- (b) an annual rate of 1.25% of NAV represented by the further £100 million equity investment by Green Park (subject to (c) below);
- (c) an annual rate of 1.5% of NAV represented by the initial and further equity investment by Green Park if this is greater than (a).

The performance fee is payable annually. LML's entitlement to receive a performance fee is dependent upon; (i) the Trust's NAV at the end of the relevant period exceeding an amount on the last day of the relevant period sufficient to provide unitholders with an internal rate of return equal to a 10 per cent. per annum (expressed as an annualised percentage as measured from 22 April 2008 to the end of the relevant calculation period) and (ii) LS Green Park Distribution's NAV at the end of the relevant period exceeding an amount on the last day of the relevant period sufficient to provide shareholders with an internal rate of return equal to 15 per cent. per annum (expressed as an annualised percentage as measured from 22 April 2008 to the end of the relevant calculation period).

14.1.6 Contracts relating to Green Park Property Trust

14.1.6.1 Shareholders' agreement

On 22 April 2008, LSP and LML entered into an agreement in respect of a joint venture with Cavendish Limited ("**Shareholders' Agreement**"). Cavendish Limited subsequently assigned its interest and rights in the Shareholders' Agreement and the joint venture to its sister company Green Park. The Shareholders' Agreement was amended by variation agreements dated 9 February 2009, 22 November 2010, and 6 May 2011.

The Shareholders' Agreement governs, amongst other matters, the relationship between LML and Green Park as 50 per cent. shareholders in London & Stamford Green Park Management Limited ("**Manager**"), manager of the joint venture vehicle London & Stamford Green Park Property Trust (the "**Trust**").

LML is required to subscribe for units in the Trust (and shares in LSP Green Park Distribution) up to an aggregate issue price of £75 million and abide by the terms of the Trust Instrument. The Trust's business plan must be approved by both LML and Green Park and the term of the Trust may be extended beyond seven years if both LML and Green Park consent. The parties may also agree to terminate the Trust early.

All key decisions relating to the operation of the Trust, including investment acquisition and disposal decisions and levels of future expenditure are reserved for the approval of both LML and Green Park by virtue of their

50/50 participation on the board of directors of the Manager. The following provisions apply in the event of a deadlock:

- (a) In relation to the proposed sale of an investment the disposal shall proceed.
- (b) In relation to the proposed acquisition of an investment the acquisition shall not take place.
- (c) Valuation and letting matters are resolved by an independent surveyor.
- (d) Other matters specific to an investment are resolved by a mechanism whereby each of LML or Green Park can elect to purchase or, as the case may be, may be forced to purchase all units in the relevant investment at a specified price.

LSP have an obligation to ensure that LML, as the property and investment adviser to the Trust, offers all suitable opportunities to the Trust first. LML may only pursue such an investment opportunity outside the Trust if the investment is declined by the Trust and on no better terms and at no lower price than offered to the Trust. LSP, however, has the right to act wholly and solely on its own account on commercial property investments requiring less than £30 million of equity funding commitment and at any point when each unitholder has paid 95 per cent. of its investment commitment to the Trust.

For opportunities of a larger nature, LML is obliged under the Trust Instrument to participate in these alongside Green Park, 80:20 in favour of Green Park. LML has the right to elect to invest more than its *pro rata* 20 per cent. share of the equity necessary:

- (a) on deals requiring less than £150 million of equity; or
- (b) with Green Park's consent.

If either LML or Green Park fails to fund, becomes insolvent or breaches the terms of the Shareholders' Agreement, the defaulting shareholder will be forced to offer its interest in the Trust and the Manager for sale to the other at its then net asset value.

In addition, under the Trust Instrument, LSP will be deemed to be in default and therefore forced to dispose of its interest in the Trust if following an assignment of LML's role as the Trust's property adviser to any member of the London & Stamford Group, the termination of that appointment as a result of the assignee's material breach of the terms of its appointment.

Neither LML nor Green Park may freely dispose of its shares in the Manager or interest in the Trust to a third party without the other party's consent.

On 18 November 2010 London & Stamford entered into a supplementary agreement with Green Park, under which Green Park increased the available equity funding to the Trust by an aggregate of £100 million.

14.1.7 Contracts relating to financing

14.1.7.1 Moore House Facility Agreement

On 24 August 2012 LSP RI Moore House Limited ("**LS Moore House**") as borrower entered into an English law governed facility agreement (the "**Moore House Facility Agreement**") with Royal Bank of Scotland plc ("**RBS**") as arranger, original lender, original hedge counterparty, agent, security agent, and account bank pursuant to which RBS made available to LS Moore House a term loan facility of up to £65 million (the "**Moore House Facility**") to finance the acquisition by LS Moore House of 149 leasehold flats at Moore House, Grosvenor Waterside, London.

LS Moore House shall repay the loan in full on the date which is four years from when the loan is made.

The following are prepayment events under the Moore House Facility:

- (a) If it becomes unlawful for RBS to perform any of its obligations under the Moore House Facility or to fund or maintain its participation in the loan.
- (b) If London & Stamford, Green Park and PSP cease to hold the entire issued share capital of LS London Residential.
- (c) London & Stamford ceases to hold 10 per cent of the entire issued share capital of LS London Residential.
- (d) LSI LLP ceases to be property advisor to LS Moore House.

The rate of interest per annum is calculated as the aggregate of:

- (i) a margin of 3 per cent;
- (ii) LIBOR; and
- (iii) any mandatory costs.

LS Moore House shall pay accrued interest on the loan on 30 January, 30 April, 30 July and 30 October in each year and on the facility termination date (which is the date four years from when the loan was made).

If LS Moore House fails to pay any amount payable under the Moore House Facility Agreement or any finance document entered into pursuant to the Moore House Facility Agreement, on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 2 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted the loan in the currency of the overdue amount for successive interest periods, each of a duration selected by RBS as agent (acting reasonably).

The events of default in the Moore House Facility Agreement include, but are not limited to, non-payment, insolvency, cross default, failure to satisfy financial covenants and breach of other obligations.

14.1.7.2 Leatherhead & Marlow Facility Agreement

On 25 July 2012 LSP Leatherhead Limited ("**LS Leatherhead**") and LSP Marlow Limited ("**LS Marlow**") as borrowers, and London & Stamford as guarantor entered into an English law governed facility agreement (the "**Leatherhead & Marlow Facility Agreement**") with Dekabank Deutsche Girozentrale ("**Dekabank**") and Deutsche Postbank AG as arrangers, original lenders, original counterparties and Dekabank as facility agent, pursuant to which Dekabank and Deutsche Postbank AG made available to LS Leatherhead and LS Marlow a term loan facility in an amount equal to £61,774,275 (the "**Leatherhead & Marlow Facility**") for financing or refinancing the cost of the acquisition of properties known as Unilever House, Leatherhead Office Park, Leatherhead, Surrey and Marlow International, Parkway, Marlow, Berkshire.

The Leatherhead & Marlow Facility comprises two loans of £33,938,250 and £27,836,025 respectively from Dekabank and Deutsche Postbank. LS Leatherhead and LS Marlow shall repay the loans in full on the date which is five years from the date upon which the Leatherhead & Marlow Facility is utilised.

The following are prepayment events under the Leatherhead & Marlow Facility:

- (a) if it becomes unlawful for Dekabank and/or Deutsche Postbank to perform any of their obligations under the Leatherhead & Marlow Facility or to fund or maintain their share in the loans; or
- (b) if London & Stamford ceases to be the beneficial owner (whether directly or indirectly) of all of the issued share capital of LS Leatherhead and/or LS Marlow.

The rate of interest per annum payable is calculated as the aggregate of:

- (i) a margin of 2.75 per cent;
- (ii) LIBOR; and
- (iii) the mandatory cost.

LS Leatherhead and LS Marlow must each pay accrued interest on each loan made to it on 30 January, 30 April, 30 July and 30 October in each year and on the final maturity date (which is five years from the date the facility is utilised).

If LS Leatherhead, LS Marlow or London & Stamford fail to pay any amount payable under the Leatherhead & Marlow Facility or any finance document entered into pursuant to the Leatherhead & Marlow Facility it must immediately on demand from Dekabank as facility agent pay interest on the overdue amount from its due date up to the date of actual payment (both before on or after judgment) at a rate which is 2 per cent. higher per annum than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted the loan in the currency of the overdue amount.

The events of default in the Leatherhead & Marlow Facility Agreement include, but are not limited to, non-payment, insolvency, cross default, and breach of other obligations.

LS Leatherhead, LS Marlow or London & Stamford may not assign or transfer any of their rights or obligations under the Leatherhead & Marlow Facility Agreement or any other finance document entered into pursuant to the Leatherhead & Marlow Facility Agreement without the prior consent of both Dekabank and Deutsche Postbank.

14.1.7.3 Bank of Scotland revolving loan facility agreement

On 20 June 2012 LSIL as borrower and guarantor entered into an amendment and restatement agreement with Bank of Scotland as arranger, agent, security trustee and original lender in respect of an English law governed £100 million (originally £150 million) revolving loan facility agreement dated 30 October 2007 as amended (the “**BOS Revolving Facility**”) to:

- (a) fund or refinance the acquisition of property in the UK or the acquisition of shares in any company which owns property in the UK;
- (b) fund or refinance the acquisition of units in a Jersey or Guernsey property unit trust which owns property in the UK; or
- (c) fund or refinance development costs for the refurbishment or extension of property in the UK.

LSIL may utilise the BOS Revolving Facility by providing BOS with a drawdown notice at least one business day before the date on which the loan is to be made available. Each loan must be for £500,000 or more (or £50,000 if the loan is for development) and must not result in BOS’s

commitment exceeding £100 million when aggregated with any other outstanding loans made pursuant to the BOS Revolving Facility.

LSIL shall, on the repayment date, which is four years from the commencement date, repay in full any amounts then outstanding under the BOS Revolving Facility and any finance document entered into pursuant to the BOS Revolving Facility (including, in addition to the loans, all accrued interest and all costs, fees and expenses).

LSIL ceasing to be controlled by London & Stamford is a prepayment event under the BOS Revolving Facility.

The rate of interest per annum applicable to each loan made pursuant to the BOS Revolving Facility is calculated as the aggregate of:

- (i) a margin of between 1.5 per cent and 2.05 per cent;
- (ii) LIBOR; and
- (iii) mandatory costs (if any).

LSIL shall pay accrued interest on the loans on each quarterly interest payment date and a final interest payment on the repayment date.

If LSIL fails to pay any amount payable under the BOS Revolving Facility or any finance document entered into pursuant to the BOS Revolving Facility on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 1 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount. Such interest shall also be payable by LSIL on demand by Bank of Scotland.

The events of default in the BOS Revolving Facility include, but are not limited to, non-payment, breach of other obligations, cross acceleration and insolvency, and security ceasing to be effective.

LSIL may not assign or transfer any of its rights or obligations under the BOS Revolving Facility Agreement or any other finance document entered into pursuant to the BOS Revolving Facility Agreement.

14.1.7.4 Fleet Place and Carter Lane Credit agreement

On 18 August 2011 Butterfield Trust (Guernsey) Limited and Moulinet Trustees Limited (each in its capacity as a trustee of London & Stamford Offices Trust) and London & Stamford Offices II Limited as borrowers and London & Stamford as guarantor entered into an English law governed credit agreement with Abbey National Treasury Services plc and Dekabank as arrangers, lenders and original counterparties, and Santander as facility agent pursuant to which Abbey National Treasury Services plc and Dekabank made available a term loan facility of up to £100 million ("**Fleet Place and Carter Lane Facility**").

The Fleet Place and Carter Lane Facility comprises two facilities

- (i) a term loan facility of up to £96 million for refinancing existing indebtedness secured by the property at 1 Fleet Place, London, EC4M 7WS and for refinancing the acquisition of the property at 1 Carter Lane and 2 Old Change Court, London EC4V 5ER; and
- (ii) a term loan facility of up to £4 million for (in the event of a tenant break option being exercised) financing void costs in relation to the property at Carter Lane or for payments of distributions to shareholders and unitholders.

London & Stamford Offices Trust and London & Stamford Offices II Limited must repay the loans in full on the 31 March 2016.

The following are prepayment events under the Fleet Place and Carter Lane Facility;

- (a) If it becomes unlawful in any jurisdiction for Abbey National Treasury Services plc and/or Dekabank to perform any of its obligations under the Fleet Place and Carter Lane Credit Agreement or to fund or maintain its share in any loans; and
- (b) If London & Stamford ceases to control all of the shares in LS Offices II Limited or all of the units in LS Offices Trust.

The rate of interest per annum on the Fleet Place and Carter Lane Facility is calculated as the aggregate of

- (i) a margin of between 2.15 per cent. and 2.4 per cent.
- (ii) LIBOR and
- (iii) any mandatory costs.

If LS Offices Trust, LS Offices II Limited or London & Stamford fail to pay any amount payable under the Fleet Place and Carter Lane Facility or any finance document entered into pursuant to the Fleet Place and Carter Lane Facility it must immediately on demand from Santander pay interest on the overdue amount from its due date up to the date of actual payment (both before on and after judgment) at a rate which is two per cent. per annum higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted the loan in the currency of the overdue amount.

The events of default in the Fleet Place and Carter Lane Facility include, but are not limited to, non-payment, breach of other obligations, cross-default, and insolvency.

LS Offices Trust, LS Offices II Limited or London & Stamford may not assign or transfer any of their rights or obligations under the Fleet Place and Carter Lane Facility or any other finance document entered into pursuant to the Fleet Place and Carter Lane Facility without the prior consent of Abbey National Treasury Services plc and Dekabank.

14.1.7.5 Landesbank Facility Agreement

L&S Business Space Limited ("**LS Business**") and L&S Business Space II Limited ("**LS Business 2**") (together, the "**London & Stamford Borrowers**") are party to an English law governed facility agreement (as amended) dated 22 December 2009 ("**Landesbank Facility Agreement**") with Landesbank Hessen-Thüringen Girozentrale ("**Landesbank**"), as arranger, agent and original counterparty, pursuant to which Landesbank made available a term loan facility of up to forty eight million, one hundred and four thousand five hundred pounds (£48,104,500) ("**Landesbank Facility**") to finance the acquisition by the London & Stamford Group of: (i) Elm Park Court, Tilgate Business Park Crawley; (ii) Forest House, Tilgate Business Park, Crawley; (iii) Glaisdale Park, Nottingham; (iv) Park Farm Industrial Estate, Wellingborough; and (v) Focus National Distribution Centre, Tamworth.

