

Real estate for **Retailers**

Annual Report and Accounts 2016

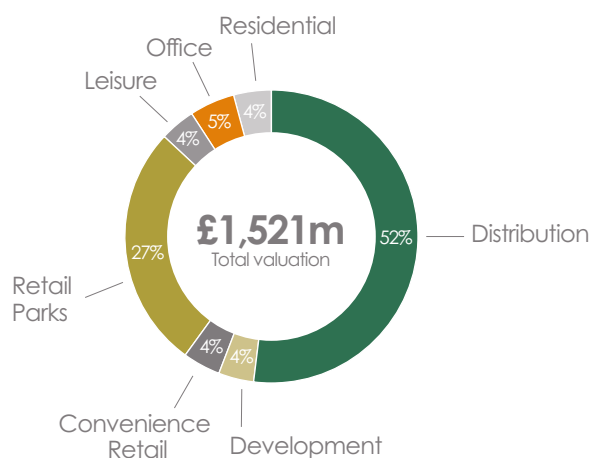
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At a glance

We **own, create and build desirable** real estate. That meets **occupiers' demands**. In a **rapidly evolving** retail environment. Our **strong retailer relationships** shape our decision making.

Our core sectors



A portfolio focused on retailer-led distribution

We specialise in retailer-led distribution, out of town and convenience retail with a focus on strong income and adding value through asset management initiatives and short-cycle development opportunities. We have 12.1 million sq ft under management and an increasing proportion of our portfolio is invested in retailer-led distribution.

<p>EPRA EPS 7.8p +18%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>7.8</td> </tr> <tr> <td>2015</td> <td>6.6</td> </tr> <tr> <td>2014</td> <td>4.2</td> </tr> </tbody> </table>	2016	7.8	2015	6.6	2014	4.2	<p>Net rental income £77.7m +10%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>77.7</td> </tr> <tr> <td>2015</td> <td>70.9</td> </tr> <tr> <td>2014</td> <td>58.5</td> </tr> </tbody> </table>	2016	77.7	2015	70.9	2014	58.5	<p>Dividend per share 7.25p +4%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>7.25</td> </tr> <tr> <td>2015</td> <td>7.0</td> </tr> <tr> <td>2014</td> <td>7.0</td> </tr> </tbody> </table>	2016	7.25	2015	7.0	2014	7.0	<p>Reported profit £82.7m</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>82.7</td> </tr> <tr> <td>2015</td> <td>159.5</td> </tr> <tr> <td>2014</td> <td>125.3</td> </tr> </tbody> </table>	2016	82.7	2015	159.5	2014	125.3
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<p>EPRA net assets per share 147.7p +5%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>147.7</td> </tr> <tr> <td>2015</td> <td>140.6</td> </tr> <tr> <td>2014</td> <td>121.0</td> </tr> </tbody> </table>	2016	147.7	2015	140.6	2014	121.0	<p>Occupancy 99.3%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>99.3</td> </tr> <tr> <td>2015</td> <td>99.7</td> </tr> <tr> <td>2014</td> <td>99.6</td> </tr> </tbody> </table>	2016	99.3	2015	99.7	2014	99.6	<p>WAULT 12.8 years</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>12.8</td> </tr> <tr> <td>2015</td> <td>13.1</td> </tr> <tr> <td>2014</td> <td>12.7</td> </tr> </tbody> </table>	2016	12.8	2015	13.1	2014	12.7	<p>Net assets £898.2m +3.2%</p> <table border="1"> <tbody> <tr> <td>2016</td> <td>898.2</td> </tr> <tr> <td>2015</td> <td>870.2</td> </tr> <tr> <td>2014</td> <td>755.9</td> </tr> </tbody> </table>	2016	898.2	2015	870.2	2014	755.9
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What we do

We own, create and build desirable real estate

Portfolio area

12.1m
sq ft

Occupancy

99.3%

BREEAM rating

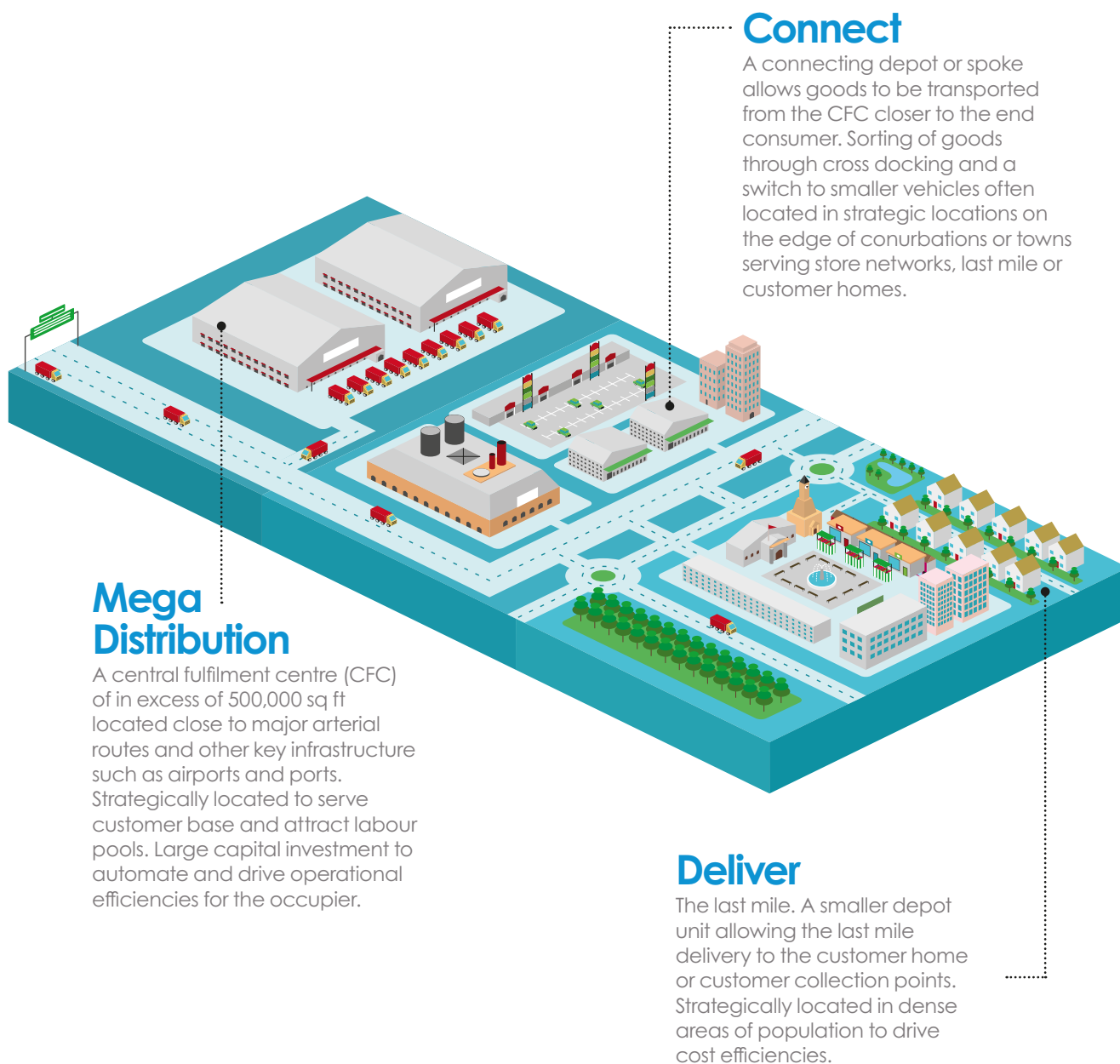
Very
Good

Retailers

76%

What we do continued

That meets occupiers' demands



What we do continued

In a rapidly evolving retail environment



£1.07bn sales up 32%
(2015: £810m)

**BLACK
FRIDAY**

What we do continued

Our strong retailer relationships shape our decision making

Logistics... the engine of retailing

Our occupier-led approach ensures we gather market intelligence through our relationships with retailers allowing us to better understand future trends and make the right asset decisions, generating superior returns. It is through this intel that we believe logistics is the engine of retail.

Chairman's statement

The further alignment of our portfolio towards distribution and the significant income contribution from our recently completed developments have enabled us to comfortably meet our dividend progression commitment.

During the year, we have taken advantage of a strong property market and sold over £200 million of assets, the proceeds of which have been recycled into attractive investments yielding 100 bps more than our sales.

Our developments in particular will generate good income and growth potential and we continue to leverage our skills and relationships to maximise current and future opportunities.

The income growth we achieved in the year has not been at the expense of our portfolio metrics which are as strong as ever; WAULT remains at 13 years, occupancy is 99.3% and only 6.0% of rent expires within the next five years.

Our activities have enabled us to increase the dividend for the year by 4% whilst also achieving a 1.1x dividend cover. The income growth embedded in the portfolio provides good predictability on future dividend progression which has, in part, prompted us to announce that we will commence payment of dividends on a quarterly basis.

Our portfolio is aligned to the winning sectors of retail, principally distribution, where the growth in online shopping and the need for better logistics is driving strong occupational demand and rental growth.

We work tirelessly to enhance our occupier and market relationships which, combined with our strong development and asset management capabilities, are fundamental to LondonMetric's success.



We continue to receive tempting approaches for our assets and have recently made further disposals at attractive prices. With a less certain macro outlook, driven by concerns over economic growth and Brexit, interest rates are unlikely to change in the short term. Whilst this low rate environment cannot persist forever, the defensive characteristics of property, particularly its long and strong income, should remain attractive for the foreseeable future.

Having served as a Non Executive Director for almost six years, Charles Cayzer is to retire from the Board. I should like to thank him for his very significant contribution. I should also like to welcome Andrew Livingston as a Non Executive Director and look forward to working with him. The Company will benefit from his extensive retail experience.

Patrick Vaughan
Chairman
1 June 2016



Income growth embedded in the portfolio provides good predictability of future dividend progression.

Dividend per share

7.25p
+4%

Chief Executive Q&A

Andrew Jones (CEO) gives an overview of progress in the year, his assessment of the structural forces affecting the retail sector and the impact on LondonMetric.

Q What is your main focus at LondonMetric?

A Our overriding concern is to deliver value to shareholders over the long term.

We continue to focus on managing both the structural and cyclical forces that influence our business. As managers of risk, we need to fully understand the dynamics of these forces and navigate the business accordingly. Our judgement is not clouded by the burden of legacy assets and we endeavour to own assets that remain relevant in a rapidly changing retail environment.

Equally, we believe that the world is evolving from a focus on active strategies to more passive ones, where the offer of higher repetitive and predictable income is clearer and more attractive. Whilst it is not always the case, investors are valuing quality of income today more highly than its equivalent in NAV potential upside.

Q What specific structural forces are affecting LondonMetric?

A Recession and technology have significantly altered consumer expectations and habits. Shopping patterns are rapidly evolving and the expectation of efficiency, speed, value and convenience are driving omni-channel retailing.

The change in the digital economy is having a profound impact on retail stores and how they have been traditionally understood. Retail is changing to reflect this and the problems at retailers such as BHS are just the tip of the iceberg for a sector bedevilled by high rents, heavy discounting, inadequate online platforms and far too much physical capacity.

Retailers have to invest heavily in their distribution capability and continually evolve their infrastructure to drive operational efficiencies. Occupier demand for modern, high specification distribution warehousing has meant that availability is low and this has created structural demand/supply dynamics with good rental growth in evidence for the right assets.

This is especially the case for more strategically located depot warehousing and last mile distribution property which facilitate same day and next day delivery requirements, particularly in the South East and major UK conurbations.



The compounding impact of repetitive income is increasingly attractive in a lower growth environment.



The changing face of retail
see page 14



Our business model
see page 18



Chief Executive Q&A continued

Q How are you responding to the changing retail environment?

A The £392 million of transactions in the year demonstrates our ongoing response to these changes.

We have made significant further sales of mature retail assets, achieving attractive prices, whilst recycling into big box logistics and smaller distribution warehouses, which offer attractive risk adjusted yields and asset management opportunities.

During the year, we acquired £155 million of distribution assets let to occupiers such as Next, Poundworld and DHL. We successfully delivered 1.9 million sq ft of developments and our distribution developments in Wakefield and Warrington are on track to complete later this year. These two developments along with our pipeline developments at Stoke, Bedford and Crawley will add a further £11.8 million of rental income.

Distribution assets, including developments, totalled £824 million at the year end and now represent 54% of our portfolio – a significant increase from 20% at the time of merger in 2013.

Our strong retailer relationships have also generated further convenience deals where we have worked in partnership with M&S and Aldi.

Q What are the key drivers of LondonMetric's success?

A Our strong occupier relationships as well as the deep relationships that we have within the real estate sector are paramount to our success and key to maintaining our very strong portfolio metrics of long leases, extremely high occupancy and strengthening income. Our asset management activities delivered 55 lettings and rent reviews which helped to drive like-for-like income growth of 3.1% at 6.9% above ERV.

We remain unemotional about ownership of our assets and have crystallised strong returns from disposals whilst ensuring that we are unencumbered by legacy or less relevant assets. As evidenced by our £80 million of distribution disposals, we will sell core assets where purchasers' assessment of value is higher than our own aspirations.

In today's competitively priced environment, we are also disciplined and rational. We will step away from opportunities that don't meet our return criteria and our customer centric model helps us to make the correct real estate decisions. The management team is fully aligned with shareholders and is incentivised to deliver enhanced returns and not simply grow assets under management.

Q How have you improved your financing arrangements and describe your approach to gearing and managing interest rate risk?

A At the start of the year, we signed a new £400 million unsecured facility which was recently increased to £444 million. This facility provides significantly greater flexibility and has helped to reduce finance fees that might otherwise have arisen from our investment and development activity. It has also helped to increase our average debt maturity to 5.6 years, reduce our cost of debt to 3.5% and provide additional financing headroom.

Our loan to value of 38% at the year end is at an appropriate level that allows us to draw down further on our debt facilities to fund developments without impacting on our conservative approach to gearing. We continue to take a prudent approach to managing interest rate risk and, as at the year end, 93% of our drawn debt was hedged.

Distribution portfolio

£824m
54% of
portfolio



Falling retailer demand for physical space is being substituted by the constant need for better distribution infrastructure.

Chief Executive Q&A continued

**£40 million distribution development for Poundworld****Replenishing our near term development portfolio**

Our developments are short cycle in nature and we are constantly focused on replenishing our development pipeline.

During the year, we purchased a 524,000 sq ft retail distribution development in Wakefield. The purchase and forward fund development was acquired at a yield on cost of 6.3% and was pre-let to Poundworld Retail Ltd on a 15 year lease at a rent of £2.5 million

per annum. The rent is subject to five yearly compounded RPI rent reviews to a minimum of 2.5% per annum and a maximum of 5.0% per annum.

The highly prominent 30 acre site is located near J31 of the M62 in a well-established logistics hub.

Construction commenced in summer 2015 and practical completion is expected in autumn 2016. The warehouse will be rated BREEAM Very Good.

Q How has LondonMetric delivered on its Responsible Business Strategy?

A We have built on our significant progress from the previous year and our efforts have been recognised with an EPRA sBPR Gold award and a substantially improved GRESB score.

94% of our 2015/16 targets were achieved and highlights included the introduction of a new Responsible Business Procurement Policy and implementation of initiatives to install solar panels, replace external lighting and monitor occupier contentment and energy usage. In addition we completed three major developments, all of which are rated BREEAM Very Good.

Q What are you most alert to as you look forward?

A We continue to monitor investment activity and market liquidity very closely. This ensures that we maintain flexibility to fund our developments and other opportunities as they arise whilst enjoying attractive margins of safety between our long and strong income and our cost of debt.

Andrew Jones
Chief Executive
1 June 2016



The year in review

1 First quarter April to June 2015

£128m
of investment activity



Left:
330,000 sq ft
distribution
warehouse in
Doncaster. Let to
Next for nine years.
Generates £1.9m
pa rent with a
further 2.5% pa
compounded
fixed uplift in 2019

Three distribution assets purchased for **£72m**. Key purchases included a **Next warehouse for £29m** and a forward funding distribution development for **Poundworld for £40m**.

Two distribution assets sold for **£33m**, consisting of Harlow and Brackmills.

Four retail assets purchased for **£16m** including three convenience assets let to M&S for 20 years.



Left:
M&S in Haslemere,
opened in
March 2016

2 Second quarter July to September 2015

£73m
of disposals,
mainly retail
assets



Two retail parks in
Southampton and
Milton Keynes.

The retail parks had
been **significantly
repositioned** to
strengthen the income,
and delivered **yield
compression of 150 bps**.

IRR of
28%+
per annum on
disposals

3 Third quarter October to December 2015



£61m
of acquisitions

Three distribution
acquisitions
including a 230,000 sq ft
DHL warehouse in
Reading and a 356,000 sq ft
future development
at **Omega**, Warrington.

The year in review continued

4 Fourth quarter
January to March
2016


WHSmith

£58m

of disposals

Five retail parks sold for £40m, one in Hove where PC World agreed a new 15 year lease on an enlarged store.

Sold a WHSmith distribution warehouse for £18m against a £10m purchase price.

Completion of three major developments

1.9m

sq ft developed delivering rental uplift of £11.7m at a yield on cost of 7.4%.



£20m

of retail and leisure disposals

A number of retail parks let to tenants including B&Q, Wickes and Halfords were sold at a net initial yield of 6.1%.

In addition, following an impressive film slate and strong institutional interest, we sold the Odeon cinema at Preston.

3

distribution depots acquired

for £22m let to Hamleys, Howdens and Goodrich. Further £16m invested into convenience and opportunistic retail assets let to Aldi, M&S and Wickes.

Our business

Our activity continues to align our real estate to the strength and growth of internet shopping and omni-channel retailing to deliver sustainable income growth and long term value.

Key facts

Number of assets 100	LFL Income growth +3.1%
Area 12.1m sq ft	EPRA topped up net initial yield 5.4%
Value £1,521m	Total property return +10.5%
Capital return +4.9%	Occupancy 99.3%
ERV growth +6.4%	

We are focused on retailer-led distribution

Portfolio

2015 – £1,400m **2016 – £1,521m**

● Distribution ● Retail Parks ● Office
● Development ● Leisure ● Residential
● Convenience Retail

Valuation performance

Uplift – £50m

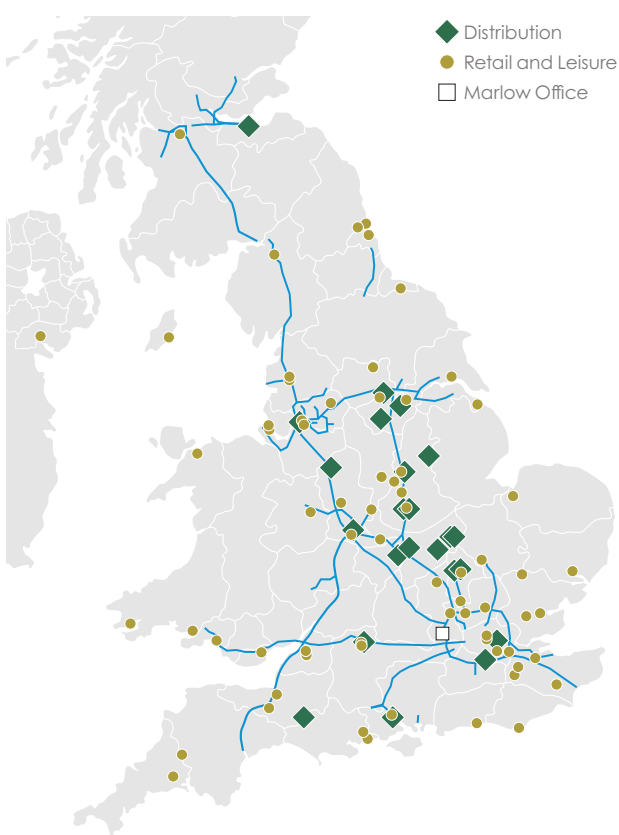
- 29.3% valuation movement attributable to asset management activity
- 24 bps yield compression across the portfolio
- Portfolio NIY of 5.4% compared to IPD of 4.8%

Distribution

Value £824.4m	Total return +13.1%
EPRA topped up NIY 5.2%	Occupancy 100%

Our business continued

Where our assets are located



Our business activity

Investment activity 2016

Acquisitions
£187.6m

Retail £32.1m
Distribution £155.5m

Disposals
£204.1m

Retail £110.1m
Distribution £80.4m
Non core (residential) £13.6m

Development activity 2016

Delivered
1.9m sq ft

Rent £11.7m
Yield on cost 7.4%
Capital expenditure £158.5m

Under construction
1.1m sq ft

Rent/uplift £8.4m per annum
Yield on cost 7.1%
Capital expenditure £118.8m

Pipeline
1.1m sq ft

Rent £7.7m
Yield on cost 6.9%
Capital expenditure £111.5m

Asset management activity 2016

New lettings
28

0.3m sq ft
Rental growth 13.5% above ERV

Rent reviews
27

1.8m sq ft
Rental growth 4.8% above ERV

Retail	
Value £491.4m	Total return +8.6%
EPRA topped up NIY 5.8%	Occupancy 98.1%

The changing face of retail

We are focused on the winning sub sectors within retail: retailer-led distribution, fulfilment and convenience-led retail. Retail continually evolves, responding to new trends, changes in technology and developing shopping habits. History shows that as shopping habits change, real estate requirements respond. Aligning our real estate investment strategy to these shifts, will deliver long term shareholder value.

1940

- **No cars**
- Limited **refrigeration**
- **Daily** shopping trips
- Rise in **high street**



1980

- Out of town/edge of town convenience
- Rise and increased dominance of **supermarkets**
- Birth of **out of town**



Shopping habits continually evolve with a shift seen every 20 years since the 1940s.

Today, we live in a digital age with the continued rise of eCommerce and online shopping and real estate requirements are responding. Retailers' supply chains are now consumer facing with spending migrating away from more traditional modes of shopping.

It is business critical for retailers to meet the demand of the consumer which is resulting in distribution and fulfilment becoming more important than retail stores.

1960

- **Car borne** shopping
- **Mass** refrigeration
- **Weekly** shopping trips
- Birth of the **shopping centre**



2000

- Continued **growth** of out of town
- **Migration** of in town retailers out of town
- Birth of the **shopping park**



The changing face of retail continued

2010

- **Technological advancements** transforming supply chains to consumer centric models
- Shoppers embracing **internet shopping**
- Birth of **omni-channel shopping**
- **Sheds** become the new shops

Shoppers embrace internet shopping

The UK is now one of the most sophisticated online retail markets in the world with an internet penetration rate in excess of 85% and 61% of shoppers now actively shopping online. This is double the OECD average and the UK active online shoppers is significantly higher than other western economies such as US (35%), Germany (48%), Canada (42%) and Spain (18%).

May 2010 saw the UK launch of the Apple iPad and the start of true mobilisation of the internet. Up until this point, desktops were the key tool to access the internet and shop online. The technological advancements of the iPad and devices such as the smartphone that have followed have truly opened up online shopping to the consumer.

In excess of 1 billion parcels are delivered to the consumers' front door, growing year on year with c. 1.2 billion forecast for 2016 and forecast to continue to rise by c. 12% per annum to 2018. Consumer habits are becoming more entrenched.

Recent retailer results confirm the latest consumer shopping habits. 40% of Next sales are now through their directory business which is effectively online. Dixons Carphone have 29% of their sales coming from online and 55% of Argos sales originate online. Recent retailer trading performance also shows the strength of online with like-for-like growth up and store sales falling. John Lewis online sales are up 21% and stores down 3%, Argos online sales are up 10% and store sales down 13%. These trends continue to accelerate as shoppers continue to embrace internet shopping.



The changing face of retail continued

2010
continued

Resulting in a structural shift and an evolving landscape for retailers

Accelerating technological change will drive continued growth of ecommerce and the digitalisation of retail.

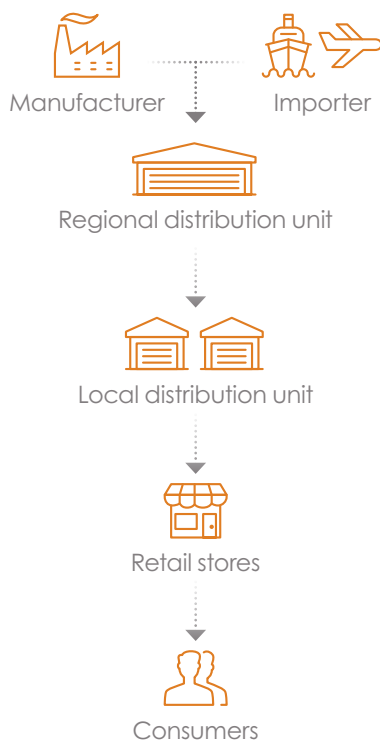
Pure play online retailers, such as Amazon, ASOS, Boden, Boohoo and The Hut Group, demonstrate that physical stores are no longer a pre-requisite to successful retail. Reductions in operational costs and information asymmetry has allowed a wide variety of products to be profitably sold online.

It is imperative for the retailer to ensure that their overall logistics and operation is fit for purpose and meeting the demands of the consumer. Further technological advancements will continue this trend with increased operational efficiencies driven through warehouse automation and robotics.

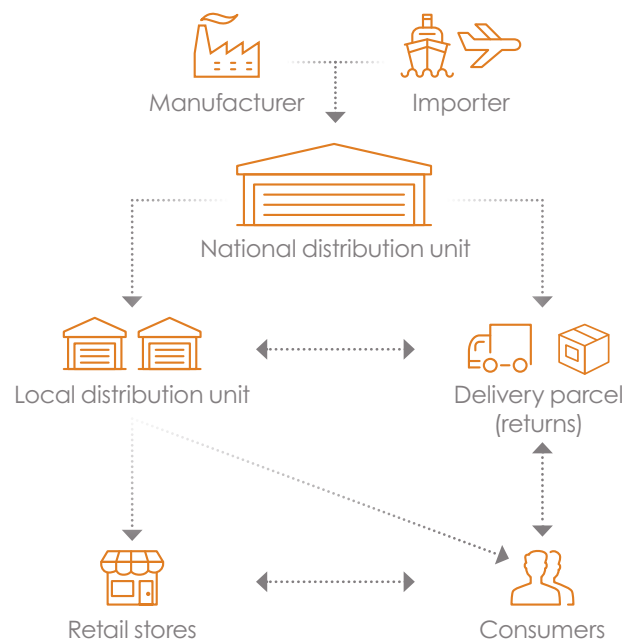
Consumers have adopted different methods of purchasing from an entire purchase online to browsing online and buying in store to buying online and picking up from store. Looking forward, these changes in consumer shopping habits will re-shape the role of store and place further emphasis on the supply chain model and how it interfaces with the consumer.

The consumer wants to buy the goods to meet their specific requirements with the modern supply chain now consumer facing.

Retailer landscape in the past



Retailer landscape now



The changing face of retail continued

Driving logistics and retail real estate requirements

Logistics

Online retail is driving demand for a range of different types of warehousing including mega national distribution centres, parcel sortation centres, local parcel depot stations, dot.com warehouses and local delivery centres for same day delivery.

The occupier market remains robust with take up above long term averages. Around 4.5 million sq ft was taken up in Q1 2016 which was 22% up on Q4 2015 and 18% up on Q1 2015.

Supply remains muted. From a peak availability of 94 million sq ft in 2009, it is estimated that current supply is c.15 million sq ft equating to approximately six months' demand. Speculative development has risen as a result of the supply/demand imbalance however remains significantly below pre-recession levels of c. 10 million sq ft per annum at 5.6 million sq ft per annum. The average void period for units speculatively built since 2009 is just five months, reducing to five weeks in prime locations such as the Midlands.

Retail

Whilst online is contributing to a successful supply/demand dynamic in logistics, it is causing great disruption to more traditional retail real estate. A shop unit is no longer the only route to market and as a result retailers continue to re-examine and rationalise their store networks.

According to Local Data Company, vacancy rates across retail shops stand at 12.4%, however this masks the polarisation within this market. Prime retail real estate is more robust with secondary and tertiary retail increasingly redundant in today's digital age. Rental levels continue to fall in poorer retail locations as shoppers vote with their feet and retailers see no need to be located there.

The success stories within retail real estate revolve around top up, convenience-led retail. Footfall supports the strength of retail parks nationally, with their convenience and the ease at which click and collect orders can be fulfilled. Destination retail remains strong, however the consumer expects more which is resulting in increased capital expenditure and operational costs to keep the destination relevant and attract footfall.

Leading to a re-rating in asset pricing

Investor demand remains strong for distribution assets. Investment volumes in this sector in the last two years have been the strongest for the last 15 years.

Yields have continued to narrow further with prime distribution yields being c.4.5% having improved by 125 bps in the last two years. Further yield compression is likely to be muted, however rental values are growing reflecting the supply/demand imbalances in the sector.

Investment volumes in the retail sector are down on historic long term averages, possibly reflecting a perceived nervousness in the sector and the future role the sector has to play in the market. Yields remain robust for prime retail with weakness seen in the secondary markets reflecting the occupational trends.

Outlook

We believe that the pace of change will continue. The significant evolution since 2009 demonstrates the impact that technological changes and shopping behaviour is having on real estate requirements.

Non food online spending is estimated to grow from 17.4% today to 25% of all non food sales by the end of 2019.

It is now widely accepted by retailers that the supply chain is consumer facing requiring retailers to have fit for purpose logistics to meet the increasing consumer demands for instant gratification and quicker online delivery.

We believe that the retailers' response and impact to real estate requirements means that sheds are the new shops.

We seek to position our real estate portfolio to these wider structural trends whilst maximising shareholder returns through the cyclical drivers of the market.

Our business model

We use our knowledge and close relationships with our clients to buy assets and land where we can build both value and income. We will recycle these assets when we feel there are others we can buy with greater potential.



Our business model continued

3

How we add value

Our management approach:

- We actively manage the portfolio to deliver superior returns
- We manage the balance sheet through effective financing
- We run the business with due regard to sustainability
- We employ a best in class team

2016 activities:

Income

Contracted rental income
£87.1m

6.0% of leases expire
in five years

49.0% of portfolio subject
to rent increases

Occupancy at **99.3%**

Asset management

28 new lettings **0.3m** sq ft

27 rent reviews across

1.8m sq ft

£3.5m rental income uplift

Short-cycle development

1.9m sq ft delivered

2.3m sq ft committed
and pipeline

Planning consents
on **0.4m** sq ft

New developments
delivering BREEAM
Very Good rating



Investment review
see page 22



Asset management and development review
see page 26



A clear strategy to maximise performance

- Focus on **occupier-led** distribution and retail
- Buy assets with **strong underlying fundamentals** to deliver superior returns
- Look to **forward fund** and pre-let development opportunities
- **Acquire land** suitable for future developments
- Consistently look to **maximise** income and grow value
- Deliver long term superior shareholder returns



Chief Executive Q&A
see page 07

Key performance indicators

We aim to deliver sustainable, progressive earnings and long term capital value through the execution of our strategy. We continue to use seven key performance indicators to monitor the performance

of the Group and its share of joint ventures. A number of the key performance indicators are also used to evaluate management performance and remunerate senior employees.