The rate of interest per annum on the Landesbank Facility is calculated as the aggregate of: (i) a margin of 2.25 per cent. per annum; (ii) LIBOR or, where an associated hedging arrangement has been entered into, a fixed rate of interest; and (iii) any mandatory costs. The London & Stamford Borrowers shall pay accrued interest on the loan on the 30th day of each of January, April, July and October. The London & Stamford Borrowers shall repay the loan in full on 14 January 2015.

The London & Stamford Borrowers may not reborrow any part of the Landesbank Facility which is repaid or prepaid.

If it becomes unlawful in any jurisdiction for Landesbank to perform any of its obligations under the Landesbank Facility Agreement or to fund or maintain its participation in the loan then the loan is immediately cancelled.

On a disposal of all or part of the Properties, the London & Stamford Borrowers must prepay an amount of the loan equal to 120 per cent. of the amount allocated for such property as detailed in the Landesbank Facility Agreement.

If the London & Stamford Borrowers fail to pay any amount payable under the Landesbank Facility Agreement and any finance document entered into pursuant to the Landesbank Facility Agreement on its due date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment (both before and after judgment) at a rate which is two per cent. higher than the rate which would have been payable if the unpaid sum, had, during the period of non-payment, constituted the loan in the currency of the unpaid sum for successive interest periods, each of a duration selected by Landesbank as agent (acting reasonably).

The Landesbank Facility Agreement contains representation information undertakings, general undertakings and undertakings, given by the London & Stamford Borrowers in favour of Landesbank.

The London & Stamford Borrowers undertake, amongst other things, that the loan and any other amounts outstanding under the finance documents shall not, at any time, exceed 63 per cent. of the market value of the Properties as shown in the then most recent valuation and that certain interest cover ratios are met.

The events of default in the Landesbank Facility Agreement include, but are not limited to, non-payment, breach of the financial covenants, insolvency, cross default, change of ownership and breach of other obligations.

The London & Stamford Borrowers may not assign any of their rights or transfer any of their rights or obligations under the Landesbank Facility Agreement and any other document entered into pursuant to the Landesbank Facility Agreement.

The London & Stamford Borrowers entered into a deed of subordination in connection with the Landesbank Facility Agreement with London & Stamford and Landesbank whereby, all sums, liabilities and obligations payable, owing, due or incurred by the London & Stamford Borrowers to Landesbank in connection with the Landesbank Facility Agreement were ranked as senior debt and all sums, liabilities and obligations payable, owing, due or incurred by the London & Stamford Borrowers to London & Stamford were ranked as subordinated debt.

The London & Stamford Borrowers entered into a debenture in connection with the Landesbank Facility Agreement with Landesbank, pursuant to which it granted Landesbank a fixed and floating charge as security for the payment and discharge of its obligations and liabilities under the Landesbank Facility Agreement.

14.1.7.6 Metlife Residential Facility

On 22 July 2011 L&S Highbury Limited ("**LS Highbury**") as borrower entered into an English law governed £25 million facility agreement with Metropolitan Life Insurance Company Limited ("**Metlife**") as agent, lender and security trustee (the "**Metlife Highbury Facility**") pursuant to which a facility of up to £25 million was made available to LS Highbury.

On 24 February 2012 LS Highbury, L&S Battersea Limited ("**LS Battersea**"), and L&S Clapham Road Limited ("**LS Clapham**") entered into an amendment and accession deed ("**Metlife Accession Deed**") with Laxfield Capital Limited and Metlife pursuant to which it was agreed to

amend the Metlife Highbury Facility to allow the accession of LS Battersea and LS Clapham as additional borrowers and to increase the amount of the facility from £25 million to £46,980,000.

On 24 February 2012, pursuant to the Metlife Accession Deed, LS Highbury, LS Battersea and LS Clapham entered into an amended and restated English law governed facility agreement (the “**Metlife Residential Facility**”) with Laxfield Capital Limited as arranger and Metlife as original lender, agent and security trustee, pursuant to which Metlife made available a term loan facility up to £46,980,000 for financing or refinancing the acquisition of: (i) various flats and car parking spaces at the property known as North Stand and West Stand, Highbury, London, N5; (ii) 45 flats at the property known as Bridges Wharf, Battersea, London, SW11; and (iii) 70 flats and 30 car parking spaces at the property known as The Printworks, 131-143 Clapham Road, London.

The facility comprises three loans: (i) the loan of £25 million in relation to the property at Highbury; (ii) a £10,600,000 loan in relation to the property at Battersea; and (iii) a £11,380,000 loan in relation to the property at Clapham.

On 29 July 2016 LS Highbury, LS Battersea and LS Clapham shall repay the loans in full. LS Highbury, LS Battersea and LS Clapham may not reborrow any part of the facility which is repaid.

A prepayment event will occur under the Metlife Residential Facility if it becomes unlawful for Metlife to perform any of its obligations contemplated by the Metlife Residential Facility or to fund or maintain its participation in the loans.

The rate of interest payable on each loan is the percentage rate per annum which is calculated on the basis of the aggregate of:

- (a) a margin of 2.10 per cent. for the Highbury loan or 2.20 per cent. for the Clapham and Battersea loans;
- (b) a fixed rate for Highbury which is applicable to £25 million of the loans, a fixed rate for Battersea and Clapham which is applicable to £17,584,000 of the loans or LIBOR which is applicable to £4,396,000 of the loans (as applicable); and
- (c) mandatory costs (if any).

LS Highbury, LS Battersea and LS Clapham shall pay accrued interest on the loans on each quarterly interest payment date with a final payment on 29 July 2016.

If LS Highbury, LS Battersea or LS Clapham fail to pay any amount payable under the Metlife Residential Facility or any finance document entered into pursuant to the Metlife Residential Facility interest shall accrue on the unpaid amount from its due date up to the date of actual payment (both before and after judgment) at a rate which is one per cent. higher per annum than the percentage rate which would have been payable if the unpaid amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount for successive interest periods.

The events of default in the Metlife Residential Facility Agreement include, but are not limited to, non-payment, insolvency, cross default, and breach of undertakings.

LS Highbury, LS Battersea and LS Clapham may not assign any of their rights or transfer any of their rights or obligations under the Metlife Residential Facility Agreement or any other finance document entered into pursuant to the Metlife Residential Facility Agreement.

14.1.7.7 Metlife Distribution Portfolio Facility

On 17 February 2011 LS Distribution 2, LS Distribution 3 and LS Distribution 4 entered into an English law governed facility agreement with Metlife as agent, lender and security trustee pursuant to which a facility of up to £133,250,000 was made available to LS Distribution 2, LS Distribution 3 and LS Distribution 4 ("**Distribution Portfolio Facility Agreement**"). The Distribution Portfolio Facility Agreement was amended on 6 May 2011 by an amendment and consent letter.

On 13 September 2011 LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 entered into an amendment and accession agreement ("**Distribution Portfolio Accession Agreement**") with Laxfield Capital Limited and Metlife pursuant to which it was agreed to amend the Distribution Portfolio Facility Agreement to allow the accession of LS Distribution 5 as an additional borrower and to increase the amount of the facility from £133,250,000 to £148,140,000.

On 13 September 2011 pursuant to the Distribution Portfolio Accession Agreement, LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 (as borrowers) entered into an amended and restated English law governed facility agreement ("**Amended Distribution Portfolio Facility Agreement**") with Laxfield Capital Limited as arranger and Metlife as original lender, agent and security trustee, pursuant to which Metlife made available a term loan facility up to £148,140,000 ("**Amended Distribution Portfolio Facility**") for financing or refinancing the acquisition of various properties mortgaged pursuant to a debenture entered into by LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 in favour of Metlife.

LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 shall make quarterly repayments of an amount which reduces the amount of the outstanding loans by £499,688 on each repayment date after the third anniversary of the first utilisation date. LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 may not reborrow any part of the facility which is repaid.

A prepayment event will occur under the Amended Distribution Portfolio Facility if it becomes unlawful for Metlife to perform any of its obligations contemplated by the Amended Distribution Portfolio Facility Agreement or to fund or maintain its participation in the loans.

The rate of interest payable on each loan is the percentage rate per annum which is calculated on the basis of the aggregate of:

- (a) a margin of 2.05 per cent. per annum;
- (b) a capped rate which is applicable to £39,975,000 of the loans, the original fixed rate which is applicable to £66,625,000 of the loans, a pinnacles west fixed rate which is applicable to £14,890,000 of the loans or LIBOR which is applicable to £26,650,000 of the loans (as applicable); and
- (c) mandatory costs (if any).

LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 shall pay accrued interest on the loans on the last day of each quarterly interest period.

If LS Distribution 2, LS Distribution 3, LS Distribution 4 or LS Distribution 5 fail to pay any amount payable under the Amended Distribution Portfolio Facility or any finance document entered into pursuant to the Amended Distribution Portfolio Facility Agreement interest shall accrue on the unpaid sum from its due date up to the date of actual payment (both before and after judgment) at a rate which is one per cent. higher per annum than the

percentage rate which would have been payable if the unpaid amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount for successive interest periods

The events of default in the Amended Distribution Portfolio Facility Agreement include, but are not limited to, non-payment, insolvency, cross default, and breach of undertakings.

LS Distribution 2, LS Distribution 3, LS Distribution 4 and LS Distribution 5 may not assign any of their rights or transfer any of their rights or obligations under the Amended Distribution Portfolio Facility Agreement or any other finance document entered into pursuant to the Amended Distribution Portfolio Facility Agreement.

14.1.8 Other material contracts

14.1.8.1 Sponsors' Agreement

London & Stamford entered into a sponsors' agreement with Peel Hunt and Credit Suisse dated 5 August 2010 relating to the 2010 Admission pursuant to which Peel Hunt and Credit Suisse agreed to act as joint sponsors for London & Stamford in accordance with the requirements of the Listing Rules, the Prospectus Rules the Disclosure Rules and Transparency Rules.

London & Stamford gave customary warranties to Peel Hunt and Credit Suisse in relation to the business, the legal and regulatory compliance of the London & Stamford Group and the contents of 2010 Prospectus. London & Stamford also gave an indemnity to Peel Hunt and Credit Suisse in respect of any losses which either Peel Hunt or Credit Suisse may suffer as a result of it acting in connection with the 2010 Admission. The liability of London & Stamford under the warranties and indemnity provided by it is unlimited.

14.1.8.2 Underwriting Agreement

Pursuant to an underwriting agreement dated 10 July 2009 between LSP, LSI LLP and Peel Hunt ("**Underwriting Agreement**"), Peel Hunt agreed to procure subscribers for, or failing which itself to subscribe for, new ordinary shares in LSP.

In consideration of its services under the Underwriting Agreement, Peel Hunt was paid a commission equal to 1.5 per cent. of the aggregate value of 27,500,000 new ordinary shares and 3 per cent. of the aggregate value of 162,170,545 new ordinary shares in LSP.

The Underwriting Agreement contains certain warranties and indemnities given by LSP and warranties by LSI LLP, in both cases to Peel Hunt and in a form that is typical for an agreement of this nature. The liabilities of LSP under the Underwriting Agreement are not limited as to time or amount.

14.2 Metric material contracts

14.2.1 The following is a summary of each contract that has been entered into by members of the Metric Group otherwise than in the ordinary course of business:

14.2.1.1 in the two years immediately preceding 27 November 2012 and which is, or may be, material to the Metric Group; or

14.2.1.2 otherwise than in the two years immediately preceding the date of this document which contain any provision under which any member of the Metric Group has any obligation or entitlement which is material to the Metric Group, as at the date of this document.

14.2.2 Contracts relating to financing

Eurohypo Facility

On 27 April 2011, Metric Property Finance 2 Limited ("MPF2") (together with certain of MPF2's subsidiaries as guarantors) entered into a term loan credit facility

agreement with Eurohypo AG (acting in various capacities, including as arranger, agent, security trustee and lender) (the “**Eurohypo Facility Agreement**”).

The Eurohypo Facility

Under the Eurohypo Facility Agreement, the lender made available a £34,700,000 term loan facility (the “**Eurohypo Facility**”) the permitted purpose of which was the refinancing of the cost of acquisition of the properties owned by the subsidiaries of MPF2.

The Eurohypo Facility is scheduled to terminate on 26 April 2016.

Interest and Fees

Interest is payable on the Eurohypo Facility at the rate per annum equal to the aggregate of:

- (a) LIBOR;
- (b) the Margin (defined below); and
- (c) the mandatory cost, if any (which compensates the lenders for the cost of compliance with the requirements of the Bank of England and/or the Financial Services Authority and/or the European Central Bank).

The Margin is:

- (a) 1.8% per annum if the loan to value is less than or equal to 60%;
- (b) 1.9% per annum if the loan to value is greater than 60% but less than or equal to 65%; and
- (c) 2% per annum if the loan to value is greater than 65%.

Interest is payable on each interest payment date (being 15 January, 15 April, 15 July and 15 October in each year).

Until the final repayment date, MPF2 is required to maintain hedging agreements under which not less than 80% of the principal of the outstanding loans is hedged against interest rate movements. There are extensive restrictions on the ability of MPF2 to close out these hedging arrangements prior to the final repayment date. MPF2 is obliged to close out an appropriate part of the hedging arrangements if their aggregate notional amount exceed 105% of the loans outstanding.

MPF2 entered into a 1992 ISDA Master Agreement on 6 April 2011. Pursuant to that Agreement MPF2 has entered into a £10.5 million interest rate swap at a fixed rate of 3.34% which expires in April 2016 and a £17.5 million interest rate cap at a rate of 3% which expires in April 2016.

MPF2 is liable to pay an annual agency fee, which is payable quarterly in advance.

Prepayment

If it becomes illegal for a lender to perform its obligations under the Eurohypo Facility Agreement, MPF2 must repay that lender’s participation in the outstanding loans and that lender’s commitment will be cancelled.

If:

- (a) Metric ceases to control MPF2 directly or indirectly;
- (b) Metric Property Finance (Holdings) Limited ceases to directly own the entire share capital of MPF2;
- (c) unless as a result of a permitted disposal MPF2 ceases to own any of its subsidiaries; or
- (d) the outstandings under Eurohypo Facility are reduced below £15,000,000 as a result of property disposals,

the majority lenders may, on 10 days notice to MPF2, require repayment in full of all amounts outstanding under the Eurohypo Facility.

If the outstandings are prepaid:

- (a) on a change of control;
- (b) following the disposal of a property; or
- (c) as a result of a voluntary prepayment,

MPF2 is liable to pay a prepayment fee to the lenders equal to the amounts shown in the table below:

<u>Prepayment using proceeds of a debt financing from Eurohypo AG</u>	<u>Prepayment using proceeds other than by way of a debt financing from Eurohypo AG</u>
On or prior to 24 months after the date of the Eurohypo Facility Agreement: 0.5% of the principal prepaid	On or prior to 24 months after the date of the Eurohypo Facility Agreement: 1% of the principal prepaid
More than 24 months after the date of the Eurohypo Facility Agreement: nil	Between 24 and 36 months after the date of the Eurohypo Facility Agreement: 0.5% of the principal prepaid
	More than 36 months after the date of the Eurohypo Facility Agreement: nil

Guarantees and Security

The Eurohypo Facility is guaranteed by MPF2 and each of its subsidiaries. In addition, each of these companies has granted fixed and floating charges over all (or substantially all) of their assets.

As security for the obligations of MPF2 and its subsidiaries in respect of the Eurohypo Facility, Metric Property Finance (Holdings) Limited has granted a mortgage over the shares held by it in MPF2. The recourse of the security trustee under the mortgage is limited to these shares.

Representations, Covenants and Events of Default

The Eurohypo Facility Agreement contains representations, covenants, indemnities and events of default which are standard for a facility of this nature, including restrictions on (i) incurring financial indebtedness, (ii) granting security and/or guarantees, (iii) making acquisitions, (iv) making disposals and (v) making loans.

Financial Covenants

MPF2 is required to maintain the following financial ratios at all times:

- (a) interest cover must not fall below 200% (being the ratio of MPF2's projection of annual rental income (as approved by the agent) to the agent's projection of annual finance costs);
- (b) the amount of the loan must not exceed 70% of the market value of the properties.

Property disposals

The lenders are not obligated to give their consent to the disposal of a property which secures the Eurohypo Facility, unless the net proceeds of the disposal are sufficient to prepay a specified minimum amount which is the higher of:

- (a) an amount which following prepayment would reduce the loan to value to 50% (measured by reference to the lower of the original valuation and the most recent valuation);
- (b) an amount which following prepayment would result in the interest cover being not less than 225%;

- (c) 100% of the amount of the loan allocated to the relevant property in the Eurohypo Facility Agreement

Events of Default

The events of default in the Eurohypo Facility include, but are not limited to, non-payment, breach of financial covenants, cross default, insolvency, breach of representation and breach of other obligations, major damage to the properties and material adverse change.

At any time whilst an event of default is continuing unremedied or unwaived, Eurohypo AG as facility agent may (and shall if so directed by the majority lenders under the Eurohypo Facility Agreement), amongst other things, declare all loans immediately due and payable or instruct the security trustee to enforce its security.

Cash Trap

There are provisions whereby surplus income is “trapped” in a blocked account (and hence not available to MPF2 to distribute to its shareholder) which are triggered by the loan to value ratio being between 60% and 65% (in which case 50% of the surplus income is “trapped”) and the loan to value ratio exceeding 65% (in which case 100% of the surplus income is “trapped”). Any “trapped” cash is released if the loan to value ratio falls below 55%, with half of the “trapped” cash being released if the loan to value ratio falls below 60%.

RBS Facility

On 16 November 2010, Metric Property Finance 1 Limited (“MPF1”) (together with certain of MPF1’s subsidiaries as guarantors) entered into a revolving credit facility agreement with The Royal Bank of Scotland plc (“RBS”) (acting in various capacities, including as arranger, agent, security trustee and lender) (the “RBS Facility Agreement”). The RBS Facility Agreement was amended on 14 November 2011.

The RBS Facility

Under the RBS Facility Agreement, the lender made available a £80,000,000 revolving credit facility (the “RBS Facility”) the permitted purposes of which are financing or refinancing the cost of acquisition of properties or companies owning properties which in each case meet the acceptance criteria set out in the RBS Facility Agreement and (b) financing or refinancing capital expenditure on permitted developments and/or tenant incentives.

The RBS Facility is scheduled to terminate on 16 November 2016. The facility ceases to be available for further drawing on the last interest payment date prior to the termination date.

Interest and Fees

Interest is payable at the rate per annum equal to the aggregate of:

LIBOR;

the Margin (defined below); and

the mandatory cost, if any (which compensates the lenders for the cost of compliance with the requirements of the Bank of England and/or the Financial Services Authority and/or the European Central Bank).

The Margin is:

- (a) 2% per annum if the loan to value is less than or equal to 30%;
- (b) 2.15% per annum if the loan to value is greater than 30% but less than or equal to 60%;

- (c) 2.30% per annum if the loan to value is greater than 60% but less than or equal to 65%;
- (d) 2.50% per annum if the loan to value is greater than 65%.

Interest is payable on each interest payment date (being 15 January, 15 April, 15 July and 15 October in each year).

Until the final repayment date, MPF1 is required to maintain hedging agreements under which not less than 60% of the principal of the outstanding loans is hedged against interest rate movements. There are extensive restrictions on the ability of MPF1 to close out these hedging arrangements prior to the final repayment date. MPF1 is obliged to close out an appropriate part of the hedging arrangements if their aggregate notional amount exceed the lower or 125% of the loans outstanding and the Total Commitments and such excess remains in place for more than 12 months.

MPF1 entered into a 2002 ISDA Master Agreement on 17 May 2011. Pursuant to that Agreement MPF1 has entered into (a) a £20 million interest rate swap at a fixed rate of 1.48% which expires in October 2015, (b) a £20 million interest rate swap at a rate of 2.03% which becomes effective in October 2015 and expires in October 2016, (c) a £10 million interest rate swap at a rate of 1.19% which becomes effective in January 2013 and expires in October 2016, (d) a £10 million interest rate swap at a rate of 1.56% which becomes effective in January 2013 and expires in October 2016 and (e) a £10 million interest rate swap at a rate of 1.2% which becomes effective in April 2013 and expires in October 2016.

MPF1 is liable to pay the following fees:

- (a) Commitment Fee: a quarterly fee on the undrawn commitments from time to time equal to 40% of the then applicable Margin, payable on each interest payment date;
- (b) an annual agency fee which is payable in advance on the first date on which the original lender transfers any commitment to a new lender, and on each anniversary of that date;
- (c) an annual security trustee fee, which is payable in advance on the first date on which the original lender transfers any commitment to a new lender, and on each anniversary of that date; and
- (d) a fee of 0.1% of the total commitments on the date (if any) that the loan to value ratio exceeds 65% but is less than 70%. A further fee of 0.1% of the total commitments is also payable if the loan to value ratio is not back below 65% on the date falling 3 months after the first payment.

If the RBS Facility is cancelled in full or the outstandings are prepaid in full as a result of a refinancing with a party other than RBS, MPF1 is liable to pay a prepayment fee to the lenders equal to the amounts shown in the table below:

<u>Date</u>	<u>Percentage of amount cancelled/prepaid</u>
More than 12 months and up to and including 24 months after the date of the RBS Facility Agreement	0.75% of the principal amount prepaid/cancelled
More than 24 months and up to and including 36 months after the date of the RBS Facility Agreement	0.5% of the principal amount prepaid/cancelled
More than 36 months after the date of the RBS Facility Agreement	Nil

Prepayment

If it becomes illegal for a lender to perform its obligations under the RBS Facility Agreement, MPF1 must repay that lender's participation in the outstanding loans and that lender's commitment will be cancelled.

If:

- (a) Metric ceases to control directly or indirectly legally and beneficially 100% of the issued shares of Metric Property Finance (Holdings) Limited;
- (b) Metric Property Finance (Holdings) Limited ceases to control directly or indirectly legally and beneficially 100% of the issued shares of MPF1;
- (c) Andrew Jones and either of Valentine Beresford and Mark Stirling cease to be an active part of the executive management and asset management of MPF1 and an acceptable replacement does not accept his/her appointment within 6 months;
- (d) any person or group of persons acting in concert gain direct or indirect control of Metric; or
- (e) MPF1 ceases to own legally and beneficially 100% of the issued shares of all of its subsidiaries,

the majority lenders may, on 10 days notice to MPF1, require repayment in full of all amounts outstanding under the RBS Facility.

Metric has requested that RBS gives its consent to the change of control effected by the Merger. Although this has not yet been obtained, the board are not aware of any reason why this would not be forthcoming.

On the disposal of a property or a property owning subsidiary of MPF1, all net disposal proceeds must be applied in prepayment of the outstandings under the RBS Facility. Subject to the drawing conditions, amounts prepaid may be reborrowed.

Guarantees and Security

The RBS Facility is guaranteed by MPF1 and each of its subsidiaries. In addition, each of these companies has granted fixed and floating charges over all (or substantially all) of their assets.

As security for the obligations of MPF1 and its subsidiaries in respect of the RBS Facility, Metric Property Finance (Holdings) Limited has granted a mortgage over the shares held by it in MPF1. The recourse of the security trustee under the mortgage is limited to these shares.

Representations, Covenants and Events of Default

The RBS Facility Agreement contains representations, covenants, indemnities and events of default which are standard for a facility of this nature, including restrictions on (i) incurring financial indebtedness, (ii) granting security and/or guarantees, (iii) making acquisitions, (iv) making disposals and (v) making loans.

Financial Covenants

MPF1 is required to maintain the following financial ratios at all times:

- (a) projected interest cover must not fall below 175% (being the ratio of MPF1's projection of rental income for the following 6 months (as agreed by the agent) to the agent's projection of annual finance costs for the same period)
- (b) actual interest cover must not fall below 175% (being the ratio of the rental income received into the rent account for the preceding 6 months to the agent's calculation of finance costs for the same period)
- (c) weighted average lease length for the properties must not fall below 7 years
- (d) the amount of the loans outstanding must not exceed 65% of the market value of the properties (this covenant may be breached once in the life of the RBS Facility for a maximum period of 6 months provided that the loan to value covenant does not at any time exceed 70%. During any period whilst there is a breach, surplus cash is trapped in a blocked account).

Property disposals

The lenders are not obligated to give their consent to the disposal of a property which secures the RBS Facility, unless following the relevant disposal:

- (a) no single property would account for more than 25% of the aggregate value of the remaining properties
- (b) no single tenant would be liable for more than 20% of the aggregate rental income for the remaining properties.

Events of Default

The events of default in the RBS Facility include, but are not limited to, non-payment, breach of financial covenants, cross default, insolvency, breach of representation, breach of other obligations, major damage to the properties, qualification of the audited accounts and material adverse change.

At any time whilst an event of default is continuing unremedied or unwaived, RBS as facility agent may (and shall if so directed by the majority lenders under the RBS Facility Agreement), amongst other things, declare all loans immediately due and payable or instruct the security trustee to enforce its security.

14.2.3 Share incentive plans

Introduction

To support the business strategy of Metric and to further align the interests of the Metric Executive Directors and key members of the senior management team and Metric Shareholders, the Metric Directors established the MIP and the MSP. Under the MIP and the MSP, participants can receive Metric Ordinary Shares based on the achievement of stretching performance targets. In addition to the MIP and the MSP, Metric established the CSOP. The CSOP does not provide additional value to the Metric Executive Directors over and above the value of the awards made to them under the MSP and the MIP. The CSOP was to be used to grant awards to other employees of Metric.

A discretionary trust may be utilised to satisfy awards granted under the MIP, MSP and CSOP and any other discretionary share plans established by Metric.

As referred to in paragraph 15 of the Letter from the Chairman in Part 7 the MIP, MSP and CSOP will be terminated upon the Scheme becoming effective, and therefore no further awards will be granted after that date.

The Metric Management Incentive Plan (MIP)

On 4 March 2010 the Metric Board adopted the MIP. The adoption was conditional upon the Metric Admission which occurred on 24 March 2010. The MIP provides for awards in the form of cash and Metric Ordinary Shares to be granted to bona fide employees and Metric Executive Directors of the Metric Group. Awards vest in four equal tranches over a four year period subject to the satisfaction of stretching performance conditions and are subject to clawback provisions. No awards have been granted under the MIP and no future awards will be granted under the MIP.

The Metric Matching Share Plan (MSP)

On 4 March 2010 the Metric Board adopted the MSP. The adoption of the MSP was conditional upon Metric Admission which occurred on 24 March 2010. Awards are currently outstanding under the MSP. However, no awards will be granted following the Scheme becoming effective. Accordingly, the following summary describes only the rules of the MSP which are relevant to the outstanding awards.

Awards

Participants are required to take 50 per cent. of their annual bonus (after tax and national insurance) in the form of Metric Ordinary Shares. The Metric Ordinary Shares acquired are referred to as "bonus shares".

Participants receive a Matching Share Award (an “MSA”) delivered as an award of shares over new or existing Metric Ordinary 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. The number of Metric Ordinary Shares subject to an MSA is fixed at the date of grant.

Except to the extent required by foreign laws, MSAs do not form part of a participant’s pensionable earnings. MSAs are not transferable (other than on death).

Vesting of awards

Ordinarily, MSAs will vest subject to (i) the bonus shares being held by the participant for a three year period, (ii) the participant remaining an employee or officer of a member of the Metric Group at the end of that time and (iii) the satisfaction of a total shareholder return based performance condition.

Metric’s total shareholder return performance will be measured against the performance of a selected peer group (the members of which are selected by the Metric Remuneration Committee in its absolute discretion) of companies in the FTSE Real Estate Sector.

30 per cent. of an MSA will vest if Metric achieves median performance relative to the peer group with 100 per cent. of an MSA vesting if Metric achieves upper quartile performance relative to the peer group. Straight-line vesting of an MSA will occur between these two points.

Manner of vesting

Within 30 days of vesting, subject to the participant providing a payment (or entering into arrangements to pay) for any income tax and employee national insurance contributions due, the Metric Ordinary Shares in respect of which the MSA has vested must be issued by Metric or Metric must procure their transfer (which for the purposes of the MSP includes the transfer of Metric Ordinary Shares out of treasury) to the participant and shall issue a definitive certificate in respect of the Metric Ordinary Shares allotted or transferred. Metric Ordinary Shares issued or transferred by Metric on the vesting of MSAs will rank *pari passu* with existing Metric Ordinary Shares.