Objective	KPI measure/numbers	Performance						
Deliver long-term shareholder returns	Total shareholder return % <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>41.7</td> <td>19.7</td> <td>5.9</td> </tr> </table>	2014	2015	2016	41.7	19.7	5.9	<p>Total Shareholder Return, being the share price movement together with the dividend, in the three years post merger was 80%, outperforming the FTSE 350 Real Estate Super Sector Index of 47% by 1.7 times.</p> <p>12 month Total Shareholder Return delivered 5.9% compared to a fall of 6% in the FTSE 350 Super Sector.</p>
2014	2015	2016						
41.7	19.7	5.9						
Maximise long-term total accounting return	Total accounting return % <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>16.5</td> <td>21.7</td> <td>11.5</td> </tr> </table>	2014	2015	2016	16.5	21.7	11.5	<p>Total Accounting Return of EPRA NAV movement together with dividend paid over the year.</p> <p>12 month Total Accounting Return delivered a return of 11.5%.</p>
2014	2015	2016						
16.5	21.7	11.5						
Maximise property portfolio returns	Total property return % <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>17.0</td> <td>17.5</td> <td>10.5</td> </tr> </table>	2014	2015	2016	17.0	17.5	10.5	<p>Unlevered Total Property Return, including capital and income return, of the portfolio as calculated by IPD.</p> <p>12 months Total Property Return delivered a return of 10.5% compared to IPD benchmark of 10.1%.</p>
2014	2015	2016						
17.0	17.5	10.5						
Deliver sustainable growth in EPRA earnings	EPRA earnings per share p <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>4.2</td> <td>6.6</td> <td>7.8</td> </tr> </table>	2014	2015	2016	4.2	6.6	7.8	<p>Recurring earnings per share from core operational activities have grown by 18% over the last 12 months. In the last three years since merger, EPRA earnings per share have grown by 100%.</p>
2014	2015	2016						
4.2	6.6	7.8						
Drive like-for-like income growth through management actions	EPRA like-for-like income growth % <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>3.4</td> <td>2.9</td> <td>3.1</td> </tr> </table>	2014	2015	2016	3.4	2.9	3.1	<p>Year-on-year movement of net rental income on properties owned through the period increased by 3.1%.</p>
2014	2015	2016						
3.4	2.9	3.1						
Maintain strong occupier contentment	EPRA vacancy % <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>0.4</td> <td>0.3</td> <td>0.7</td> </tr> </table>	2014	2015	2016	0.4	0.3	0.7	<p>Occupancy rate of investment portfolio of 99.3% against IPD all property benchmark of 93.0%.</p>
2014	2015	2016						
0.4	0.3	0.7						
Maintain a higher than market benchmark weighted average unexpired lease term (WAULT)	WAULT Years <table border="1"> <tr> <td>2014</td> <td>2015</td> <td>2016</td> </tr> <tr> <td>12.7</td> <td>13.1</td> <td>12.8</td> </tr> </table>	2014	2015	2016	12.7	13.1	12.8	<p>Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 12.8 years as at 31 March 2016, which outperformed the IPD all property benchmark of 11.2 years.</p>
2014	2015	2016						
12.7	13.1	12.8						

Key performance indicators continued

Remuneration	2016/17 ambition
75% of existing and 37.5% of future LTIP awards vest after three years subject to outperformance of the FTSE 350 Real Estate index. The TSR component of the 2013 LTIP award is expected to vest in full.	Three year TSR performance to be in the upper quartile of the FTSE 350 Real Estate companies.
37.5% of future LTIP awards will be subject to outperformance of the FTSE 350 Real Estate sector.	Three year total accounting return to be in the upper quartile of FTSE 350 Real Estate companies.
35% of annual bonus award is subject to TPR outperforming relevant IPD benchmark. This year TPR outperformed the IPD benchmark delivering a 35% bonus payout.	One year TPR outperformance against relevant IPD Quarterly Universe benchmark.
35% of annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a full bonus payout. 25% of LTIP awards vest after three years subject to an EPS growth target. The EPS component of the 2013 LTIP award is expected to vest in full.	Deliver and sustain EPRA earnings growth and dividend progression.
Forms part of EPRA earnings per share.	Deliver like-for-like income growth ahead of inflation plus 1.5%.
Linked to individual non financial targets.	Maintain high occupancy across the investment portfolio, targeting >99%.
Linked to individual non financial targets.	Maintain high weighted average unexpired lease term targeting >12 years.

Performance indicators

LTV ratio %	
2016	38
2015	36
2014	32
Debt maturity Years	
2016	5.6
2015	4.2
2014	3.7
Cost of borrowing %	
2016	3.5
2015	3.7
2014	3.9
EPRA topped up net initial yield %	
2016	5.4
2015	5.8
2014	6.4
EPRA cost ratio %	
2016	17
2015	17
2014	25

Risk management

The achievement of our seven KPIs is influenced by the identification and management of risks which might otherwise prevent the attainment of our strategic priorities. The relationship between our principal risks and KPIs is reviewed in the Managing risk section on pages 36 to 43.

Investment review

Our strategy is to own desirable real estate that offers opportunity to leverage our asset management and development capabilities.

Delivering future income and capital growth

Our disciplined approach to capital allocation prompted us to sell £204 million of assets which had delivered on their business plans. In particular, as yields continued to tighten across the property market, we have taken the opportunity to sell a significant number of retail assets at highly attractive prices. We also made selective distribution disposals and continue the sell down of our remaining residential assets.

Through our strong market relationships, we selectively recycled into earnings accretive acquisitions that offered good income growth prospects, delivering a 100 bps positive yield arbitrage.

Significant retail disposals

Our main focus was on the further disposal of our retail parks and we sold £110 million of retail assets at a net initial yield of 5.8%, 160 bps better than their historic yield on cost. These disposals crystallised impressive returns and generated an average geared IRR of 26%, reflecting both the benefit from market yield compression and our asset management activity.

Post year end, we sold a further three retail parks and one cinema for £17 million.

Selective distribution disposals

Distribution disposals totalled £80 million across four assets.

These four disposals resulted from direct approaches where the prices offered were ahead of our value aspirations. We had regeared several of these assets and as a result of our actions and market yield compression generated an impressive geared IRR of 36%.

At our recently completed development in Warrington, let to The Hut Group, the occupier has exercised its option to purchase the asset for £53.7 million. The sale completes in November 2016 and will generate a geared IRR of 22%.

Acquisition activity focused on distribution

In a highly competitive investment market we remained disciplined and selective in acquiring assets. During the year, we purchased 16 assets totalling £188 million, predominantly in the distribution sector, at a blended yield of 6.6%.

The forward funded development that we acquired in Wakefield and our recently acquired speculative development in Warrington represented approximately half of the distribution investments. These developments are expected to generate a yield on cost of c.100-150 bps higher than the 'up and built' investment yield. We continue to see good development opportunities.



Valentine Beresford
Investment Director

Investment activity

£392m

Distribution acquisitions

£155m

Re-investment arbitrage

+100
bps

Investment activity by sub sector

	Acquisitions ¹		Disposals	
	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Distribution	85.5	6.3	80.4	5.4
Distribution – Development	70.0	6.8	–	–
Retail	32.1	7.0	110.1	5.8
Residential	–	–	13.6	1.8
Total	187.6	6.6	204.1	5.6

¹ Assuming fully let

Investment review continued

The balance of our distribution investments was mainly focused on regional and depot warehouses that have the capability to facilitate next day delivery to major cities and conurbations. We made six such acquisitions in the year, the most significant of which was our £29 million DHL logistics hub in Reading. Depot warehouses are typically well located, offer attractive yields and offer strong rental growth prospects. They are becoming increasingly critical to a retailer's logistics infrastructure and we anticipate further similar acquisitions going forward.

Value creation from convenience and opportunistic retail assets

Retail acquisitions in the year amounted to £32 million, purchased at a NIY of 7.0%, and these were predominantly convenience food acquisitions that offer modern trading formats, let at affordable rents and on very long leases to occupiers including Aldi and M&S. Towards the year end, we also acquired a development site in Ipswich, pre-let to Wickes.

Outlook

We remain active and engaged in sourcing new investments and selling out of those retail assets which have delivered to plan. We continue to refresh our development pipeline and make further selective acquisitions and disposals, and expect to further increase the percentage of our portfolio in distribution.



£29 million distribution warehouse acquisition

Owning strategically important assets that can facilitate last mile and local deliveries to major cities and conurbations.

In November 2015, we acquired a DHL distribution warehouse for £28.8 million.

The 230,000 sq ft asset is situated in a prime distribution location on a 11.5 acre site in Reading, next to Junction 11

of the M4, and in close proximity to Tesco's one million sq ft regional hub. Other companies nearby include Royal Mail and Procter & Gamble.

The building was acquired with a WAULT of ten years and let at a rent of £1.8 million per annum, equating to £7.73 per sq ft, with an open market rent review in July 2020.

Investment review continued



Distribution

Investment activity

Overview

£155.5m acquired:

- NIY: 6.6%
- WAULT: 11.4 years

£80.4m disposed:

- NIY: 5.4%
- WAULT: 15.5 years

Post period end

41,000 sq ft in Basildon:

- £3.8 million acquisition of a warehouse let to Modular Heating Group. The building was acquired at a NIY of 6.5% and a WAULT of four years

690,000 sq ft in Warrington:

- Option exercised in the year by the occupier to acquire the warehouse for £53.7 million reflecting a NIY of 6.5%. The yield on cost for The Hut Group development was 8.0%. The sale completes in November 2016 and will generate a 22% geared IRR

112,000 sq ft in Crawley:

- Speculative development at an anticipated cost of £20 million reflecting a 6.3% yield on cost

Acquisitions

330,000 sq ft in Doncaster

£29.0 million acquisition of a Next warehouse. Purpose built in 2005. Mezzanine floors increase the internal area to 725,000 sq ft. Acquired at a NIY of 6.3% and with a WAULT of nine years

230,000 sq ft in Reading

£28.8 million acquisition of a DHL warehouse in a prime location next to J11 of the M4. Acquired at a NIY of 5.8% and with a WAULT of ten years

80,000 sq ft in Royston

£8.3 million acquisition of a warehouse let to Hamleys and connected to J10 of the M11. The building was acquired at a NIY of 6.5% and with a WAULT of 13 years

66,000 sq ft in Castle Donnington

£6.0 million acquisition of a warehouse let to Howdens located close to Midlands airport. Acquired at a NIY of 7.1% and with a WAULT of nine years

64,000 sq ft in Hemel Hempstead

£7.5 million acquisition of a warehouse let to Goodrich located one mile from J8 of the M1. Acquired at a NIY of 6.3% and with a WAULT of 15 years

38,000 sq ft in Basildon

£3.5 million acquisition of a warehouse let to Activair. Acquired at a NIY of 6.5% and a WAULT of five years

25,000 sq ft in Edinburgh

£2.4 million acquisition of a warehouse let to Scottish Widows. Acquired at a NIY of 8.2% and a WAULT of 11 years

Developments

524,000 sq ft in Wakefield

Purchase and forward fund of a development for £40.0 million:

- pre-let to Poundworld for 15 years
- located near J31 of the M62
- yield on cost of 6.3%
- completes in autumn 2016

356,000 sq ft in Warrington

Purchase and forward fund of a development for £30.0 million:

- located at Omega South logistics hub next to J8 of the M62
- speculative development
- yield on cost of c.7.0%
- completes in November 2016

Disposals

341,000 sq ft in Wellingborough

Sold for £29.2 million at a NIY of 5.8%.

LondonMetric acquired the building for £19.6 million

268,000 sq ft in Harlow

Sold for £37.2 million (Group share: £18.6 million) at a topped up NIY to the purchaser of 5.0%.

The building was acquired in 2011 for £22.9 million

210,000 sq ft in Birmingham

Sold for £18.2 million at a NIY of 5.2%.

LondonMetric acquired the building for £10.1 million in 2013

170,000 sq ft in Brackmills

Sold for £14.4 million at a NIY of 5.5%.

LondonMetric re-gear the lease at a yield on cost of 8.0%

Investment review continued



Retail

Investment activity

Overview

£35.5m acquired
(Group share: **£32.1m**):

- NIY: 7.0%
- WAULT: 19 years

£154.7m disposed
(Group share: **£110.1m**):

- NIY: 5.8%
- WAULT: 13.3 years

Post period end

There were four further disposals for £25.0m
(Group share: **£17.1m**):

- MIPP sold three assets in Chatham, Bridgwater and Grimsby for £15.9 million (Group share: £8.0 million) at a NIY of 5.7%
- One Odeon Cinema sold in Taunton for £9.1 million at a NIY of 5.5%

Acquisitions

Speke

£6.9 million acquisition (Group share: £3.5 million) of a 20,000 sq ft retail unit let for 15 years to Currys PC World at a NIY of 6.8%

Cowes

£3.0 million acquisition of a 12,000 sq ft convenience food store let to M&S at a NIY of 5.6%

Penrith

£4.7 million acquisition of a 15,000 sq ft convenience food store let to M&S for 20 years at a NIY of 6.0%

Matlock

£3.6 million acquisition of a 22,000 sq ft convenience food store at a NIY of 7.0%. 13,000 sq ft has been pre-let to M&S for 25 years

Haslemere

£4.7 million acquisition of a 15,000 sq ft convenience food store let to M&S at a NIY of 5.3%. The store opened in March 2016

Developments

Ipswich

£7.9 million acquisition of a 31,000 sq ft development pre-let to Wickes at a yield of 8.0%

Leicester

£4.7 million acquisition of a 18,000 sq ft development pre-let to Aldi at a yield of 5.7%

Disposals

Four retail parks were sold for £64.5 million:

Milton Keynes

£27.2 million disposal of the 77,000 sq ft Westcroft Retail Park at a NIY of 5.7%, compared to a yield on cost of 7.2%

Southampton

£16.2 million disposal of the 52,000 sq ft Mountbatten Retail Park at a NIY of 5.8%, compared to a yield on cost of 6.9%

Hove

£13.6 million disposal of the 28,000 sq ft PC World retail unit in Hove at a NIY of 5.4%, compared to a yield on cost of 7.0%

Cannock

£7.5 million disposal of the 25,000 sq ft Watling Retail Park anchored by DFS. Sold at a NIY of 6.2%

One Odeon Multiplex Cinema was sold in Preston for £10.2 million at a NIY of 5.8%.

Our DFS joint venture sold a property in Enfield for £24.5 million (Group share: £7.5 million) at a NIY of 6.6%.

Our MIPP joint venture has disposed of six assets for £55.2 million (Group share: £27.6 million):

Lichfield

£13.3 million disposal of the 45,000 sq ft Retail Park at a NIY of 5.5%

Bristol

£12.6 million disposal of Longwell Green Retail Park at a NIY of 5.4%

Camborne

£9.9 million disposal of our 49,000 sq ft Retail Park at a NIY of 6.1%

Maldon

£7.2 million disposal of the 27,000 sq ft Retail Park at a NIY of 6.0%

Haverhill

£7.0 million disposal of our 39,000 sq ft Cambridge Road Retail Park at a NIY of 6.1%

Nottingham

£5.2 million disposal of the 24,000 sq ft Retail Park at a NIY of 6.4%

Asset management and development review

Our activities have further enhanced our portfolio metrics and strengthened our underlying income and prospects for income growth.

Delivering strong and growing income

Our asset management and development initiatives were fundamental to delivering a significant uplift in our net rental income during the year.

The £11.7 million per annum of additional income from our successfully completed developments at Islip, Warrington and Kirkstall has been the key driver of this uplift. The blended yield on cost of 7.4% for these developments was materially higher than yields on assets that we have sold. Our occupier transactions in the year also generated £3.5 million of contracted rental uplift.

Future income growth underpins further dividend progression. We will continue to recycle into higher yielding opportunities, primarily our 2.3 million sq ft of committed and pipeline developments across 13 assets.

Our activities have maintained the portfolio's strong income characteristics

(i) Long income

The portfolio weighted average unexpired lease term of 12.8 years (12.2 years to first break) represents one of the longest in the sector.

We continue to achieve long leases on asset purchases and occupier transactions of 12.9 years and 13.6 years respectively.

Only 6.0% of our income expires in the next five years, rising to only 37.9% over ten years.

(ii) Secure income

We are highly focused on maintaining a strong and diverse tenant list and ensuring that there is strong occupier contentment. Our occupancy rate is 99.3% and our top ten tenants represent 52.2% of total contracted rent compared to 54.1% in 2015. Our top five tenants consist of Primark, Dixons Carphone, M&S, Argos and Odeon which together account for 32.7% of contracted income.

(iii) Rising income

Contractual rental uplifts provide security of income growth and 49.0% of our contracted rental income is subject to fixed or RPI linked uplifts.

We are confident of capturing meaningful open market rental uplifts from our distribution portfolio given the positive rental growth outlook for the distribution sector.

Value enhancing activities

Valuation uplift in the year was £49.8 million and the portfolio's topped up net initial yield fell from 5.8% to 5.4%.

Our asset management and development activities accounted for 39.3% of yield compression and, going forward, these activities will become increasingly important in delivering valuation uplift.

In the year we achieved a property return of 10.9% on our core portfolio and 10.5% for all properties. Our core portfolio outperformed the IPD benchmark reweighted for our core sectors of 10.1%.



Mark Stirling
Asset Director

WAULT

KPI

12.8
years

Portfolio subject to contractual uplifts

49%

Committed and pipeline developments

2.3m
sq ft

Asset management and development review continued



Asset management

During the year, we executed 55 occupier transactions generating a £3.5 million rental income uplift. Lettings were undertaken at a WAULT of 13.6 years.

These transactions achieved a 6.9% uplift against ERV and delivered EPRA like-for-like income growth of 3.1%. ERV growth in the year was 6.4%.

Our occupancy rate remains very high at 99.3%.

Asset management – occupier transactions

	Area sq ft '000	No. of transactions	Net uplift in income £m	WAULT to expiry years
New lettings and re-gears	253	28	3.3	13.6
Rent reviews	1,836	27	0.2	
Total	2,089	55	3.5	

Lettings

28 lettings were undertaken generating a rental uplift of £3.3 million at an average of £21.40 per sq ft, 13.5% above ERV and with average lease lengths of 13.6 years. Lettings completed post year end and currently in legals total £1.8 million covering 100,000 sq ft.

King's Lynn

New lettings were signed with B&M, Starbucks, DFS and Tapi Carpets on 43,000 sq ft. The 74,000 sq ft scheme is fully let and will generate £1.5 million per annum rental income.

Coventry

Poundworld signed a ten year lease at the Airport Retail Park. Together with previous lettings to Aldi, B&M and Smyths Toys, the 136,000 sq ft park is fully occupied.

Kirkstall

The retail park successfully opened in October and is 90% let. We signed lettings with Smyths Toys, Card Factory, Lloyds Pharmacy, Trespass, Iceland, Cancer Research and, post year end, with Peacocks, Holland & Barrett and Specsavers.

Leicester

Lettings were signed with Home Bargains and Smyths Toys on 28,500 sq ft.

Ipswich

M&S signed a 15 year lease on 20,000 sq ft and new lettings were signed with Hobbycraft and Brantano.

Tonbridge

Home Bargains signed a 15 year lease on 15,000 sq ft of space previously occupied by B&Q.

Hove

Dixons Carphone signed a new 15 year lease on an enlarged 28,000 sq ft unit.

Rent reviews

During the year, we agreed 27 rent reviews, including fixed uplifts, across 1.8 million sq ft at 4.8% above ERV.

Post year end, we agreed rental uplifts on two of our distribution assets totalling 0.3 million sq ft at 2.7% above ERV and 15.4% above the previous passing rent.

Occupier contentment

Occupier contentment and working in partnership with our retailers are key priorities for us and we continue to maintain a very high occupancy rate at 99.3%.

A comprehensive independent occupier survey was undertaken in the year and our top 35 tenants were invited to participate. LondonMetric achieved very favourable scores from those that responded:

- 100% scored LondonMetric as either good or excellent in relation to how satisfied they were with LondonMetric as a landlord and how well we understood their needs
- 75% scored our ability to offer real estate solutions as good or excellent, with the remainder scoring us in line with expectations
- 73% rated LondonMetric as better when compared against other landlords, with the remainder rating us in line with other landlords



Asset management and development review continued



Short-cycle development

We successfully completed three major developments in the year across 1.9 million sq ft delivering £11.7 million of additional income. Post year end, we completed the development at Ferndown let to M&S.

In addition to a number of smaller retail developments, we will complete our distribution developments in Wakefield and Warrington by the end of 2016.

Committed and pipeline developments total 2.3 million sq ft.

Development summary (currently committed and pipeline)

Scheme	Sector	Area sq ft '000	Anticipated additional rent £m	Yield on cost %
Committed				
Wakefield	Distribution	524	2.5	6.3
Warrington	Distribution	356	2.2	7.0
Tonbridge	Retail	71	0.7	8.0
King's Lynn	Retail	64	1.0	11.3
Liverpool	Retail	29	0.5	5.9
St Margaret's, Leicester	Retail	29	0.4	7.4
Aldi, Leicester	Retail	18	0.3	5.6
Coventry	Retail	18	0.3	7.3
Loughborough	Retail	12	0.5	5.1
		1,121	8.4	7.1
Conditional				
Bedford	Distribution	700	4.4	7.3
Stoke	Distribution	300	1.4	6.0
Crawley	Distribution	112	1.3	6.3
Ipswich	Retail	31	0.6	8.0
		1,143	7.7	6.9

Distribution

Wakefield

The forward funded development is pre-let to Poundworld for 15 years. Construction completes in September 2016.

Warrington

Planning was approved in March 2016. Construction has commenced and completion is expected by November 2016.

Bedford

Planning consent received for a development of up to 700,000 sq ft with acquisition of the land expected in September 2016. Several schemes for the site are under consideration.

Stoke

Planning consent for up to 300,000 sq ft was received in the year and demolition work has commenced and is expected to complete in January 2017.

Crawley

Speculative development of 112,000 sq ft. Planning is expected by December with practical completion anticipated in Spring 2018.

Retail

King's Lynn

Construction work is expected to complete in October 2016.

Tonbridge

Downsizing of the 18,000 sq ft Halfords unit will complete in September 2016. Planning consent to split and extend the 38,000 sq ft B&Q unit is expected in June 2016.

Ipswich

The former Tesco site has been acquired and revised planning consent is expected by September 2016.

Leicester

28,500 sq ft at St Margaret's Retail Park will be completed and handed over in July 2016. The nearby 18,000 sq ft Aldi development at Abbey Lane is expected to complete in August 2016.

Coventry

Development of the 18,000 sq ft Aldi store at the Airport Retail Park is expected to complete in October 2016.

Loughborough

Extension works to the Morrisons store complete in December 2016.

Asset management and development review continued

Key responsible development activities in the year

**Islip, Northamptonshire**

- 1,062,000 sq ft distribution warehouse let to Primark
- Completed in September 2015
- BREEAM Very Good
- Built on brownfield site which was once an ironworks
- Solar panels installed covering 30,000 sq ft and generating electricity for the occupier
- Roof lights on 100,000 sq ft
- Foul drainage system on-site with dedicated treatment plant
- Monitoring energy usage of occupier

**Warrington**

- 690,000 sq ft distribution warehouse let to The Hut Group
- Completed in November 2015
- BREEAM Very Good
- Roof lights on 66,000 sq ft
- Roof designed for future fitting of solar panels
- Surface water discharge storage incorporated into scheme

**Kirkstall, Leeds**

- 120,000 sq ft retail park
- Completed in October 2015
- BREEAM Very Good
- Insulation and solar shading incorporated into scheme
- High efficiency LEDs for external lighting
- Tenant fit out guide produced for occupiers
- Initiating monitoring of occupier energy usage

**Coventry**

- 136,000 sq ft retail park
- Responsible asset management and development has transformed the retail park and generated significant socioeconomic benefits
- Ten occupier initiatives added four new retailers
- Currently developing an 18,000 sq ft Aldi convenience store which completes in October 2016
- Initiating car park lighting upgrade and, in partnership with Dixons Carphone, installed solar panels



See page 51 for further details

For the full Responsible Business 2016 report
see www.londonmetric.com

Financial review

Our ongoing commitment to reposition the portfolio and capitalise on asset management and development opportunities has enabled us to grow income and earnings this year.

This year we achieved one of our key strategic and longstanding goals of fully covering our dividend commitment, as the charge for the year, paid in December 2015 and April 2016, was 107% covered by EPRA earnings.

We have achieved both earnings and NAV growth this year and have strengthened and de-risked our financing position.

EPRA earnings have increased by 18.6% to £48.5 million or 7.8p per share, compared with £40.9 million or 6.6p last year. We entered into a new £400 million unsecured revolving credit facility at the beginning of the year and refinanced £269 million of secured debt, lowering the average interest rate, increasing debt maturity and strengthening the balance sheet.

EPRA NAV per share is 147.7p, an increase of 5.0% in the year or 6.6% excluding the additional 2p special dividend which was paid in July 2015. Reported profit has fallen to £82.7 million as a result of lower valuation gains and a £16.8 million adverse movement in derivatives.

Our strong financial results are underpinned by robust portfolio metrics, the combination of which has enabled us to increase the ordinary dividend for the year to 7.25p, up 3.6% from last year. We have decided to commence the payment of our dividends on a quarterly basis going forward with the next payment of 1.8p expected in October 2016.

Our financing ratios remain strong with LTV at 38%, an average cost of debt of 3.5% and loan maturity of 5.6 years.

Management monitors the performance of the business on a proportionally consolidated basis, although the statutory results reflect the share of joint ventures using the equity accounting method. The commentary in this review is consistent with the proportionally consolidated approach.

EPRA earnings and other performance measures are used as alternatives to IFRS equivalent measures as they highlight the Group's underlying recurring performance. EPRA earnings is a key performance indicator, reflecting the recurring profit of the Group's property rental business and excludes items such as changes in property valuations and movements in the fair value of derivatives.



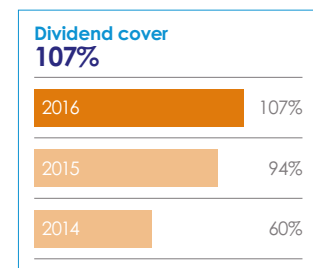
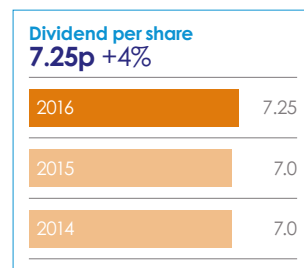
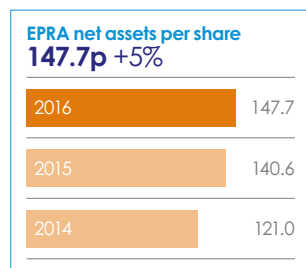
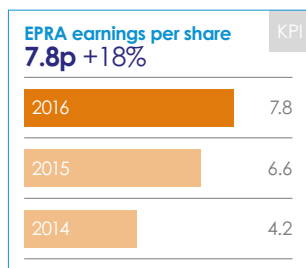
Martin McGann
Finance Director

Reported profit

£82.7m

Net assets

£898m



Financial review continued

Income statement

EPRA earnings for the Group and its share of joint ventures are detailed as follows:

For the year to 31 March	Group £m	JV £m	2016 £m	Group £m	JV £m	2015 £m
Gross rental income	67.9	11.1	79.0	60.2	13.8	74.0
Property costs	(0.8)	(0.5)	(1.3)	(2.6)	(0.5)	(3.1)
Net rental income	67.1	10.6	77.7	57.6	13.3	70.9
Management fees	2.2	(0.9)	1.3	2.2	(0.9)	1.3
Administrative costs	(13.6)	(0.2)	(13.8)	(12.5)	(0.1)	(12.6)
Net finance costs	(13.8)	(2.9)	(16.7)	(15.4)	(3.2)	(18.6)
Other	–	–	–	–	(0.1)	(0.1)
EPRA earnings	41.9	6.6	48.5	31.9	9.0	40.9

The table below reconciles the movement in EPRA earnings in the year:

	£m	p
EPRA earnings 2015	40.9	6.6
Net rental income	6.9	1.1
Administrative costs	(1.2)	(0.2)
Net finance costs	1.9	0.3
EPRA earnings 2016	48.5	7.8

Net rental income

Net rental income increased 9.6% in the year to £77.7 million. Movements in net rental income are reflected in the table below:

	£m
Net rental income 2015	70.9
Like-for-like properties	15.1
Acquisitions	3.4
Disposals	(13.5)
Property costs	1.8
Net rental income 2016	77.7

There was significant growth in like-for-like rental income in the year which increased by £15.1 million due to the impact of acquisitions in the previous year, contributing additional income of £9.4 million and the completion of three large developments, contributing a further £5.0 million.

In addition, the Group increased its holding in the MIPP joint venture from 33% to 50% in the previous year resulting in additional income of £0.6 million this year.

Income lost as a result of disposals in the year of £13.5 million was offset in part by income of £3.4 million generated by acquisitions in the year.

Last year £1.6 million of development feasibility costs were written off and included within reported property costs.

After adjusting for these non recurring costs, property costs have fallen by £0.2 million or 13.3% compared with the previous year. This reflects lower vacant unit costs post disposals of Carter Lane and residential assets.

Administrative costs

Administrative costs have increased by 9.5% to £13.8 million after capitalising staff costs of £1.5 million (2015: £1.7 million) in respect of time spent on development activity in the year.

Total administrative costs including amounts capitalised increased by 7.0% or £1.0 million to £15.3 million, primarily due to an increased LTIP charge as each of the awards granted for the three years post merger are now being amortised.

EPRA earnings

£48.5m

Net rental income

£78m

Financial review continued

EPRA cost ratio

The Group's cost base is closely monitored and the EPRA cost ratio is used as a key measure of effective cost management.

	2016 %	2015 %
EPRA cost ratio including direct vacancy costs	17	19
EPRA cost ratio excluding direct vacancy costs	17	17

The EPRA cost ratio for the year, including direct vacancy costs, was 17% compared with 19% last year. The ratio reflects total operating costs, including the cost of vacancy, as a percentage of gross rental income. The full calculation is shown in Supplementary note iv on page 137.

Net finance costs

Net finance costs, excluding the costs associated with repaying debt and terminating hedging arrangements on sales and refinancing in the year were £16.7 million, a decrease of £1.9 million over the previous year.

This was due to a £1.8 million increase in interest receivable from forward funded development projects and an increase in capitalised interest on developments of £1.1 million, both offset by increased commitment fees on the unsecured facility and bank interest costs associated with higher levels of debt of £1.0 million.

Our interest rate exposure is hedged by a combination of fixed and forward starting interest rate swaps and caps.

At 31 March 2016, 93% of our debt was hedged. Independent advice is given by J C Rathbone Associates.

Share of joint ventures

EPRA earnings from joint venture investments were £6.6 million, a reduction of £2.4 million over last year as reflected in the table above.

For the year to 31 March	2016 £m	2015 £m
MIPP	4.0	3.4
Retail Warehouse	2.4	3.2
Distribution	–	2.6
Residential	0.2	(0.2)
	6.6	9.0

In addition, the Group received net management fees of £1.3 million for acting as property advisor, consistent with the previous year.

The Group's distribution joint venture disposed of its remaining asset in Harlow in June 2015 and its residential joint venture sold a further 25 flats at Moore House, London.

IFRS reported profit

A full reconciliation between EPRA earnings and IFRS reported profit is given in note 8(a) to the financial statements and is summarised in the table on page 33.

Despite an 18.6% increase in the year in EPRA earnings to £48.5 million, the Group's reported profit for the year was £82.7 million compared with £159.5 million last year. The £76.8 million reduction was primarily due to lower property valuation gains realised and a larger adverse movement in derivatives.

Medium and long term interest rates have fluctuated over the year falling to very low levels by year end thereby increasing our exposure to out of the money swaps.

Other movements in reported profit include the profit on sale of properties and associated debt and hedging break costs, which together totalled £1.6 million this year compared with £9.9 million last year. In the previous year the sale of offices at Carter Lane generated a profit on sale of £12.4 million.

The total profit over original cost on sales in the year was £37.9 million or 23% (2015: £51.1 million or 23%). Disposals are discussed in detail in the Investment review section of the Strategic report on pages 22 to 25.

EPRA cost ratio

17%

Cost of debt

3.5%

Financial review continued

The amortisation of the MIPP management contract, acquired on merger in 2013, continues to flow through the income statement and is reflected in other items in the table below which reconciles EPRA earnings with IFRS reported profit.

For the year to 31 March	Group £m	JV £m	2016 £m	Group £m	JV £m	2015 £m
EPRA earnings	41.9	6.6	48.5	31.9	9.0	40.9
Revaluation of investment property	51.1	(1.3)	49.8	112.4	6.0	118.4
Fair value of derivatives	(16.7)	(0.1)	(16.8)	(7.5)	(1.1)	(8.6)
Debt and hedging early close out costs	(0.1)	(0.4)	(0.5)	(3.9)	(0.1)	(4.0)
Profit/(loss) on disposal	2.4	(0.3)	2.1	13.4	0.5	13.9
Other items ¹	(0.4)	–	(0.4)	(1.1)	–	(1.1)
IFRS reported profit	78.2	4.5	82.7	145.2	14.3	159.5

¹ Other items include amortisation of intangible assets and deferred tax

EPRA net assets

£922m

Valuation gain

£50m

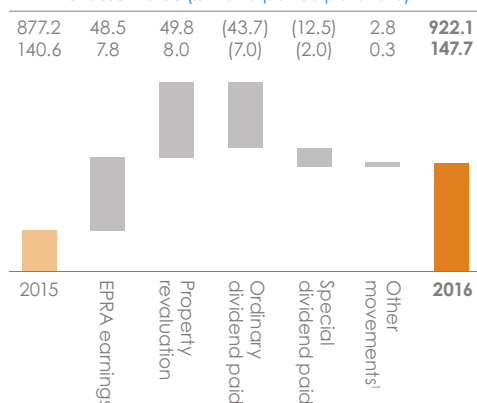
Balance sheet

EPRA net assets for the Group and its share of joint ventures are as follows:

As at 31 March	Group £m	JV £m	2016 £m	Group £m	JV £m	2015 £m
Investment property	1,346.2	174.7	1,520.9	1,164.1	236.3	1,400.4
Gross debt	(575.0)	(62.9)	(637.9)	(465.5)	(97.5)	(563.0)
Cash	42.6	4.1	46.7	50.6	13.0	63.6
Other net (liabilities)/assets	(11.7)	4.1	(7.6)	(20.6)	(3.2)	(23.8)
EPRA net assets	802.1	120.0	922.1	728.6	148.6	877.2

EPRA net assets increased in the year by £44.9 million or 5.1% to £922.1 million. On a per share basis, net assets increased by 7.1p, or 5.0%, to 147.7p. The movement in the year is summarised below.