Termination of employment

Unvested MSAs will normally lapse on cessation of employment. However, if a participant is a “good leaver” (i.e. if he dies or leaves employment through illness, injury or disability, or because his employing company or business is sold out of the Metric Group or for any other reason determined by the Metric Remuneration Committee (in its absolute discretion)), then the Metric Remuneration Committee may permit that participant (or his personal representatives as the case may be) to retain his unvested MSA until the relevant vesting date and/or permit early vesting of unvested MSAs on an accelerated basis subject to the satisfaction of the performance targets and a pro-rata reduction for the time that has elapsed since the relevant date of cessation.

If the Metric Remuneration Committee exercises its discretion to allow unvested MSAs to vest early, it shall take into account (i) the progress made by Metric towards achieving the performance target by reference to the relevant date of cessation; (ii) the extent to which it considers that the performance target would be met at the end of the performance period had cessation not occurred; and (iii) any other factors it considers relevant.

Change of control

If a change of control event occurs, such as a takeover, scheme of arrangement, voluntary winding up or reconstruction (not being an internal reorganisation), then the Metric Remuneration Committee will determine, in its absolute discretion, whether and to what extent subsisting unvested MSAs vest.

Variation of share capital

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

Amendments and general

The MSP may be amended by the Metric Remuneration Committee in any way provided that:

- (a) no amendment, addition or deletion may be made to the MSP which would materially prejudice the interests of participants in relation to MSA's already granted to them unless the sanction of at least 75 per cent. of the participants (by value of subsisting MSAs) has been obtained; and
- (b) all amendments to the advantage of participants to the provisions relating to:
 - (i) the definition of eligible employee;
 - (ii) the limits on the number of Metric Ordinary Shares subject to the plan;
 - (iii) the maximum entitlement for any one participant;
 - (iv) the basis for determining a participant's entitlement to Metric Ordinary Shares under an MSA; and
 - (v) the adjustment of MSAs, in the event of a variation of capital as set out above, or
 - (vi) the rule relating to the amendment of the MSP,

will require the prior consent of Metric in general meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, Metric or a member of the Metric Group.

The Metric Company Share Option Plan (CSOP)

On 4 March 2010 the Metric Board adopted the CSOP. The adoption of the CSOP was conditional upon the Metric Admission which occurred on 24 March 2010. Options are currently outstanding under the CSOP. However, no options will be granted following the Scheme becoming effective. Accordingly the following summary describes only the rules of the CSOP which are relevant to the outstanding options.

The CSOP was 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 Metric Executive Directors) to receive tax efficient share based incentives, on a discretionary basis.

Part I of the CSOP was approved by HMRC under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of HMRC approved options (the "**Approved Part**"). Part II of the CSOP provides for the grant of unapproved options (the "**Unapproved Part**").

Awards

Awards granted under the CSOP will take the form of an option to acquire Metric Ordinary Shares.

Awards may be granted over newly issued Metric Ordinary Shares, treasury shares or Metric Ordinary Shares purchased in the market. Awards may also be granted by the Trustee. Except to the extent required by foreign laws, awards under the CSOP do not

form part of a participant's pensionable earnings. Awards are not transferable (other than on death).

Exercise price

The price at which an option holder may acquire Metric Ordinary Shares on the exercise of an award should not be less than the greater of (i) the market value of an Ordinary Share at the time of grant and (ii) its nominal value.

Exercise

Ordinarily, awards vest after a period of three years and, in the case of options granted under the Approved Part, this is the minimum vesting period required. Awards under the CSOP may be granted on terms that their exercise will be subject to the satisfaction of objective performance conditions.

Manner of exercise

Within 30 days of the receipt of a notice of exercise of an award, together with a payment (or arrangements to pay) for the aggregate exercise price due and a payment (or arrangements to pay) for any income tax and employee national insurance contributions due, the Metric Ordinary Shares in respect of which the award has been exercised must be issued by Metric or Metric must procure their transfer (which for the purposes of the CSOP includes the transfer of Metric Ordinary Shares out of treasury) to the option holder and shall issue a definitive certificate in respect of the Metric Ordinary Shares allotted or transferred. Metric Ordinary Shares issued or transferred by Metric on the exercise of options will rank *pari passu* with existing Metric Ordinary Shares.

Termination of employment

Options granted under the CSOP (both vested and unvested) will normally cease to be exercisable on cessation of employment. However, if a participant is a "good leaver" (i.e. if he dies or leaves employment through injury, disability, redundancy or retirement on or after reaching the age of 65, or where a participant leaves employment of the Metric Group by reason of his employing company ceasing to be a member of the Metric Group, or if the undertaking in which he is employed is sold outside the Metric Group or for any other reason approved by the Metric Remuneration Committee (in its absolute discretion)), then the participant (or his personal representatives, if appropriate) may exercise his award (both vested and unvested) within a period of six months from the relevant date of cessation subject to the satisfaction of the performance conditions (if any) and in the case of an unvested award subject to a pro-rata reduction for the time that has elapsed since the relevant date of grant.

If a participant ceases employment in any circumstances other than the "good leaver" circumstances referred to above then ordinarily all his unvested awards will lapse on such cessation unless the Metric Remuneration Committee exercises its discretion otherwise.

Change of control

If a change of control event occurs, such as a takeover, scheme of arrangement, voluntary winding up or reconstruction (not being an internal reorganisation), then the Metric Remuneration Committee will determine, in its absolute discretion, whether and to what extent subsisting unvested awards shall vest and become exercisable during a period of six months (except in the case of a takeover by means of a compulsory acquisition of minority shareholders where the period will be one month), but taking into account all relevant facts and circumstances including, but not limited to, the performance of Metric (where applicable), and the period of time which has elapsed since the relevant date of grant.

Variation of share capital

In the case of awards granted under the Approved Part, in the event of a capitalisation issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision or reduction or other variation of Metric's capital, the number of Metric Ordinary Shares which are the subject of an award and/or the exercise price may, subject to prior approval of HMRC, be adjusted in such manner as the Metric Board, taking into account the recommendation of the Metric Remuneration Committee) shall, in its opinion, consider fair and reasonable.

In the case of awards granted under the Unapproved Part, in the event of a capitalisation issue, or offer by way of rights (including an open offer), or upon any consolidation, subdivision, or reduction or other variation of Metric's capital, or the payment of a special dividend or a demerger, the number of Metric Ordinary Shares the subject of an award and/or the exercise price may be adjusted in such manner as the Metric Board (taking into account the recommendation of the Metric Remuneration Committee) shall, in its opinion, consider fair and reasonable.

Amendments and general

The CSOP may be amended by the Metric Board (following consultation with the Metric Remuneration Committee) in any way provided that:

- (a) no alteration may be made to the CSOP which would materially prejudice the interests of participants in relation to awards already granted to them unless the sanction of at least 75 per cent. of the participants (by value of subsisting awards) has been obtained;
- (b) all amendments to the advantage of participants to the provisions relating to:
 - (i) the definition of eligible employee;
 - (ii) the limits on the number of Metric Ordinary Shares subject to the plan;
 - (iii) the maximum entitlement for any one participant;
 - (iv) the basis for determining a participant's entitlement to awards;
 - (v) the adjustment of awards, in the event of a variation of capital as set out above, or
 - (vi) the rule relating to modification of the CSOP,will require the prior consent of Metric in general meeting unless they are minor amendments to benefit the administration of the plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, Metric or a member of the Metric Group; and
- (c) while the Approved Part of the CSOP remains approved by HMRC, no amendment of a key feature of the Approved Part of the CSOP shall take effect without the prior approval of HMRC.

The Metric Employee Trust

Constitution

The Metric Employee Trust is a discretionary trust constituted by a trust deed between Metric and an independent off shore professional trustee company. The Metric Employee Trust is constituted as an employees' share scheme within the meaning of section 1166 of the Companies Act, with the purpose of encouraging and facilitating the holding of shares by bona fide employees of Metric (which, for these purposes includes Metric Executive Directors) and its subsidiaries, former employees and certain of their relatives or for their benefit.

Power and funding

The Trustee has full discretion with regard to the application of the trust fund. Whilst under the terms of the trust deed they are required to consult with a liaison committee appointed by Metric in certain circumstances, the views expressed by the liaison committee are in no respect binding upon them.

The Trustee has the power to acquire Metric Ordinary Shares and any Metric Ordinary Shares so acquired may be used for the purposes of any employees' share scheme operated by Metric, including the grant of awards or options under the MIP, the MSP and the CSOP. The Trustee may also agree, in their absolute discretion, to satisfy the employer national insurance contributions liabilities arising on the vesting or exercise of awards or options, by acquiring Metric Ordinary Shares at the same price per share as the relevant awards or options, so as to enable the Trustee to realise a gain equal to the aggregate national insurance liability.

The Metric Employee Trust may be funded by way of loan or gift to acquire Metric Ordinary Shares either in the market or by subscription.

Limits to holdings and dividend waiver

Any Metric Ordinary Shares issued to the Metric Employee Trust in order to satisfy options or awards it has granted will be treated as counting towards the dilution limits that apply to the MIP, the MSP and the CSOP. For the avoidance of doubt, any Metric Ordinary Shares acquired by the Metric Employee Trust in the market in order to satisfy options or awards it has granted will not count towards these limits. In addition, without prior shareholder approval, the Metric Employee Trust will not, at any one time, hold more than five per cent. of the ordinary share capital of Metric (other than for the purposes of satisfying awards/options that it has granted). Unless directed otherwise the Trustee will waive any dividends paid on the Metric Ordinary Shares settled in the Metric Employee Trust.

Metric placing agreement

Metric entered into a placing and offer agreement with each of the directors of Metric, Oriel Securities and J.P. Morgan Cazenove dated 8 March 2010 pursuant to which, subject to certain conditions, Oriel Securities and J.P. Morgan Cazenove agreed to use their reasonable endeavours to procure purchasers for Metric Ordinary Shares pursuant to a placing in connection with Metric's IPO.

In consideration for their services under the placing and offer agreement, Oriel Securities and J.P. Morgan Cazenove received from Metric fees and commissions of 3.5 per cent. of gross proceeds.

Metric and the directors gave certain customary representations and warranties subject (in the case of the directors, to certain agreed caps, and Metric and Andrew Jones, Valentine Beresford and Mark Stirling agreed to provide customary indemnities, to Oriel Securities and J.P. Morgan Cazenove (subject (in the case of Andrew Jones, Valentine Beresford and Mark Stirling) to certain agreed caps).

(v) Mercian Developments joint venture

Joint venture agreement

Metric Property St. Austell, Mercian and Metric entered into a joint venture agreement on 22 May 2012 (the "Mercian Joint Venture Agreement"), relating to the acquisition and development of land at Coyte Farm, St. Austell, Cornwall (the "St. Austell Property").

Under the terms of the Mercian Joint Venture Agreement, Mercian has agreed to seek planning permission and prepare the site for Sainsbury's Supermarket Limited ("Sainsbury's") in accordance with the agreement and Metric Property St. Austell has agreed to fund (with limited exceptions) the development, acquire the developed property and seek to let additional units. In particular, (a) Mercian has agreed to use all

reasonable endeavours to procure that the Planning Condition (as defined below) and the Sainsbury's Condition (as defined below) are satisfied prior to the date which is five years after the date of the Mercian Joint Venture Agreement; and (b) Metric Property St. Austell has agreed to use all reasonable endeavours to procure that the Letting Condition (as defined below) is satisfied prior to the satisfaction of the Sainsbury's Condition.

Mercian has agreed to use all reasonable endeavours to obtain planning permission in relation to certain proposed developments to be made to the St. Austell Property. Mercian has undertaken to liaise and consult with Metric Property St. Austell prior to submission of the planning application and, throughout the planning process, Mercian has agreed to take into account any requirements of, or representations made by, Metric Property St. Austell as to the overall planning strategy and the form of the planning application. Metric Property St. Austell has agreed to make representations in support of the planning application and, at the request of Mercian, enter into such planning agreements as may be reasonably necessary to procure the grant of satisfactory planning permission (the "Planning Condition").

Mercian has further agreed to use all reasonable endeavours to ensure that a works agreement dated 15 March 2012 between Mercian and Sainsbury's (the "Works Agreement") and an acquisition agreement dated 15 March 2012 between Hedley John Richards and Sainsbury's (the "Sainsbury's Acquisition Agreement") become unconditional in all respects so that the completion date is fixed as a certain date (the "Sainsbury's Condition").

Metric Property St. Austell has agreed to appoint a reputable and competent letting agent to market the units to be constructed on the area within the development designated for non-food retail development. Metric Property St. Austell has also agreed to prepare a programme for the marketing and letting of the units with the objective of exchanging agreements for the lease of at least 60 per cent. of such units on the ground floor of the development (the "Letting Condition").

Metric Property St. Austell has agreed to pay a fee of £500,000 at submission of planning and has agreed to pay a sale fee of £140,000 and a planning fee of £450,000 to Mercian upon successful completion of the joint venture. Metric Property St. Austell and Mercian have also agreed certain ongoing profit share arrangements as well as other standalone payments to be made to Mercian upon subsequent property disposals relating to the site. Metric Property St. Austell has also agreed to pay Mercian a profit share payment on the date falling 3 months after practical completion of the development such payment being capped at 40% of the profit from the development.

Metric Property St. Austell may terminate the Mercian Joint Venture Agreement by giving six months' notice if:

- (a) the Works Agreement or Sainsbury's Acquisition Agreement is determined for any reason; or
- (b) an event of insolvency occurs in relation to Sainsbury's; or
- (c) the Sainsbury's Acquisition Agreement is completed prior to the completion date (being the date 20 working days following satisfaction or waiver of the Sainsbury's Condition, Planning Condition and Letting Condition).

In the event of such a termination:

- (a) Metric Property St. Austell is not obliged to make further payments pursuant to the Mercian Joint Venture Agreement other than in respect of any project costs prior to the date of termination;
- (b) neither Metric Property St. Austell nor Mercian will be liable to the other party for any loss of profit, loss of contract or other losses and/or expenses; and
- (c) Metric Property St. Austell will not acquire the site.

The Mercian Joint Venture Agreement contains a restrictive covenant preventing either party from promoting, developing or otherwise pursuing or taking an interest in any development within a 10 mile radius of the St. Austell Property or within any distance of the St. Austell Property where such development will or might reasonably be expected to have a material adverse impact on the prospects of satisfying the Planning Condition or the Letting Conditions.

Metric has given a performance guarantee and indemnity to Mercian that in the event of a default by Metric Property St. Austell, Metric will itself carry out, observe and perform Metric Property St. Austell's obligations pursuant to the Mercian Joint Venture Agreement.

Supplemental agreement to the Mercian Joint Venture Agreement

Metric Property St. Austell, Mercian and Metric entered into a supplemental agreement on 22 May 2012, relating to the Mercian Joint Venture Agreement (the "Supplemental Agreement"). The agreement amends the Mercian Joint Venture Agreement to facilitate the parties pursuing a leasehold transaction with Sainsbury's in substitution for the equivalent freehold disposal transaction originally envisaged by the Mercian Joint Venture Agreement. The Supplemental Agreement lasts for 48 months after termination of the Mercian Joint Venture Agreement.

Under the Supplemental Agreement, Metric Property St. Austell and Mercian have agreed to use reasonable endeavours to procure that a Metric group company enters into an agreement to grant a lease of the whole or part of the land to Sainsbury's or a member of its group.

Mercian has agreed to lead negotiations with Sainsbury's subject to certain information and consent rights granted to Metric Property St. Austell.

Metric Property St. Austell has agreed to pay a lease success fee of £140,000 to Mercian (in substitution for the sale fee payable under the Mercian Joint Venture Agreement) upon successful completion of a lease agreement between Metric Property St. Austell and Sainsbury's and £140,000 when the lease is signed. The other existing financial arrangements agreed between the parties under the Mercian Joint Venture Agreement remain unchanged under the Supplemental Agreement.

Metric has given a performance guarantee and indemnity to Mercian that in the event of a default by Metric Property St. Austell, Metric will itself carry out, observe and perform Metric Property St. Austell's obligations pursuant to the Supplemental Agreement.

(i) MIPP joint venture

MIPP partnership agreement

Metric General Partner (as general partner), Metric Limited Partner and USS (as limited partners) (Metric Limited Partner and USS are hereinafter collectively called the "**Limited Partners**") entered into the Metric Partnership Agreement on 14 November 2011 establishing the Metric Partnership. The Metric Partnership Agreement amended and restated an earlier agreement and took account of the admission of USS as a Limited Partner with effect from 17 November 2011.

The Metric Partnership was formed to invest in, develop and dispose of properties with the principal objective of generating profit. Under the agreement, Metric General Partner has exclusive responsibility for the management and control of the Metric Partnership's business and affairs.

Metric Limited Partner has agreed to contribute up to £25,000,000 to the Metric Partnership and USS has agreed to contribute up to £50,000,000. Funds may be drawn down at any point up to 17 November 2013.

The Metric Partnership Agreement makes provision for the Metric Partnership to enter into a facility agreement with a lender in the future to provide additional funding for specified purposes and only once the gross asset value of the properties exceeds

£30 million. While the Metric Partnership may also call for further contributions from the Limited Partners, there is no obligation on them to fund beyond their initial commitment.

The net revenue or loss of the Metric Partnership is shared between the partners pro rata to their total contribution to the Metric Partnership and distributed in quarterly instalments, after deduction of a priority payment of £2,500 per quarter to the Metric General Partner. Proceeds from the disposal of a property by the Metric Partnership are retained and reinvested unless the Metric General Partner determines otherwise, provided that one disposal occurs on the earlier of (i) 17 November 2013; (ii) the date on which the limited partners' commitments have been paid in full.

The Metric Partnership Agreement contains typical termination provisions and automatically terminates on 17 November 2016 unless the Limited Partners unanimously agree otherwise.

Save as required by the terms of any facility agreement to be entered into by the Metric Partnership, the Metric General Partner is not permitted to sell, assign, transfer, encumber or otherwise dispose of its rights and obligations under the Metric Partnership Agreement or withdraw as general partner without the Limited Partners' unanimous consent. Similarly, the Limited Partners are not permitted to sell, assign, encumber or otherwise dispose of their interests (other than to a party which controls or is controlled by the Limited Partner or its affiliates) without the written consent of each other.

The Metric Partnership contains an indemnity in favour of the Metric General Partner against any liability or loss to the Metric Partnership arising from the services to be performed under the Metric Partnership Agreement save to the extent that such loss is caused by the Metric General Partner's fraud, bad faith, negligence or material breach.

Property and asset management agreement

The Metric Partnership, Metric Asset Management and Metric entered into a property and asset management agreement on 14 November 2011 (the "**Property and Asset Management Agreement**"), pursuant to which Metric Asset Management agreed to provide property advisory services for the benefit of the Metric Partnership. Pursuant to the Terms of the Property and Asset Management Agreement, Metric Asset Management is required to provide day-to-day operational property management of the property portfolio owned by the Metric Partnership, as well as services in connection with:

- (a) identifying and investigating the availability of property for purchase by the Metric Partnership;
- (b) sales and lettings of property owned by the Metric Partnership;
- (c) the development and refurbishment of property owned by the Metric Partnership; and
- (d) identifying improvement and value enhancement opportunities in relation to the property portfolio owned by the Metric Partnership.

The Property and Asset Management Agreement remains in force until the earlier of: (a) 14 November 2016 (unless extended by agreement between the parties in order to permit an orderly disposal of any properties); and (b) the dissolution of the Metric Partnership pursuant to the terms of the Metric Partnership Agreement.

The Property and Asset Management Agreement is terminable by the Metric Partnership upon written notice to Metric Asset Management in the event that the Metric Partnership is dissolved; the Metric Partnership ceases to hold any properties; or Metric Asset Management ceases to be part of the Wider Metric Group.

Pursuant to the Property and Asset Management Agreement, Metric Asset Management is entitled to a quarterly management fee of an amount equal to one

quarter of 0.4 per cent. of the gross asset value of the property portfolio at the end of each quarter. The gross asset value of the property portfolio is calculated in accordance with RICS Valuation Standards and is adjusted pro rata to account for any acquisitions or disposals completed during that particular quarter.

Metric has given a performance guarantee to the Metric Partnership in respect of the obligations of Metric Asset Management contained in the Property and Asset Management Agreement.

Operator agreement

The Metric Partnership, CB Richard Ellis and Metric General Partner entered into an Operator Agreement (the “**Operator Agreement**”) on 14 November 2011. Pursuant to the Operator Agreement (and in accordance with the terms of the Metric Partnership Agreement), CB Richard Ellis has been appointed as a person authorised and regulated by the FSA to operate the Metric Partnership as an unregulated collective investment scheme.

CB Richard Ellis has agreed to oversee the administrative functions of the Metric Partnership in accordance with its obligations under FSMA and the FSA rules.

The Metric Partnership pays CB Richard Ellis an annual fee of £20,000 (exc. VAT) in quarterly instalments.

The Metric General Partner may terminate the appointment of CB Richard Ellis on 60 days’ prior written notice. Notice requiring termination may also be given by the Metric General Partner if any act or omission of CB Richard Ellis resulting from bad faith, negligence, breach of contract, fraud or wilful misconduct causes the Metric Partnership to suffer a material loss which is not remedied within 20 business days of receipt of a notice requiring such a remedy.

CB Richard Ellis may terminate its appointment by written notice to Metric General Partner if the Metric Partnership commits a material breach of the agreement which is not capable of remedy or, if it is capable of remedy, is not remedied within 30 days of receipt of a notice requiring a remedy. CB Richard Ellis also has a right to terminate on 3 months’ notice at any time after 14 November 2014.

The Metric Partnership has agreed to indemnify CB Richard Ellis, its officers, employees and agents against any loss incurred (save as a result of fraud, wilful default, negligence or bad faith) in the performance of their duties under the Operator Agreement. If any indemnity is not satisfied by the Metric Partnership, the liability passes to the Metric General Partner.

CB Richard Ellis is not liable for any indirect, special or consequential loss or damage under the Operator Agreement and its liability is limited to £10 million or any sub-limits stated in its insurance policies.

General partner shareholder agreement

Metric, USS MIPP and the Metric General Partner entered into a shareholders’ agreement in respect of the Metric General Partner on 14 November 2011 (the “**General Partner Shareholders’ Agreement**”). The General Partner Shareholders’ Agreement governs, amongst other matters, the relationship between Metric and USS MIPP as 50 per cent. Shareholders in the Metric General Partner, the general partner of the Metric Partnership.

Metric and USS MIPP are not permitted to transfer the shares they hold in Metric General Partner unless the other party consents or the transfer is linked to the associated limited partner of Metric or USS MIPP transferring its partnership interests in accordance with the Metric Partnership Agreement.

Metric and USS MIPP are each entitled to appoint three director representatives to the board of directors of the Metric General Partner and all decisions of the board must be approved by at least one Metric representative director and one USS MIPP representative director. There are a number of reserved matters that require

shareholder approval by Metric and USS MIPP including the acquisition or disposal of any property. USS MIPP alone requires to consent to the continuation of the asset management agreement in the event two key men leave.

In the event of a breach of the General Partner Shareholders' Agreement by Metric or USS MIPP (or their associated limited partners) the defaulting party ceases to be entitled to vote at shareholder meetings and their representative directors cease to be entitled to vote at meetings of the board, until such time as the breach has been waived by the other party or remedied.

In the event of a deadlock situation where a proposal is supported by one shareholder and opposed by the other, if a decision cannot be reached within 20 Business Days in accordance with the prescribed dispute resolution procedure set out in the General Partner Shareholders' Agreement, the relevant proposal shall not proceed.

The General Partner Shareholders' Agreement continues until the earlier to occur of: (a) the dissolution of the Metric Partnership; (b) the winding-up of the Metric General Partner; and (c) only one shareholder remains holding shares in the Metric General Partner.

Deed of Guarantee

Metric and USS entered into a deed of guarantee (the Deed of Guarantee) on 14 November 2011, pursuant to which Metric Property Investments has guaranteed the obligations of Metric Limited Partner under the Metric Partnership Agreement.

The guarantee remains in force until the termination of the Metric Partnership Agreement.

Metric has agreed to indemnify USS in respect of any invalidity or unenforceability of the Deed of Guarantee. The amount payable under this indemnity is stated to be equal to the amount that Metric Limited Partner is liable to pay to Metric General Partner under the Metric Partnership Agreement.

Neither party may assign, transfer, charge, encumber or otherwise deal with any rights under the Deed of Guarantee without the other party's written consent.

15. WORKING CAPITAL

London & Stamford is of the opinion that, having regard to the existing bank and other facilities available to the London & Stamford Group, the working capital of the London & Stamford Group is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

London & Stamford is of the opinion that, having regard to the existing bank and other facilities available to the Enlarged Group, the working capital of the Enlarged Group is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

16. SIGNIFICANT CHANGE

16.1 *London & Stamford Group*

Save as disclosed in this paragraph 16.1, there has been no significant change in the financial or trading position of the London & Stamford Group since 30 September 2012, the date to which London & Stamford's last published unaudited interim financial statements were prepared.

On 8 October 2012, the London & Stamford Group announced that together with its joint venture partner, Green Park Investments, it had sold its 50 per cent. interest in the freehold of Meadowhall to Norges Bank Investment Management. The net proceeds of sale of the joint venture's 50 per cent. direct share was £307.9 million of which the London & Stamford Group's share was £95.8 million. At 30 September 2012 the London & Stamford Group's investment in Meadowhall had been reclassified as an 'Investments held for sale' and was recorded at its net realisable value.

16.2 *Metric Group*

There has been no significant change in the financial or trading position of the Metric Group since 30 September 2012, the date to which Metric's last published unaudited interim financial statements were prepared.

17. VALUATIONS

There have been no material changes in the valuations set out in Part A1, Part A2 and Part B of Part 18 of this document.

18. TAXATION

The information below, which is of a general nature only and which relates only to United Kingdom taxation, is applicable to London & Stamford and its subsidiaries and to persons who are resident or ordinarily resident in the United Kingdom (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice as at 23 November 2012 and is subject to subsequent changes therein. Any change in the tax status of London & Stamford or its subsidiaries or in taxation legislation in or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by London & Stamford or its subsidiaries or affect London & Stamford's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. You are strongly recommended to consult your own professional adviser in relation to any investment in London & Stamford.

In particular, shareholders or investors should consult their own tax advisors concerning the United States federal, state and local income tax consequences in their particular situations of the purchase, ownership and disposition of the Ordinary Shares, as well as any consequences under the laws of any other taxing jurisdiction. Shareholders or investors who are United States taxpayers should be aware that London & Stamford may be treated as a passive foreign investment company for United States federal income tax purposes, as defined in Section 1297 of the Internal Revenue Code of 1986, as amended. If London & Stamford qualifies as a passive foreign investment company in any taxable year, a US holder of the Ordinary Shares generally will be required to treat any excess distribution received on such securities, or any gain realised upon the disposition of those securities, as ordinary income, and to pay an interest charge on a portion of such distribution or gain.

18.1 *United Kingdom taxation relating to the Scheme*

18.1.1 *UK taxation on chargeable gains*

(a) Acquisition of New Ordinary Shares

To the extent that a Scheme Shareholder receives New Ordinary Shares in exchange for Scheme Shares and does not hold (either alone or together with persons connected with him) more than five per cent. of, or of any class of, shares in or debentures of London & Stamford, he will not be treated as having made a disposal of his Scheme Shares. Instead, the New Ordinary Shares will be treated as the same asset as those shares in respect of which he received the New Ordinary Shares, acquired at the same time and for the same consideration as those shares.

Any Scheme Shareholder who holds (either alone or together with persons connected with him) more than five per cent. of, or of any class of, shares in or debentures of London & Stamford is advised that London & Stamford has received clearance from HMRC under Section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Scheme. Accordingly any such shareholder should be treated in the manner described in the preceding paragraph.

(b) Disposal of New Ordinary Shares

A subsequent disposal of New Ordinary Shares may, depending on the circumstances of the person making the disposal (including the availability of any exemptions and allowable losses), give rise to a liability to UK taxation of chargeable gains.

Any chargeable gain or allowable loss on a disposal of New Ordinary Shares should be calculated taking into account a proportion of the allowable cost to the holder acquiring his Scheme Shares.

Additionally, for corporate Scheme Shareholders, when calculating a chargeable gain but not an allowable loss, indexation allowance on that

amount of the original allowable cost should be added. This indexation allowance will be calculated by reference to the date of disposal of the New Ordinary Shares.