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



The major contributor to EPRA NAV growth in the year was the £49.8 million valuation uplift. Our asset management and development activities accounted for 39.3% of yield compression.

The impact of the stamp duty increase to 5% on commercial property in March 2016 reduced the valuation uplift by £10.7 million.

EPRA earnings covered the ordinary dividend paid in the year. A special dividend was paid in July 2015 to distribute the realised gain on sale of offices at Carter Lane in the previous year.

¹ Other movements include amortisation of intangible assets, profit on sales and share-based awards

Financial review continued

IFRS reported net assets increased by £28.0 million or 3.2% in the year to £898.2 million. A reconciliation between IFRS and EPRA net assets is detailed in note 8(c) to the financial statements on page 118.

Portfolio valuation

The Group's portfolio including its share of joint venture properties grew to £1,520.9 million over the year, an increase of £120.5 million or 8.6%.

The core property portfolio of retail and distribution assets (including associated development) represented 91% of the total portfolio valuation at the year end compared to 90% in March 2015 as reflected in the following segmental analysis:

As at 31 March	2016 £m	2015 £m
Retail	543.8	567.8
Distribution	784.4	558.6
Offices	80.2	73.3
Residential	55.9	69.6
Development ¹	56.6	131.1
Property value	1,520.9	1,400.4

¹ Distribution £40.0 million; Retail £16.6 million

Investment in distribution assets, including those under development, has increased to 54% of the portfolio from 47% last year as reflected in Supplementary note ix on page 139.

We have retained our remaining office at Marlow and have continued to sell down residential assets.

Investment in development assets has fallen as three developments at Islip, Kirkstall and Warrington completed on schedule in the year and have been reclassified as investment assets.

The movement in the investment portfolio is explained in the table above.

	Portfolio value £m
Opening valuation 2015	1,400.4
Acquisitions	113.0
Developments	105.0
Capital expenditure on completed properties	14.5
Disposals	(193.2)
Revaluation	49.8
Lease incentives	31.4
Closing valuation 2016	1,520.9

Further detail on the split between Group and joint venture movements can be found in Supplementary note vii on page 138.

The Group's commitment to its development pipeline is evidenced by the significant spend in the year, which included £71.3 million on forward funded developments at Warrington, Wakefield, Ferndown, Liverpool and Leicester and £33.7 million on other developments, principally at Kirkstall and Islip. Three of these developments completed in the year.

The Group has continued to take advantage of the strong investment market to dispose of mature assets that have delivered their business plans and enabled us to recycle capital into big box logistics and smaller distribution units which offer attractive yields, strong rental growth prospects and asset management opportunities.

The disposal of 16 commercial and 26 residential assets in the year generated proceeds of £204.1 million at share and reduced the carrying value of property by £193.2 million.

Portfolio value

£1,521m

Distribution value

£824m

Financial review continued

Financing

Net debt on a proportionately consolidated basis at the year end was £591.2 million, a £91.8 million or 18.4% increase over last year. The proportionately consolidated key performance indicators used to monitor the Group's debt and liquidity position are shown in the table below.

As at 31 March	2016 £m	2015 £m
Gross debt	637.9	563.0
Cash	46.7	63.6
Net debt	591.2	499.4
Loan to value ¹	38%	36%
Cost of debt ²	3.5%	3.7%
Undrawn facilities	69.9	83.4
Average debt maturity	5.6 years	4.2 years
Hedging	93%	80%

¹ 2016 LTV includes £10.2 million of deferred consideration receivable on sales

² Cost of debt is based on gross debt and including amortised costs but excluding commitment fees

The Group and joint venture split is shown in Supplementary note iii on page 136.

The Group refinanced all of its existing secured debt facilities on 1 April 2015 except for its £196.2 million distribution facility with Helaba and its joint venture facilities. A new unsecured facility was agreed with a syndicate of five lending banks for an initial commitment of £400 million and five year term. The commitment was increased in November 2015 by £43.8 million and the term was extended by one year in March 2016.

The refinancing simplified the Group's debt arrangements and provides greater operational flexibility.

The Group's share of joint venture gross debt has fallen by £34.7 million or 35.5% since last year as a result of flat sales at Moore House, the distribution warehouse sale in Harlow and retail asset sales through the MIPP and Retail Warehouse joint ventures.

The MIPP debt facility with Deutsche Pfandbriefbank was reduced by £37.9 million (Group share: £19.0 million) to £87.1 million (Group share: £43.6 million), of which currently £10.0 million (Group share: £5.0 million) remains available to draw. The Retail Warehouse facility with M&G was reduced by £11.5 million (Group share: £3.5 million) following the sale of a DFS unit in Enfield.

Debt maturity and the average cost of debt both improved as a result of the Group refinancing at the beginning of the year and were 5.6 years (2015: 4.2 years) and 3.5% (2015: 3.7%) respectively at the year end.

Loan to value net of cash resources and deferred consideration on the sale of Odeon Preston which completed post year end was 38% (2015: 36%).

At 31 March 2016, 93% of our exposure to interest rate fluctuations was hedged. This reduces to 84% as existing undrawn facilities are fully utilised. During the year, we acquired forward starting swaps and swaptions to increase and extend the longer term hedging profile. We monitor interest rate movements and since the year end have bought down £66.3 million of legacy interest rate swaps to reduce our interest cost. This reduces our average debt cost to 3.3%.

The Group has complied throughout the year comfortably with the financial covenants contained in its debt funding arrangements.

Taxation

As the Group is a UK REIT, any income and capital gains from our qualifying property rental business are exempt from UK corporation tax. Any UK income that does not qualify as property income within the REIT regulations is subject to UK tax in the normal way.

We continue to monitor and comfortably comply with the REIT balance of business tests to ensure our REIT status is maintained.

Loan to value

38%

Undrawn facilities

£70m

Managing risk

The strategic priorities for the business continue to be the delivery of sustainable, progressive earnings and long term capital growth.

The Directors recognise that risk is inherent in running the business and therefore the associated risks must be understood and managed.

Board's role in the process

The Board is responsible for determining the nature and extent of the principal risks that the Company is willing to take in achieving its objectives. It undertakes a robust assessment of the principal risks facing the business at each meeting and has adopted a risk dashboard to assist this process. Its assessment covers a three year period, consistent with its statement on viability on page 37. Material issues are monitored so that key risks can be managed appropriately and new risks identified early on and action taken to remove or reduce their likelihood and any potential negative impact. Effective risk management has always been embodied within the culture of the business and decision making processes. In general the Board's appetite for risk is low where it prejudices its objectives being achieved.

Audit Committee's role in the process

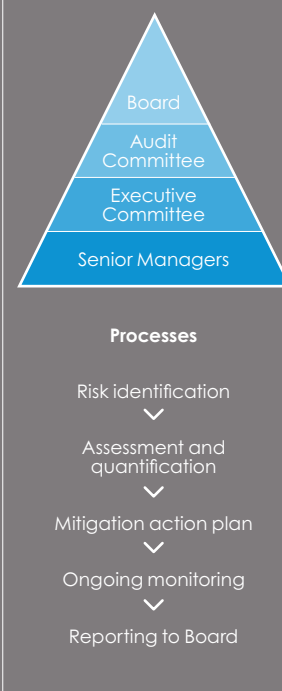
The Board has delegated responsibility for detailed assurance of the risk management process to the Audit Committee. The Audit Committee carries out a detailed review of the risk register and internal controls at least once a year to consider the effectiveness of the risk management and internal control processes and reports its findings to the Board. The risk register was last presented to and considered by the Audit Committee in March 2016.

Management's role in the process

A key part of the risk management process is the assessment of the impact and likelihood of risks occurring so that appropriate mitigation plans can be developed and implemented. The Executive Committee is responsible for the identification of risk and the design, implementation and maintenance of the systems of internal controls and is assisted by senior management in this process. The Company operates from one office location and has short reporting lines ensuring the Executive Committee's close involvement in day-to-day matters and enabling increasing risk to be identified quickly and appropriate responses to be put in place.

The risk register rates the significance and probability of each risk identified by management as having either a high, medium or low impact. Greater weighting is applied the higher the significance and probability of a risk. These weightings are then mathematically combined to produce an overall gross risk rating which is colour coded using a traffic light system. Specific risk management safeguards for each risk are identified, detailed and rated as strong, medium or weak with greater weighting applied the stronger the safeguard. The gross risk rating and strength of safeguards against that risk are then combined to produce a resultant overall net risk. Consideration is given to the implementation of further action to reduce risk where it is considered necessary. Finally each risk is allocated an owner and details of how the safeguards are evidenced is noted.

Risk management framework



Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Group over a period longer than the 12 months required by the 'Going Concern' provision. The Board conducted this review taking account of the Group's long term strategy, principal risks, current position and future plans and for a period of three years.

This period was chosen for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period. The business plan includes budgeted profit and cashflows and also considers dividend cover, loan to value, loan covenants and REIT compliance metrics. These are updated and reviewed at least quarterly against actual performance
- It reflects the short-cycle nature of the Group's developments and asset management initiatives. Three major developments completed this year at Islip, Kirkstall and Warrington. All three developments were completed within one year
- The average length of asset management initiatives involving significant reconfiguration of retail parks is under one year. All other committed developments in progress at the end of the year are expected to complete in 2016
- Three years is considered to be the optimum balance between long term property investment and the inability to accurately forecast ahead given the cyclical nature of property investment

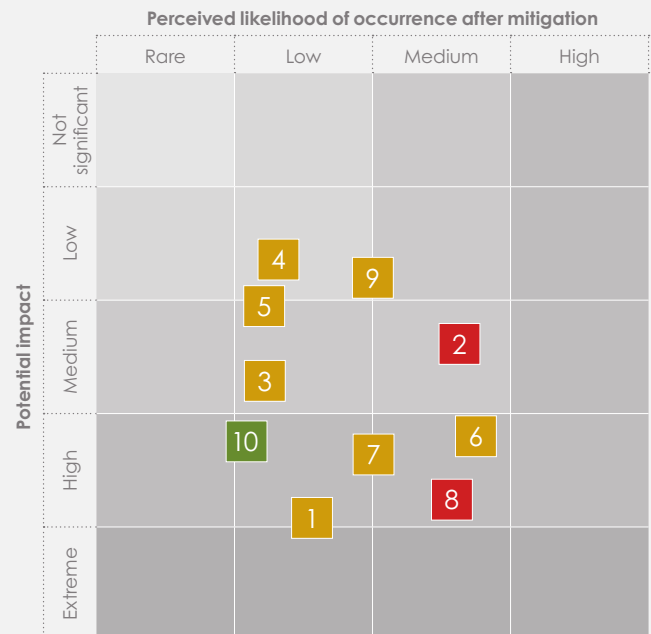
The business model is stress tested to validate its resistance to principal risks including changes to property valuations and associated asset yield curves, ERV growth, future labor and swap rates, committed capital expenditure and the ability to finance forecast transactions and refinance maturing debt.

The sensitivity analysis assessed the limits at which key financial covenants and ratios would be breached or deemed unacceptable. The modelling consists of a base case scenario which only includes deals under offer and also an assumed case which factors in reinvestment.

Based on the results of their review, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

The principal risks and uncertainties that affect the Company are those risks identified as having the potential to cause material harm to the business and its ability to execute the strategic objectives or exceed the Board's risk appetite. The risks identified and reported on pages 38 to 43 and matrix below are broadly the same as those reported at the last year end but have been categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting. The rationale for perceived increases or decreases in the risks identified are contained within the commentary for each risk category.

The matrix below illustrates the assessment of the impact and likelihood of principal risks identified.



● **The Board consider this risk has increased since last year:**

- 2 – Economic and political outlook
- 8 – Valuation risk









● **The Board consider this risk has remained broadly unchanged from last year:**

- 1 – Strategy
- 3 – Human resources
- 4 – Systems, processes and financial management
- 5 – Regulatory and tax framework
- 6 – Investment risk
- 7 – Development risk
- 9 – Transaction and tenant risk





● **The Board consider this risk has reduced since last year:**

- 10 – Capital and finance risk

Corporate risks

Risk, impact, appetite	How it is managed	Commentary
1 Strategy		
<p>That the Company has an unclear or unrealistic strategy for the current stage of the property cycle and economic climate</p> <p>Impact: Suboptimal returns for shareholders. The Company may not be able to take advantage of opportunities and effectively manage threats to its success. It may not be able to ensure that the people, resources and systems are in place to ensure ongoing success.</p> <p>Appetite: The Board views this as fundamental to the business and its reputation.</p>	<p>The Board review and update strategy and objectives on a regular basis adapting to changes in economic conditions and opportunities as they arise.</p> <p>The Executive Directors are closely involved in the day to day management of the Company which operates from one office location and has a relatively flat organisational structure making it easier to identify market changes.</p> <p>Management have an entrepreneurial approach and extensive experience in real estate particularly the retail sector.</p> <p>Research is commissioned into consumer shopping patterns and occupational markets to assist in strategic decisions.</p> <p>Financial forecasts are updated in light of strategic changes and reported to the Board and Executive Committee regularly. The Group has a rolling three year forecast.</p> <p>Management has a substantial investment in the Company and their interests are aligned with external shareholders.</p> <p>The Company's staffing plan is focused on experience and expertise necessary to deliver its strategy.</p>	<p>Portfolio repositioning has continued during the year towards big box logistics and smaller distribution warehouses.</p> <p>54% of the portfolio is in the Company's core distribution sector including 40% in retailer-led distribution, a strong performing sector with real prospects for rental growth and therefore capital growth due to a supply/demand imbalance.</p> <p>Delivery of three developments over 1.9 million sq ft of space in the year adding rent of £11.7 million per annum.</p> <p>Committed and pipeline development of 2.3 million sq ft is expected to add a further £16.1 million of rental income.</p> <p>EPRA like-for-like income growth was 3.1% over 55 lettings and rent reviews.</p> <p>These strong operational metrics supported another strong financial performance with EPRA earnings per share increasing 18% to 7.8p.</p> <p>Executive Directors hold 8.5 million shares between them and comfortably meet the Company's shareholding guidelines as shown on page 90.</p>
 No significant change from 2015		
 Investment review see page 22  Asset management and development review see page 26  Financial review see page 30  Governance see page 90		
 Increased risk from 2015  No significant change from 2015  Risk reduced since 2015	<p>The categorisation of and movement in the principal risks identified are consistent with the risk matrix reflected on page 37.</p>	

Corporate risks continued

Risk, impact, appetite	How it is managed	Commentary
2 Economic and political outlook		
<p>Economic and political factors may lead to a downturn or specific sector turbulence</p> <p>Impact: Poorer than expected performance, property values may fall, tenant demand and asset liquidity may reduce. Debt markets may be impacted.</p> <p>Appetite: Market conditions are outside of the Company's control.</p>	<p>Research is commissioned into economic matters and market volatility is monitored. The Company only invests in the UK and has little exposure to the London market.</p> <p>A significant proportion of the Company's portfolio is in a resilient asset class with a supply/demand imbalance.</p> <p>The Company has a high weighted average unexpired lease term reducing re-letting risk.</p> <p>The Company has a low vacancy rate due to its strict investment and development criteria. It also has a diversified tenant base. Acquisition due diligence considers tenant covenant strength.</p> <p>Developments and asset management initiatives are predominantly undertaken on a pre-let basis or geographically where a researched supply/demand imbalance exists.</p> <p>The Company has medium term, flexible funding with headroom in covenant levels and no reliance on sales.</p>	<p>Weighted average unexpired lease term of 12.8 years and EPRA vacancy rate of 0.7% are amongst the highest and lowest respectively in the industry.</p> <p>Distribution assets represent 54% of the portfolio. Current logistics supply equates to approximately six months' demand.</p> <p>88% of development expenditure in the year related to forward funded and pre-let opportunities.</p> <p>The Board is conscious of the uncertainty which surrounds the outcome of the European Referendum and the risks posed by it.</p> <p>The Board is confident that these risks are mitigated by the makeup of the portfolio with its strong focus on retailer-led distribution and convenience and out of town retail and that the strong portfolio and financial returns outlined in this report will provide protection in the form of a sustainable long term income return to investors whatever the outcome of the Referendum.</p>
<p> Increased risk from 2015  Asset management and development review see page 26</p>		
3 Human resources		
<p>An inability to attract, motivate and retain high calibre staff</p> <p>Impact: That the Company doesn't have staff with the right skills and experience to deliver its business plan.</p> <p>Appetite: The Board views it as vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change.</p>	<p>The Company maintains an organisational structure with clear responsibilities and reporting lines.</p> <p>The remuneration structure for staff is aligned to long term performance targets for the business with long term share based incentive arrangements in place.</p> <p>Senior management shareholdings in the Company are significant.</p> <p>Annual appraisals identify training requirements and assess performance.</p> <p>Specialist agencies are contracted where appropriate if there are perceived short term skills shortfalls.</p>	<p>The Chairman's contract was extended to 31 March 2017. Further consideration will be given to the position of Chairman during the course of the current year.</p> <p>The Company appointed an executive search company, the Zygos Partnership, to source potential Non Executive Director candidates for succession planning purposes. As a result of this search Andrew Livingston, Chief Executive of Screwfix, will replace Charles Cayzer on the Non Executive Board.</p> <p>Additional staff have been employed with development and logistics expertise given increased focus on these areas.</p>
<p> No significant change from 2015  Governance see page 68</p>		






Corporate risks continued

Risk, impact, appetite	How it is managed	Commentary
4 Systems, processes and financial management		
<p>Controls for safeguarding assets and supporting strategy are weak</p> <p>Impact: Inadequate asset security. Suboptimal returns and decisions made on inaccurate information.</p> <p>Appetite: The Board's appetite for such risk is low and management continually strives to monitor and improve processes.</p>	<p>There is a strong control culture within the Company.</p> <p>Systems security is in place, supported by a specialist advisor. Business continuity plans are up to date with adequate back up which is tested.</p> <p>Procedures are in place to ensure accuracy of the property database and data capture.</p> <p>Assets are safeguarded with appropriate levels of insurance.</p> <p>Appropriate segregation of duties and controls over financial systems are in place.</p> <p>Financial information is provided to management on a timely basis for approval and decision making purposes.</p> <p>Costs are controlled with procedures to ensure that expenditure is valid, properly authorised and monitored.</p>	<p>A new property database was implemented in the year which interfaces with the accounting system to provide up to date accessible information. The external auditors tested the integrity of the system which has been used to provide the key portfolio metrics in this report.</p> <p>The Audit Committee received and considered a report from management on the implementation of the new system in the context of internal control.</p>
 No significant change from 2015		 Audit Committee report see page 76
5 Regulatory and tax framework		
<p>Non compliance with legal or regulatory obligations</p> <p>Impact: Fines, penalties, sanctions and reputational damage which may impact investor demand in the Company. Potential loss of REIT status. Increased costs. Impact on re-letting potential of an asset.</p> <p>Appetite: The Board has no appetite where non compliance risks injury or damage to staff, tenants, assets, shareholders and reputation.</p>	<p>There is a clear focus on obligations under the Company's responsible business strategy and regulatory influences on the business such as Health and Safety, environmental, employment, anti-corruption related legislation and the UK Corporate Governance Code.</p> <p>Responsibility for specific obligations is allocated to individuals and overseen by the Executive Committee. External specialists provide advice and support. Staff training is provided.</p> <p>The Company is provided with external specialist tax advice.</p> <p>Compliance with REIT legislation is monitored on an ongoing basis for decision making purposes and reported.</p> <p>The impact of legislative changes is considered in strategic terms.</p>	<p>The Company has been affected by recent tax changes.</p> <p>The increase in the commercial rate of SDLT to 5% has impacted the whole real estate sector.</p> <p>The stamp duty increase reduced the portfolio valuation uplift in the second half of the year by £10.7 million.</p> <p>Changes in respect of the taxation of residential property, particularly the rate of SDLT has, in addition to economic factors, led to a slowdown in the London residential market to which the Company still has some exposure through a 40% joint venture interest in Moore House.</p> <p>The joint venture has continued to sell down flats with 25 being sold in the year bringing the total number of flats sold to 58.</p>
 No significant change from 2015		 Financial review see pages 32 and 33

Property risks

Risk, impact, appetite	How it is managed	Commentary
6 Investment risk		
<p>Investment opportunities cannot be sourced at attractive prices</p> <p>Impact: Ability to implement strategy and deploy capital into value and earnings accretive investments at risk.</p> <p>Appetite: The Board aims to keep this risk to a minimum but it is affected to a large degree by matters outside of its control. The Board's focus is on having the right people and funding in place to take advantage of opportunities as they arise.</p>	<p>The extensive experience of management and their strong network of connections provide insight into the property market and opportunities.</p> <p>Management's relationship with retailers and its ability to forward fund assets is an important factor in generating deal flow given that it is harder to find value in income generating assets due to yield compression in the market.</p>	<p>The Company acquired £187.6 million of property with a number of significant off market transactions.</p> <p>The yield arbitrage between acquisitions and disposals was 100 bps evidencing appropriate investment and divestment decisions.</p> <p>Opportunities to acquire assets let on long leases to strong covenants have reduced as yields have compressed. Better value opportunities have been identified with development and asset management potential that offer good income growth prospects.</p>
 No significant change from 2015		 Investment review see page 22
7 Development risk		
<p>Excessive capital is allocated to activities which carry development risk. Developments fail to deliver expected returns due to inconsistent timing with the economic cycle, adverse letting conditions, increased costs, planning or construction delays</p> <p>Impact: Poorer than expected performance.</p> <p>Appetite: The Board is willing to take some speculative development and planning risk if it represents a relatively small proportion of the total property portfolio and is supported by robust research in respect of demand and a high likelihood of planning approval.</p>	<p>The Company only considers short cycle and relatively uncomplicated development. Management have significant experience of more complex development.</p> <p>Exposure to developments and phasing of projects is considered as part of the quarterly financial forecasting process for the Board. The Company's overall level of exposure to development is low as a percentage of the total portfolio.</p> <p>Standardised appraisals and cost budgets are prepared for developments with regular monitoring of expenditure against budget to highlight potential overruns at an early stage. External project managers are appointed.</p> <p>The procurement process includes tendering and the use of highly regarded firms with track records of delivery to minimise uncertainty over costs.</p> <p>Developments are only undertaken in areas of high occupier demand and significant pre-lets are secured where possible before development work commences to de-risk projects.</p> <p>Where possible development sites are acquired with planning approval in place.</p>	<p>Development represents 4% of the portfolio at the year end compared with 9% last year.</p> <p>Delivery of three developments over 1.9 million sq ft of space in the year on schedule.</p> <p>Further developments in progress at Wakefield, Ferndown, Liverpool and Leicester are all due to complete on time and budget this year.</p> <p>Committed development at the year end totalled 1.1 million sq ft and was 72.3% pre-let.</p> <p>Short cycle development pipeline of 1.1 million sq ft.</p>
 No significant change from 2015		 Asset management and development review see page 28

Property risks continued

Risk, impact, appetite	How it is managed	Commentary
8 Valuation risk		
<p>Assets may fall in value</p> <p>Impact: Pressure on NAV growth and potentially loan covenants.</p> <p>Appetite: There is no certainty that property values will be realised. This is an inherent risk in the industry.</p>	<p>The property cycle is continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions.</p> <p>Property portfolio performance is regularly reviewed and benchmarked on an asset by asset basis.</p> <p>Focus is on income security. Lettings to high quality tenants within a diversified portfolio of well located assets and a high weighted average unexpired lease term reduces the risk of negative movements in a downturn.</p> <p>Acquisitions which have opportunities to enhance value by undertaking asset management initiatives and playing to the strengths of the asset management team and their connections are favoured as well as assets which are considered to be mis-priced.</p>	<p>The valuation uplift in the year was £49.8 million.</p> <p>Asset management and development activities accounted for 39.3% of yield compression.</p> <p>55 letting and rent review transactions generated an increase in like-for-like income of 3.1%.</p> <p>Delivery of developments on schedule and budget supported the valuation assumptions.</p> <p>Our top ten tenants contribute 52% of contracted rental income.</p>
<p> Valuations across the sector have reduced as a result of the increase in the rate of SDLT charged on commercial property from the date of the March 2016 budget.</p>		<p> Asset management and development review see page 26</p> <p> Supplementary note xvii see page 141</p>
9 Transaction and tenant risk		
<p>Property purchases are inconsistent with strategy. Inadequate due diligence is undertaken. Lettings are made to inappropriate tenants</p> <p>Impact: Pressure on NAV, earnings and potentially loan covenants.</p> <p>Appetite: The Board's appetite to risks arising out of poor due diligence processes on acquisitions, disposals and lettings is low.</p>	<p>Acquisitions are thoroughly evaluated by undertaking a detailed financial, legal and operational appraisal prior to Board approval.</p> <p>Asset management initiatives undergo cost-benefit analysis prior to implementation.</p> <p>External advisors are used to ensure appropriate pricing of lease transactions and to carry out acquisition due diligence.</p> <p>Tenant covenant strength and concentration are assessed for all acquisitions and leasing transactions.</p> <p>An experienced property management team work closely with tenants and consider action for slow payers.</p> <p>Rent collection is closely monitored and reported to the asset management team to identify potential issues.</p> <p>The Group has a diversified tenant base and limited exposure to individual occupiers in bespoke properties.</p>	<p>The Company has a very low level of tenant default within the industry and high occupancy levels.</p> <p>The EPRA vacancy rate at the year end was 0.7%.</p> <p>There were no trade debtors considered at risk at the year end.</p> <p>The tenant base has been further diversified during the year and the covenant strength of the top ten tenants has increased.</p> <p>The Board consider that fundamentally the occupational market is currently strong particularly for its core asset class.</p>
<p> No significant change from 2015</p>		<p> Supplementary note vi see page 138</p>

Financing risks

Risk, impact, appetite	How it is managed	Commentary
10 Capital and finance risk		
<p>The Company has insufficient funds and credit available to it</p> <p>Impact: Implementation of strategy is at risk.</p> <p>Appetite: The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. It accepts a low degree of market standard inflexibility in return for the availability of credit. The Board has some appetite for interest rate risk, loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.</p>	<p>Assets which have achieved target returns and strategic asset plans are sold. Cash flow forecasts are monitored closely to ensure sufficient funds are available to take advantage of investment opportunities and meet financial commitments.</p> <p>Relationships with a diversified range of banks and alternative lenders are nurtured and loan facilities regularly reviewed. The availability of debt and the terms on which it is available is considered as part of the strategy and analysis for each acquisition and development.</p> <p>Loan facilities incorporate covenant headroom, appropriate cure provisions and sufficient flexibility to implement asset management initiatives. Headroom is actively monitored and incorporated into forecasts. Non financial covenants are also closely monitored.</p> <p>Gearing levels are carefully considered and stress tested before entering into new arrangements. The Company maintains a modest level of gearing overall.</p> <p>The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process.</p> <p>Interest rate derivatives are used to fix or cap exposure to rising rates. Hedging recommendations are received from a specialist advisor.</p> <p>The Company has joint ventures with well funded partners particularly for larger transactions. Current joint venture arrangements have no significant foreseeable equity requirements.</p> <p>Joint venture partners are chosen with care to ensure that strategies are not misaligned which may impact asset value and liquidity.</p>	<p>Disposals of £204.1 million and acquisitions of £187.6 million were made in the year demonstrating our ability to recycle capital.</p> <p>The secured Helaba facility was refinanced in the prior year for a seven year term.</p> <p>The Company took advantage of a continuing improvement in the debt market and entered into a £400 million unsecured revolving credit facility to refinance its remaining balance sheet debt on 1 April 2015 for an initial five year term. This facility together with the Helaba facility provides greater operational flexibility and alignment with the real estate strategy. The facility also diversified the lending partners to the Company and has since been extended by a further year and the credit limit raised to £443.8 million. The facility can be increased by a further £56 million.</p> <p>At 31 March 2016, the Group had £593 million of derivatives in place covering 93% of total available debt including joint venture arrangements. Advantage has been taken of falling swap rates during the year and subsequently to improve the hedging profile following the unsecured loan refinancing.</p> <p>The Company complied with all financial covenants during the year.</p> <p>Increased diversification, scale and reduced interest rate costs under the new unsecured facility and hedging profile insulate the Company from credit risks associated with one off shocks from any single asset.</p>



Risk reduced since 2015



Financial review
see page 35

Our approach to Responsible Business

There has been increased legislative pressure on environmental issues and growing demand from investors for sustainability disclosure. We have worked hard to fully integrate Responsible Business policies and procedures across our core business activities.

Our approach to Responsible Business

Our Responsible Business Policy was first published in 2014 following a detailed review of the sustainability risks and opportunities which are most material to our business.

Our Responsible Business Strategy sets out our sustainability priorities across four core business activities:

- (i) our business operations
- (ii) our property investments
- (iii) property development
- (iv) asset management

It is supported by the foundations of good risk management.

Key targets are set for each of our sustainability priority areas on an annual basis. The delivery of these targets is overseen by our Executive Committee and progress is monitored on a quarterly basis through our Responsible Business meetings, attended by key representatives from across the business. We also receive support from our external real estate sustainability advisors.

Responsible Business training is carried out across all employees annually to make sure we effectively deliver on our targets and continue to optimise our Responsible Business approach.

We actively engage with stakeholders (investors, JV partners, occupiers, communities and local authorities) on Responsible Business themes and relevant materials are included in investor roadshows.

Importance of Responsible Business

- Critical to managing sustainability risks
- Important in generating sustainable value from our portfolio and enhancing profitability
- Helps us to mitigate any potential long term risks posed by less resource efficient assets
- Enables us to successfully and sustainably deliver on our developments
- Promotes excellent stakeholder relationships and assists them in delivering on their own responsible business objectives



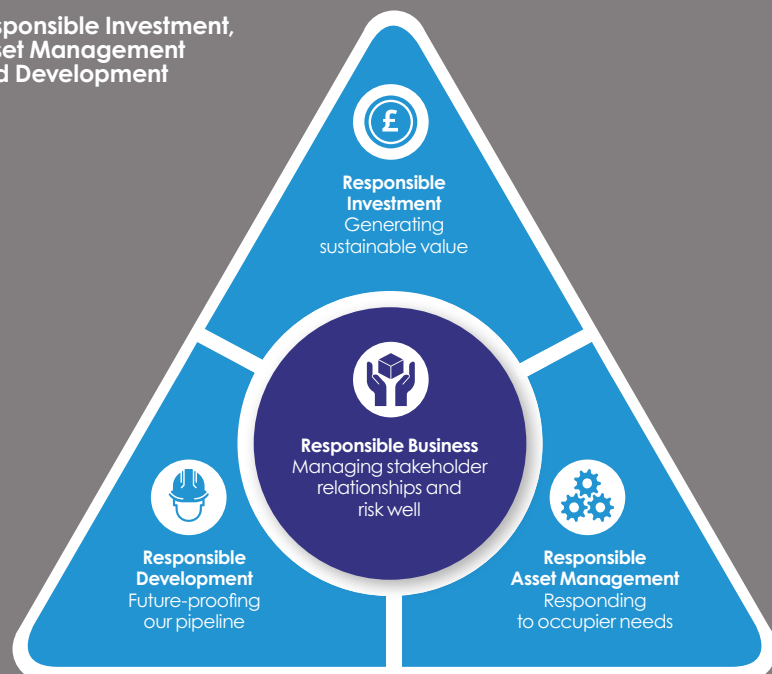
Beyond driving our own sustainability performance, the work we put in to meet our annual targets allows us also to continue to meet our stakeholders' advancing expectations.

Martin McGann
Finance Director



For the full Responsible Business 2016 report see www.londonmetric.com

Responsible Investment, Asset Management and Development



Key achievements in the year

During the year, we built on our significant progress from the previous year. In particular we expanded our Responsible Business efforts through the introduction of our new Responsible Business Procurement Policy with contractors and suppliers and rolled out processes to better measure occupier contentment through the introduction of a satisfaction survey. The successful rolling out of our Responsible Business Strategy has allowed us to significantly improve our GRESB performance and achieve an EPRA sustainability BPR Gold award.

EPRA sBPR Gold award and significantly improved GRESB score



See page 47

Targets 2015/16

94% achieved

One remaining target partially achieved and good progress made

See the full Responsible Business 2016 Report

Independent tenant satisfaction survey undertaken



See page 49

EPCs on unknown assets completed; 100% of assets rated 'E' or above

100%

See page 49

BREEAM Very Good certification on 1.9m sq ft of developments



See page 48

Solar PVs installed

536 kw



See page 49

Full Health & Safety policy roll out across corporate and development projects



See page 52

Established Responsible Procurement Policy and development contractor checklist on projects



See page 48

Initiated external lighting LED replacement programme across retail warehouse portfolio



See page 49

Commenced collection of tenant energy usage and monitoring of performance on completed developments



See page 49

Community and Charities Working Group formalised and initiatives commenced



See page 50

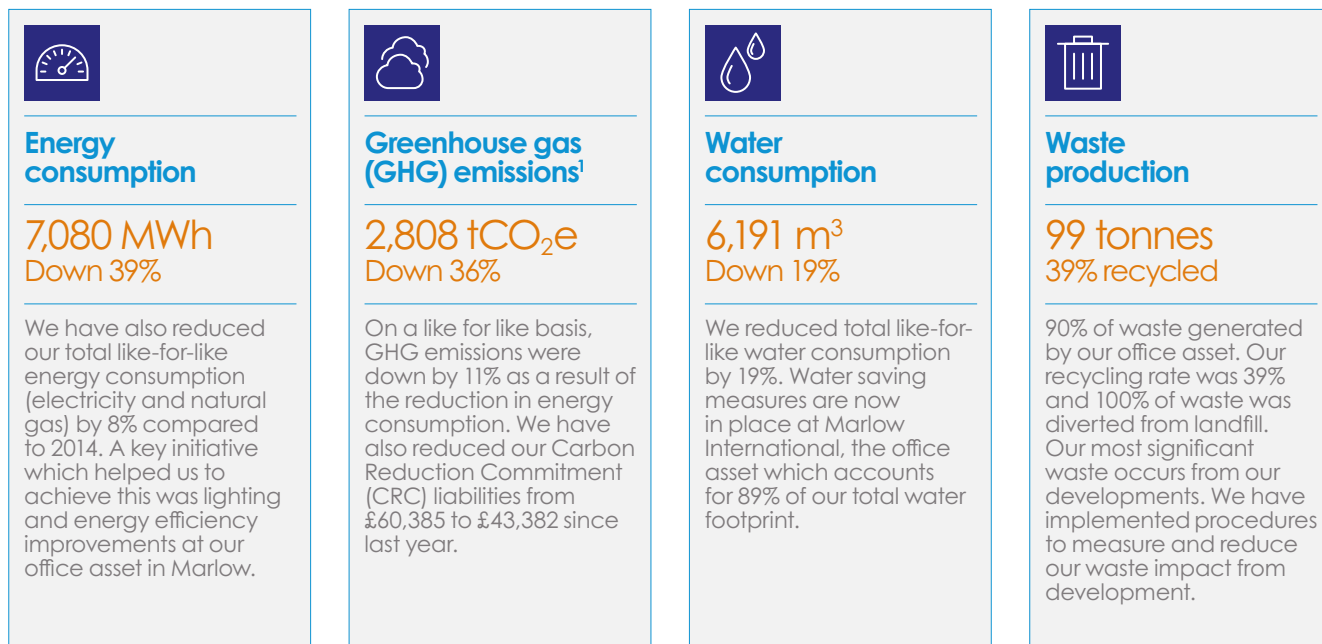
Carbon footprint reduced by 11%

-11%
on a like-for-like basis

See page 46

Performance highlights

In 2015, we established a baseline and benchmarks for measurement of the environmental performance of our portfolio. Since then we have significantly reduced our utilities consumption and GHG emissions, enabling us to save around £283,000 in costs.



¹ Scope 1, 2 and 3 emissions

Mandatory GHG emissions reporting

		Year to 31 March 2016	Year to 31 March 2015
Direct greenhouse gas emissions in tonnes of CO ₂ e (combustion of fuel and operation facilities)	Scope 1	491	979
Indirect greenhouse gas emissions in tonnes of CO ₂ e (purchased electricity, heat, steam and cooling)	Scope 2	1,049	1,796
Total carbon footprint in tonnes of CO ₂ e	Scope 1 & 2	1,540	2,775
Scope 1 and 2 intensity (tonnes of CO ₂ e per £m net income after administration costs)		28	59

Data qualifying notes

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

We have used the main requirements of ISO14064 Part 1 and the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) for our methodology, using energy consumption data from our owned and occupied properties. We have chosen to report greenhouse gas emissions under our operational control. These sources fall within our consolidated financial statements. We do not have responsibility for any emissions sources that are not included in our consolidated financial statements.

Emissions factors are taken from the latest UK Government (DEFRA) conversion factors for company reporting (2015).

Data for the year to 31 March 2015 has been restated, including associated intensity metrics, as additional energy consumption data has been obtained since the previous report was published.

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

Recognition of our greater focus on sustainability

We have now fully integrated Responsible Business policies and procedures across our core business activities.

The significant improvement in our sustainable performance and practices made last year was rewarded this year when we received an EPRA sBPR Gold award for environmental performance reporting as well as a substantially improved GRESB score, proving that two leading industry bodies recognise the soundness of our Responsible Business approach.



Sustainability Best Practices Recommendations (sBPR)

- Framework for reporting standardised environmental data
- For first time in 2015, we reported in a format required by the EPRA sBPR
- One of only ten listed UK companies to receive a Gold award
- Received special commendation for improvement made

FTSE4Good assessment

- Reviewed results of 2014/15 assessment prior to 2015/16 re-assessment
- Took actions in 2015 to respond to FTSE4Good's findings and make more information publicly available
- Updated assessment will be published in June/July 2016
- A significant improvement in score is expected for next year



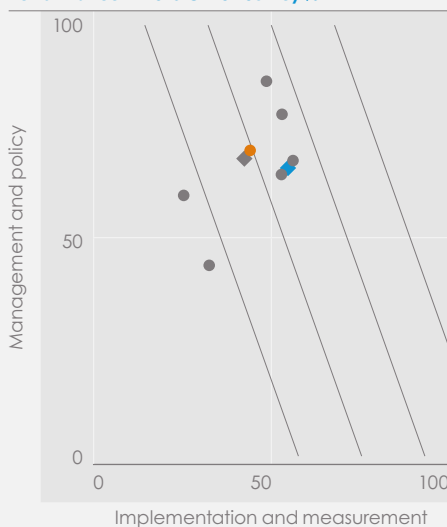
Global Real Estate Sustainability Benchmark (GRESB)

- Achieved 50% score in 2015 survey
- Up from 34% in 2014
- Two points short of achieving green star status
- Gap analysis undertaken to enable further improvements in the 2016 survey

Global Real Estate Sustainability Benchmark 2015

50%
(2014: 34%)

Performance in 2015 GRESB Survey %



- This entity
- Peer group average
- Peer group
- GRESB average

Responsible Development

Managing risks and future-proofing our assets



Development is an increasingly important activity and a key area of sustainability risk and opportunity for LondonMetric. Creating desirable real estate is fundamental to our business, and we strive to develop assets that are compliant with the evolving financial, environmental and social requirements of our occupiers.

High environmental standards

The majority of our new build projects are designed to meet BREEAM Very Good as the minimum sustainability certification standard.

In 2015, we achieved three BREEAM Very Good certifications. In addition, we integrated a range of sustainable features, including solar panels and cycle parking.

Active supply chain management

Responsible Procurement Policy

Supply chains are coming under increased scrutiny and, in 2015, we developed a procurement policy to ensure that our supply chain and our procurement practices meet good practice standards and deliver social and environmental benefits.

Responsible Development Checklist

All of our contractors are obliged to adhere to our development checklist, which sets minimum requirements for working on our development projects and include:

- Requirements for on-site Health & Safety management
- Compliance with the Considerate Constructors Scheme
- Environmental impact monitoring
- Management and reporting of progress against the checklist
- Promoting employment opportunities for local people and fair remuneration

UK's Modern Slavery Act

The UK's Modern Slavery Act was introduced in 2015 and our development checklist stipulates requirements for

upholding human and labour rights within supply chains (see page 52).

Monitoring our contractors

Having implemented our development checklist on all new projects, we are now focusing on ensuring that contractors are meeting our requirements.

Benefits for local communities

Our developments typically involve local contractors and suppliers. Once developments are complete and operational, our tenants employ locally-based employees for their retail stores or distribution warehouses. Our developments, therefore, generate significant employment and economic benefit to the local area.

We engage extensively with the local community, in particular councils and local organisations to ensure that proper consideration is given to the local area, its needs and opportunities for local jobs and apprenticeships. By way of example, this engagement supported the successful outcomes seen at our Kirkstall development (see page 51).

Future plans

We will focus on ensuring that our Responsible Development Requirements are effectively implemented and our developments continue to include environmental sustainability aspects.

We will also continue to support local job creation and the use of local suppliers to ensure that economic benefits accrue to the communities near our developments.



We created the Responsible Procurement Policy and Responsible Development Checklist expanding our sustainability efforts throughout our supply chain with our contractors and suppliers.

Tom Pinder
Responsible Business



Responsible asset management and development
see page 29 for further details

BREEAM Very Good achieved on 1.9m sq ft

BREEAM Very Good expected on 0.9m sq ft by December 2016

Responsible Investment and Asset Management

Sustaining value for our business and our tenants



We aim to invest in assets that have enduring occupier appeal and ensure that material sustainability risks and opportunities are integrated into the way we acquire and sell assets. We work in partnership with occupiers to undertake mutually beneficial asset management opportunities and mitigate any material risks.

Responsible Investing

Material sustainability risks are addressed and considered throughout the investment cycle.

Pre-acquisition due diligence and decision making process include risk assessment criteria for:

- Energy efficiency and energy costs, and CRC liabilities
- EPC risks, flooding and other extreme weather events

Preparation for sale:

- Following a complete portfolio review of EPC ratings, all our assets now have EPCs with ratings of E or above
- We include key sustainability information into our asset marketing materials

To support the effective implementation of sustainability risk management, we deliver training to our investment and asset management teams on an annual basis.

Responsible Asset Management

As part of our asset management activity we focus on:

- Monitoring and targeting improvements in the environmental performance of our assets
- Ensuring that our managing agents implement our policies and procedures properly
- Active engagement with our tenants, including on matters relating to sustainability

Our key Responsible Asset Management activities in the year consisted of:

1. Regulatory compliance

We are actively maintaining compliance and managing risks associated with key regulatory drivers. In 2015, we achieved further improvements against key environmental indicators, minimised our EPC risk; met our obligations under the CRC Energy Efficiency Scheme and carried out audits across our portfolio in accordance with the Energy Savings Opportunity Scheme (ESOS).

2. Energy and cost savings

With external car park lighting accounting for a significant part of our energy and carbon footprint, we are initiating an LED lighting upgrade in car parks across up to ten retail parks which would deliver over £20,000 of energy cost savings per year for our tenants through a 65% reduction in lighting energy requirements (equivalent to annual energy savings of 187,740 kWh). The expected payback period for the investment is approximately six years.

3. Tenant engagement

- Feasibility studies on and installation of renewable energy, for example at our Coventry Retail Park and Islip development
- Independent tenant Satisfaction Survey (see page 27)
- Collection of environmental data on completed projects

Future plans

In 2016 and beyond we have set targets to further improve our assets' environmental performance and to engage with tenants to help them to mitigate their environmental risks.

EPCs on unknown assets completed; 100% of assets rated E or above

100%

Car park lighting

65%

energy reduction expected from ten of our retail parks

Solar PV installed

536 kw



For the full Responsible Business 2016 report see www.londonmetric.com

Our communities and charitable commitments

We recognise the importance of supporting our local communities. Our activities bring significant benefits to local areas and we see engagement with all stakeholders as crucial to maximising these benefits. Our responsibilities also extend to supporting local causes and encouraging our employees to be community minded.

Benefiting local communities through our activities

We work in close partnership with our occupiers to deliver real estate that helps to fulfil modern shopping requirements. These activities benefit local communities in a number of ways, primarily through:

- Investment and construction jobs in the local area through our asset management and development activities; the fit out work of our retailers also brings local job creation
- Creation of desirable shopping destinations which provide amenities, diverse retail offerings and convenient shopping locations that will remain vibrant for the long term
- Long term commitment of our retailers, who typically sign 10-15 year leases bringing long term employment to the local area

Engaging with local communities

In undertaking our activities we understand the importance of engaging with local stakeholders including planning authorities, local councils and highways, local residence and business, employment organisation and charities.

On each of our assets, through our procurement and development policies we require that our suppliers and contractors source locally and have proper regard for local communities. We encourage our occupiers to also employ locally.

During the year, we supported community causes local to our assets, including:

- Sponsorship of Coventry's participation at the International Children's Games
- Contributing towards improving sports facilities in Islip, Northamptonshire
- Maintaining our support of the annual community festival in Kirkstall, Leeds

Community and charity minded company

During the year, we formed a Communities and Charity Working Group to formalise our approach to community activities and charitable giving.

Future plans

As well as continuing our local community engagement, we will publish a communities policy over the next year to help us achieve a number of charity objectives:

- Increased targeted giving to community causes local to our assets
- Support of LandAid events and one employee-led charity event per annum
- Matching by LondonMetric of employee charity giving and work
- Encouragement of pro bono work and employee volunteering

New leases signed with 21 occupiers bringing long term local employment across 15 locations



£20,000 total charitable contributions in the year



New Communities and Charity Working Group set up



LondonMetric charity cycle challenge arranged for June 2016

Communities and charitable commitments

Kirkstall Bridge Retail Park, Leeds



Overview

- 120,000 sq ft development
- 19 retail stores
- Officially opened 30 October 2015
- BREEAM Very Good
- Retailer fit out guide implemented
- Commenced tenant energy data collection



There are so many great things happening across Kirkstall and this new shopping park is a fantastic addition.

Rachel Reeves
Leeds West MP

Community engagement

- Charity collaboration with Re'New on staff recruitment
- Fifth year of sponsorship of the Kirkstall Festival
- Volunteering and pro bono work by LondonMetric

Job creation and training

- Training opportunities, work experience placements and four apprenticeships
- c.200 permanent jobs created from the opening of a number of retailers including M&S, Costa, Smyths Toys, Iceland, Home Bargains, Outfit and JD Sports



Incorporating heritage

As part of the development, we commissioned several items to celebrate the history of the area, including a clock tower, a heritage board and a commemorative board for the Abbey Light Railway.

The four metre high glass clock tower was designed to celebrate Kirkstall's rich industrial history including the blanket making and textile fulling work.

Accessible to all

- Significant road and access improvements with parking for 356 cars
- Replaced and enhanced bus stop with Real Time Information (RTI) displays providing an improved waiting environment
- Introduction of cycle parking links and pedestrian routes connecting surrounding areas
- Green travel plan designed and implemented into the scheme



Our people, Health & Safety and human rights

We aim to create safe and healthy workspaces for both our employees at our main office as well as the construction workers on our development sites. We work with our contractors to ensure our construction sites are operated in a safe and healthy environment. We also support our employees internally by providing a healthy and productive workplace.

Our people

Staff development, satisfaction and wellbeing is equally important to our business; we aim to attract, retain and motivate high performing individuals, and recognise the importance of employee wellbeing in achieving this aim. We actively promote healthy living and also encourage volunteering and sponsorship activities to support charitable causes.

Health & Safety

In 2015 we updated our Health & Safety policy. The policy is designed to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, operational processes and safe systems of work to cover all of our activities.

In addition, the Company aims to ensure that Health & Safety is properly considered for all non-employees including visitors and contractors to the Company's premises and managed properties.

Human rights and the UK Modern Slavery Act

As a Company located and operating solely in the UK, our exposure to human rights risks – including modern forms of slavery – is very limited.

Our Remuneration Policy demonstrates our commitment to transparent and fair remuneration for all employees.

In order to reduce exposure to slavery and human trafficking within our supply chain, we specifically address these important areas in our Responsible Procurement Policy and Responsible Development Requirements Checklist.

We require our contractors to adhere to a number of standards including: paying a fair wage to their workers, respecting Human Rights and Labour Rights Legislation, and investigating their own supply chains for slavery and human trafficking. For each development, contractors are expected to provide, on request, evidence that they meet these requirements.

No human rights concerns have arisen within our direct operations or our supply chain during 2015/16.

Future plans

We will continue to promote staff satisfaction and wellbeing, and monitor compliance with our procedures for Health & Safety and human rights.

Employee gender diversity

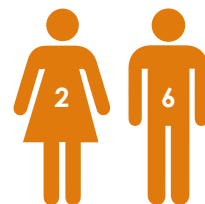
Directors

The number of persons of each sex who were Directors of the Company:



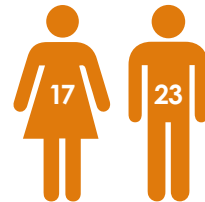
Senior Managers

The number of persons of each sex who were senior managers of the Company (other than identified as Directors):



Employees

The number of persons of each sex who were employees of the Company:



For the full Responsible Business 2016 report see www.londonmetric.com

Governance

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Introduction from the Chairman



Patrick Vaughan
Chairman

Statement of Compliance

The Board has considered the Company's compliance with the main principles and provisions of the UK Corporate Governance Code (the 'Code') published by the Financial Reporting Council in September 2014, publicly available at www.frc.org.uk. The Board considers that the Company has complied with the main principles set out in the Code throughout the year under review and to the date of this report.

The Board remains committed to upholding the high standards of corporate governance that underpin the successful management of the business and its long term success.

Good governance is embedded into the way we manage the business to create a culture of appropriate decision making, risk assessment and transparency at all levels in the organisation.

The high level of involvement of the Executive Directors in the day to day business operations promotes good governance practices beyond the Boardroom, supporting the successful delivery of strategic objectives.

The Corporate Governance report which follows demonstrates how the Board is committed to the principles and provisions of the UK Corporate Governance Code (the 'Code').

This year the Nomination Committee led an internal Board evaluation having undertaken an externally facilitated evaluation last year. All Directors were required to complete a questionnaire which focused on the key components of good governance and effective performance and the findings were collated and reviewed. The results of the evaluation were very positive and concluded that the individual Directors, the Board and its Committees continue to operate effectively.

The Audit Committee has considered the mandatory changes made this year to the Code in respect of the ongoing review and evaluation of risk and has introduced as an agenda item at every Board meeting a risk dashboard which highlights changes in the Group's exposure to current and emerging risks and the mitigation thereof.

The Audit Committee has also challenged the going concern principal underlying the preparation of these accounts and considered the level of stress testing undertaken by management in order to report on the Company's longer term viability.

Regular and open dialogue and communication with investors is a key priority for the Executive Board. During 2016 the Executive Directors met with over 200 shareholders, fund managers, private wealth investors and other interested parties to communicate the Company's strategy and performance.

Board leadership and succession planning have been areas of particular focus this year as the length of service of certain Non Executive Directors may soon be considered to compromise their independence. A specialist search agency was appointed and prepared a shortlist of candidates with the requisite skills and experience for interview. I am delighted to report that as a result of this exercise Andrew Livingston has been appointed to replace Charles Cayzer who will be retiring as a Non Executive Director of the Board in September 2016. The Board would like to thank Charles for his commitment and valuable contribution to the Company over the last six years.

The Remuneration Committee has, once again, had a busy year in their efforts to maintain a fair reward structure that adequately incentivises and retains the valued Executive team to deliver long term growth and success.

The Committee reviewed the variable elements of remuneration and has made some amendments to the implementation of the Remuneration Policy for next year following consultation with leading shareholders. No changes to the Policy are proposed for the year ahead and a full review will be undertaken in advance of the next mandatory Policy vote in 2017.

Patrick Vaughan
Chairman
1 June 2016

Governance at work

The Board seeks to promote and embed a culture of good governance into its daily activities and continues to uphold the principles of good governance by adhering to the requirements of the UK Corporate Governance Code. The Board is collectively responsible to the Company's shareholders for creating and delivering the long term success of the business. This report sets out the Company's governance policies and practices and explains how it complies with the four main provisions of the Code.

Leadership

See pages 58 – 62



The Board provides leadership either directly or through the operation of its Committees. In doing so Directors have regard to the interests of the Company's shareholders and employees, the impact on the Communities within which it operates and the environment.

The Board has considered the length of service of Non Executive Directors and commissioned Zygos, a specialist search agency, to prepare a shortlist of candidates with the requisite skills and experience to start to refresh the Board.

Andrew Livingston, Chief Executive of Screwfix, has been appointed to the Non Executive Board, replacing Charles Cayzer who will retire in September 2016.

Effectiveness

See pages 63 – 68



The Board sets the Group's strategic objectives and approves and monitors performance against budgets and forecasts.

An external Board evaluation exercise was undertaken by Law Debenture last year.

In February 2016, an internal performance review was undertaken which involved completing a questionnaire, collating the results and follow up review and debate.

Findings were positive and concluded that the Board and its Committees continue to operate effectively.

Accountability

See pages 69 – 77



The Board is responsible for establishing and maintaining the Group's system of risk management and internal controls and has delegated responsibility for reviewing its effectiveness and compliance with the new provisions of the Code to the Audit Committee.

Following revisions to the Code in 2014 the system of reporting and reviewing risks at Board level has been considered and improved with the introduction of a risk dashboard as an agenda item at each Board meeting.

The Audit Committee has considered and challenged the process followed to allow the Board to make the statement on the Company's longer term viability as required by the Code.

The Executive Directors have met with, and presented to, over 200 investors and analysts throughout the year.

Remuneration

See pages 78 – 95



The role of the Remuneration Committee is to determine and maintain a fair reward structure that incentivises Directors to deliver the Group's strategic objectives whilst maintaining stability in the management of its long term business.

Although there are no changes proposed to the Remuneration Policy for the year ahead, the Committee carried out a thorough review of the variable elements of remuneration and concluded that some

amendments to the implementation of the Policy for the next financial year were necessary to maintain an appropriate level of retention and incentive for the highly regarded Executive Director team.

The Committee considered it important to maintain an open and timely dialogue with shareholders and wrote to them in February 2016 to explain the rationale for the amendments. Shareholders were supportive of the changes proposed.

Board of Directors



Valentine Beresford

Martin McGann

Andrew Jones

Patrick Vaughan

Mark Stirling

Patrick Vaughan Chairman

Appointed 13 January 2010

Skills and experience Patrick has been involved in the UK property market since 1970. He was a co-founder and CEO of Arlington, of Pillar, and of London & Stamford, leading all three of the companies to successful listings on the FTSE main market. Upon completion of London & Stamford's merger with Metric in January 2013, he was appointed Chairman, becoming Non Executive Chairman on 1 October 2014. Patrick also served as an Executive Director of British Land 2005 to 2006, following its acquisition of Pillar.

Other appointments None

Board Committees Nomination Committee

Valentine Beresford Investment Director

Appointed 3 June 2014

Skills and experience Valentine was co-founder and Investment Director of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. He joined the Board of LondonMetric on 3 June 2014 as Investment Director. Prior to setting up Metric, Valentine was on the Executive Committee of British Land and was responsible for all their European retail developments and investments. Valentine joined British Land in July 2005, following the acquisition of Pillar, where he also served on the Board as Investment Director.

Other appointments None

Board Committees Executive Committee

Andrew Jones Chief Executive

Appointed 25 January 2013

Skills and experience Andrew was a co-founder and CEO of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. On completion of the merger, Andrew became Chief Executive of LondonMetric. Andrew was previously Executive Director and Head of Retail at British Land. Andrew joined British Land in 2005 following the acquisition of Pillar where he served on the main Board.

Other appointments Non Executive Director of The Unite Group Plc

Board Committees Executive Committee

Mark Stirling Asset Director

Appointed 3 June 2014

Skills and experience Mark was co-founder and Asset Management Director of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. He joined the Board of LondonMetric on 3 June 2014 as Asset Management Director. Prior to the setting up of Metric, Mark was on the Executive Committee of British Land and as Asset Management Director was responsible for the planning, development and asset management of the retail portfolio. Mark joined British Land in July 2005 following the acquisition of Pillar where he was Managing Director of Pillar Retail Parks Limited from 2002 until 2005.

Other appointments None

Board Committees Executive Committee

Martin McGann Finance Director

Appointed 13 January 2010

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

Other appointments None

Board Committees Executive Committee

Charles Cayzer Senior Independent Director

Appointed 29 July 2010

Skills and experience Charles has considerable experience of merchant banking, commercial banking and corporate and project finance from his career at Baring Brothers, Cayzer Irvine and Cayzer Limited and was appointed a Director of Caledonia Investments in 1985.

Other appointments Non Executive Director of Caledonia Investments plc and Chairman of The Cayzer Trust Company Ltd and The Sloane Club

Board Committees Nomination Committee (Chairman), Audit Committee and Remuneration Committee

Board of Directors continued



Charles Cayzer

Alec Pelmore

Rosalyn Wilton

James Dean

Andrew Varley

Philip Watson

Alec Pelmore

Independent Director

Appointed 25 January 2013

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

Other appointments Member of the Supervisory Board of Unibail-Rodamco SE

Board Committees Nomination Committee and Audit Committee

Andrew Varley

Independent Director

Appointed 25 January 2013

Skills and experience Andrew joined the Board of Metric at the Company's inception in March 2010. He was Group Property Director and an Executive Director of Next from 1990 until his retirement in May 2014, with the responsibility for property, franchise, corporate responsibility and code of practice related issues. His previous experience includes 12 years in retail and commercial property. From 1999 to 2007, Andrew was a Non Executive member of the British Heart Foundation's Shops Committee.

Other appointments None

Board Committees Audit Committee and Remuneration Committee

Rosalyn Wilton

Independent Director

Appointed 25 March 2014

Skills and experience Rosalyn was appointed to the Board of LondonMetric in March 2014, becoming Chairman of the Audit Committee in March 2015. Until 2009, Rosalyn was Chairman of Ipreo Holdings LLC, the US-based financial data and solutions group formed following the merger of i Deal LLC and Hemscoff Group Ltd. Prior to this, she worked for Reuters Group where she was a member of the Executive Committee. Rosalyn has held a number of Non Executive Directorship positions, most recently with AXA UK Limited, until September 2015, where she acted as Chair of the Risk Committee and Optos Plc, where she was Chair of Remuneration. She has previously served as a Senior Advisor to 3i Investments and Providence Equity Partners.

Other appointments Trustee of the University of London, Vice Chair of the Harris Federation and Chair of Governors of Harris Girls Academy

Board Committees Audit Committee (Chairman)

James Dean

Independent Director

Appointed 29 July 2010

Skills and experience James is a Chartered Surveyor and has worked with Savills plc since 1973, serving as a Director from 1988 to 1999.

Other appointments James is a Non Executive Director of Branston Holdings and Chairman of PearlCrown Ltd, London & Lincoln Properties Ltd and Patrick Dean Ltd

Board Committees Remuneration Committee (Chairman)

Philip Watson

Independent Director

Appointed 25 January 2013

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

Other appointments Chief Investment Officer and Director of Mirabaud Asset Management Limited

Board Committees Nomination Committee and Remuneration Committee

Andrew Livingston

Independent Director (not pictured)

Appointed 31 May 2016

Skills and experience Andrew was appointed to the Board on 31 May 2016. He has been the Chief Executive of Screwfix since 2013 where he was previously the Commercial and Ecommerce Director from 2009 to 2013. Before joining Screwfix, Andrew was Commercial Director at Wyevale Garden Centres between 2006 and 2008 and then Chief Operating Officer between 2008 and 2009. Andrew has worked previously at Marks & Spencer, CSC Index and B&Q where he was Showroom Commercial Director from 2000 to 2005.

Other appointments Chief Executive of Screwfix Direct Limited and Director of Vedoneire Limited

Board Committees Audit Committee

Leadership



The Role of the Board

The Board is collectively responsible to its shareholders for the long term success of the business. It seeks to achieve this through effective leadership, strategy development and delivery, and the management and control of its resources and inherent risks.

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

Each of the Non Executive Directors, other than the Chairman, is considered by the Board to be independent. Committees comprise only independent Non Executive Directors, other than the Nomination Committee as permitted by the Code. The Board's composition throughout the year met the Code's requirement that at least half of its members, excluding the Chairman, are independent Non Executive Directors.

Board Committees

The Board has three Committees of Non Executive Directors to which it has delegated a number of its responsibilities; the Audit, Remuneration and Nomination Committees. The Committees ensure a strong governance framework for decision making and each operates within defined terms of reference which are reviewed annually by each Committee and the Board and which are available on written request and on the Company's website: www.londonmetric.com.

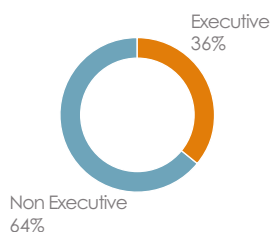
The Audit and Remuneration Committees are composed entirely of Independent Non Executive Directors. The Nomination Committee includes the Chairman who is not considered to be independent but his attendance is permitted by the Code. The Company Secretary acts as secretary to each Committee. The Chairman of each Committee reports the outcome of meetings to the Board.

The Executive Committee meets monthly to discuss property investment, development and asset management activities, financial and operating targets and performance and the management of the business and its staff. There are informal meetings between the Executive Directors at other times and they are involved in all significant business discussions and decisions due to the size of the organisation.

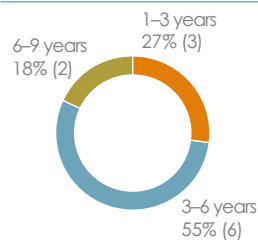
The Executive Committee has established three sub Committees; the Investment Committee, chaired by Valentine Beresford, the Asset Management Committee, chaired by Mark Stirling and the Finance Committee, chaired by Martin McGann. These Committees comprise Executive Directors and members of the senior management team and meet at least monthly.

A balanced board

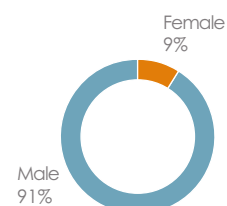
Composition



Tenure



Gender diversity



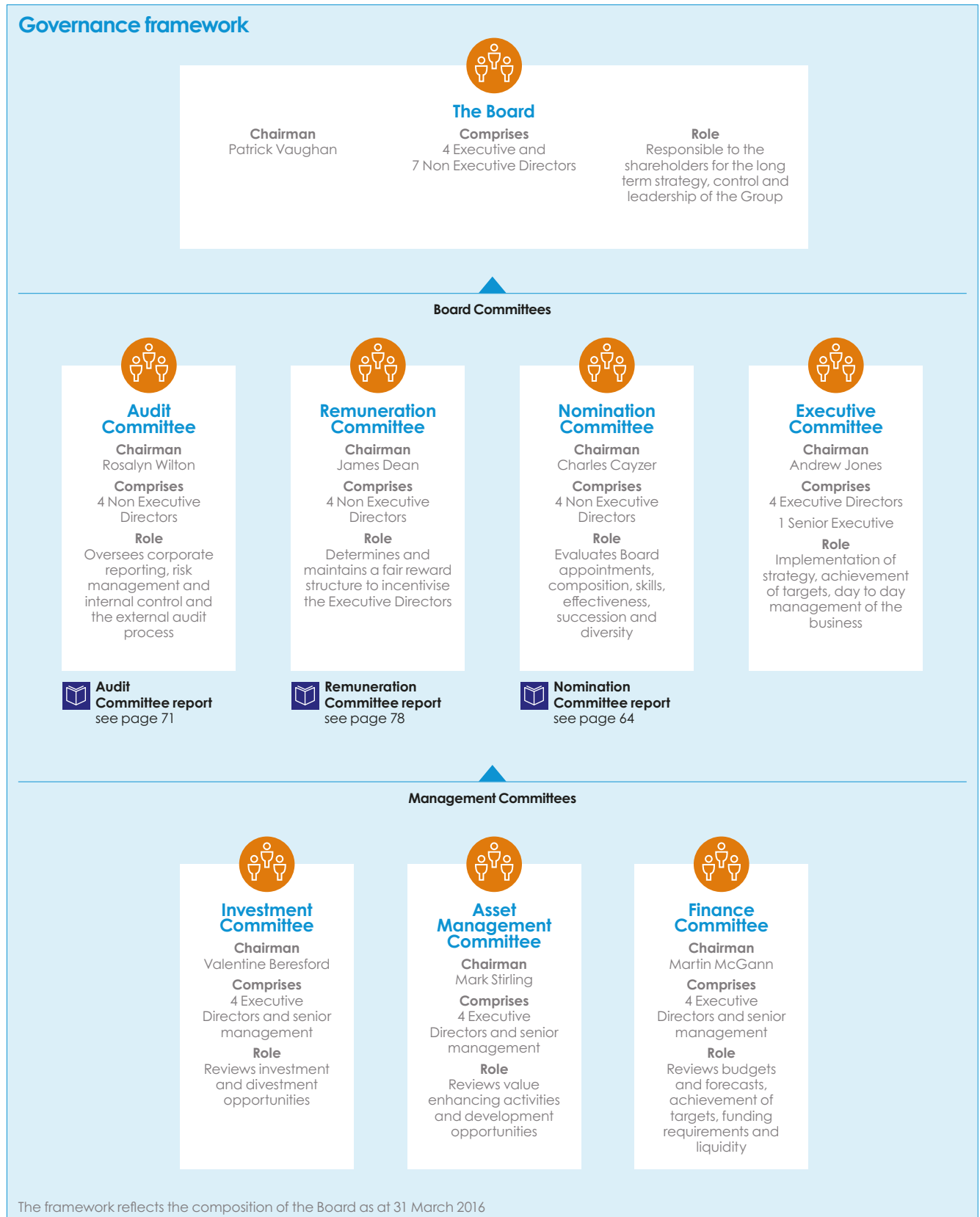
¹ Tenure has been reflected from the date of appointment to the LondonMetric Board

² All charts reflect the composition of the Board as at 31 March 2016



Leadership continued

Governance framework





Leadership continued

How we divide up our responsibilities

Chairman	Chief Executive	Non Executive Directors	Senior Independent Director
<ul style="list-style-type: none"> Patrick Vaughan 	<ul style="list-style-type: none"> Andrew Jones 	<ul style="list-style-type: none"> Charles Cayzer James Dean Alec Pelmore Andrew Varley Philip Watson Rosalyn Wilton 	<ul style="list-style-type: none"> Charles Cayzer
<p>Responsibilities:</p> <ul style="list-style-type: none"> Leads the Board and ensures it operates effectively Sets Board agenda and tone and promotes Boardroom debate Builds relationships between Executive and Non Executive Directors 	<p>Responsibilities:</p> <ul style="list-style-type: none"> Manages dialogue and communication with shareholders Recommends and implements strategy approved by the Board Day to day management of the business operations and personnel assisted by the Executive team 	<p>Responsibilities:</p> <ul style="list-style-type: none"> Constructively challenge the Executive Directors in determining and implementing strategy Bring independent judgement and scrutiny to decisions taken by the Executive Board Monitor delivery of agreed strategy within the risk and control framework set by the Board Review the integrity of financial information and risk management systems 	<p>Responsibilities:</p> <ul style="list-style-type: none"> Acts as a sounding board for the Chairman and trusted intermediary for the other Directors Available as a communication channel for shareholders if other means are not appropriate

Non Executive Directors

The Non Executive Directors are a diverse group with a wide range of experience encompassing property, finance, fund management, risk management and retailing. They provide a valued role by challenging aspects of executive decisions and monitoring the delivery of the agreed strategy. They bring independent and objective scrutiny and judgement to all matters raised, ensuring that no one individual has unfettered decision making powers.