18.2 **Taxation of London & Stamford and its subsidiaries under UK-REIT Status**

United Kingdom taxation

Please also see Part 19 of this document.

18.2.1 *Tax treatment*

As a group UK-REIT, the Enlarged Group does not pay UK direct tax on profits and gains from the Property Rental Business. Corporation tax still applies in the normal way in respect of the Residual Business. Corporation tax could also be payable were a member of the Enlarged Group or an interest in an entity such as a unit trust (as opposed to property involved in the UK qualifying property rental business) to be sold.

18.2.2 A tax charge can arise to London & Stamford if the Enlarged Group breaches certain REIT rules, for example if dividends are paid to Substantial Shareholders or if the London & Stamford Group has excessive borrowings.

18.3 **Taxation of shareholders under UK-REIT Status**

18.3.1 *Introduction*

The following paragraphs are intended as a general guide only and are based on London & Stamford's understanding of current UK tax law and HMRC practice, each of which is subject to change. They are not advice.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by London & Stamford, and to disposals of shares in London & Stamford, in each case, after the Merger becomes Effective. Except where otherwise indicated, they apply only to Shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their Ordinary Shares and who hold their Ordinary Shares as investments. They do not apply to Substantial Shareholders. They do not apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares as part of hedging or conversion transactions, or persons who hold their shares in connection with a UK branch, agency or permanent establishment. Except where otherwise indicated at paragraph 18.3.3(d) (Withholding tax) below, they do not apply to persons holding Ordinary Shares by virtue of an interest in any partnerships, insurance companies, life insurance companies, mutual companies, collective investment schemes, charities, trustees, local authorities, or pension scheme administrators.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

18.3.2 *UK taxation of Non-PID Dividends*

Non-PID Dividends paid by London & Stamford are taxed in the same way as dividends paid by London & Stamford had it not entered the UK-REIT regime, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.

18.3.3 UK taxation of PIDs

(a) UK taxation of individual Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder’s different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder’s UK property business.

Please see also paragraph 18.3.3(d) (Withholding tax) below.

(b) UK taxation of corporate Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in section 205 of the Corporation Tax Act 2009). This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to corporation tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be off-set against a PID as part of a single calculation of the Shareholder’s UK property profits.

Please see also paragraph 18.3.3(d) (Withholding tax) below.

(c) UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK receives a PID, the PID is generally chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also paragraph 18.3.3(d) (Withholding tax) below.

(d) Withholding tax

(i) **General**

Subject to certain exceptions summarised at paragraph 18.3.3(d)(iv) below, London & Stamford is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs. London & Stamford will provide Shareholders with a certificate setting out the amount of tax withheld.

(ii) **Shareholders solely resident and ordinarily resident in the UK**

Where income tax has been withheld at source, Shareholders who are individuals may, depending on their circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending upon their circumstances, be liable to pay corporation tax on their PID but they should note that, where income tax is withheld at source, the tax withheld can be set against the Shareholder’s liability to corporation tax in the accounting period in which the PID is received.

(iii) **Shareholders who are not resident for tax purposes in the UK**

It is not possible for a Shareholder to make a claim under a double taxation treaty for a PID to be paid by London & Stamford gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any such double taxation treaty between the UK and the country in which the Shareholder is resident.

(iv) **Exceptions to requirement to withhold income tax**

Shareholders should note that in certain circumstances London & Stamford may not withhold income tax at source from a PID. These include where London & Stamford reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a charity, or a body mentioned in s468 Corporation Tax Act 2010 which is allowed the same exemption from tax as a charity. They also include where London & Stamford reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider of a child trust fund, in each case, provided London & Stamford reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

London & Stamford is not required to withhold income tax at source from a PID where London & Stamford reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is a body described in the paragraph above.

In order to pay a PID without withholding tax, London & Stamford will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose London & Stamford will require such Shareholders to submit a valid claim form.

18.3.4 *UK taxation of chargeable gains, stamp duty and stamp duty reserve tax (“SDRT”) in respect of shares in London & Stamford*

Subject to the first paragraph in paragraph 18.2.1 above, the following comments apply to both individual and corporate Shareholders, regardless of whether or not such Shareholders are resident for tax purposes in the UK.

(a) UK taxation of chargeable gains

Chargeable gains arising on the disposal of Ordinary Shares are taxed in the normal course.

(b) UK stamp duty and SDRT

A conveyance or transfer on sale or other disposal of Ordinary Shares is subject to UK stamp duty or SDRT.

18.4 **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

No UK stamp duty or SDRT will be payable by Scheme Shareholders as a result of the implementation of the Scheme.

19. **CONSENTS**

19.1 Credit Suisse, of One Cabot Square, London, E14 4QJ, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the issue of this document with references to its name being included in it in the form and context in which they appear.

- 19.2 Peel Hunt, of Moor House, 120 London Wall, London, United Kingdom, EC2Y 5ET, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the issue of this document with references to its name being included in it in the form and context in which they appear.
- 19.3 BDO LLP of 55 Baker Street, London W1U 7EU has given and has not withdrawn its written consent to the inclusion in this document of its report as set out in Section A of Part 16, in the form and context in which it appears. BDO LLP has authorised the contents of its report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 19.4 CBRE of St. Martin's Court, 10 Paternoster Row, London EC4M 7HP has given and not withdrawn its written consent to the publication of this document with the inclusion in this document of (i) references to its name in the form and context in which they appear and (ii) its valuation report relating to the Property Portfolio in the form and context in which it is included. CBRE has no material interest in London & Stamford. CBRE has authorised the contents of its valuation report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 19.5 Savills of 20 Grosvenor Hill, London W1K 3HQ has given and has not withdrawn its written consent to the publication of this document with the inclusion in this document of (i) references to its name in the form and context in which they appear and (ii) its valuation report relating to the Property Portfolio in the form and context in which it is included. Savills has no material interest in London & Stamford. Savills has authorised the contents of its valuation report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 19.6 IPD statistics in this document have been sourced from Investment Property Databank, an independent research company with company number 1879480 and registered address at 1 St. John's Lane, London EC1M 4BL, England. To the extent that information in this document has been sourced from a third party, London & Stamford confirms that the information has been accurately reproduced and, so far as London & Stamford is aware and has been able to ascertain from information published by IPD, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20. RELATED PARTY TRANSACTIONS

- 20.1 The Existing Management Incentive Termination Agreement between the Former LSI Management Members and London & Stamford is a related party transaction. Messrs Price, Vaughan, McGann and Mould are Former LIS Management Members and are directors and shareholders of London & Stamford.
- 20.2 The Existing Management Incentive Agreement between the Former LSI Management Members and London & Stamford is a related party transaction. Messrs Price, Vaughan, McGann and Mould are Former LIS Management Members and are directors and shareholders of London & Stamford.
- 20.3 The Initial Shares Buyback Agreements between London & Stamford and the Initial Shareholders are related party transactions. Messrs Price, Vaughan, McGann and Mould are directors and shareholders of London & Stamford.
- 20.4 Save as disclosed in this paragraph 19, no member of the London & Stamford Group has entered into any related party transactions during the period covered by the historical financial information contained in this document and up to the date of this document.

21. INVESTOR PROFILE

The Directors expect typical investors in London & Stamford to be UK-based fund managers or all types of private investors acting on the advice of their stockbroker or financial adviser who are looking to allocate part of their investment portfolio to the UK commercial and residential property market as well as specialised international real estate investors.

22. GENERAL

- 22.1 The auditors of London & Stamford are BDO LLP of 55 Baker Street, London W1U 7EU. BDO LLP has been the Company's auditors for the duration of the period dealt with by the historical financial information set out in Part 13.

- 22.2 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has (i) received, directly or indirectly, from London & Stamford within the 12 months preceding the date of this document or (ii) entered into contractual arrangements to receive, directly or indirectly, from London & Stamford on or after the Merger becoming Effective any of the following:
- 22.2.1 fees totalling £10,000 or more; or
 - 22.2.2 securities in London & Stamford where these have a value of £10,000 or more calculated by reference to the closing mid-market price of Ordinary Shares on 23 November 2012; or
 - 22.2.3 any other benefit with a value of £10,000 or more on 23 November 2012.
- 22.3 The accounting reference date of London & Stamford is 31 March.
- 22.4 The Enlarged Group's annual report and accounts will be prepared up to 31 March each year and copies will be sent to shareholders within four months of this date. Shareholders also receive an unaudited interim report covering the six months to 30 September each year, which are despatched in November.
- 22.5 The Enlarged Group's NAV per Ordinary Share will be calculated half yearly, as at 31 March and 30 September in each year, and published at the same time as the corresponding preliminary or interim results.
- 22.6 CBRE will provide semi-annual independent valuations of the assets of the Enlarged Group.
- 22.7 The aggregate fees and expenses which are expected to be incurred by London & Stamford in connection with the Proposals are estimated to amount to £4,765,880 plus applicable VAT. This aggregate number consists of the following categories:
- 22.7.1 financial and corporate broking advice: £2,350,000 plus applicable VAT;
 - 22.7.2 legal advice: £1,038,280 plus applicable VAT;
 - 22.7.3 accounting advice : £417,000 plus applicable VAT;
 - 22.7.4 public relations advice: £25,000 plus applicable VAT;
 - 22.7.5 other professional services: £210,600 plus applicable VAT;
 - 22.7.6 take over panel fee: £75,000 plus applicable VAT;
 - 22.7.7 stamp duty in relation to the Tender Offer: £500,000 plus applicable VAT; and
 - 22.7.8 financial and corporate broking advice in relation to the Tender Offer: £150,000 plus applicable VAT.
- 22.8 No Director or member of a Director's family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.
- 22.9 The Company does not conduct material research and development activity.
- 22.10 Neither Capita Registrars nor the Reporting Accountants have any interest in the Metric Shares.
- 22.11 Neither Capita Registrars nor the Reporting Accountants have any interest in the New Ordinary Shares.
- 22.12 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by London & Stamford, Peel Hunt or Credit Suisse. Subject to the Listing Rules, FSMA, the Prospectus Rules and the Disclosure and Transparency Rules, neither the delivery of this document nor any subscription or acquisition described in it shall, in any circumstances, create any implication that there has been no change in the affairs of the Enlarged Group since the date of this document or that the information in it is correct as at any subsequent date. No statement in this document is intended as a profit forecast.

- 22.13 Unless otherwise specifically stated, the contents of Metric's website or London & Stamford's website or any website directly or indirectly linked to either website do not form part of this document.
- 22.14 The financial information in respect of London & Stamford or the Enlarged Group in this document has been prepared in accordance with IFRS.
- 22.15 The contents of this document should not be construed as legal, financial or tax advice. Each prospective investor should consult its own solicitor, financial adviser or tax adviser for legal, financial or tax advice.
- 22.16 Capitalised terms have the meaning ascribed to them in Part 21 of this document.
- 22.17 Percentages in tables have been rounded and accordingly may not add up to 100 per cent. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
- 22.18 Unless otherwise indicated, references in this document to the present or to current information (or any similar expression) shall mean 23 November 2012 or information current as at 23 November 2012 (as the case may be).
- 22.19 Other than as provided by the Companies Act and the City Code, there are no rules or provisions relating to mandatory bids, squeeze-out or sell-out rules in relation to the Ordinary Shares.
- 22.20 No public takeover bid has been made in relation to London & Stamford during the last financial year or the current financial year.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of Peel Hunt at Moor House, 120 London Wall, London, United Kingdom, EC2Y 5ET and at the registered office of London & Stamford during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until the date of Admission:

- 23.1 the articles of association of London & Stamford;
- 23.2 the audited consolidated accounts of London & Stamford and its subsidiaries for the year ended 31 March 2010;
- 23.3 the audited consolidated accounts of London & Stamford and its subsidiaries for the period ended 31 March 2011 and for the year ended 31 March 2012;
- 23.4 the reports of BDO LLP, CBRE and Savills contained in Parts 12, 13, 16 and 18 of this document;
- 23.5 the service agreements and letters of appointment of the Directors;
- 23.7 the Irrevocable Undertakings from the Directors; and
- 23.8 this document.

Date 27 November 2012

PART 21
DEFINITIONS

“2010 Admission”	the admission of all of the Ordinary Shares in issue on 1 October 2010 to the premium listing segment of the Official List and to trading on the Main Market;
“2010 Prospectus”	the prospectus published by London & Stamford on 21 September 2010 in connection with the 2010 Admission;
“Admission”	admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market;
“Arlington”	Supertwice Services Limited, formerly named Arlington Securities Plc (registered in England and Wales under company number 1277236) whose registered office is PO Box 695, 8 Salisbury Square, London, EC4Y 8BB;
“Articles” or “Articles of Association”	the articles of association of the Company, as further described in paragraph 4.1 of Part 19 and paragraph 7 of Part 20 of this document;
“Authorisations”	authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions, permissions and approvals;
“Bank of Scotland”	the governor and company of the Bank of Scotland;
“Board” or “Directors”	the board of directors of the Company as at the date of this document, whose names are set out on page 21 of this document;
“British Land”	The British Land Company Public Limited Company (registered in England and Wales under company no. 00621920) whose registered office is York House, 45 Seymour Street, London W1H 7LG;
“Business Day”	a day on which banks are generally open for normal banking business in the City of London (excluding Saturdays, Sundays and public holidays);
“Capita Registrars”	a trading name of Capita Registrars Limited (registered in England and Wales under company number 02605568) whose registered office is The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU;
“Capital Reduction”	the proposed reduction of Metric’s share capital provided for by the Scheme;
“CBRE”	CBRE Limited (registered in England and Wales under company number 03536032) whose registered office is St Martin’s Court, 10 Paternoster Row, London EC4M 7HP;
“CB Richard Ellis”	CB Richard Ellis Limited (registered in England and Wales under company number 02704074) whose registered office is St Martin’s Court, 10 Paternoster Row, London, EC4M 7HP;
“Closing Price”	the closing middle market price of a Metric Ordinary Share or an Ordinary Share as the context so requires, on a particular trading day as derived from the London Stock Exchange Daily Official List;
“Code”	the City Code on Takeovers and Mergers;
“Companies Act”	the Companies Act 2006 as amended, modified, consolidated, re-enacted or replaced from time to time;