Charles Cayzer is a Non Executive Director of Caledonia Investments Plc, a shareholder of the Company holding a 1.9% interest as at the date of this report. Charles Cayzer himself is not a shareholder in the Company and the Board is satisfied that there are procedures in place at Caledonia Investments to address this potential conflict. The Board does not believe Charles Cayzer's independence is compromised by his position and is satisfied that he is able to carry out his function as Senior Independent Director effectively.

The Senior Independent Director acts as an intermediary to the Executive Directors for the Non Executive Directors and shareholders as required. He is available to meet with shareholders at their request to address concerns or, if other communication channels fail, to resolve queries raised. No such requests were received from shareholders in the year.

The Non Executive Directors meet regularly with the Chairman without the Executive Directors present to discuss business matters and their contribution.

On appointment Non Executive Directors are advised of the likely time commitment to fulfil the role. The ability of individual Directors to allocate sufficient time to discharge their responsibilities is considered as part of the annual evaluation process undertaken by the Nomination Committee. The Board is satisfied that each of the Non Executive Directors is able to devote sufficient time to the Company's business.



Leadership continued

Board membership and attendance

Name	Appointed	Board meetings ²	Independent (Y/N)
Chairman			
Patrick Vaughan	13 January 2010	6 (6)	N/A ¹
Executive Directors			
Andrew Jones	25 January 2013	6 (6)	N
Martin McGann	13 January 2010	6 (6)	N
Valentine Beresford	3 June 2014	6 (6)	N
Mark Stirling	3 June 2014	6 (6)	N
Non Executive Directors			
Charles Cayzer	29 July 2010	5 (6)	Y
James Dean	29 July 2010	6 (6)	Y
Andrew Varley	25 January 2013	5 (6)	Y
Alec Pelmore	25 January 2013	6 (6)	Y
Philip Watson	25 January 2013	6 (6)	Y
Rosalyn Wilton	25 March 2014	6 (6)	Y
Percentage independent¹			60%

¹ Provision B.1.1 of the Code regarding independence is not appropriate in relation to the Chairman

² Bracketed numbers indicate the number of meetings the member was eligible to attend

The Board has a regular schedule of meetings together with further ad hoc meetings as required to deal with transactional matters. Non Executive Directors are encouraged to communicate directly and openly with the Executive Directors and senior management between scheduled Board meetings, as part of each Director's contribution to the delivery of strategy. The table above shows Directors' attendance at meetings they were eligible to attend during the year. Attendance at Committee meetings is set out in each Committee report.

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

As reported in the Nomination Committee report on page 68, an executive search company was commissioned to source possible candidates for new Non Executive Directors of the Company. As a result of this search Andrew Livingston was appointed as a Non Executive Director and member of the Audit Committee on 31 May 2016. He will replace Charles Cayzer who is retiring in September 2016.

Philip Watson will replace Charles Cayzer as Senior Independent Director and Rosalyn Wilton and James Dean will be appointed to the Remuneration and Nomination Committees respectively following the AGM in July.

Patrick Vaughan will be appointed as Chairman of the Nomination Committee following the AGM.



Leadership continued

Board activities in 2016

Day to day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits. Certain matters are reserved for consideration by the full Board, which are reviewed and updated annually and in 2016 included consideration of the following:

Strategy	Financial	Governance	People
<ul style="list-style-type: none"> • Strategy and three year financial budgets and performance, including and focus on retailer-led distribution and convenience retail sectors • Property and retail market outlook, general economic climate and competitor activity • Significant property acquisitions and disposals • Major capital expenditure and development projects 	<ul style="list-style-type: none"> • Interim and annual financial statements • Interim and annual property valuations • Financing arrangements, available debt facilities and financial covenants • Dividends declared and the dividend policy 	<ul style="list-style-type: none"> • Risk appetite and culture • Risk register and quarterly dashboard update, including debate of significant and emerging risks • Effectiveness of the internal control framework to manage risks • Developments in corporate governance and regulatory requirements including the Viability Statement and going concern principal • Shareholder interests, relations and liaison • Performance evaluation of the Board and Committees 	<ul style="list-style-type: none"> • Reviewing succession planning and tenure • Reviewing executive remuneration and performance • Health & Safety

Board priorities in 2017

- Implementation of business objectives in line with strategy to promote the long term success of the Company
- Consider regulatory and technical developments on the horizon including the Modern Slavery Act, the Prompt Payment code, Gender Pay Gap reporting, the EU Audit Directive and Integrated reporting
- Continue to embed risk culture into all daily business activities and promote the early identification and mitigation of risks
- Set a base EPS target for the 2016 LTIP awards and annual bonus for the year to 31 March 2017
- Review existing Remuneration Policy in advance of shareholder approval required in July 2017
- Succession planning and ongoing Board refreshment

Professional development

Newly appointed Directors participate in a tailored induction programme and receive a comprehensive pack of information on the Group, its business and the governance structure.

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

Non Executive Directors are encouraged to familiarise themselves with the Group's business through regular communications with the Executive Directors and senior management. One of the Non Executive Directors accompanied a site visit to the Next Distribution warehouse in Doncaster in the year.

Effectiveness



Key events throughout the year

2015



May

- Full year 2015 results presentation
- Investor presentations and roadshows follow Full Year results



July

- Annual General Meeting of the Company



October

- Appointed specialist search agency to identify potential new Non Executive Directors



November – December

- 2016 Interim results presentation
- Investor presentations and roadshows follow Interim results

2016



February

- Internal Board and Committee performance evaluation
- Interviewed candidates for Non Executive Director role
- Letter from Chairman of Remuneration Committee sent to shareholders
- South Africa investor relations trip and presentations to potential new investors



March

- Full review of Risk Register and Internal Controls
- Reviewed FRC's assessment of Deloitte's audit work carried out last year



May – post year end

- Considered Fair, Balanced and Understandable assertion
- Considered going concern and viability

Information flow

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

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

Independent advice

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

Board evaluation

The Board undertakes an annual evaluation of its own performance and that of its Committees to ensure each continues to operate effectively. This process is externally facilitated every three years and was undertaken last in 2015.

The Board has delegated responsibility for carrying out this year's internal performance evaluation to the Nomination Committee and its review and assessment can be found on pages 66 and 67.



Effectiveness continued

Nomination Committee report

The Committee is mindful of the need to ensure that the Board and its Committees continue to have the right balance of skills, experience and knowledge to independently carry out their duties and lead the Company in achieving its strategic objectives.



Charles Cayzer
Chairman,
Nomination
Committee

2016 Priorities

- Considered the size and structure of the Board and succession planning in light of Non Executive Directors' tenure
- Initiated phased Board refreshment and commissioned the Zygos Partnership to facilitate a Non Executive search
- Led internal Board and Committee performance evaluation in February 2016
- Considered the appointment of Andrew Livingston as a new Non Executive Director and Audit Committee member to replace Charles Cayzer who will retire in September 2016
- Recommended the appointments of:
 - Rosalyn Wilton to the Remuneration Committee
 - James Dean to the Nomination Committee
 - Philip Watson as Senior Independent Director following the AGM in July
- Extended Chairman's appointment for a further 12 months to 31 March 2017

Members of the Committee

Member	Date appointed	Meetings attended
Patrick Vaughan	1/11/12	3 (3)
Charles Cayzer	1/11/12	2 (3)
Alec Pelmore	25/1/13	3 (3)
Philip Watson	25/1/13	3 (3)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

The role of the Committee is to evaluate the size, structure and composition of the Board, including the balance of skills, knowledge, experience and independence of Board members.

The Committee considers succession planning for Directors and other senior executive positions and ensures that the ongoing refreshment of Board members is properly planned and managed to maintain stability and mitigate against business disruption.

It is responsible for identifying and recommending candidates to fill Board vacancies using external search consultants where appropriate and for ensuring that the process is formal, rigorous and transparent.

On appointment, the Company arranges a tailored induction programme for all new Directors to help them develop an understanding of the business including its strategy, processes, people, assets, finances, risks and controls. The induction includes the provision of a detailed Company information pack, site visits and introductions to and meetings with senior management and advisors.

Principal responsibilities of the Nomination Committee:

- Review and evaluation of the size, structure and composition of the Board
- Make recommendations to the Board regarding Board and Committee membership changes
- Succession planning for Directors and other Senior Executives
- Identify candidates to fill Board vacancies as they arise
- Lead Board and Committee performance evaluation exercise
- Assess the time commitment required from Non Executive Directors
- Consider the annual re-election of Directors to the Board



Effectiveness continued

Composition of the Committee

Throughout the year, the Committee comprised the Chairman and three independent Non Executive Directors and was chaired by Charles Cayzer.

Diversity

The Board is committed to a culture that attracts and retains talented individuals to deliver outstanding results and as part of this it promotes diversity across a range of criteria including skills, knowledge, experience, gender, age and ethnicity throughout the Company at every level of recruitment.

All appointments to the Board and senior management team are made on merit alone. The Board believes that an appointment on any other basis would not be in the best long term interests of the Company.

It supports the Davies Report recommendations to promote greater female representation. It does not consider, given the size of the Company and Board that diversity quotas are appropriate in determining its composition and has not set targets. However, there is an ongoing commitment to strengthen female representation at Board level which will be kept under review in light of the Board refreshment exercise currently underway.

The Company as a whole is supportive of gender diversity, with 25% of senior management positions being filled by women.

The Company supports flexible working practices for employees on a case by case basis, as utilised by six of the total 33 employees at the year end excluding Non Executive Directors.

Further information on the Company's commitment to developing people is contained in the report on Responsible Business on pages 44 to 52.

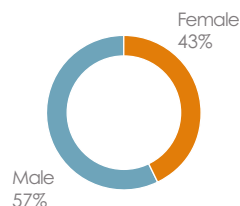
Meetings and activities

The Committee met three times during the year to consider and make recommendations to the Board in respect of the following:

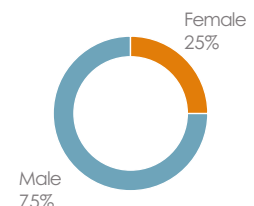
- Composition of the Board and its Committees
- Non Executive Directors' length of service
- Succession planning and Board refreshment process
- Engagement of the Zygos Partnership to assist with the recruitment of Non Executive Directors
- Extension of Chairman's appointment
- Internal performance evaluation
- Appointment of Andrew Livingston as a Non Executive Director
- Reappointment of Directors at the 2016 AGM
- Its own effectiveness, Terms of Reference, constitution and performance
- Retirement of Charles Cayzer as a Non Executive Director

Gender diversity

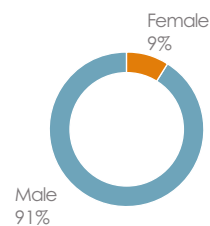
Employees



Senior management



Directors



All charts reflect the composition of the Company and Board as at 31 March 2016



Effectiveness continued

Board performance and evaluation

This year the Committee led an internal evaluation of its performance and that of its Committees to ensure each continues to operate effectively, having undertaken an externally facilitated exercise last year.

Progress against 2015 targets

Progress against the recommendations from last year's externally facilitated review is set out below.

Recommendation	Progress
Consider the ongoing independence of Non Executive Directors	<ul style="list-style-type: none"> The Nomination Committee considered the tenure of Non Executive Directors against the provisions of the Code As a result of this review the Committee commenced a phased plan for the refreshment of the Non Executive Board The Zygos Partnership was commissioned to assist with recruiting new Non Executive Directors The refreshment plan is underway with one new appointment being made in May 2016 and further rotation underway
Consideration of skills required for new appointments given the changing nature of the business and customer base	<ul style="list-style-type: none"> As part of the Board refreshment plan the Directors considered the requirement for new skills to complement core strategy Retail and e-commerce experience were highlighted as preferable and taken into consideration by Zygos when preparing a role specification and conducting their search
Continue to promote diversity at all levels	<ul style="list-style-type: none"> Both male and female candidates were proposed by Zygos as potential new Non Executive Directors 25% of senior management positions are filled by women
Succession planning for the Chairman	<ul style="list-style-type: none"> Ongoing The Chairman's letter of appointment has been extended for a further 12 months to 31 March 2017

This year's performance evaluation was led by the Chairman of the Nomination Committee and Company Secretary and involved the Directors completing a detailed questionnaire which focused on the key aspects of good governance. The findings were collated by the Company Secretary and were tabled for discussion at the Nomination Committee who reported their findings to the Board in March 2016. The key areas of focus and findings are set out in the table on page 67.

Overall the results were extremely positive and concluded that the Board, its Committees and individual Directors continued to operate effectively with the right balance of skills and expertise and within a climate of trust and transparency. No issues were raised and the Board acknowledged that good progress had been made against targets established last year.

The review of the Chairman's performance was led by the Senior Independent Director who praised the Chairman for continued good leadership both in and out of meetings and for promoting Boardroom discussion and facilitating debate in an open yet respectfully constructive environment.

The Directors unanimously considered the Board to be well led and administered with the timely delivery of information and the appropriate complement of skills required to monitor performance, challenge management, promote debate and develop strategy.

The Board is committed to undertake an annual internal review of its performance and an externally facilitated review every three years.



Effectiveness continued

2016 performance evaluation

Focus areas	Findings
Board strategy Development of strategy, review of performance against strategic objectives	<ul style="list-style-type: none"> • There is a clear strategy and set of objectives that have been agreed with management and are fully supported by Directors • Strategy is continually reviewed in relation to individual asset performance and external factors such as changes in shopping patterns, the direction of the real estate market and investor preferences • Any downside risks associated with changes to strategy are clearly highlighted • Strategy is aligned to the Company's personnel and financial resources
Performance Reporting of performance against strategy, communication of expected performance and variances	<ul style="list-style-type: none"> • Reporting to the Board is regular and timely • Comprehensive, thorough and succinct Board papers are prepared • Board papers analyse the effect of changes in strategy and the portfolio and the impact on earnings, dividend cover, NAV and liquidity • Enhanced use of KPIs this year
Board composition Committees, balance of skills, diversity, size, appointment process, contribution of Directors, succession, tenure	<ul style="list-style-type: none"> • Appropriate size and mix of skills • Adequate time devoted to consideration of pertinent matters • Cohesive Board which combines management support and appropriate challenge • Ongoing implementation of Non Executive Director rotation and consideration of appropriate balance of skills, given strategic focus and regulatory changes • Committed to promoting diversity at all levels of recruitment
Relationships with shareholders Shareholder engagement and perception	<ul style="list-style-type: none"> • Extensive programme of investor meetings led by Chief Executive • High proportion of shares held through private client fund managers • The Company has a good reputation in the investor community and is well regarded
Risk management Process of identifying, reporting and reviewing principal risks and Health & Safety issues	<ul style="list-style-type: none"> • Risk management is a standing Board agenda item • A risk dashboard is prepared and circulated ahead of each meeting providing commentary on changes to and emerging risks in the period under review • Audit Committee reviews the risk register and internal controls on behalf of the Board • This year the Board considered the risk associated with increased development activity

Areas of focus for 2017

Potential areas for the Board to consider in 2016/17 highlighted in the review include the following:

- Continued focus on succession planning and Board refreshment of Non Executive Directors
- Ongoing consideration of skills required for new appointments given strategic direction, property cycle and regulatory requirements
- Consider proposed Code changes to Audit Committee membership which will require at least one member to have competence in accounting and/or auditing through a professional qualification or recent experience
- Continue to promote diversity at all levels
- Succession planning for the Chairman
- Further promote a risk culture which underpins business decisions and ensures that cyclical property market risk is addressed and understood



Effectiveness continued

Succession planning

This year the Committee has focused on the composition of the Board and succession planning in light of the length of service of the current Non Executive Directors.

The Code, as amended in September 2014, recommends that the Board undertakes a rigorous review of any Non Executive appointment whose term exceeds six years and should consider the need for a progressive refreshing of the Board.

All Non Executive Directors except Rosalyn Wilton were originally appointed pre-merger either by London & Stamford or Metric in 2010. Last year's externally facilitated Board evaluation noted plans to refresh the Non Executive Board and further consider the balance of skills, experience and diversity of the leadership team given the changes in strategic focus and customer base.

The Committee has therefore instigated a phased refreshment of the Non Executive Board which it plans to rotate over the next few years. The process has consisted of the following steps:

- Three executive search agencies were invited to tender for the opportunity to assist in selecting and recruiting new Non Executive Directors. The Zygos Partnership was appointed on the basis of its specialist knowledge in both the real estate and retail sector and track record of Non Executive Director appointments at peer group companies
- The Committee considered the independence of The Zygos Partnership which had no other connection with the Group
- Zygos approached a large number of potential candidates and shortlisted eight for consideration with particular focus on retailing and ecommerce, being areas of expertise identified by the Board as being fundamental to the delivery of the Group's strategic objectives and complementary to the existing mix of Board skills and knowledge
- Candidates from a range of business and cultural backgrounds were considered, including both men and women. Some candidates were unable to consider the position due to employment restrictions on external appointments or lack of capacity
- Five candidates were shortlisted for interview by the Chief Executive and Financial Director, who reviewed the respective skills, experience and cultural fit of each candidate against the Board's role specification

- Two were selected for final interview by the Committee, both being Chief Executive of successful retailers with a greater breadth of experience than the other candidates
- The Committee recommended to the Board the appointment of Andrew Livingston, Chief Executive of Screwfix, as a Non Executive Director and member of the Audit Committee, to replace Charles Cayzer who has expressed his intention to retire in September 2016
- The Committee also recommended that Philip Watson be appointed as Senior Independent Director and that Rosalyn Wilton and James Dean be appointed as members of the Remuneration and Nomination Committees respectively, following the AGM in July. Patrick Vaughan will be appointed as Chairman of the Nomination Committee following the AGM

Re-election of Directors

Following the Board evaluation and appraisal process the Committee concluded that each of the Directors seeking re-election continues to make an effective contribution to the Board and has the necessary skills, knowledge and experience to enable them to discharge their duties properly in the coming year.

The Committee considers the time commitment required of the Directors and other external appointments they have. Before taking on any additional external commitments Directors must seek prior agreement of the Board to ensure possible conflicts of interest are identified and to confirm they will continue to have sufficient time available to devote to the business of the Company.

The Board, following the advice of the Committee, recommends the election and re-election of all Directors at the forthcoming AGM.

Charles Cayzer
Chairman of the Nomination Committee
1 June 2016

Accountability



Relations with shareholders

Communication with investors is given very high priority and the Company undertakes regular dialogue with its shareholders, in particular institutions and private wealth managers and brokers.

The Chief Executive and Finance Director are the Company's principal representatives and, along with the other Executive Directors, hold meetings throughout the year to communicate the Group's strategy and performance. These include results presentations, one to one meetings, group meetings, panel discussions and investor tours.

Shareholder activity

During the financial year, the Company met with over 200 shareholders, analysts and potential investors. Meetings were held in the UK, Amsterdam, United States and South Africa. A breakdown by region is shown in the chart below.

Almost a quarter of meetings were held in regions outside London including Birmingham, Glasgow, Edinburgh, Dublin, Leeds, Manchester, Liverpool, Bristol and York. A further quarter of meetings were held overseas and the Company continues to build its overseas investor base.

In February 2016, a number of investors, several Directors and one Non Executive Director visited the Company's distribution warehouse in Doncaster which is occupied by Next.

A breakdown of the type of investors that the Company has seen in the year is shown in the second chart below. The Company places a growing importance on private wealth managers and brokers and will maintain this high level of interaction.

Investor feedback

Investor feedback is provided to the Board, together with published analyst comments.

Feedback received is very supportive of the Company's strategy, performance, management and future direction. Last year an independent research organisation conducted an investor perception study. As part of its ongoing shareholder engagement, the Company is planning to conduct bi-annual investor satisfaction surveys.

As part of a separate exercise, the Chairman of the Remuneration Committee wrote to shareholders in February 2016 to inform them in advance of changes to the implementation of the Remuneration Policy next year and to explain the rationale for its decisions. Shareholders were supportive of the proposals.

Key shareholder events throughout the year

2015



April – June

- Full year 2015 results presentation
- Investor full year roadshow held post results
- Dutch investors conference



July – September

- Annual General Meeting of Shareholders
- US investor roadshow
- Investor meetings in Bristol and Manchester



October – December

- Half year results presentation
- Half year investor roadshow post results
- Investor roadshow in Scotland and the Netherlands

2016

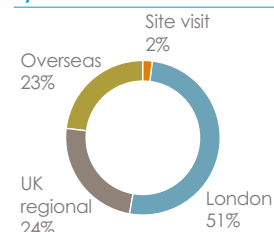


January – March

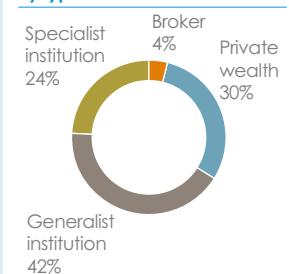
- Investor meetings in Dublin, Leeds, Liverpool, Birmingham and York
- Letter sent to major shareholders on the proposed remuneration implementation changes
- Investor site visit to Doncaster
- South Africa investor roadshow

Investor meetings

By location



By type of investor





Accountability continued

Public communication

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

During the year, the website was reviewed and a comprehensive update was undertaken. A live and on demand webcam of results has been introduced and, in addition, a CEO interview is posted twice a year.

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

Annual General Meeting

Shareholders are encouraged to participate in the Annual General Meeting of the Company. The Senior Independent Director is available for shareholders to contact if other channels of communication with the Company are not available or appropriate.

The whole Board attends and is available to answer shareholder questions at the Company's Annual General Meeting, which provides a forum for communication with both private and institutional shareholders alike.

The Annual Report is sent to all shareholders at least 20 working days before the AGM and details of the resolutions to be proposed can be found in the Notice of Meeting on pages 143 to 147. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed at the meeting and in the AGM RNS announcement.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's framework of risk management and internal control and for ensuring risk is effectively managed. It recognises that effective risk management is critical to the achievement of the Group's strategic objectives.

The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the Managing risk section on pages 36 to 43.

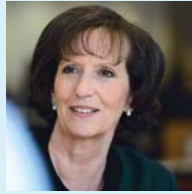
The Board has delegated responsibility for reviewing the effectiveness of the risk management framework and internal control to the Audit Committee and its review and assessment can be found on page 76.



Accountability continued

Audit Committee report

The Audit Committee continues to play a key oversight role, assisting the Board and ensuring shareholder interests are protected by monitoring the integrity of the Group's financial reporting and the activities of management and external auditors.



Rosalyn Wilton
Chairman
Audit Committee

2016 Priorities

- Considered and advised the Board on the new provisions of the UK Corporate Governance Code concerning principal risk, going concern and viability
- Recommended to the Board that, taken as a whole, the Company's 2016 Annual Report is fair, balanced and understandable
- Reviewed the FRC's assessment of the audit work carried out by the external auditor for the year to 31 March 2015
- Considered the implementation of the new property management database in the context of internal control

Members of the Committee

Member	Date appointed	Meetings attended
Rosalyn Wilton	25/3/14	5 (5)
Charles Cayzer	1/10/10	4 (5)
Andrew Varley	25/1/13	5 (5)
Alec Pelmore	25/1/13	5 (5)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

The role of the Audit Committee is to review and report to the Board on financial reporting, internal control and risk management and the performance, independence and effectiveness of the external auditors and audit process.

This year the Committee has scrutinised the processes in place to ensure that the Annual Report is fair, balanced and understandable, overseen the ongoing monitoring of the Group's principal risks and internal control framework and has challenged the significant accounting judgements made by management, including those concerning the valuation of investment property.

It has also considered the independence and effectiveness of the external audit process in light of EU and UK reforms on the level of non audit services provided. During the year, the FRC conducted a review of the last year's audit work undertaken by the external auditor and reported their findings to the Committee.

The Committee has considered the new provisions of the UK Corporate Governance Code concerning principal risks, going concern and viability and has advised the Board on the statement made in the section on Managing risk of this report on page 37.

As part of its review of internal controls, the Committee considered the implementation and outputs of the Group's new property management database system.

Membership

The Committee continues to comprise four Non Executive Directors, chaired by Rosalyn Wilton. There have been no membership changes during the year. Members have no day to day involvement with the Company or links with the external auditor.

The Board is satisfied that Rosalyn Wilton brings recent and relevant financial experience as required by the UK Corporate Governance code as a former Chairman of the Risk Committee at AXA UK Limited. Biographies of the Committee members which set out the relevant knowledge and experience they bring can be found on pages 56 and 57.



Accountability continued

Activities during 2016

During the year, the work undertaken by the Committee has included the consideration, review and approval of the following:

Financial reporting	Property valuation	External audit
<ul style="list-style-type: none"> Interim and year end results announcement and Annual Report Significant issues and areas of judgement which could have a material impact on the financial statements Processes undertaken to ensure that the financial statements are fair, balanced and understandable Audit Committee report 	<ul style="list-style-type: none"> The appropriateness of the interim and year end individual property valuations The independence of the external valuers 	<ul style="list-style-type: none"> Scope of the external audit plan The independence, objectivity and tenure of Deloitte LLP Level of audit and non audit fees paid Performance of the external auditor and effectiveness of the audit process Evaluation of key audit findings
Risk management	Other	
<ul style="list-style-type: none"> Annual assessment of the Group's principal risks and risk register and update reports on risk appetite, emerging risks and risk dashboard The adequacy and effectiveness of the Group's internal control and risk management systems Implementation of new property management database The appropriateness of the going concern assumption and the level of stress testing undertaken The Viability Statement and compliance with the new provisions in the UK Corporate Governance Code 	<ul style="list-style-type: none"> Committee's own terms of reference, constitution and performance The need for an internal audit function The Group's whistle blowing arrangements 	

Meetings

The Committee follows an annual programme to ensure it gives full consideration to matters of particular importance.

The Committee met five times last year, with meetings aligned to the Company's financial reporting timetable. Meetings are attended by the Committee members and, by invitation, the Group's external auditor, independent property valuers (CBRE Ltd and Savills Advisory Services Limited), the Finance Director and senior management. Time is allocated for the Committee to meet the external auditor and property valuers. In addition, the Committee Chairman has regular meetings with the audit partner.

The May and November meetings are scheduled to precede the approval and issue of the full and half year financial reports. Separate meetings are held with the Company's property valuers to challenge the valuation process and review their independence. At the March meeting, the Committee reviewed risk management and internal control processes and considered the year end audit plan.

The Chairman of the Committee reports to the Board on the matters considered and conclusions reached after each Committee meeting.

The Committee is satisfied that it receives sufficient, reliable and timely information from management to allow it to fulfil its obligations.



Accountability continued

Financial reporting and significant judgements

The Committee monitors the integrity of the financial information published in the interim and annual statements and considers the extent to which suitable accounting policies have been adopted, consistently applied and disclosed.

It pays particular attention to matters it considers to be important by virtue of their size, complexity, level of judgement and potential impact on the financial statements and remuneration. The significant areas of focus considered by the Committee, discussed with the external auditor and addressed during the year are set out in the table below. Further details can be found in note 1 to the financial statements.

The Committee has considered a number of other judgements made by management, none of which were material in the context of the Group's results or net assets.

These included judgements concerning the recoverability of financial assets, the presentation of recurring and non recurring items in the income statement and the valuation of derivative instruments.

Management confirmed that they were not aware of any material misstatements and the auditor confirmed they had not found any material misstatements in the course of their work.

After reviewing reports from management and following its discussions with the auditor and valuers, the Committee is satisfied that the key financial judgements and estimates have been appropriately and adequately addressed by the Executive Directors, reviewed by the external auditor and reported in these financial statements. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust.

Significant areas of focus

Property valuation

The property valuation is a critical and significant part of the Group's reported performance and level of executive remuneration and is therefore a key area of focus.

Property valuations are inherently subjective as they are based on significant judgements and assumptions underpinned by recent market transactions.

For further details on property valuations refer to notes 1 and 9 to the financial statements.

Committee's approach

All of the Group's investment properties and those held in joint ventures are externally valued by two independent property valuers, namely CBRE and Savills. The Committee met twice during the year with the property valuers to challenge and assess the integrity of the valuation process, methodologies and outcomes. The key judgements applied to each property valuation and any issues raised with management were considered and discussed.

The ERV growth and yield capitalisation assumptions on individual properties were challenged and supporting market evidence was provided to enable the Committee to benchmark assets and conclude that the assumptions applied were appropriate. They also discussed market conditions and recent market transactions that had an impact on the valuation. Any valuation which required a greater level of judgement, for example for properties under development, were scrutinised.

The Committee discussed the impact on values of committed expenditure on developments, vacant space, rent free periods and lease incentives with the valuers.

As part of their audit work, Deloitte use valuation specialists to assess and challenge the valuation approach, assumptions and judgements. A summary of their audit work is noted on pages 101 to 105. The Audit Committee receive and assess reports from the external auditor on their valuation work.

The total valuation fees paid during the year represented less than 5% of each firms' total fee income for the year.