“Company” or “London & Stamford”	London & Stamford Property Plc;
“Conditions”	the conditions relating to the Merger which are set out in Part A of Part B of this document;
“Corporate Governance Code”	The UK Corporate Governance Code dated June 2010;
“Court”	the High Court of Justice in England and Wales;
“Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act and confirming the Capital Reduction under section 648 of the Companies Act;
“Credit Suisse”	Credit Suisse Securities (Europe) Limited (registered in England and Wales under company number 00891554) whose registered office is One Cabot Square, London, E14 4QS;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations;
“CREST Regulations”	the Uncertificated Securities Regulations 201 (SI 2001 No. 3755), as amended from time to time;
“CSOP”	the Metric Company Share Option Plan;
“Disclosure and Transparency Rules”	the disclosure and transparency rules of the FSA;
“Distribution Green Park Property Advisory Agreement”	the agreement dated 22 April 2008 (as varied by deeds of variation on 9 February 2009, 17 November 2009, 11 August 2010, 22 November 2010, 6 May 2011 and 16 August 2011) between LSI LLP and Green Park pursuant to which LSI LLP provides certain property advisory services to Green Park;
“EEA”	the European Economic Area;
“Effective”	the Merger and the Scheme becoming effective in accordance with their terms;
“Effective Date”	the date on which the Merger becomes Effective;
“Eligible Shareholders”	London & Stamford Shareholders (subject to certain exceptions) immediately following the Effective Date other than Restricted Overseas Persons;
“Enlarged Company”	London & Stamford immediately following the Merger becoming Effective;
“Enlarged Group”	the Company and its subsidiaries, including Metric, following the Merger becoming Effective;
“Enlarged Group Board”	the board of directors of the Company following the Merger becoming Effective;
“Enlarged Share Capital”	all of the issued Ordinary Shares at the date immediately following the Merger becoming Effective;
“EPRA”	European Public Real Estate Association;
“EPRA NAV”	an NAV calculated in accordance with the guidelines issued by EPRA from time to time;
“Eurohypo”	Eurohypo AG, London Branch;
“Excluded Jurisdictions”	Canada, Australia, Japan, the Republic of South Africa and New Zealand;

“Executive Committee”	the executive directors of the Enlarged Company, Valentine Beresford and Mark Stirling;
“Existing Incentive Shares”	the 8,326,395 Ordinary Shares issued by London & Stamford pursuant to the terms of the Existing Management Incentive Agreement which are subject to the clawback provisions of the same;
“Existing Incentive Shares Cancellation”	the purchase and cancellation by London & Stamford of 6,369,692 Existing Incentive Shares pursuant to the Existing Management Incentives Termination Agreement;
“Existing Management Incentive Agreement”	the agreement dated 11 August 2010 between the Company and the Former LSI Management Members in relation to the acquisition of the entire issued share capital of LML by the Company described at paragraph 14.1.3.4 of Part 20 of this document;
“Existing Management Incentive Arrangement”	the clawback provisions affecting the Existing Incentive Shares under the Existing Management Incentive Agreement;
“Existing Management Incentive Termination Agreement”	the agreement to be entered into between the Company and the Former LSI Management Members and to have effect on the Effective Date, pursuant to which the parties agree to terminate certain clawback provisions of the Existing Management Incentive Agreement, described at paragraph 14.1.2.2 of Part 20 of this document;
“Existing Ordinary Shares”	the 542,795,171 ordinary shares of 10 pence each in the capital of the Company in issue at the date of this document;
“Fleet Place and Carter Lane Facility”	the facility described at paragraph 14.1.7.4 of Part 20 of this document;
“Former LSI Management Members”	the Individual Management Members and GEPT;
“Form of Proxy”	the form of proxy accompanying this document;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 as amended from time to time;
“GEAM”	GEAM L&S Management Investor (Scotland), a limited Partnership registered in Scotland under The Limited Partnership Act 1907 and controlled by GEPT;
“GEPT”	General Electric Pension Trust;
“Green Park Investments” or “Green Park”	Green Park Investments, a company incorporated in Cayman Islands with registration no. 214124;
“HMRC”	Her Majesty’s Revenue & Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by HMRC shall, where appropriate, include approval by an officer of Her Majesty’s Revenue & Customs;

“in uncertificated form”	registered as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Individual Management Members”	Raymond Mould, Patrick Vaughan, Martin McGann, Humphrey Price, Jackie Jessop, Jadzia Duzniak, Jeremy Bishop and Stewart Little;
“Initial Shareholders”	Patrick Vaughan and Martin McGann;
“Initial Shares Buyback Agreements”	the put and call option agreements entered into on 10 June 2010 between the Company and each of the Initial Shareholders described at paragraph 3.7.4 of Part 20 of this document;
“Intermediary”	the party appointed by the Company to undertake the Tender Offer;
“Internalisation Shares”	the 45,795,171 Ordinary Shares to be issued by the Company pursuant to the terms of the Existing Management Incentive Agreement;
“International Financial Reporting Standards” or “IFRS”	International Financial Reporting Standards maintained by the International Accounting Standards Board (IASB) and which are in force from time to time, as adopted by the European Union;
“Investment Committee”	the investment committee established by the Board;
“IPD All Retail (Quarterly) Index”	the all retail total return index prepared and produced by IPD on a quarterly basis;
“IPD”	Investment Property Databank Limited (registered in England and Wales under company number 01879480) whose registered office is 2nd Floor, St Johns Lane, London, EC1M 4BL;
“IPO”	the initial public offering by LSP in November 2007;
“ISA”	individual savings accounts;
“ISIN”	International Securities Identification Number;
“J.P. Morgan Cazenove”	J.P. Morgan Limited which conducts its UK investment banking activities as J.P. Morgan Cazenove;
“Landesbank Facility”	the facility described at paragraph 14.1.7.5 of Part 20 of this document;
“Leatherhead & Marlow Facility”	the facility described at paragraph 14.1.7.2 of Part 20 of this document;
“LIBOR”	The British Bankers’ Association Interest Settlement Rate for Sterling for the relevant period, displayed on the appropriate page of the Reuters screen or, if unavailable another name or screen as agreed between the parties to the applicable agreement;
“Listing Rules”	the rules and regulations made by the FSA in its capacity as the UK Listing Authority under the Financial Services and Markets Act 2000, and contained in the UK Listing Authority’s publication of the same name;

“London & Stamford General Meeting”	the general meeting of the Company convened by the Board and expected to be held on 17 December 2012;
“London & Stamford Green Park Property Trust” or “Trust”	the unit trust scheme constituted by the Trust Instrument;
“London & Stamford Group”	the Company and its subsidiary undertakings and, where the context permits, each of them;
“London & Stamford Interim Dividend”	the interim dividend of 3.5 pence for each Ordinary Share payable by London & Stamford to Shareholders who are on the register of members as at 23 November 2012;
“London & Stamford Share Plan”	London & Stamford Property plc Staff Incentive Plan;
“LML”	LSI Management Limited, (a company incorporated in Guernsey with registered number 51383);
“LML Acquisition Agreement”	the agreement dated 11 August 2010 between LML, LSI LLP and the LSI LLP Members in relation to the acquisition of the business and assets of LSI LLP by LML completed on 30 September 2010;
“London Stock Exchange” or “LSE”	London Stock Exchange plc (registered in England and Wales under company number 0207521) whose registered office is 10 Paternoster Square, London, EC4M 7LS;
“LS Distribution 2”	L & S Distribution II Limited;
“LS Distribution 3”	L & S Distribution III Limited;
“LS Distribution 4”	L & S Distribution IV Limited;
“LS Distribution 5”	L & S Distribution V Limited;
“LS Green Park Distribution”	LSP Green Park Distribution Holdings Limited;
“LSI (Investments)”	LSI (Investments) Limited (registered in England and Wales under company number 03539331) whose registered office is 21 St James’s Square, London, SW1Y 4JL;
“LSI LLP”	Former Management LLP (dissolved), formerly named LSI Management LLP, (a limited liability partnership incorporated in England and Wales on 28 June 2007 with registered number OC329452) whose registered office is at 21 St. James’s Square, London SW1Y 4JZ;
“LSI LLP Members”	the members of LSI Management, being Raymond Mould, Patrick Vaughan, Martin McGann, Humphrey Price, Jackie Jessop, Jadzia Duzniak, Jeremy Bishop, Stewart Little and GEAM;
“LSIL”	London & Stamford Investments Limited (registered in England and Wales under company number 05491360) whose registered office is 21 St James’s Square, London, SW1Y 4JZ;
“LSP”	London & Stamford Property Limited;
“Main Market”	the London Stock Exchange’s main market for listed securities;
“Meadowhall”	the property at Meadowhall Centre, Sheffield S9 1EP;
“Member State”	a sovereign state which is a member of the European Union;
“Mercian”	Mercian Developments Limited;

“Merger”	the direct or indirect acquisition of the entire issued and to be issued share capital of Metric by London & Stamford (other than Metric Ordinary Shares already held by the London & Stamford Group) to be implemented by way of the Scheme or (should London & Stamford so elect, subject to the consent of the Panel (where necessary) and with Metric’s prior written consent) by way of a Takeover Offer;
“Merger Ratio”	means the ratio of 0.94 New Ordinary Shares to 1 Metric Ordinary Share;
“Metlife Residential Facility”	the facility described at paragraph 14.1.7.6 of Part 20 of this document;
“Metlife Distribution Portfolio Facility”	the facility described at paragraph 14.1.7.7 of Part 20 of this document;
“Metric”	Metric Property Investments plc;
“Metric Admission”	the admission of the Metric Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities;
“Metric Asset Management”	Metric MIPP Asset Management Limited;
“Metric Board” or “Metric Directors”	whose names are set out at paragraph 4 of Part 11 of this document;
“Metric Court Hearing”	the hearing by the Court of the claim form to sanction the Scheme and confirm the Capital Reduction;
“Metric Court Meeting”	means the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the UK Companies Act, for the purpose of approving the Scheme, including any adjournment thereof;
“Metric Employee Trust”	the Metric employee benefit trust;
“Metric Executive Directors”	the executive directors of Metric, being Andrew Jones, Valentine Beresford, Sue Ford and Mark Stirling;
“Metric Existing Ordinary Shares”	the existing issued ordinary shares of one penny each in the capital of London & Stamford as at the date of the Scheme Document;
“Metric General Meeting”	the general meeting of Metric to be convened by the Metric Directors and expected to be held on 21 December 2012 immediately following the Metric Court Meeting;
“Metric General Partner”	Metric GP Income Plus Limited;
“Metric Group”	Metric and its subsidiary undertakings and, where the context permits, each of them;
“Metric Interim Dividend”	means the interim dividend of 1.8 pence for each Metric Ordinary Share payable by Metric to Metric Shareholders who are on Metric’s register of members as at 23 November 2012;
“Metric Limited Partner”	Metric LP Income Plus Limited;
“Metric Ordinary Shares”	ordinary shares of one penny each in the capital of Metric;
“Metric Partnership”	Metric Income Plus Limited Partnership (a limited partnership formed by limited partnership agreement dated 20 September 2011 and amended and restated on 14 November 2011);

“Metric Partnership Agreement”	the limited partnership agreement dated 20 September 2011 and amended and restated on 14 November 2011 establishing the Metric Partnership;
“Metric Property St. Austell”	Metric Property St. Austell Limited;
“Metric Remuneration Committee”	the remuneration committee of the Metric Board;
“Metric Share Schemes”	(a) the Metric Property Investments plc Matching Share Plan; (b) the Metric Property Investments plc Management Incentive Plan; and (c) the Metric Property Investments plc Company Share Option Plan;
“Metric Shareholder”	a holder of Metric Ordinary Shares;
“MIPP”	Metric Income Plus Limited Partnership;
“Moore House Facility Agreement”	the facility described at paragraph 14.1.7.1 of Part 20 of this document;
“MSC”	MSC Property Intermediate Holdings Limited incorporated in England and Wales with (company number 4276612) whose registered office is at York House, 45 Seymour Street, London W1H 7LX;
“MSC Property Advisory Agreement”	the property advisory agreement dated 11 February 2009 between British Land, LSI LLP and MSC pursuant to which British Land and LSI LLP provide property advisory services to MSC and its subsidiaries;
“MSP” or “Matching Share Plan”	the Metric Matching Share Plan;
“NAV” or “Net Asset Value”	the value of the assets of the London & Stamford Group or the Enlarged Group, as applicable, less its liabilities, determined in accordance with the accounting principles adopted by the London & Stamford Group or the Enlarged Group, as applicable from time to time or, as the context requires, the net asset value per ordinary share calculated in accordance with the Company’s accounting policies;
“New Metric Shares”	the ordinary shares of one penny each in the capital of Metric to be issued to London & Stamford in accordance with the terms of the Scheme;
“New Ordinary Shares”	the Ordinary Shares to be issued in connection with the Scheme;
“Non-PID Dividend”	a distribution by the Company which is not a PID;
“Offer Period”	the offer period (as defined in the City Code) relating to Metric, which commenced on 6 November 2012;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company;
“Oriol Securities”	Oriol Securities Limited (a limited company incorporated in England and Wales with registered number 04373759) whose registered office is at 150 Cheapside, London, EC2V 6ET;
“Panel”	the Panel on Takeovers and Mergers;
“Peel Hunt”	Peel Hunt LLP (a limited liability partnership incorporated in England and Wales with registered number OC357088) whose

registered office is Moor House, 120 London Wall, London, EC2Y 5ET;