Accountability continued

Significant areas of focus	Committee's approach
<p>Significant transactions</p> <p>During the year, the Group transacted on £392 million of property.</p> <p>Some transactions were large and complex and required management to make judgements in determining whether a transaction represented a business combination under IFRS 3, when a transaction should be recognised and the fair value of consideration.</p>	<p>Significant property acquisitions and disposals were reviewed by the Committee to the extent that there were unusual terms and conditions of judgement in relation to timing.</p> <p>The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to:</p> <ul style="list-style-type: none"> • the corporate disposal of the Group's 50% interest in the Harlow Distribution Centre which was considered to be a property disposal • the timing of recognition of acquisitions and disposals on unconditional exchange of contracts rather than completion, including the acquisition of Omega South, Warrington and the disposal of the Odeon cinema in Preston, both of which completed post year end • the timing of the disposal of the distribution unit in Warrington where the occupier exercised its option to purchase <p>The Committee concurred with the approach adopted by management in each case.</p>
<p>Revenue recognition</p> <p>Certain transactions are unusual or complex in nature and require management to make judgements as to whether, and to what extent, revenue should be recognised in the year.</p>	<p>The Committee considered the timing of recognising rental income arising on development assets at Islip, Kirkstall and Warrington that reached practical completion in the year and concluded that income was appropriately recognised from the commencement of the lease.</p> <p>The Group is funding developments in Wakefield, Ferndown, Liverpool and Leicester, each of which accrue a return throughout the development phase which has been reflected as interest receivable. The Audit Committee were satisfied with this treatment.</p> <p>The Committee received and assessed reports from the external auditor on the timing of revenue recognition for property and lease transactions completing in the year, lease incentives and surrender payments and considered consistency of accounting treatment with previous years. The Committee was satisfied that revenue had been appropriately recognised in the financial statements.</p>
<p>Going concern</p> <p>The Company's ongoing solvency and liquidity is a critical risk to its future viability and the appropriateness of preparation of the Group financial statements.</p>	<p>The Committee reviewed the appropriateness of the going concern assumption in the preparation of these financial statements.</p> <p>It considered the quarterly reports presented by the Finance Director to the Board which includes the Group's three year profit and cash flow forecasts and future financing requirements, the availability of committed and undrawn debt facilities and anticipated compliance with lenders' financial covenants.</p> <p>The Committee reviewed management's assumptions about future trading performance, valuation projections, capital expenditure, forecast transactions and debt requirements implicit within the forecasts.</p> <p>In light of this review, the Committee confirmed to the Board that it was appropriate for the financial statements to be prepared on a going concern basis and that there was a reasonable expectation that the Company would be able to continue in operation over the three year viability period.</p> <p>The Board's statement on Viability is reflected on page 37.</p>
<p>REIT status</p> <p>The Group must comply with the UK REIT regulations to benefit from the favourable tax regime.</p>	<p>Failure to comply would result in tax charges and penalties that would have a significant impact on the Group's results.</p> <p>The Committee reviews compliance with the REIT tests which are presented by management on an annual basis and concluded that there was full compliance and significant headroom for the current year.</p>



Accountability continued

External audit

Deloitte LLP was appointed as external auditor following a formal tender process in 2013. Current UK regulations require rotation of the lead audit partner every five years and a formal tender of the auditor every ten years.

The Group was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the year.

The Committee has assessed the performance, independence, objectivity and fees of the external auditor through discussions with the Finance Director and senior management team and through a review of the audit deliverables. The results of the audit debrief meeting held between senior management and the audit team are relayed to the Audit Committee along with any areas identified for improvement. In addition the Committee Chairman meets with the Audit Partner during the year on a regular basis.

In making its assessment the Committee considers the qualifications, expertise and resources of the audit partner and team as well as the quality and timeliness of the audit deliverables. It reviewed the extent to which the audit plan was met, the level of independent challenge and scrutiny applied to the audit, the depth of understanding and the review of key accounting judgements. The Committee also considered the interaction with and feedback from senior management in the audit process, focusing on the early identification and resolution of issues and judgements and the quality and timely provision of draft accounts for review. It recognises the importance of auditor objectivity and has reviewed the level of non audit fees as noted in the table to ensure their independence was not compromised. It took into account the fact that taxation services and advice is provided separately by PwC and corporate due diligence and liquidation work is undertaken by BDO LLP.

The FRC's Audit Quality Review team selected to review the audit of the 31 March 2015 Group financial statements as part of their 2015 annual inspection of audit files. The focus of their review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Audit Committee confirms that there were no significant areas for improvement identified within the report. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Audit and non audit fees to Deloitte

Year to 31 March	2016 £000	2015 £000
Audit fees including related assurance services	179	183
Non audit fees	–	2
Total	179	185
Ratio of non audit fees to audit fees	n/a	1%

Audit fees paid to the external auditor in respect of joint ventures totalled £17,000 at share (2015: £19,000 at share).

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

Having undertaken its review, in the opinion of the Audit Committee, the relationship with the auditor continues to work well, the audit process is effective and the auditor remains independent and objective. It has recommended to the Board that a resolution is proposed at the forthcoming AGM to reappoint Deloitte LLP as the Company's and Group's auditor.



Accountability continued

Risk management and internal controls

The Board is responsible for establishing and maintaining the Group's framework of risk management and internal control and for ensuring risk is effectively managed. It recognises that effective risk management is critical to the achievement of the Group's strategic objectives.

The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the Managing risk section on pages 36 to 43.

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

The Board has delegated responsibility for reviewing the effectiveness of the risk management framework and internal control environment and compliance with the Code to the Audit Committee.

The Company has established processes and procedures to identify, assess and manage the significant risks it faces. The key strategic, economic, transactional and financial risks facing the business are documented in a risk register which identifies the following:

- Likelihood and impact of the risk
- Movements in the Group's exposure to the risk since the last review
- Controls in place to manage and minimise each risk

A comprehensive update of the risk register was undertaken by management in February 2016 and presented to the Audit Committee at their planning meeting in March.

In addition to this annual review, the Group has implemented this year a quarterly process for assessing and managing its principal risks by way of a risk dashboard which highlights changes in the Group's exposure to current and emerging risks and the mitigation thereof. This is prepared by management and reviewed at each Board meeting.

The key elements of the internal control framework are as follows:

- A defined schedule of matters reserved for the Board's attention
- A documented appraisal and approval process for all significant capital expenditure
- A comprehensive and robust system of financial budgeting and forecasting which is reviewed and updated quarterly against actual performance

- Short term cash flow forecasting that is considered weekly in light of investment and development opportunities
- An up to date property management system covering the Group and Joint Venture commercial portfolio
- An organisational structure with clearly defined roles, responsibilities and limits of authority that facilitates effective and efficient decision making
- Close involvement of the Executive Directors in day to day operations including regular meetings with senior management on all operational aspects of the business
- Monthly meetings of the Executive, Investment, Asset Management and Finance Committees, which assess and monitor strategic and operational risk
- The maintenance of a risk register and risk dashboard which is updated quarterly and highlights movements in principal risks and mitigation strategies
- A formal whistle blowing policy

A detailed internal control evaluation questionnaire is completed by management and reviewed annually by the Committee.

This year the Group implemented an integrated property management system to sit alongside and interface with the accounting system. The database holds commercial portfolio data for the Group and its joint ventures and provides robust and up to date operational statistics for management reporting. The Committee received and considered a report from management outlining the new system and the implementation process.

The auditors have tested data on a sample basis in order to place reliance on its outputs for these financial statements.

The requirement for a dedicated internal audit function was reviewed by the Audit Committee during the year and was not felt to be necessary or appropriate given the size and simple structure of the Group, the close day to day involvement of the Executive Directors and the internal control procedures in place. This is kept under regular review.

The Audit Committee is satisfied that there are no material weaknesses in the Group's internal control structure and an effective risk management system is in place, and has reported these findings to the Board. Based on its review and assessment, the Committee is satisfied that the Group has complied throughout the year with the new provisions C2.1 and C2.3 of the Code.



Accountability continued

Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the 2016 Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy. The Audit Committee is satisfied that the Annual Report and Accounts met this requirement.

In reaching this decision the Committee reviewed the robust procedures established and adopted by management which consisted of the following:

- Clear guidance was issued to all contributors at the start of the process
- Regulatory and technical updates were provided by and discussed with the external auditor as part of a technical briefing workshop attended by relevant staff in January 2016
- The Chief Executive provided early input to and agreed the overall message and tone of the report
- Individual sections of the Annual Report were drafted by appropriate senior management, who met regularly to review consistency
- The Executive Directors were closely involved in the initial drafting process and reviewed their respective draft sections
- A full verification exercise to ensure factual accuracy was undertaken
- The final draft report was reviewed by the Audit Committee and discussed with the Finance Director and senior management before being presented for Board approval

In addition, the Committee considered whether the Annual Report had been written in straightforward language, without unnecessary repetition and the use of any adjusted measures (e.g. EPRA) had been adequately explained.

The Directors' statement on fair, balanced and understandable is on page 99.

Fair

- Includes relevant transactions and balances
- Includes required regulatory disclosures

Balanced

- Consistent throughout
- Appropriate mix of statutory and adjusted measures
- Adjusted measures explained

Understandable

- Straight forward language
- Lack of repetition
- Use of diagrams and charts
- Clear cross references and links
- Clear contents pages to aid navigation

Rosalyn Wilton

Rosalyn Wilton
Chairman of the Audit Committee
1 June 2016



Remuneration

Remuneration Committee report

The primary role of the Remuneration Committee is to determine and recommend to the Board a fair reward structure that incentivises Executive Directors to promote and deliver the Group's strategic objectives whilst maintaining stability in the management of its long term business.



James Dean
Chairman,
Remuneration
Committee

2016 Priorities

- Reviewed the variable elements of remuneration and the implementation of policy for the next financial year
- Communicated proposed changes to shareholders in February 2016
- Maximum annual bonus to increase by 15% of salary
- Maximum LTIP award to increase by 25% of salary
- Total Accounting Return included as an LTIP performance measure
- Agreed 2% salary increases for Directors

Members of the Committee

Member	Date appointed	Meetings attended
James Dean	1/10/2010	5 (5)
Charles Cayzer	1/10/2010	4 (5)
Philip Watson	25/1/2013	5 (5)
Andrew Varley	30/5/2013	5 (5)

Bracketed numbers indicate the number of meetings the member was eligible to attend.

Chairman's introduction

The Group's Remuneration Policy is designed to align Executive pay and incentives with the Company's goals and encourage and reward exceptional overall and individual performance.

The Remuneration Policy we have operated throughout this financial year was approved by shareholders at the 2014 AGM and has been reproduced for reference on pages 81 to 84. The Annual Remuneration Report on pages 85 to 95 outlines the implementation of the policy for the year to 31 March 2016 and is subject to an advisory vote at the forthcoming AGM.

Performance during 2015/16

The Remuneration Policy is driven by EPRA earnings (EPS), total property return (TPR) and total shareholder return (TSR).

The Group's commitment to repositioning the portfolio into its core sectors and away from its legacy residential and office sectors, combined with its unemotional approach to recycling capital and capitalising on asset management and development capabilities, has enabled it to grow contracted income and deliver another good set of results, underpinned by robust portfolio metrics.

The Group has achieved its longstanding aim of fully covering its dividend commitment and has increased its full year ordinary dividend by 3.6% to 7.25p per share.

EPRA earnings per share has increased by 18% to 7.8p and EPRA NAV per share by 5% to 147.7p. Group like-for-like net rental income increased by 3.1% and the Group's total property return of 10.5% outperformed the IPD Quarterly Universe Index reweighted to the Group's core assets of 10.1% by 40bp.

The Executive Directors have delivered successfully against a large number of operational and strategic objectives including dividend cover and progression, growing contracted income, an increased focus on development opportunities and strengthened relationships with key stakeholders. This strong financial and non financial performance has been taken into account when considering the variable elements of remuneration. The Committee has calculated annual bonuses for the Executive Directors to be at 77% of their respective maximum levels. Half of the bonus will be deferred into shares which vest in equal tranches over three years.



Remuneration continued

Vesting of the LTIP awards granted to Executive Directors in 2013 is dependent on Company performance over the three year period to 31 March 2016. Performance is measured by reference to TSR versus the FTSE 350 Real Estate Super Sector and EPS growth. The Committee assessed performance and based on actual EPS of 7.8p and TSR performance of 70%, 100% of both components are expected to vest in August and November 2016, subject to continued service.

The Committee is satisfied that the level of payout under the variable incentive plans is appropriate given the performance outcomes over the respective performance period.

Delivery of long term growth in shareholder value is rewarded through the Group's LTIP arrangements and the Executive Directors already hold and are encouraged to retain significant shareholdings to align their interests with those of shareholders. LTIP awards over 1,373,558 shares were granted to the Executive Directors in the year. One third of the deferred bonus shares awarded in 2014 amounting to 236,733 shares vested in June 2015. The Executive Directors disposed of 111,602 shares to meet tax liabilities and retained the remaining 125,131 shares.

Implementation of policy for 2016/17

Since the merger of London & Stamford and Metric Property in 2013, the combined entity has continued to evolve, repositioning into its core sectors to deliver long term income and capital growth for its shareholders. It has transacted on £2 billion of investment deals since the merger, delivered significant increases in reported profits, EPRA EPS and NAV and maintained a near full occupancy rate and robust loan to value ratio. It has become an established constituent of the FTSE 250 Index with a broader shareholder base and has a property portfolio of over £1.5 billion.

In light of this, the Committee carried out a thorough review of the existing variable elements of remuneration and concluded that some amendments to the implementation of the Policy for the next financial year were necessary to maintain an appropriate level of retention and incentive for the highly regarded and dynamic Executive Director team. Although these changes are within the current approved Remuneration Policy and no changes to the Policy are proposed, the Committee considered it important to maintain an open and timely dialogue and I wrote to major shareholders representing more than 50% of the share capital in February 2016 to explain the rationale for our decisions. Feedback from those consulted was supportive and none of the shareholders indicated that they would not agree with the proposals.

The Committee believes that changes to Executive Directors' packages should be achieved through greater alignment with shareholders returns and so, over the last two years, has approved salary increases for Directors at less than half the average rate applied to the Company's employees.

Reflecting this philosophy, for 2016/17 the maximum potential annual bonus will increase by 15% of salary for each Executive Director and the maximum LTIP award levels will increase by 25% of salary for each Executive Director. In addition the financial performance targets of LTIP awards will be broadened to include a total accounting return (TAR) measure over 37.5% of the award and recovery and withholding provisions for both bonus and LTIP awards will be introduced, broadened and consistently applied. The TAR measure better reflects the nature of the repositioned portfolio as a total return model and is considered to provide a balanced assessment when considered alongside the existing relative TSR (37.5% of the award) and EPRA EPS growth (25% of the award) measures which will continue to be used for awards granted in 2016. This change will make it harder for the new higher level of maximum award to vest in full. At the same time the maximum target for the relative TSR and TAR measures has been reworked to provide a more stringent assessment of outperformance in an expected lower return environment for the next award cycle.

The Committee believes the new bonus and LTIP award levels reflect the increased size of the business and role of the Executive Directors in driving the long term performance of the Company and provide an appropriate level of retention and incentive in the currently competitive market for Directors in well performing real estate companies. The revised performance conditions are better aligned to business strategy and the overall package increases the weighting of variable elements of pay, rewarding at maximum levels only for true balanced outperformance.

The Committee approved salary increases of 2.0% for the Executive Directors, effective from 1 June 2016 which are lower than the increases for employees generally of 4.6%.

James Dean

James Dean
Chairman of the Remuneration Committee
1 June 2016



Remuneration continued

Total remuneration for Executive Directors

	Salary £000	Benefits £000	Pension £000	Bonus £000	LTIP £000	Total £000
Andrew Jones	500	24	75	583	1,594	2,776
Martin McGann	328	25	49	319	319	1,040
Valentine Beresford	301	24	103	336	863	1,627
Mark Stirling	346	25	52	336	863	1,622

Annual bonus plan – financial targets

Performance measure	Payout target			Actual	% awarded
	25%	50%	100%		
Adjusted EPRA EPS	7.57p	7.64p	7.76p	7.77p	100%
TPR	10.1%	11.1%	12.1%	10.5%	35%

Annual bonus plan – outcome

	Bonus % of maximum	Total bonus £000
Andrew Jones	77%	583
Martin McGann	77%	319
Valentine Beresford	77%	336
Mark Stirling	77%	336

2013 LTIPs vesting – targets

Performance measure	Payout target		Actual	% awarded
	25%	100%		
TSR	45%	68%	70%	100%
EPRA EPS	6.8p	7.1p	7.8p	100%

2013 LTIPs vesting – outcome

	LTIP % of maximum	Estimated number of shares	Estimated value of award £000
Andrew Jones	100%	977,155	1,594
Martin McGann	100%	195,322	319
Valentine Beresford	100%	529,038	863
Mark Stirling	100%	529,038	863

LTIPs awarded in 2015/16

	Number of shares	Face value of award £000
Andrew Jones	522,128	878
Martin McGann	274,118	461
Valentine Beresford	288,656	486
Mark Stirling	288,656	486



Remuneration continued

Summary of Remuneration Policy

The Remuneration Policy for the Group was approved by the shareholders at the 2014 AGM. There have been no changes to the policy this year. For information purposes only a summary of the Remuneration Policy is represented with changes made to reflect page references, irrelevant prior year information and changes to the policy implementation described on page 79.

The full report is available on the Company's website at www.londonmetric.com

Overview of Policy

The overriding objective is to operate a fair and transparent Remuneration Policy which motivates and retains individuals of the highest calibre and rewards the delivery of the Group's key strategic priorities, long term growth and attractive shareholder returns. As well as motivating, remuneration plays a key role in retaining highly regarded individuals and needs to be competitive.

The principles which underpin the Company's Remuneration Policy ensure that Executive Directors' remuneration:

- Is aligned to the business strategy and achievement of business goals
- Is aligned with the interests of shareholders by encouraging high levels of share ownership
- Attracts, motivates and retains high calibre individuals
- Is competitive in relation to other comparable property companies
- Is set in the context of pay and employment conditions of other employees
- Rewards superior performance through the variable elements of remuneration that are linked to performance

Executive Directors' remuneration

Base salary

Purpose and link to strategy

Provide a competitive level of fixed pay to attract and retain Directors of the required calibre to deliver the Group's strategy.
Level of pay reflects individuals' skills, seniority and experience and complexity of the role.

Operation

Normally reviewed annually with changes effective from 1 June, with reference to inflation, responsibilities, performance and market rates. In determining the base salary, consideration is given to pay increases for other employees and for other comparable property companies.

Maximum opportunity

The Committee considers average wage increases across the Group, prevailing rates of inflation, the Directors' development, performance and role and comparable market data. In normal circumstances the Directors' salaries will not increase by more than the range offered to the wider workforce. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity) or if it is necessary to remain competitive to retain a Director.

Performance measures

The Directors are subject to an annual performance assessment, the outcome of which is taken account of in setting base salaries.

Pension

Purpose and link to strategy

Provide a competitive post-retirement benefit to attract and retain individuals.

Operation

The pension allowance is a 15% monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply.

Maximum opportunity

The maximum contribution is 15% of salary. No element other than base salary is pensionable.

Performance measures

None.



Remuneration continued

Executive Directors' remuneration continued

Annual bonus

Purpose and link to strategy	Incentivise the achievement of annual financial targets consistent with the Group's business plan for the relevant financial year with particular focus on total property return (TPR) and EPRA earnings per share (EPS) as well as the delivery of agreed personal objectives. Partial award in shares aligns interests with shareholders.
Operation	<p>Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy of growth in EPRA EPS and TPR. At least half of the bonus will be linked to the key property and financial metrics. Non financial targets are set to measure individual personal performance and contribution to the achievement of portfolio management initiatives and other operational management objectives.</p> <p>The annual bonus will be paid 50% in cash and 50% in deferred shares, which will vest in three equal instalments over three years and will be subject to continued employment, save as in the leaver circumstances described in the Service contracts and payment for loss of office section of this policy.</p> <p>No further performance conditions apply and dividend equivalents are paid out at the end of each vesting period.</p> <p>The Committee has the discretion to exercise clawback and withholding provisions to the cash and share-based elements of the bonus in the event of gross misconduct, material mis-statement in the accounts, error in calculation and serious reputational damage to the Group for a period of up to three years post vesting.</p>
Maximum opportunity	<p>The maximum bonus limit is capped at 200% of base salary. Within this limit, the following individual limits were previously applied:</p> <ul style="list-style-type: none"> • 150% of salary for the Chief Executive • 125% of salary for the other Executive Directors <p>For the year to 31 March 2017 the Committee increased these individual limits by 15% of salary for each Executive Director after consultation with leading shareholders and their representative bodies.</p>
Performance measures	<p>The Committee will set challenging annual targets consistent with the Group's business strategy that are appropriately stretching, but achievable.</p> <p>Performance is assessed against target financial and non financial measures which may vary each year depending on the annual priorities of the business. At least half of the bonus payment is subject to financial and/or property performance targets. There is no payment in respect of TPR if it is negative. The Committee retains discretion to amend the vesting level where it considers it to be appropriate but not so as to exceed the maximum bonus potential.</p>

Benefits

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



Remuneration continued

Executive Directors' remuneration continued

Long term incentives

Purpose and link to strategy	Incentivise and reward the delivery of long term Group performance and sustained growth in line with business strategy, thereby building a shareholding in the Group and aligning Directors' interests with shareholders'.
Operation	<p>The LTIP rules were approved by the shareholders at the 2013 AGM.</p> <p>Awards made are discretionary and vesting is dependent upon the achievement of performance conditions over three years starting at the beginning of the financial year in which the award is made.</p> <p>If employment ceases during the vesting period, awards will normally lapse, save in the leaver circumstances as described in the Payment for loss of office section of this policy. Awards granted are subject to clawback and withholding provisions in the event of gross misconduct, material mis-statement in the accounts, error in calculation and serious reputational damage to the Group for a period of up to three years post vesting.</p> <p>Awards include dividend equivalent (in cash or shares) in lieu of dividends forgone between the day of grant and the vesting of the award based on the number of shares which have vested.</p>
Maximum opportunity	<p>Maximum overall limit on LTIP awards of 200% of salary. Within this limit, the following individual caps were previously applied:</p> <ul style="list-style-type: none"> • 175% of basic salary for the Chief Executive • 140% of basic salary for other Executive Directors <p>For the year to 31 March 2017 the Committee increased these individual limits by 25% of salary for each Executive Director after consultation with leading shareholders and their representative bodies.</p>
Performance measures	<p>The Committee will review the appropriateness of performance measures on an annual basis and set challenging targets consistent with the business strategy. This review may result in changes to weightings or the introduction of new measures which are more closely aligned to the Group's business strategy at the time.</p> <p>For the year to 31 March 2017 three measures will apply as follows: 37.5% of any award is subject to a total shareholder return (TSR) exceeding the TSR of the FTSE 350 Real Estate Super Sector Index (excluding agencies and operators), 37.5% is subject to achieving a relative TAR measure and 25% is on the basis of EPRA EPS growth versus RPI. The Committee retains the discretion to amend the performance conditions and/or weightings of each of the future awards.</p>

Non Executive Directors' remuneration

Fees and benefits

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

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

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

Any discretion exercised (and the rationale) will be disclosed in the Annual Remuneration Report.



Remuneration continued

Recruitment remuneration arrangements

The Committee will seek to apply the same Remuneration Policy and principles when setting the remuneration package for a new Executive Director as listed in the policy table on pages 81 to 84.

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

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

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

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

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

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

Service contracts and payment for loss of office

The service contracts for the Executive Directors were reviewed and revised following the merger in 2013. Service contracts are terminable by either party with

notice of 12 months. The Committee considers this appropriate for all existing and newly appointed Directors.

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

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

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

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

Shareholding guidelines

The Remuneration Policy places significant importance on aligning the long term interests of shareholders with those of management by long term incentives and share awards. The share ownership guidelines for the Executive Directors encourage them to build up a shareholding in the Company over a five-year period equivalent to at least four years' salary.

Other directorships

Executive Directors are permitted to accept external, non-executive appointments with the prior approval of the Board where such appointments are not considered to have an adverse impact on their role within the Group. Fees earned may be retained by the Director. There were no new appointments in the year. Andrew Jones is a Non Executive Director of Unite Plc and earned fees of £44,325 in the year to 31 March 2016.



Remuneration continued

Annual Remuneration Report

Set out below is the Annual Remuneration Report for the year ending 31 March 2016 which provides details of how the Remuneration Policy was applied. It is subject to an advisory vote at the forthcoming AGM and complies with UK Corporate Governance Code, Listing Rules and The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The areas of the report which are subject to audit have been highlighted.

The role of the Remuneration Committee

The Committee determines Directors' remuneration in accordance with the approved policy and its terms of reference, which are reviewed annually by the Board and are available on the Company's website: www.londonmetric.com.

The Committee's responsibilities include the following:

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

The Board recognises that it is ultimately accountable for executive remuneration but has delegated this responsibility to the Committee. All Committee members are Non Executive Directors of the Company, which is an important pre-requisite to ensure Executive Directors' and senior executives' pay is set by Board members who have no personal financial interest in the Company other than as potential shareholders. The Committee meets regularly without the Executive Directors being present and is independently advised by New Bridge Street (a trading name of Aon plc), a signatory of the Remuneration Consultants' Code of Conduct and which has no connection with the Group other than in the provision of advice on executive and employee remuneration matters. For the financial year under review, total fees paid to New Bridge Street were £103,195. No Executive Director is involved in the determination of his own remuneration and fees for Non Executives are determined by the Board as a whole.

The Company Secretary acts as secretary to the Committee and the Chief Executive and Finance Director attend meetings by invitation but are not present when their own pay is being discussed.

The Chairman reports to the Board on proceedings and outcomes following each Committee meeting.

Meetings and activities

The Committee met on five occasions during the year.

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

- Set a base EPS target for the 2015 LTIP awards and annual bonus for the year to 31 March 2016
- Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2015
- Approved the Deferred Bonus Shares vesting in the year for Executive Directors
- Reviewed the Remuneration Policy approved in 2014 and recommended changes to its implementation for the year to 31 March 2017
- Assessed the performance of Executive Directors against targets set and determined annual bonuses for the year
- Reviewed and approved annual salary increases effective from 1 June 2016 and reviewed against pay increases within the wider workplace
- Reviewed and approved the Chairman's annual fee to be fixed at its current level until 31 March 2017
- Reviewed its own effectiveness, Terms of Reference, constitution and performance
- Reviewed and approved the Remuneration Committee Report



Remuneration continued

Single total figure of remuneration for each Director (audited)

Director	Salary and fees		Benefits ¹		Pension ²		Annual bonus ³		LTIP ⁵		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Executive												
Patrick Vaughan ⁴	–	203	–	20	–	31	–	161	–	–	–	415
Andrew Jones	500	490	24	24	75	74	583	579	1,594	–	2,776	1,167
Martin McGann	328	322	25	27	49	48	319	317	319	–	1,040	714
Valentine Beresford ⁶	301	336	24	24	103	50	336	334	863	–	1,627	744
Mark Stirling	346	336	25	24	52	50	336	334	863	–	1,622	744
Non Executive												
Patrick Vaughan ⁴	320	160	8	–	–	–	–	–	–	–	328	160
Charles Cayzer	61	60	–	–	–	–	–	–	–	–	61	60
James Dean	61	60	–	–	–	–	–	–	–	–	61	60
Alec Pelmore	51	50	–	–	–	–	–	–	–	–	51	50
Andrew Varley	56	54	–	–	–	–	–	–	–	–	56	54
Philip Watson	51	50	–	–	–	–	–	–	–	–	51	50
Rosalyn Wilton	61	53	–	–	–	–	–	–	–	–	61	53

¹ Taxable benefits include the provision of a car allowance for Executive Directors and private medical insurance

² Pension contribution is 15% of salary (excluding any salary sacrifice) and may be taken partly or entirely in cash

³ Annual bonus payable in respect of the financial year ending 31 March 2016 paid 50% in cash and 50% in deferred shares

⁴ Patrick Vaughan was Executive Chairman until 30 September 2014 and received total remuneration of £415,000 in respect of that period. For the remainder of the financial year to 31 March 2015 he was a Non Executive Chairman and received total remuneration of £160,000

⁵ 2013 LTIP awards expected to vest in August 2016 and November 2016 for the performance period to 31 March 2016. The value of the award has been calculated by multiplying the estimated number of shares that will vest, including the dividend equivalent, by the average share price for the three months to 31 March 2016

⁶ Valentine Beresford paid an additional contribution of £45,000 to his pension plan in the year under a salary sacrifice arrangement

Annual bonus outcome for the year ended 31 March 2016

The annual bonus performance targets set for the year to 31 March 2016 and the assessment of actual performance achieved is set out in the tables on page 87.

The proposed bonus is included in the single figure of remuneration and the 50% cash element will be paid in June 2016. Bonus awards are based 70% on the Company's financial performance and 30% on the individual's contribution in the year.

The financial performance element measures growth in adjusted EPRA EPS and Total Property Return relative to the IPD Quarterly Universe Index re-weighted to the Company's core portfolio. The financial targets and calculations are consistent with previous years.

In determining the base EPRA EPS target, the Committee looks to maintain consistency with longer term incentive targets but is mindful of shorter term strategic priorities and changing market conditions. The 2016 annual bonus outcome is set out in the table below.

	Financial objectives	Individual objectives	Bonus % of maximum	Bonus % of salary	Total bonus £000
Andrew Jones	47%	30%	77%	116%	583
Martin McGann	47%	30%	77%	97%	319
Valentine Beresford	47%	30%	77%	97%	336
Mark Stirling	47%	30%	77%	97%	336



Remuneration continued

Group financial targets

Performance measure	Weighting	Basis of calculation	(0%)	Range (25%)	(50%)	Maximum (100%)	Actual performance	% awarded
Adjusted EPRA EPS	35%	Growth in EPRA EPS against a challenging base target	7.45p – Base target	7.57p – Base target plus RPI	7.64p – Base target plus RPI plus 1%	7.76p – Base target plus RPI plus 2.67%	7.77p	100%
Total property return (TPR)	35%	Growth in TPR against IPD Quarterly Universe index for the core portfolio	0% – Positive growth	10.1% – TPR matches index	11.1% – TPR is 1.1 times index	12.1% – TPR is 1.2 times index	10.5%	35%

Individual non financial targets

Executive Directors' non financial targets accounted for 30% of the maximum bonus award. Personal objectives were aligned to the delivery of the Group's key strategic objectives. The Committee felt that all Executive Directors

had fully achieved their individual personal objectives and approved the maximum level of payout.

The table below outlines the key personal objectives set and the Committee's assessment for each of the Executive Directors for the 2015/16 annual bonus.

Andrew Jones	Martin McGann	Valentine Beresford	Mark Stirling
<p>Objective</p> <ul style="list-style-type: none"> Portfolio focus to maximise both EPS and NAV growth Recycling capital with sell down of non core assets Focus on income quality to deliver growth in our sustainable earnings Lengthen and strengthen relationships with key stakeholders: Institutional shareholders, Private client wealth managers, Occupiers and Analysts Continue to strengthen the team in line with our evolving portfolio strategy Reinforce the position of the Company as leading investor/partner of choice in logistics and out of town retail <p>Assessments</p> <ul style="list-style-type: none"> 18% growth in EPRA EPS and 5% growth in EPRA NAV 91% invested in core sectors, 54% in distribution Like-for-like income growth of 3.1% Held meetings with over 200 shareholders, analysts and potential investors 	<p>Objective</p> <ul style="list-style-type: none"> Optimising the funding structure to support the real estate strategy Deliver risk management/corporate governance agenda to increasing satisfaction of stakeholders Focus on income quality to deliver growth in our sustainable earnings Improve our ranking in the EPRA/GRESB sustainability rankings <p>Assessments</p> <ul style="list-style-type: none"> Strong financial results achieved with an 18% increase in EPRA EPS Debt maturity extended to 5.6 years and cost of debt reduced to 3.5% £400 million unsecured facility agreed in April 2015 and increased to £443.8 million in November 2015 Maintained low LTV of 38% Risk dashboard introduced as an agenda item at each Board meeting Improved ranking in the EPRA/GRESB tables 	<p>Objective</p> <ul style="list-style-type: none"> Continue to reposition portfolio with the objective of increasing distribution to c.70% and reducing retail bias to 20% over an 18-24 month period Sell down non-core, ex-growth and underperforming assets Maximise yield arbitrage between acquisitions/developments versus disposals Continue to strengthen team and further integrate whole Investment team into broader Company business Promote the Company as 'partner of choice' with developers, vendors and agents <p>Assessments</p> <ul style="list-style-type: none"> Increased investment in distribution sector to 54% (2015: 47%) and reduced investment in retail to 37% (2015: 43%) £155.5 million of distribution acquisitions c.100 bps yield arbitrage between acquisitions and sales 	<p>Objective</p> <ul style="list-style-type: none"> Portfolio focus to deliver both income and capital growth Continuing focus on asset management to lengthen and strengthen our rent roll Continuing to increase and improve our development pipeline through new opportunities and new planning consents Maintain our high occupancy Retain our position as partner of choice amongst key retailers <p>Assessments</p> <ul style="list-style-type: none"> 55 occupier transactions 3.1% growth in like-for-like income Portfolio return of 10.5%, outperforming IPD by 40bp Delivery of 1.9 million sq ft developments Committed developments of 1.1 million sq ft Conditional development pipeline of 1.1 million sq ft Occupancy of 99.3%



Remuneration continued

Deferred Bonus Plan

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

Dividend equivalents accrue on shares held. Income tax and employees' national insurance liabilities are payable on release based on the market value of the shares at that date.

One third of the deferred shares granted on 19 June 2014 and held at 31 March 2015 vested on 19 June 2015. Further shares representing one third of the June 2014 and June 2015 awards are expected to vest in June 2016. Deferred shares representing 50% of the Executive Directors' bonus entitlement for the year ended 31 March 2016 will be awarded in June 2016. The shares are held in an Employee Benefit trust which at 31 March 2016 held 3,945,092 shares.

Outstanding deferred bonus shares held by the Executive Directors are set out in the table below.