“PID” or “property income distribution”	distribution by the Company of the profits of the Enlarged Group’s Property Rental Business by way of dividend which is required under section 530 of the Corporation Tax Act 2010;
“Pillar”	Pillar Property Group Limited, formerly named Pillar Property plc (registered in England and Wales under company no. 2570618);
“Plan Net Asset Value”	Metric’s net asset value calculated as set out by the European Public Real Estate Association (and any successor body) plus any dividends and/or distributions made during the relevant period, excluding the effect of (a) those shares potentially deliverable under the share option plans of Metric and (b) any other share capital changes during the year (whether resulting from capital issues, reorganisations, schemes of reconstruction or arrangement or otherwise) other than share capital reductions from buybacks implemented within the limits of Metric’s annual buyback authority;
“Property Advisory Agreement”	the property advisory agreement dated 30 October 2007 (as varied by a deed of variation dated 9 July 2009 and 11 August 2010) between London & Stamford and LSI LLP pursuant to which LSI LLP provides certain property advisory services to certain members of the London & Stamford Group;
“Property Portfolio”	the property portfolio of the London & Stamford Group and, following the Merger becoming Effective, the Enlarged Group, as applicable, from time to time;
“Property Rental Business”	the qualifying property rental business in the UK and elsewhere of UK resident companies within a UK-REIT and non-UK resident companies within a UK-REIT with a UK qualifying property rental business;
“Pro Forma EPRA NAV”	the pro forma EPRA NAV per share of the Enlarged Group as at 30 September 2012, taking into account the sale of Meadowhall, the effects of the Merger (including goodwill arising upon the Merger based on a New Ordinary Share price equal to 117 pence) and the impact of the Tender Offer being taken up in full (assuming a Tender Offer price of 112.9 pence per share) (such prices being used for illustrative purposes only);
“Proposals”	the Merger, the issue and allotment of the New Ordinary Shares in connection with the Merger, Admission, the Tender Offer and variation to management incentives provided for under the Existing Management Incentives Agreement;
“Proposed Directors”	Andrew Jones, Andrew Huntley, Alec Pelmore, Andrew Varley and Philip Watson;
“Prospectus Rules”	the prospectus rules made by the FSA for the purpose of Part VI of FSMA;
“Prospectus”	this document;
“RBS”	The Royal Bank of Scotland plc;
“Regulatory Information Service”	a service provided by the LSE for the distribution to the public of company announcements;

“Reporting Accountants”	BDO LLP (a Limited Liability Partnership incorporated in England and Wales with registered number 0C305127) 55 Baker Street, London W1U 7EU;
“Repurchase Agreement”	the agreement between the Intermediary and the Company to be dated on or around early February 2013 as described in the Tender Offer Document;
“Residual Business”	that part of the business of companies within a UK-REIT that is not part of the Property Rental Business;
“Resolutions”	the resolutions proposed to be approved at the London & Stamford General Meeting as set out in the Notice of General Meeting at the end of this document;
“Restated Property Advisory Agreement”	the agreement dated 11 August 2010 between LML, LSI LLP and London & Stamford amending and restating the Property Advisory Agreement described at paragraph 14.1.3.2 of Part 20 of this document;
“Restricted Overseas Person”	means a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom London & Stamford believes to be in, or resident in, a Restricted Jurisdiction (or any custodian, nominee or trustee for such persons) and person in any other jurisdiction (other than persons in the UK) whom London & Stamford is advised to treat as a restricted overseas person in order to observe the laws of such jurisdiction or to avoid the requirement to comply with any governmental or other consent or any registration, filing or other formality which London & Stamford regards as unduly onerous;
“Restricted Jurisdiction”	any jurisdiction where the relevant action would constitute a violation of the relevant laws and regulations of such jurisdiction or would result in a requirement to comply with any governmental or other consent or any registration, filing or other formality which London & Stamford or Metric regards as unduly onerous including, without limitation, the Excluded Jurisdictions;
“Savills”	Savills Advisory Services Limited (a company incorporated in England and Wales under company number 06215875) whose registered office is 20 Grosvenor Hill, Berkeley Square, London, W1K 3HQ;
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under Part 26 of the Companies Act between Metric and the Scheme Shareholders set out in the Scheme Document;
“Scheme Document”	the scheme document to be posted to Metric Shareholders on the same date as this document;
“Scheme Record Time”	6.00 p.m. on the Business Day immediately prior to the Court Hearing;
“Scheme Shareholder(s)”	a holder of Scheme Shares;
“Scheme Shares”	(i) the Metric Existing Ordinary Shares in issue at the date of the Scheme Document;

- (ii) Metric Ordinary Shares (if any) issued after the date of the Scheme Document but before the Voting Record Time; and
- (iii) Metric Ordinary Shares (if any) issued at or after the Voting Record Time and before the Scheme Record Time on terms that the original or any subsequent holders shall be, or shall have agreed in writing by such time to be, bound by the Scheme;

in each case excluding any Metric Ordinary Shares legally or beneficially owned by the London & Stamford Group;

“SDRT”	stamp duty reserve tax;
“Shareholder(s)”	a holder of Ordinary Shares;
“Substantial Shareholder”	a company which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the principal company of a UK-REIT or controls (directly or indirectly) 10 per cent. or more of the voting rights of the principal company of a UK-REIT, for the purposes of section 551 of the Corporation Tax Act 2010 (and in the context of the Enlarged Group, the principal company would be the Company); (this has the same meaning as “holder of excessive rights” as defined in section 553 of the Corporation Tax Act 2010)
“Substantial Shareholding”	the shares in respect of which a Substantial Shareholder is entitled to dividends (directly or indirectly) and/or to which a Substantial Shareholder is beneficially entitled (directly or indirectly) and/or the votes attached to which are controlled (directly or indirectly) by the Substantial Shareholder;
“Takeover Offer”	has the meaning given to it in Part 28 of the Companies Act;
“Tender Offer”	the invitation by the Intermediary to Eligible Shareholders to tender, in aggregate, up to 88,573,959 Ordinary Shares, representing approximately 12 per cent. of the Enlarged Share Capital;
“Tender Form”	the tender form to be sent to Shareholders in connection with the Tender Offer, together with the Tender Offer Document;
“Tender Offer Closing Date”	the date the Tender Offer closes, which is expected to be by the end of February 2013;
“Tender Offer Conditions”	the conditions related to the Tender Offer which are set out in paragraph 2 of Part 9;
“Tender Offer Document”	the circular, expected to be sent to Shareholders by the end of January 2013 in connection with the Tender Offer;
“Tender Offer Price”	the price per share at which Tender Offer Shares will be purchased pursuant to the Tender Offer, being not less than 112.9 pence per share;
“Tender Offer Record Date”	close of business on the record date for the Tender Offer, which is expected to be on or around the end of February 2013;
“Tender Offer Shares”	Ordinary Shares registered in the name of Shareholders at the Tender Offer Record Date;
“Third Party”	any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body or association, institution or agency (including, without limitation, any trade agency and the UK Gambling Commission) or authority (including, without

	limitation, any anti-trust or merger control authority), any court or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction;
“Trust Instrument”	the trust instrument dated 22 April 2008 (as amended by a supplemented trust instrument dated 9 February 2009 and 22 November 2010) between Butterfield Trust (Guernsey) Limited (as trustee), Moulinet Trustees Limited (as trustee) and London & Stamford Cavendish Management Limited (as manager), relating to London & Stamford Green Park Property Trust;
“Trustee”	the trustee of the Metric Employee Trust;
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies;
“UK-REIT”	a UK Real Estate Investment Trust under Part 12 of the Corporation Tax Act 2010;
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“USS”	Universities Superannuation Scheme Limited;
“US Securities Act”	the United States Securities Act of 1933, as amended;
“USS MIPP”	USS MIPP Limited;
“Valuation Reports”	the valuation reports prepared by CBRE and Savills included as Part 18 of this document;
“VAT”	value added tax;
“Voting Record Time”	6.00 p.m. on the day prior to the day immediately before the Metric Court Meeting or, if the Metric Court Meeting is adjourned, 48 hours before the time set for such adjourned meeting;
“Wider London & Stamford Group”	London & Stamford and its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which London & Stamford and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent. or more of the voting or equity capital or the equivalent; and
“Wider Metric Group”	Metric and its subsidiaries, subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which Metric and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent. or more of the voting or equity capital or the equivalent.

PART 22

NOTICE OF GENERAL MEETING

LONDON & STAMFORD PROPERTY PLC

*(a public limited company incorporated and registered in England and Wales
with registered company number 7124797)*

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of London & Stamford Property Plc (the "Company") will be held at 10.30 a.m. on 17 December 2012 at Mayfair A Suite at The Sofitel Hotel London St. James, 6 Waterloo Place, London, SW1Y 4AN ("Notice") for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of resolutions 1 and 2, as ordinary resolutions and, in the case of resolutions 3, 4, 5, 6 and 7, as special resolutions:

ORDINARY RESOLUTIONS

1. THAT the acquisition by the Company of the entire share capital of Metric Property Investments plc in order to effect a merger between the London & Stamford Group and the Metric Group (the "Merger"), on the terms and subject to the conditions described in Part 8 of the circular sent to shareholders in the Company on 27 November 2012, a copy of which is produced to the meeting and signed for identification purposes by the chairman of the meeting (the "Circular"), be and is hereby approved and the directors of the Company (the "Board") (or any duly constituted committee thereof) be authorised: (1) to take all such steps as the Board considers to be necessary or desirable in connection with, and to implement, the Merger (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the Merger on behalf of the Company); and (2) to agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Merger, and any associated and ancillary agreements, deemed necessary or desirable by the Board (provided such modifications, variations, revisions, waivers, extensions or amendments are non-material), as they may in their absolute discretion think fit.
2. THAT, subject to the Merger becoming Effective (as defined by the Circular), the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Companies Act") in substitution for all existing authorities:
 - (a) to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "relevant securities") up to an aggregate nominal amount of £24,046,506; and
 - (b) to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the Companies Act) up to an additional aggregate nominal amount of £24,046,506 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in (a) and (b) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution except that the Company may before such expiry make an offer or agreement which would or might require relevant securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot relevant securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

SPECIAL RESOLUTIONS

3. THAT, subject to the Merger becoming Effective, the Directors be and are empowered, in accordance with Section 570 of the Companies Act, to allot equity securities (as defined in Section 560(1) of the Companies Act) for cash pursuant to the authority conferred by Resolution 2 or by way of a sale of treasury shares as if Section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by Resolution 2(b), by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
 - (b) the allotment (otherwise than pursuant to paragraph 3(a) above) of equity securities up to an aggregate nominal amount of £3,606,975,

and shall expire upon the expiry of the general authority conferred by Resolution 2 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

4. THAT, subject to the Merger becoming Effective and without prejudice to any existing authority, the Company be and is hereby generally authorised to purchase from the Intermediary (as defined in the Circular) a total of up to 88,573,959 ordinary shares of 10 pence each ("Ordinary Shares") up to a maximum value of £100 million in consideration for a price of not less than 112.9 pence per Ordinary Share in accordance with the terms of the Repurchase Agreement proposed to be entered into by the Company and the Intermediary, the terms of which are described in the Circular.
5. THAT, subject to the Merger becoming Effective, the name of the Company be and is hereby changed to "LondonMetric Property plc" and that references to "London & Stamford Property plc" where they appear in the Company's articles of association be changed to "LondonMetric Property plc".
6. THAT, subject to the Merger becoming Effective and without prejudice to any existing authority, the Company be and is hereby generally authorised to purchase from Former LSI Management Members (as defined in the Circular) up to a total of 6,369,692 Ordinary Shares in consideration for an aggregate amount of up to £9, in accordance with the terms of the Existing Management Incentives Termination Agreement dated 27 November 2012, the terms of which are described in the Circular.
7. That, subject to the Merger becoming Effective, the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 72,139,517;
 - (b) the minimum price which may be paid for an Ordinary Share is 10p (exclusive of expenses payable by the Company);
 - (c) the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - (i) 105% of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased; and

(ii) the value of an Ordinary Share calculated on the basis of the higher of:

(A) the last independent trade of; or

(B) the highest current independent bid for,

any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out; and

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

By order of the Board

Jadzia Duzniak
Company Secretary

Registered office:
21 St. James's Square
London SW1Y 4JZ

Dated 27 November 2012

Notes:

1. The right to attend and vote at the general meeting is determined by reference to the register of members. Only those Shareholders registered on the Company's register of members at 6.00 p.m. on 13 December 2012 (or, if the general meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned general meeting), shall be entitled to attend and vote at the general meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the general meeting.
2. A copy of this notice of general meeting and other information regarding the general meeting, including information which the Company is required by section 311A of the Companies Act 2006 to publish in advance of the general meeting, can be accessed at www.londonandstamford.com.
3. If you wish to attend the general meeting in person, you are requested to bring your admittance pass (which is attached to the Form of Proxy which is enclosed with this notice) with you to the meeting. On arrival at the general meeting venue, all those entitled to vote will be required to register. In order to facilitate these arrangements, please arrive at the general meeting venue in good time and have your admittance pass to hand. You will be given instructions on how to vote on a show of hands at the meeting.
4. Shareholders registered at the time set out in Note 1 above are 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. Details of how to appoint the Chairman of the meeting or another person as your proxy are set out in the notes to the proxy form. A Shareholder may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which in aggregate shall not exceed the number of shares held by you). Please also indicate the proxy is part of a multiple set of instructions being given. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by you may result in the appointment being invalid.

A proxy need not be a shareholder of the Company but must attend the meeting to represent you. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephone from within the UK on 0871 664 0300 (calls cost 10 pence per minute plus network extras), or from outside the UK on +44 (0)20 8639 3399, lines are open Monday to Friday, 9.00 a.m.–5.30 p.m. (London time) or by email at ssd@capitaregistrars.com. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.

5. To be valid, a duly completed proxy form, together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, must be received by post or (during normal business hours only) by hand at the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 10.30 p.m. on 13 December 2012 (or not less than 48 hours before the time fixed for any adjourned meeting, excluding any part of a day that is not a working day).
6. As an alternative to completing a hard copy proxy form, you can appoint a proxy electronically by logging on to www.capitaregistrars.com. You will need your Investor Code printed on the proxy form or the top left hand corner of the share certificate. For an electronic proxy appointment to be valid, your appointment must be received by Capita Registrars no later than at least 48 hours before the general meeting or any adjournment thereof.

7. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.
8. Unless voting instructions are indicated on the proxy form, a proxy may vote or withhold his vote as he thinks fit on the resolutions or on any other business including amendments to resolutions) which may come before the meeting. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.
9. Shareholders must inform the Company in writing of any termination of the authority of a proxy.
10. CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the general meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) no later than at 10.30 p.m. on 13 December 2012. 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. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST Members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his 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.
13. 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.
14. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same shares.
15. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any Shareholder holding 3 per cent, or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
16. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless: (1) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (2) the answer has already been given on a website in the form of an answer to a question; or (3) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

17. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person): (1) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting; (2) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and (3) your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
18. As at 23 November 2012 (being the latest practicable date prior to publication of this prospectus) the Company's issued share capital comprised 542,795,171 ordinary shares of £0.10 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 23 November 2012 (being the latest practicable date prior to publication of this prospectus) is 542,795,171. The website referred to in Note 2 above will include information on the number of shares and voting rights.
19. A copy of the Existing Management Incentive Termination Agreement, the Repurchase Agreement (in each case as defined in the Circular), the existing and amended articles of association of the Company and copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