	Date of grant	Face value on grant ¹ £000	Entitlement to Ordinary shares				At 31 March 2016
			At 1 April 2015	Awarded in the year	Notional dividend shares	Released in the year	
Andrew Jones	19 June 2014	360	263,004	–	23,334	(92,656)	193,682
	11 June 2015	290	–	172,202	13,782	–	185,984
Martin McGann	19 June 2014	166	121,302	–	10,762	(42,735)	89,329
	11 June 2015	158	–	94,172	7,537	–	101,709
Valentine Beresford	19 June 2014	197	143,830	–	12,761	(50,671)	105,920
	11 June 2015	167	–	99,168	7,937	–	107,105
Mark Stirling	19 June 2014	197	143,830	–	12,761	(50,671)	105,920
	11 June 2015	167	–	99,168	7,937	–	107,105

¹ Face value is the weighted average share price over the five business days immediately preceding the date of the award. For 2014 this was 136.9p, for 2015 this was 168.2p

Long Term Incentive Plan

Awards granted in the year to 31 March 2016 are summarised in the table below.

Director	Basis of award (% of salary)	Date of grant	Share awards number	Face value per share	Face value of award £000
Andrew Jones	175%	11 June 2015	522,128	168.2p	878
Martin McGann	140%	11 June 2015	274,118	168.2p	461
Valentine Beresford	140%	11 June 2015	288,656	168.2p	486
Mark Stirling	140%	11 June 2015	288,656	168.2p	486

The face value is based on a weighted average price per share, being the average share price over the five business days immediately preceding the date of the award. Awards will vest after three years subject to

continued service and the achievement of performance conditions as approved by shareholders in July 2013 and as set out on page 89.



Remuneration continued

Performance condition	Vesting level
TSR measured against FTSE 350 Real Estate Index (75% of Award)	
TSR less than index over 3 years	0%
TSR equals index over 3 years ¹	25%
TSR between 1 and 1.5 times index over 3 years ¹	Pro rata on a straight-line basis between 25% and 100%
TSR is 1.5 times index over 3 years ¹	100%
EPRA EPS growth against a base target plus RPI (25% of award)	
Less than base plus RPI plus 3% over 3 years	0%
Base plus RPI plus 3% over 3 years	25%
Base plus RPI plus between 3% and 8% over 3 years	Pro rata on a straight-line basis between 25% and 100%
Base plus RPI plus 8% over 3 years	100%

¹ TSR must be positive over 3 years

The adjusted EPRA EPS base target for the three year performance periods commencing 1 April 2013, 1 April 2014 and 1 April 2015 has been set at 6.3p, 7.0p and 7.45p respectively. The Group's three-year financial forecast was taken into account when setting these targets along with consideration of strategic goals and priorities, proposed investment and development plans, gearing levels and

previous years' results. Targets are considered challenging yet achievable in order to adequately incentivise management and are in line with the Company's strategic aim of delivering long term growth for shareholders.

Awards expected to vest in 2016/17 in relation to the three year performance period commencing 1 April 2013 are summarised below.

Performance measure	Weighting	Basis of calculation	Range			Actual performance	% awarded
			(0%)	(25%)	(100%)		
Total shareholder return (TSR)	75%	Growth in TSR against FTSE 350 Real Estate Index	<45%	45%	68%	70%	100%
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<6.8p	6.8p	7.1p	7.8p	100%

Director	LTIP% of maximum	Estimated number of shares	Estimated face value of award ¹ £000
Andrew Jones	100%	977,155	1,594
Martin McGann	100%	195,322	319
Valentine Beresford	100%	529,038	863
Mark Stirling	100%	529,038	863

¹ The face value is based on the average share price for the three months to 31 March 2016



Remuneration continued

Outstanding LTIP awards held by the Executive Directors are set out in the table below.

Director	Date of grant	Face value on grant	Number of shares under award				At 31 March 2016	Performance Period
			At 1 April 2015	Granted in year	Notional dividend shares	Vested in year		
Andrew Jones	21.8.2013	114.3p	839,895	–	137,260	–	977,155	1.4.2013 to 31.3.2016
	19.6.2014	136.9p	575,102	–	60,200	–	635,302	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	–	522,128	41,789	–	563,917	1.4.2015 to 31.3.2018
Martin McGann	27.11.2013	131.3p	167,885	–	27,437	–	195,322	1.4.2013 to 31.3.2016
	19.6.2014	136.9p	294,852	–	30,864	–	325,716	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	–	274,118	21,939	–	296,057	1.4.2015 to 31.3.2018
Valentine Beresford	21.8.2013	114.3p	454,724	–	74,314	–	529,038	1.4.2013 to 31.3.2016
	19.6.2014	136.9p	310,491	–	32,501	–	342,992	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	–	288,656	23,103	–	311,759	1.4.2015 to 31.3.2018
Mark Stirling	21.8.2013	114.3p	454,724	–	74,314	–	529,038	1.4.2013 to 31.3.2016
	19.6.2014	136.9p	310,491	–	32,501	–	342,992	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	–	288,656	23,103	–	311,759	1.4.2015 to 31.3.2018

Payments to past Directors and for loss of office

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

Directors' shareholdings and share interests (audited)

	Overall beneficial interest	LTIP shares subject to performance conditions	Deferred bonus shares	Total interests as at 31 March 2016	Share ownership as % of salary ¹	Shareholding guideline met
Andrew Jones	2,297,455	2,176,374	379,666	4,853,495	726%	Yes
Martin McGann	2,364,174	817,095	191,038	3,372,307	1139%	Yes
Valentine Beresford	2,171,895	1,183,789	213,025	3,568,709	993%	Yes
Mark Stirling	1,665,557	1,183,789	213,025	3,062,371	762%	Yes

¹ Based on the Company's share price at 31 March 2016 of 158.6p and the beneficial interests of the Directors



Remuneration continued

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

	31 March 2016 Ordinary shares of 10p each	31 March 2015 Ordinary shares of 10p each
Executive Directors		
Andrew Jones	2,297,455	2,243,479
Martin McGann	2,364,174	2,341,585
Valentine Beresford	2,171,895	2,114,036
Mark Stirling	1,665,557	1,618,574
Non Executive Directors		
Patrick Vaughan	13,777,500	15,277,500
Charles Cayzer	–	–
James Dean	20,000	20,000
Alec Pelmore	120,500	120,500
Andrew Varley	47,000	47,000
Philip Watson	214,000	214,000
Rosalyn Wilton	50,000	50,000

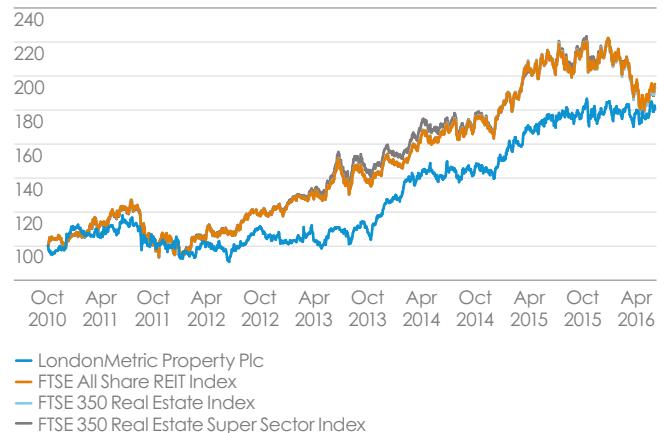
There were no movements in Directors' shareholdings between 31 March 2016 and the date of this report. The shareholding guidelines recommend Executive Directors build up a shareholding in the Company at least equal to four times salary. All Executive Directors complied with this requirement at 31 March 2016 and as at the date of this report as shown in the table on page 90. No Director had any interest or contract with the Company or any subsidiary undertaking during the year.

Performance graph

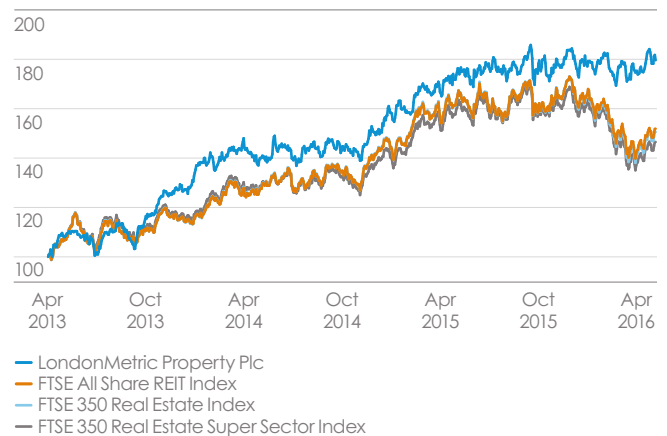
The graph shows the Group's total shareholder return (TSR) for the period from 1 October 2010, when the Company listed on the Main Market of the London Stock Exchange, to 31 March 2016, compared to the FTSE All Share REIT Index, the FTSE 350 Real Estate Index and the FTSE 350 Real Estate Super Sector index. These have been chosen by the Committee as in previous years as they are considered the most appropriate and relevant benchmarks against which to assess the performance of the Company.

The starting point required by the remuneration regulations was close to the bottom of the property cycle where a number of property companies launched rights issues while the Company did not. The Company's share price had not fallen as much as the average share price of the FTSE Real Estate sector prior to this starting point, thereby setting a higher initial base price for this graph.

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



The Company's total shareholder return over the period since merger in 2013 has outperformed all indices as shown in the graph below.





Remuneration continued

Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive for the period from the Company's listing on the main market of the London Stock Exchange on 1 October 2010 to 31 March 2016.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2016	2,776	77	100
2015	1,167	78	–
2014	1,296	100	–
2013 (Andrew Jones) ¹	166	100	–
2013 (Patrick Vaughan) ¹	583	100	–
2012	664	100	–
2011 ²	323	100	–

¹ Andrew Jones became Chief Executive and Patrick Vaughan became Chairman on 25 January 2013 following the merger of the Company with Metric Property Investments plc

² For the six months from the Company's listing on 1 October 2010 to 31 March 2011

Percentage change in Chief Executive remuneration

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

	% change		
	Salary and fees	Taxable benefits	Annual bonus
Chief Executive	2%	1%	1%
Other employees (excluding Chief Executive)	3%	7%	5%

Relative importance of spend on pay

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

	2016 £000	2015 £000	% change
Employee costs ¹	9,734	9,515	2.3%
Dividends paid ²	43,689	43,749	–

¹ Figures taken from note 4 Administration expenses on page 114 and are stated before any amounts capitalised and exclude share scheme costs

² Figures taken from note 7 Dividends on page 116 and excludes Special Dividend paid

Statement of voting at AGM

At the AGM on 16 July 2015, the Annual Remuneration Report received the following votes from shareholders representing 70% of the issued share capital of the Company. There was no policy vote.

	Number of votes	% of votes cast
For	433,180,933	98.78
Against	5,352,741	1.22
Withheld	3,917,378	
Total	442,451,052	



Remuneration continued

Statement of implementation of Remuneration Policy for the year ending 31 March 2017

Base salary

In May 2016 the Committee approved increases of 2.0% for the Executive Directors with effect from 1 June 2016. The average base salary increase for other employees was 4.6%.

The salaries for the year ahead are therefore as follows:

Executive Director	Base salary from 1 June 2016	Base salary from 1 June 2015	% increase
Andrew Jones	£511,877	£501,840	2.0
Martin McGann	£335,920	£329,333	2.0
Valentine Beresford	£353,736	£346,800	2.0
Mark Stirling	£353,736	£346,800	2.0

There are no changes to the pension contributions and other benefits which are described in the summary policy table on pages 81 to 84.

Annual Bonus Plan

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

Performance measure	Weighting	Target
Growth in EPRA EPS	35%	Growth in Company's EPRA EPS against a range of challenging targets
Growth in total property return (TPR)	35%	Growth in Company's TPR against IPD Quarterly Universe Index Full payout if growth is 120% of the Index 50% payout if growth is 110% of the Index 25% payout if growth matches the Index Straight-line interpolation between limits No payout if TPR is negative
Personal objectives	30%	Vary between individuals and include portfolio management metrics, financial and people management, investor relations and regulatory compliance

The Committee proposes to increase the individual limits for bonus payments in 2016/17 to 165% of salary for the Chief Executive and 140% of salary for the other Executive Directors. The increase in bonus potential reflects a market competitive maximum which provides a greater weighting on performance related pay.

In the opinion of the Committee, the annual bonus performance targets and individual objectives for the year ahead are commercially sensitive and accordingly are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.



Remuneration continued

LTIP Awards

The following performance measures will apply to awards to be granted in 2016/17:

Performance measure (over three years)	Measured against	% of Award	Vesting level ¹	Start of Measurement Period
Total Shareholder Return (TSR)	FTSE 350 Real Estate Super Sector excluding agencies & operators	37.5%	25% – performance equals index 100% – performance equal or better than the upper quartile ranked company in the index Straight-line interpolation between limits No payout if TSR is negative	1 April 2016
Total Accounting Return (TAR)	FTSE 350 Real Estate Super Sector excluding agencies & operators	37.5%	25% – performance equals index 100% – performance equal or better than the upper quartile ranked company in the index Straight-line interpolation between limits	1 April 2016
EPRA EPS growth	Base target plus RPI	25%	25% – performance equals RPI plus 3% over three years 100% – performance equals RPI plus 8% over three years Straight-line interpolation between limits	1 April 2016

¹ The weighting of the Index is based on the market capitalisation (for TSR) and NAV (for TAR) for each company in the comparator group at the start of the performance period

The Committee has resolved that grants to Andrew Jones, Martin McGann, Valentine Beresford and Mark Stirling will be at the levels of 200%, 165%, 165% and 165% of salary respectively for 2016/17. The individual caps have been increased to reflect the increased contribution the Executive Directors make to the strategic direction and performance of the Group. They are within the 200% of salary limit within the policy.

Recovery and withholding provisions will be introduced for the cash element of the bonus and broadened for the deferred share element and future LTIP awards so they operate consistently. These will cover misconduct, misstatement, error in calculation and serious reputational damage to the Group. These provisions will apply for a period of up to three years post payment/vesting which may extend to five years if an investigation is initiated prior to the end of the initial three year period.

Illustration of potential remuneration for Executive Directors

The chart on page 95 sets out the potential remuneration receivable by the Executive Directors for the year to 31 March 2017 reflecting base salaries proposed for the year commencing 1 April 2016 as reflected on page 93 and as increased from 1 June 2016.

The minimum scenario reflects fixed remuneration of salary, pension and benefits only as the other elements are linked to future performance. Base salary is that to be paid in 2016/17. Benefits are as shown in the single figure remuneration table for 2015/16 on page 86.

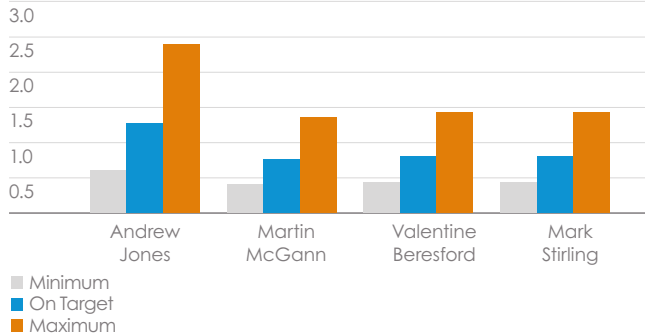
The on-target scenario reflects fixed remuneration as above plus 50% of the maximum annual bonus entitlement and the threshold level of vesting for the LTIP awards, being 25% for each performance requirement.

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



Remuneration continued

Potential remuneration for Directors £m



Non Executive Directors' fees

The fees for Non Executive Directors are determined and reviewed by the Board. The base fee will be increased by 2.0% to £46,818 per annum from 1 June 2016 for all Non Executive Directors except the Chairman whose fee of £320,000 is fixed until 31 March 2017.

An additional fee of £10,000 per annum is payable to the Chairmen of the Audit and Remuneration Committees and of £5,000 per annum for each member of the Audit and Remuneration Committees and to the Senior Independent Director.

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

James Dean

James Dean
Chairman of the Remuneration Committee
1 June 2016

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2016.

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



Martin McGann
Finance Director

Annual General Meeting

The Annual General Meeting ('AGM') of the Company will be held at the Connaught, Carlos Place, Mayfair, London W1K 2AL at 10 am on 14 July 2016.

The Notice of Meeting on pages 143 to 147 sets out the proposed resolutions and voting details.

The Board considers the resolutions which promote the success of the Company and are in the best interests of the Company and its shareholders. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings, which amount in aggregate to 22,728,081 shares representing approximately 3.6% of the existing issued ordinary share capital of the Company as at 31 May 2016.

Substantial shareholders

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

	Number of shares	%
Rathbones	44,628,177	7.11
Blackrock Inc	39,347,435	6.26
Columbia Threadneedle	36,462,297	5.81
Troy Asset Management	28,475,898	4.53
Aberdeen Asset Management	22,169,268	3.53
Hargreave Hale	19,018,311	3.03

Principal activities and business review

The purpose of the Annual Report is to provide information to the members of the Company which is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, its principal risks and uncertainties and its business model and strategy is contained in the Strategic report on pages 1 to 52 and should be read as part of this report.

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

Results and dividends

The Group reported a profit for the year of £82.7 million (2015: £159.5 million). An interim dividend for 2016 of 3.5p per share was paid on 21 December 2015 and a second interim dividend of 3.75p per share was paid on 5 April 2016. The Directors do not propose a final dividend this year, resulting in a total dividend of 7.25p per share for the year to 31 March 2016 (2015: 7.0p per share).

Of the total dividend of 7.25p, 4.6p was paid as a Property Income Distribution (PID) as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 2.65p was paid as an ordinary dividend which is not subject to withholding tax.

Investment properties

A valuation of the Group's investment properties at 31 March 2016 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £1,520.9 million including the Group's share of joint venture property as reflected in notes 9 and 10 to these accounts.

Report of the Directors continued

Share capital

As at 31 March 2016, there were 628,043,905 ordinary shares of 10p in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the size of a holding or on the transfer of shares. None of the shares carry any special rights of control over the Company. There were no persons with significant direct or indirect holdings in the Company other than those listed as substantial shareholders on page 96.

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

The rules governing appointments, replacement and powers of Directors are contained in the Company's Articles of Association, the Companies Act 2006 and the UK Corporate Governance Code. These include powers to authorise the issue and buy back of shares by the Company. The Company's Articles can be amended by Special Resolution in accordance with Companies Act 2006.

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2015 to purchase its own shares up to an aggregate nominal value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. No ordinary shares were purchased under this authority during the year.

Directors

The present membership of the Board and biographical details of Directors are set out on pages 56 and 57.

Andrew Livingston was appointed to the Board as a Non Executive Director and a member of the Audit Committee on 31 May 2016.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 91.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for election and re-election at the forthcoming AGM on 14 July 2016.

Directors' and Officers' liability insurance

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

Suppliers

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

The number of creditor days outstanding for the Group at 31 March 2016 was 16 days (2015: 17 days).

Provisions on change of control

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

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

Essential contracts

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

Financial instruments

Details of the financial instruments used by the Group and financial risk management policies can be found in note 14 and in the Managing risk section on page 43.

Charitable and political contributions

During the year, the Group made charitable donations of £20,000 (2015: £24,820). No political donations were made during the year (2015: £nil).

Report of the Directors continued

Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are on pages 36 to 43. The Group's borrowings, undrawn facilities, hedging and liquidity are described in note 14 to the accounts and in the Financial review on page 35.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long term nature of tenant leases.

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

Post-balance sheet events

Details of the Group's post-balance sheet events are reflected in note 19 to these financial statements on page 128.

Employees

At 31 March 2016 the Group had 40 employees. The Group's employment and environmental policies are summarised in Our approach to responsible business on pages 50 to 52.

Shares Held in the Employee Benefit Trust

The Trustees of the LondonMetric Long Term Incentive Plan hold 3,945,092 shares in the Company in trust to satisfy awards under the Company's Long Term Incentive and Deferred Bonus plans. The Trustees have waived their right to receive dividends on shares held in the Company.

Viability Statement

The Company's statement on viability is presented on page 37.

Greenhouse gas reporting

In accordance with Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on page 46.

Disclosure of information to auditor

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

Auditor

Deloitte LLP is willing to be reappointed as the external auditor to the Company and Group. Their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the AGM on 14 July 2016.

On behalf of the Board



Martin McGann
Finance Director
1 June 2016

Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board



Martin McGann
Finance Director
1 June 2016



Andrew Jones
Chief Executive
1 June 2016

Financial statements

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Independent Auditor's report to the members of LondonMetric Property Plc

Opinion on financial statements of LondonMetric Property Plc

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework', and as applied in accordance with the provisions of the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

The financial statements comprise the Group income statement, the Group and Parent Company balance sheets, the Group and Parent Company statement of changes in equity and the Group cash flow statement and the related notes 1 to 19 for the Group financial statements and the related notes i to vii for the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the Directors' statement on the longer term viability of the Group contained within the strategic report.

We have nothing material to add or draw attention to in relation to:

- The Directors' confirmation on page 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity
- The disclosures on pages 37 to 43 that describe those risks and explain how they are being managed or mitigated
- The Directors' statement in the Report of the Directors about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- The Directors' explanation on page 37 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non audit services referred to in those standards.

Independent Auditor's report to the members of LondonMetric Property Plc continued

Our assessment of risks of material misstatement

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

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 73 and 74.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property

Risk	How the scope of our audit responded to the risk	Key observations
<p>The Group owns a portfolio of retail and distribution property assets, which is valued at £1,521 million (2015: £1,400 million), including share of joint venture properties, as at 31 March 2016. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions including (i) capitalisation yields (ii) future lease income and (iii) with reference to development properties, costs to complete.</p> <p>The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The valuers are engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the Group have considerable experience in the markets in which the Group operates.</p> <p>The valuation exercise also relies on the accuracy of the underlying lease and financial information provided to the valuers by management.</p> <p>Refer to page 73 (Audit Committee report), page 110 (accounting policy) and note 9 on pages 118 to 120 (financial disclosures).</p>	<ul style="list-style-type: none"> • We assessed management's process for reviewing and assessing the work of the external valuer and development appraisals • We assessed the competence, objectivity and integrity of the external valuer and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work • We obtained the external valuation reports and met with the external valuers of the portfolio to assess the results of their work. We assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, future lease income and yields. We benchmarked these assumptions to relevant market evidence including specific property sales and other external data • We tested a sample of properties through benchmarking of yields, understanding the valuation methodology and wider market analysis • We performed audit procedures to assess the integrity of a sample of the information provided to the external valuer by agreeing that information to underlying lease agreements • We tested a sample of the costs to complete in relation to the development properties via agreement to supporting documentation 	<p>We are satisfied that the key assumptions applied in calculating the property valuations are within an acceptable range. The testing performed in relation to the final property valuations proved satisfactory.</p>

Independent Auditor's report to the members of LondonMetric Property Plc continued

Property transaction accounting

Risk	How the scope of our audit responded to the risk	Key observations
<p>The Group has undertaken a large number of property acquisitions for a total consideration of £187.6 million and disposals for a total of £204.1 million (including share of joint ventures).</p> <p>These transactions can include complexities such as rental top-up payments, conditionality and deferred completion arrangements or joint venture contractual obligations, requiring judgement as to the appropriate accounting to be applied.</p> <p>Refer to page 74 (Audit Committee report), page 110 (accounting policy) and note 9 on pages 118 to 120 (financial disclosures).</p>	<ul style="list-style-type: none"> • We assessed the fair value of consideration and confirmed key transaction terms by reference to acquisition or disposal agreements and other external evidence for all significant acquisitions and disposals in the year • We considered the date at which the transactions completed based on the timing of the transfer of risks and rewards of ownership per the acquisition or disposal agreements, and considered the impact of these transactions on revenue recognition • We considered the adequacy of the disclosure of the transactions in the financial statements • We recalculated the profit or loss on disposals based on the terms of the transaction 	<p>The results of our testing were satisfactory and we found no instances of inappropriate recognition of a property transaction.</p>

Revenue recognition

Risk	How the scope of our audit responded to the risk	Key observations
<p>Revenue for the Group primarily consists of rental income earned on its investment property portfolio. Total revenue for the year to 31 March 2016 was £79 million (2015: £74 million), including share of joint ventures. Within revenue, there are certain transactions which warrant additional audit focus and have an increased inherent risk of error due to their non-standard nature. Our risk of material misstatement focused on the accounting for unusual or more complex items including rent free periods and capital incentives, requiring an understanding of specific terms and conditions which vary between contracts.</p> <p>Refer to page 74 (Audit Committee report), page 110 (accounting policy) and note 3 on page 114 (financial disclosures).</p>	<p>As part of our audit of revenue, we focused on any unusual and complex adjustments to revenue, agreeing the lease incentives for a sample of items to the underlying leases, with our sample covering both existing and new leases. We recalculated the required adjustment to the annual rent in relation to these items to determine whether the correct amount of revenue had been recognised in the year.</p>	<p>The results of our testing were satisfactory and we found no material instances of inappropriate revenue recognition. The Group's accounting policies in relation to revenue recognition were found to be in line with IFRS and industry peers.</p>

Independent Auditor's report to the members of LondonMetric Property Plc continued

Our application of materiality

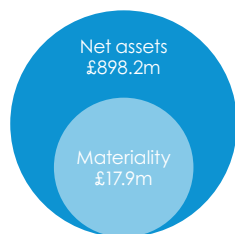
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

We determined materiality for the Group to be £17.9 million (2015: £16.0 million), which is below 2% (2015: 2%) of shareholders' equity. In addition to net assets, we consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £2.4 million (2015: £2.0 million) based on 5% (2015: 5%) of that measure for testing of all balances and classes of transaction which impact that measure, primarily transactions recorded in the income statement other than fair value movements on investment property, development property and derivatives.

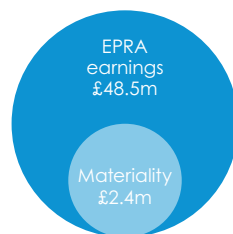
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.4 million (2015: £0.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The Audit Committee has asked us to report on the level of unadjusted misstatements identified during our audit. We did not identify any unadjusted misstatements for reporting matters to the Audit Committee.

Net asset value measure



EPRA earnings measure



An overview of the scope of our audit

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Annual Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of LondonMetric Property Plc continued

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Otherwise misleading.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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

Claire Faulkner
Senior Statutory Auditor (FCA)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

1 June 2016

Group income statement

For the year ended 31 March

	Note	2016 £000	2015 £000
Gross rental income	3	67,948	60,192
Property operating expenses		(830)	(2,582)
Net rental income		67,118	57,610
Property advisory fee income		2,191	2,211
Net income		69,309	59,821
Administrative costs	4	(13,636)	(12,502)
Amortisation of intangible asset		(315)	(347)
Total administrative costs		(13,951)	(12,849)
Profit on revaluation of investment properties	9	51,063	112,393
Profit on sale of investment properties		2,359	13,395
Share of profits of joint ventures	10	4,528	14,303
Operating profit		113,308	187,063
Finance income		2,182	356
Finance costs	5	(32,748)	(27,104)
Profit before tax		82,742	160,315
Taxation	6	(18)	(864)
Profit for the year and total comprehensive income		82,724	159,451
Earnings per share			
Basic and diluted	8	13.3p	25.5p
EPRA	8	7.8p	6.6p

All amounts relate to continuing activities.

The notes on pages 110 to 128 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2016 £000	2015 £000
Non current assets			
Investment properties	9	1,346,110	1,164,140
Investment in equity accounted joint ventures	10	119,666	148,366
Intangible assets		182	497
Other tangible assets		392	435
		1,466,350	1,313,438
Current assets			
Trade and other receivables	11	16,049	7,241
Cash and cash equivalents	12	42,621	50,568
		58,670	57,809
Total assets		1,525,020	1,371,247
Current liabilities			
Trade and other payables	13	35,343	31,971
		35,343	31,971
Non current liabilities			
Borrowings	14	567,910	462,255
Derivative financial instruments	14	23,570	6,870
		591,480	469,125
Total liabilities		626,823	501,096
Net assets		898,197	870,151
Equity			
Called up share capital	16	62,804	62,804
Capital redemption reserve		9,636	9,636
Other reserve		222,936	223,061
Retained earnings		602,821	574,650
Equity shareholders' funds		898,197	870,151
Net asset value per share	8	143.9p	139.4p
EPRA net asset value per share	8	147.7p	140.6p

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2016 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 110 to 128 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2015		62,804	9,636	223,061	574,650	870,151
Profit for the year and total comprehensive income		–	–	–	82,724	82,724
Purchase of shares held in trust		–	–	(419)	–	(419)
Vesting of shares held in trust		–	–	294	12	306
Share-based awards		–	–	–	1,606	1,606
Dividends paid	7	–	–	–	(56,171)	(56,171)
At 31 March 2016		62,804	9,636	222,936	602,821	898,197

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2014		62,804	9,636	225,420	457,994	755,854
Profit for the year and total comprehensive income		–	–	–	159,451	159,451
Purchase of shares held in trust		–	–	(2,359)	–	(2,359)
Share-based awards		–	–	–	954	954
Dividends paid	7	–	–	–	(43,749)	(43,749)
At 31 March 2015		62,804	9,636	223,061	574,650	870,151

The notes on page 110 to 128 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	2016 £000	2015 £000
Cash flows from operating activities		
Profit before tax	82,742	160,315
Adjustments for non cash items:		
Profit on revaluation of investment properties	(51,063)	(112,393)
Profit on sale of investment properties	(2,359)	(13,395)
Share of post-tax profit of joint ventures	(4,528)	(14,303)
Movement in lease incentives	(5,173)	(11,600)
Share-based payment	1,606	954
Amortisation of intangible asset	315	347
Net finance costs	30,566	26,748
Cash flows from operations before changes in working capital	52,106	36,673
Change in trade and other receivables	2,360	419
Change in trade and other payables	(165)	6,439
Cash flows from operations	54,301	43,531
Interest received	50	356
Interest paid	(16,516)	(13,763)
Tax (paid)/received	(8)	215
Financial arrangement fees and break costs	(6,960)	(5,533)
Cash flows from operating activities	30,867	24,806
Investing activities		
Purchase of investment properties	(179,000)	(279,740)
Purchase of other tangible assets	(60)	(25)
Capital expenditure on investment properties	(43,584)	(32,102)
Lease incentives paid	(26,006)	–
Sale of investment properties	123,353	248,356
Investments in joint ventures	(10)	(12,476)
Distributions from joint ventures	33,238	19,524
Cash flow from investing activities	(92,069)	(56,463)
Financing activities		
Dividends paid	(56,171)	(43,749)
Purchase of shares held in trust	(419)	(2,359)
Vesting of shares held in trust	306	–
New borrowings	478,275	166,379
Repayment of loan facilities	(368,736)	(116,403)
Cash flows from financing activities	53,255	3,868
Net decrease in cash and cash equivalents	(7,947)	(27,789)
Opening cash and cash equivalents	50,568	78,357
Closing cash and cash equivalents	42,621	50,568

The notes on pages 110 to 128 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2016

1 Significant accounting policies

a) General information

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 148. The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 52.

b) Statement of compliance

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

c) Basis of preparation

The financial statements are prepared on a going concern basis, as explained in the Report of the Directors on page 98.

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

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

i) Significant judgements and key estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The accounting policies subject to significant judgements and estimates are as follows:

Property valuations

The valuation of the property portfolio is a critical part of the Group's performance. The Group carries the property portfolio at fair value in the balance sheet and engages professionally qualified external valuers to undertake six-monthly valuations.

The determination of the fair value of each property requires, to the extent applicable, the use of estimates and assumptions in relation to factors such as future lease income, lease incentives, current market rental yields, future development costs and the appropriate discount rate. In addition, to the extent possible, the valuers make reference to market evidence of transaction prices for similar properties.

The fair value of a development property is determined by using the 'residual method', which deducts all costs necessary to complete the development, together with an allowance for development risk, profit and purchasers' costs, from the fair valuation of the completed property.

Significant transactions

Some property transactions are complex and require management to assess whether the acquisition of property through a corporate vehicle represents an asset acquisition or a business combination under IFRS3.

Where there are significant other assets and liabilities acquired in addition to property, the transaction is accounted for as a business combination. Where there are not it is accounted for as an asset purchase.

Other complexities include conditionality inherent in transactions and deferred property completions.

Revenue recognition

Certain transactions require management to make judgements as to whether, and to what extent, revenue should be recognised and the appropriate cut off for property transactions. Management consider whether the significant risks and rewards of ownership of assets have been transferred between buyer and seller and the point at which developments reach practical completion.

Other complexities include accounting for rent free periods and capital incentive payments.

REIT status

The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

ii) Adoption of new and revised standards

Standards and interpretations effective in the current period

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

Name	Description
Annual Improvements to IFRSs: 2010 – 2012	Amendments to: IFRS 2 Share-based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
Annual Improvements to IFRSs: 2011 – 2013	Amendments to: IFRS 1 First Time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

1 Significant accounting policies (continued)

Standards and interpretations in issue not yet adopted

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

Name	Description
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (amendments)	Disclosure Initiative
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IFRS 12 (amendments)	Application of the Consolidation Exception
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs: 2012 – 2014 cycle	Amendments to: IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments – Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures, and IFRS 16 will impact the accounting for those leases currently classified as operating leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Group. Control is assumed when the Group:

- Has the power over the investee;

- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

ii) Joint ventures and associates

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

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

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

e) Property portfolio

i) Investment properties

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

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

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

1 Significant accounting policies (continued)

Investment property is recognised as an asset when:

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

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

ii) Assets held for sale

An asset is classified as held for sale if its carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for sale in its present condition and management expect the sale to complete within one year from the balance sheet date.

iii) Tenant leases

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

iv) Net rental income

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

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

Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

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

v) Surplus on sale of investment properties

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

f) Financial assets and financial liabilities

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

i) Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value and subsequently at fair value using the effective interest method. An impairment provision is created where there is objective evidence to suggest that the Group will not be able to collect receivables in full.

ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities.

iii) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost with any difference being recognised in the income statement over the term of the borrowing.

iv) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement.

g) Finance costs and income

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

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

Finance income includes interest receivable on funds invested at the effective rate and notional interest receivable on forward funded developments at the contractual rate.

h) Tax

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

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

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

2 Segmental information (continued)

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

3 Net income

	2016 £000	2015 £000
For the year to 31 March		
Gross rental income	67,948	60,192
Property operating expenses	(830)	(2,582)
	67,118	57,610

For the year to 31 March 2016, 22% of the Group's gross rental income was receivable from two tenants. For the comparative period no single tenant contributed more than 10% of the Group's gross rental income.

4 Administration expenses

a) Total administration expenses

	2016 £000	2015 £000
For the year to 31 March		
Staff costs	9,852	8,807
Auditor's remuneration	183	190
Depreciation	103	88
Other administrative expenses	3,498	3,417
	13,636	12,502

b) Staff costs

	2016 £000	2015 £000
For the year to 31 March		
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	8,567	8,122
Less staff costs capitalised	(1,488)	(1,662)
	7,079	6,460
Social security costs	724	981
Pension costs	443	412
Share-based payment	1,606	954
	9,852	8,807

The emoluments and pension benefits of the Directors are set out in detail within the Remuneration Committee report on page 86.

The long term share incentive scheme that was created following the merger in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share and total shareholder return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £1.6 million (2015: £1.0 million).

The Company awarded 1,839,181 LTIP shares during the year, 1,373,558 of which were awarded to Executive Directors as shown in the Remuneration Committee report on page 90. The cost of acquiring the shares expected to vest of £0.4 million has been charged to reserves.

Employee costs of £1.5 million (2015: £1.7 million) have been capitalised in respect of time spent on development projects.

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

4 Administration expenses (continued)

c) Staff numbers

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

	2016 Number	2015 Number
Head office and property management	35	36

d) Auditor's remuneration

	2016 £000	2015 £000
For the year to 31 March		
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	74	62
Audit of subsidiary financial statements, pursuant to legislation	79	95
Audit related assurance services	26	26
Other fees:		
Other advisory services	–	2
Total fees for audit and other services	179	185

In addition to the above audit fees totalling £31,000 (2015: £37,000) were due to the Group's auditor in respect of its joint venture operations (excluding LMP Retail Warehouse JV Property Unit Trust).

5 Finance costs

	2016 £000	2015 £000
For the year to 31 March		
Interest payable on bank loans and related derivatives	15,641	15,410
Debt and hedging early close out costs	77	3,891
Amortisation of loan issue costs	1,404	1,428
Commitment fees and other finance costs	1,595	509
Total borrowing costs	18,717	21,238
Less amounts capitalised on the development of properties	(2,669)	(1,607)
Net borrowing costs	16,048	19,631
Fair value loss on derivative financial instruments	16,700	7,473
Total finance costs	32,748	27,104

As a result of the refinancing of the Group's bank facilities in April 2015, £3.1 million of unamortised arrangement costs associated with facilities repaid were written off to the income statement in the previous year.

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

6 Taxation

	2016 £000	2015 £000
For the year to 31 March		
The tax charge comprises:		
Current tax		
UK tax charge on profit	18	35
Deferred tax		
Change in deferred tax	–	829
	18	864

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

	2016 £000	2015 £000
For the year to 31 March		
Profit before tax	82,742	160,315
Tax at the standard rate of corporation tax in the UK of 20% (2015: 21%)	16,548	33,666
Effects of:		
Expenses not deductible for tax purposes	63	74
Tax effect of income not subject to tax	(15,687)	(30,701)
Share of post-tax profit of joint ventures	(906)	(3,004)
Temporary differences	–	829
UK tax charge on profit	18	864

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

7 Dividends

	2016 £000	2015 £000
For the year to 31 March		
Ordinary dividends paid		
2014 Final dividend: 3.5p per share	–	21,903
2015 Interim dividend: 3.5p per share	–	21,846
2015 Final dividend: 3.5p per share	21,843	–
2015 Special dividend: 2.0p per share	12,482	–
2016 Interim dividend: 3.5p per share	21,846	–
	56,171	43,749
Dividend paid in 2017		
2016 Second interim dividend: 3.75p per share	23,404	

The second interim dividend was approved by the Board on 1 April 2016 and paid on 5 April 2016 to ordinary shareholders on the register at the close of business on 18 March 2016. It has not been included as a liability. It will be recognised as an appropriation of retained earnings in 2017.

No final dividend is proposed.

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations of The European Public Real Estate Association (EPRA). The EPRA earnings measure highlights the underlying recurring performance of the property rental business.

The earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year.

The net asset per share calculation uses the number of shares in issue at the year end and excludes the actual number of shares held by the Employee Benefit Trust at the year end.

a) EPRA earnings

EPRA earnings for the Group and its share of joint ventures are detailed as follows:

For the year to 31 March	Group £000	JV £000	2016 £000	Group £000	JV £000	2015 £000
Gross rental income	67,948	11,084	79,032	60,192	13,844	74,036
Property costs	(830)	(515)	(1,345)	(2,582)	(507)	(3,089)
Net income	67,118	10,569	77,687	57,610	13,337	70,947
Management fees	2,191	(865)	1,326	2,211	(949)	1,262
Administrative costs	(13,636)	(172)	(13,808)	(12,502)	(141)	(12,643)
Net finance costs	(13,789)	(2,947)	(16,736)	(15,384)	(3,238)	(18,622)
Other	(18)	–	(18)	(35)	–	(35)
EPRA earnings	41,866	6,585	48,451	31,900	9,009	40,909

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

For the year to 31 March	Group £000	JV £000	2016 £000	Group £000	JV £000	2015 £000
EPRA earnings	41,866	6,585	48,451	31,900	9,009	40,909
Revaluation of investment property	51,063	(1,276)	49,787	112,393	5,982	118,375
Fair value of derivatives	(16,700)	(132)	(16,832)	(7,473)	(1,105)	(8,578)
Debt and hedging early close out costs	(77)	(411)	(488)	(3,891)	(58)	(3,949)
Profit on disposal	2,359	(238)	2,121	13,395	475	13,870
Amortisation of intangible assets	(315)	–	(315)	(347)	–	(347)
Deferred tax	–	–	–	(829)	–	(829)
IFRS reported profit	78,196	4,528	82,724	145,148	14,303	159,451

b) Earnings per ordinary share

For the year to 31 March	2016 £000	2015 £000
Basic and diluted earnings	82,724	159,451
EPRA adjustments ¹	(34,273)	(118,542)
EPRA earnings	48,451	40,909

¹ Adjustments shown in table reconciling EPRA earnings with IFRS reported profit

Notes forming part of the Group financial statements
For the year ended 31 March 2016 continued

8 Earnings and net assets per share (continued)

	2016 Number of shares '000	2015 Number of shares '000
For the year to 31 March		
Ordinary share capital	628,044	628,044
Average number of shares held in employee trust	(3,885)	(3,509)
Weighted average number of ordinary shares	624,159	624,535
Basic and diluted earnings per share	13.3p	25.5p
EPRA earnings per share	7.8p	6.6p

c) Net assets per share

	2016 £000	2015 £000
As at 31 March		
Equity shareholders' funds	898,197	870,151
Fair value of derivatives	23,570	6,870
Fair value of joint ventures' derivatives	338	205
EPRA net asset value	922,105	877,226

	2016 Number of shares '000	2015 Number of shares '000
As at 31 March		
Opening ordinary share capital	628,044	628,044
Number of shares held in employee trust	(3,945)	(3,964)
Number of ordinary shares	624,099	624,080
Basic net asset value per share	143.9p	139.4p
EPRA net asset value per share	147.7p	140.6p

Further EPRA performance measures are reflected in the Supplementary notes on pages 136 to 138.

9 Investment properties

a) Investment property

	2016			2015		
	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
As at 31 March						
Opening balance	1,033,045	131,095	1,164,140	858,668	171,885	1,030,553
Acquisitions	109,546	70,290	179,836	188,988	19,955	208,943
Other capital expenditure	13,720	34,665	48,385	10,545	21,557	32,102
Disposals	(128,493)	–	(128,493)	(219,510)	(11,941)	(231,451)
Property transfers	204,823	(204,823)	–	106,310	(106,310)	–
Revaluation movement	41,991	9,072	51,063	76,398	35,995	112,393
Movement in tenant incentives and rent-free uplifts	14,928	16,251	31,179	11,646	(46)	11,600
	1,289,560	56,550	1,346,110	1,033,045	131,095	1,164,140

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

9 Investment properties (continued)

Investment properties are held at fair value as at 31 March 2016 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills Advisory Services Limited ('Savills'). The valuation of property held for sale at 31 March 2016 was £62.8 million (2015: £16.0 million).

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There has been no change in the valuation technique in the year. The total fees earned by CBRE and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Long term leasehold values included within investment properties amount to £93.9 million (2015: £107.7 million). All other properties are freehold.

Included within the investment property valuation is £52.5 million (2015: £20.8 million) in respect of unamortised lease incentives and rent-free periods.

The historical cost of all of the Group's investment properties at 31 March 2016 was £1,127.9 million (2015: £984.7 million).

Capital commitments have been entered into amounting to £85.5 million (2015: £82.8 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.5 million (2015: £1.7 million) have been capitalised, being directly attributable to the development projects in progress.

b) Valuation technique and quantitative information

Asset type	Fair value 2016 £000	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Retail	429,475	Yield capitalisation	16.02	9.01-23.89	5.62	4.25-8.16	5.49	4.12-8.16
Distribution	778,340	Yield capitalisation	5.61	3.95-9.17	5.01	4.11-7.23	5.10	4.21-6.74
Office	80,200	Yield capitalisation	25.94	25.94	5.59	5.59	6.80	6.80
Residential	1,545	Comparison	n/a	n/a	n/a	n/a	n/a	n/a
Development – retail	13,175	Yield capitalisation	17.91	14.50-27.00	4.70	4.25-5.10	4.77	4.25-5.10
Development – distribution	29,300	Yield capitalisation	5.00	5.00	5.02	5.02	5.18	5.18
Development	14,075	Residual	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1

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

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2016. The fair value at 31 March 2016 represents the highest and best use.

i) Technique

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

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

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

9 Investment properties (continued)

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

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

ii) Sensitivity

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

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

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

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

iii) Process

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

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

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

10 Investment in joint ventures

At 31 March 2016, the following principal property interests, being jointly-controlled entities, have been equity accounted for in these financial statements:

	Country of incorporation or registration	Property sector	Group share
Metric Income Plus Partnership	England and Wales	Retail	50.0%
LMP Retail Warehouse JV PUT	Guernsey	Retail	30.5%
LSP London Residential Investments	Guernsey	Residential	40.0%

The principal activity of all joint venture interests is property investment in the UK in the sectors noted in the table above, which complements the Group's operations and contributes to the achievement of its strategy.

The Metric Income Plus Partnership ('MIPP') in which the Company has a 50% interest acquired one asset in the year for £6.9 million (Group share: £3.5 million) and disposed of six assets for gross proceeds of £55.2 million (Group share: £27.6 million). Associated bank debt of £25.4 million (Group share: £12.7 million) was repaid following net disposals in the year and £12.5 million (Group share: £6.3 million) of the remaining loan facility has been cancelled.

The LSP Green Park Distribution joint venture disposed of its remaining distribution warehouse in Harlow in June 2015 for £37.2 million (Group share: £18.6 million) and the LMP Retail Warehouse JV PUT disposed of one asset in Enfield for £24.5 million (Group share: £7.5 million).

The Group also disposed of 25 residential flats for £29.8 million (Group share: £11.9 million) through its 40% interest in LSP London Residential Investments in the year. All proceeds received have been used to repay bank debt.

At 31 March 2016, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE Limited and Savills Advisory Services Limited. The valuation of property held for sale at 31 March 2016 was £17.4 million (Group share: £8.7 million).

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

10 Investment in joint ventures (continued)

The movement in the carrying value of joint venture interests in the year is summarised as follows:

	2016 £000	2015 £000
As at 31 March		
Opening balance	148,366	108,990
Additions at cost	10	44,597
Share of profit in the year	4,528	14,303
Disposals	(14,110)	–
Profit distributions received	(19,128)	(19,524)
	119,666	148,366

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

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	LSP Green Park Distribution Holdings £000	LSP Green Park Trust £000	Total 2016 £000	Group share 2016 £000
Summarised income statement	100%	100%	100%	100%	100%	100%	
Gross rental income	12,359	10,964	3,472	343	–	27,138	11,084
Property costs	(117)	(2)	(1,113)	(21)	–	(1,253)	(515)
Net rental income	12,242	10,962	2,359	322	–	25,885	10,569
Administration expenses	(124)	(117)	(113)	(26)	(38)	(418)	(172)
Management fees	(939)	(425)	(550)	(93)	–	(2,007)	(865)
Revaluation loss	(1,534)	(960)	(540)	–	–	(3,034)	(1,276)
Finance income	45	4	3	–	–	52	14
Finance cost	(3,555)	(2,935)	(1,432)	(277)	–	(8,199)	(3,372)
Movement in derivatives	(338)	(188)	105	105	–	(316)	(132)
(Loss)/profit on disposal	(514)	1,006	(1,108)	(185)	771	(30)	(238)
Tax	–	–	–	(5)	–	(5)	–
Profit/(loss) after tax	5,283	7,347	(1,276)	(159)	733	11,928	4,528
EPRA adjustments:							
Revaluation loss	1,534	960	540	–	–	3,034	1,276
Movement in derivatives	338	188	(105)	(105)	–	316	132
Loss/(profit) on disposal	514	(1,006)	1,108	185	(771)	30	238
Debt and hedging early close out costs	364	326	153	138	–	981	411
EPRA earnings	8,033	7,815	420	59	(38)	16,289	6,585
Summarised balance sheet							
Investment properties	165,335	123,685	135,875	–	–	424,895	174,741
Other current assets	12,912	75	349	–	–	13,336	6,620
Cash	3,198	3,285	3,596	20	–	10,099	4,049
Current liabilities	(3,588)	(3,971)	(860)	–	–	(8,419)	(3,349)
Bank debt	(77,075)	(60,328)	(14,933)	–	–	(152,336)	(62,911)
Unamortised finance costs	1,068	1,011	29	–	–	2,108	854
Derivative financial instruments	(713)	86	(19)	–	–	(646)	(338)
Net assets	101,137	63,843	124,037	20	–	289,037	119,666
Group share	50%	30.5%	40%	50%	–		
Group share of net assets	50,569	19,472	49,615	10	–	119,666	

Notes forming part of the Group financial statements
For the year ended 31 March 2016 continued

10 Investment in joint ventures (continued)

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	LSP Green Park Distribution Holdings £000	LSP Green Park Trust £000	Total 2015 £000	Group share 2015 £000
Summarised income statement	100%	100%	100%	100%	100%	100%	
Net rental income	11,953	12,736	2,668	6,297	–	33,654	13,337
Administration expenses	(122)	(22)	(130)	(4)	(100)	(378)	(141)
Management fees	(874)	(493)	(538)	(260)	(213)	(2,378)	(949)
Revaluation gain	7,020	7,821	400	2,457	–	17,698	5,982
Finance income	18	8	4	1	–	31	13
Finance cost	(3,283)	(1,863)	(2,559)	(585)	–	(8,290)	(3,251)
Movement in derivatives	(1,683)	(390)	(352)	21	–	(2,404)	(1,105)
(Loss)/profit on disposal	(427)	1,916	(595)	–	1,089	1,983	417
Tax	–	–	–	(62)	–	(62)	–
Profit/(loss) after tax	12,602	19,713	(1,102)	7,865	776	39,854	14,303
EPRA adjustments							
Revaluation gain	(7,020)	(7,821)	(400)	(2,457)	–	(17,698)	(5,982)
Movement in derivatives	1,683	390	352	(21)	–	2,404	1,105
Loss/(profit) on disposal	427	(1,916)	595	–	(1,089)	(1,983)	(475)
Debt and hedging early close out costs	–	–	146	–	–	146	58
EPRA earnings	7,692	10,366	(409)	5,387	(313)	22,723	9,009
Summarised balance sheet							
Investment properties	212,430	147,995	166,134	36,878	–	563,437	236,245
Other current assets	1,448	25	336	–	24	1,833	873
Cash	21,275	1,821	2,309	1,253	979	27,637	13,051
Current liabilities	(7,544)	(1,725)	(1,153)	(640)	(1,003)	(12,065)	(5,397)
Bank debt	(102,500)	(71,800)	(42,464)	(14,890)	–	(231,654)	(97,579)
Unamortised finance costs	1,527	1,546	275	67	–	3,415	1,378
Derivative financial instruments	(375)	274	(124)	(105)	–	(330)	(205)
Net assets	126,261	78,136	125,313	22,563	–	352,273	148,366
Group share	50%	30.5%	40%	50%	31.4%		
Group share of net assets	63,131	23,829	50,125	11,281	–	148,366	

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

11 Trade and other receivables

As at 31 March	2016 £000	2015 £000
Trade receivables	1,771	2,847
Amounts receivable from property sales	11,402	337
Prepayments and accrued income	2,744	1,744
Other receivables	132	2,313
	16,049	7,241

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

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

At 31 March 2016 there were no trade receivables which were overdue and considered at risk (2015: £225,000). A full provision was made against these trade receivables in the previous year.

12 Cash and cash equivalents

Cash and cash equivalents include £4.9 million (2015: £8.2 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

13 Trade and other payables

As at 31 March	2016 £000	2015 £000
Trade payables	4,780	8,404
Amounts payable on property acquisitions and disposals	9,595	5,193
Rent received in advance	12,160	8,953
Accrued interest	1,897	2,772
Other payables	525	593
Other accruals	6,386	6,056
	35,343	31,971

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

14 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	2016 £000	2015 £000
Secured bank loans	179,989	465,450
Unsecured bank loans	395,000	–
Unamortised finance costs	(7,079)	(3,195)
	567,910	462,255

Of the total bank loans at 31 March 2016, £180.0 million are secured by fixed charges over certain of the Group's investment properties with a carrying value of £360.3 million. On 1 April 2015 the Company agreed a new £400 million unsecured revolving credit facility with a syndicate of five lending banks and replaced five secured facilities. In November 2015 this facility was increased to £443.8 million.

b) Financial risk management

Financial risk factors

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

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

14 Borrowings and financial instruments (continued)

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

i) Credit risk

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

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

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

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

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

ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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

The Group had cash reserves of £42.6 million (2015: £50.6 million) and available and undrawn bank loan facilities at 31 March 2016 of £64.9 million (2015: £72.2 million).

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

	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
As at 31 March 2016					
Bank loans	14,358	14,358	43,112	578,087	649,915
Derivative financial instruments	5,750	6,279	18,389	5,767	36,185
	20,108	20,637	61,501	583,854	686,100
As at 31 March 2015	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Bank loans	13,043	100,833	202,319	204,195	520,390
Derivative financial instruments	3,506	3,619	6,958	2,260	16,343
	16,549	104,452	209,277	206,455	536,733

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

14 Borrowings and financial instruments (continued)

iii) Market risk – interest rate risk

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

The Group uses interest rate swaps and caps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

At 31 March 2016 the Group (excluding share of joint ventures) had £524.6 million (2015: £364.6 million) of hedges in place, and its debt of £575.0 million (2015: £465.5 million) was 91.2% (2015: 78%) hedged by way of interest rate swaps and caps. Consequently, based on year end debt levels, a 1% change in interest rates would decrease or increase the Group's annual profit before tax by £2.5 million and £1.5 million respectively.

Including its share of joint ventures the Group had £593.1 million (2015: £450.5 million) of hedges in place and its debt of £637.9 million (2015: £563.0 million) was 93.0% (2015: 80%) fixed.

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2016 including the cost of amortising finance arrangement fees was 3.5% (2015: 3.7%).

iv) Capital risk management

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

c) Financial instruments

i) Categories of financial instruments

As at 31 March	Loans and receivables			
	2016 £000	2015 £000	2016 £000	2015 £000
Current assets				
Cash and cash equivalents (note 12)	42,621	50,568		
Trade receivables (note 11)	1,771	2,847		
Other receivables (note 11)	132	2,313		
	44,524	55,728		
	Measured at amortised cost		Measured at fair value	
As at 31 March	2016 £000	2015 £000	2016 £000	2015 £000
Non current liabilities				
Borrowings (note 14)	567,910	462,255	–	–
Current liabilities				
Trade payables (note 13)	4,780	8,404	–	–
Accrued interest (note 13)	1,897	2,772	–	–
Other accruals (note 13)	6,386	6,056	–	–
Other payables (note 13)	525	593	–	–
Derivative financial instruments (see 14c(iii))	–	–	23,570	6,870
	581,498	480,080	23,570	6,870

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

14 Borrowings and financial instruments (continued)

ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the Consolidated Balance Sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2016.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2016 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
	2016 %	2015 %	2016 £000	2015 £000	2016 £000	2015 £000
Interest rate caps – expiry						
Less than one year	2.4	4.0	77,500	4,000	–	–
One to two years	2.0	2.3	16,313	101,000	4	3
Two to five years	2.1	2.1	110,000	126,313	128	721
More than five years	2.0	2.0	18,150	18,150	234	537
	2.2	2.2	221,963	249,463	366	1,261
Interest rate swaps – expiry						
Less than one year	3.3	–	10,500	–	(12)	–
One to two years	3.2	2.1	16,313	28,084	(624)	(297)
Two to five years	2.9	2.3	60,000	178,420	(3,185)	(4,243)
More than five years	1.9	2.0	467,290	187,290	(20,115)	(3,591)
	2.1	2.1	554,103	393,794	(23,936)	(8,131)
Total fair value					(23,570)	(6,870)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2016 by J C Rathbone Associates Limited.

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

15 Commitments under operating leases

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

As at 31 March	2016 £000	2015 £000
Less than one year	73,090	66,168
Between one and five years	288,518	281,345
Between six and ten years	287,566	280,081
Between 11 and 15 years	186,977	181,610
Between 16 and 20 years	82,761	97,418
Over 20 years	43,387	49,383
	962,299	956,005

Notes forming part of the Group financial statements For the year ended 31 March 2016 continued

15 Commitments under operating leases (continued)

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

	2016 £000	2015 £000
As at 31 March		
Less than one year	810	812
Between one and five years	1,147	1,958
	1,957	2,770

16 Share capital

As at 31 March	2016 Number	2016 £000	2015 Number	2015 £000
Authorised				
Ordinary shares of 10p each	Unlimited	Unlimited	Unlimited	Unlimited
As at 31 March	2016 Number	2016 £000	2015 Number	2015 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	628,043,905	62,804	628,043,905	62,804

In June 2015, the Company granted options over 2,303,891 ordinary shares under its Long Term Incentive Plan and Deferred Bonus Plan and 236,733 ordinary shares in the Deferred Bonus Plan vested.

17 Reserves

The Group statement of changes in equity is shown on page 108.

The following describes the nature and purpose of each reserve within equity:

Share capital	The nominal value of shares issued.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited and Metric Property Investments plc by the Company, the cost of the Company's shares held in treasury and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

18 Related party transactions and balances

Management fees and dividends receivable from the Group's joint venture arrangements in which it has an equity interest were as follows:

For the year to 31 March	Group interest	Management fees		Dividends	
		2016 £000	2015 £000	2016 £000	2015 £000
LSP Green Park Property Trust	31.4%	–	46	231	275
LSP Green Park Distribution Holdings	50.0%	92	260	11,210	511
LSP London Residential Investments	40.0%	458	449	–	2,400
Metric Income Plus Partnership	50.0%	1,216	962	4,161	2,866
LMP Retail Warehouse JV Property Unit Trust	30.5%	425	494	3,526	13,472
		2,191	2,211	19,128	19,524

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

**Notes forming part of the Group financial statements
For the year ended 31 March 2016 continued**

19 Events after the balance sheet date

On 7 April 2016, the Group's MIPP joint venture exchanged contracts to dispose of a 33,000 sq ft store let to The Range in Bridgwater for £4.9 million.

On 28 April 2016, the Group completed the disposal of its Odeon property in Taunton for £9.1 million.

On 5 May 2016, the Group acquired a distribution unit in Basildon for £3.8 million.

On 9 May 2016, the Group's MIPP joint venture completed the disposal of its 26,000 sq ft property in Chatham let to Wickes for £6.9 million. On 25 May 2016, the MIPP joint venture completed the disposal of a 21,000 sq ft unit in Grimsby let to Wickes for £4.1 million.

On 25 May 2016, the Group exchanged contracts to acquire a four acre development site in Crawley for £7.6 million.

Company balance sheet

As at 31 March

	Note	2016 £000	2015 £000
Fixed assets			
Investment in subsidiaries	iii	751,072	746,911
Other tangible assets		392	–
		751,464	746,911
Current assets			
Trade and other receivables	iv	325,209	112
Cash at bank		35,653	31,802
		360,862	31,914
Total assets		1,112,326	778,825
Current liabilities			
Trade and other payables	v	8,225	71,084
		8,225	71,084
Non current liabilities			
Borrowings	vi	390,700	–
Derivative financial instruments	vi	18,058	–
		408,758	–
Total liabilities		416,983	71,084
Net assets		695,343	707,741
Equity			
Called up share capital		62,804	62,804
Capital redemption reserve		9,636	9,636
Other reserve		80,112	110,517
Retained earnings		542,791	524,784
Equity shareholders' funds		695,343	707,741

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2016 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 131 to 135 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2015	62,804	9,636	110,517	524,784	707,741
Profit for the year	–	–	–	42,280	42,280
Purchase of shares held in trust	–	–	(419)	–	(419)
Vesting of shares held in Trust	–	–	294	12	306
Share-based awards	–	–	–	1,606	1,606
Reserve transfer of impairment in subsidiary	–	–	(30,280)	30,280	–
Dividends paid	–	–	–	(56,171)	(56,171)
At 31 March 2016	62,804	9,636	80,112	542,791	695,343

	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2014	62,804	9,636	114,484	504,090	691,014
Profit for the year	–	–	–	61,881	61,881
Purchase of shares held in trust	–	–	(2,359)	–	(2,359)
Share-based awards	–	–	–	954	954
Reserve transfer of impairment in subsidiary	–	–	(1,608)	1,608	–
Dividends paid	–	–	–	(43,749)	(43,749)
At 31 March 2015	62,804	9,636	110,517	524,784	707,741

The notes on page 131 to 135 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2016

i Accounting policies

Accounting convention

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash-flow statements and certain related party transactions.

The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group, except as noted below.

Subsidiary undertakings

Investments in subsidiary companies are stated at cost less any provision for impairment.

ii Profit attributable to members of the parent undertaking

As permitted by Section 408 Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit dealt within the accounts of the Company was £42.3 million (2015: £61.9 million).

Audit fees in relation to the Company only were £74,000 in the year (2015: £61,800).

iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2015	746,911
Additions	39,591
Disposals	(5,150)
Impairment of investment	(30,280)
At 31 March 2016	751,072

The carrying value of the Company's investments was impaired by £30.3 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies.

The Company is incorporated in England and is the ultimate holding company of the Group and has the following subsidiary undertakings:

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
London & Stamford Property Limited	Guernsey	100%	Intermediate holding company
LondonMetric Management Limited	Guernsey	100%	Management company
LSI (Investments) Limited	England	100%	Property investment
LSI Developments Limited	England	100%	Property investment
LondonMetric Saturn Limited	England	100%	Property investment
Metric Property Investments plc	England	100%	Intermediate holding company
LondonMetric Retail Distribution I Limited	England	100%	Property investment
LondonMetric Saturn II Limited	England	100%	Property investment
LondonMetric Retail Distribution II Limited	England	100%	Property investment

Notes forming part of the Company financial statements For the year ended 31 March 2016 continued

iii Fixed asset investments (continued)

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
LondonMetric Retail Distribution III Limited	England	100%	Property investment
LondonMetric Liverpool Limited	England	100%	Property investment
LondonMetric Swindon Limited	England	100%	Property investment
LondonMetric Distribution Limited	England	100%	Property investment
LondonMetric Retail Limited	England	100%	Property investment
LondonMetric Edinburgh Limited	England	100%	Property investment
LondonMetric Thrapston Limited	England	100%	Property investment
Riverway Estates Limited	England	100%	Property investment
LondonMetric Derby Limited	England	100%	Property investment
LondonMetric Redditch Limited	England	100%	Property investment
LondonMetric Peterborough Limited	England	100%	Property investment
London & Stamford Investments Limited*	England	100%	Intermediate holding company
Goresbrook Property Limited	England	100%	Property investment
L&S Business Space Limited*	Guernsey	100%	Property investment
L&S Highbury Limited*	Guernsey	100%	Property investment
L&S Battersea Limited*	Guernsey	100%	Property investment
L&S Clapham Road Limited*	Guernsey	100%	Property investment
L&S Seward St Limited*	Guernsey	100%	Property investment
London & Stamford Offices Limited*	Guernsey	100%	Property investment
London & Stamford Offices Unitholder 2 Limited*	Guernsey	100%	Property investment
LSP Marlow Limited*	Guernsey	100%	Property investment
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 Bedford Limited*	England	100%	Property investment
Metric Property Milford Haven Limited*	England	100%	Property investment
Metric Property Hove Limited*	England	100%	Property investment
Metric Property Kirkstall 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
LMP Green Park Cinemas Limited*	Guernsey	100%	Property investment
LMP Thrapston Limited*	Guernsey	100%	Property investment
Metric Property St Albans Limited*	England	100%	Property investment
Metric Property Cannock Limited*	England	100%	Property investment
LMP Bell Farm Limited*	Guernsey	100%	Property investment
LMP Omega I Limited*	Guernsey	100%	Property investment
LMP Omega II Limited*	Guernsey	100%	Property investment
LMP Wakefield Limited*	Guernsey	100%	Property investment
LMP Dagenham Limited*	Guernsey	100%	Property investment
LMP Retail Warehouse JV Holdings Limited*	England	81.88%	Intermediate holding company

Notes forming part of the Company financial statements For the year ended 31 March 2016 continued

iii Fixed asset investments (continued)

	Country of incorporation or registration	Proportion of voting rights held (by way of share capital or units held)	Nature of business
Metric MIPP Asset Management Limited*	England	100%	Property management
Metric LP Income Plus Limited*	England	100%	Intermediate holding company
London & Stamford Property Subsidiary Limited*	Guernsey	100%	Intermediate holding company
Metric Property Finance (Holdings) Limited*	England	100%	Intermediate holding company
Metric Property Berkhamsted Limited*	England	100%	Property investment
LMP Derby Holdings Limited*	England	100%	Intermediate holding company
LMP Dudley Holdings Limited*	England	100%	Intermediate holding company
LMP Taunton Holdings Limited*	England	100%	Intermediate holding company
LMP Telford Holdings Limited*	England	100%	Intermediate holding company
LMP Warrington Holdings Limited*	England	100%	Intermediate holding company
LMP Huddersfield Holdings Limited*	England	100%	Intermediate holding company
LMP Preston Holdings Limited*	England	100%	Intermediate holding company
LMP Tamworth Holdings Limited*	England	100%	Intermediate holding company
LMP Chelmsford Holdings limited*	England	100%	Intermediate holding company
LMP Lee Valley Holdings Limited*	England	100%	Intermediate holding company
LMP Derby Limited*	England	100%	Property investment
LMP Dudley Limited*	England	100%	Property investment
LMP Taunton Limited*	England	100%	Property investment
LMP Telford Limited*	England	100%	Property investment
LMP Warrington Limited*	England	100%	Property investment
LMP Huddersfield Limited*	England	100%	Property investment
LMP Preston Limited*	England	100%	Property investment
LMP Tamworth Limited*	England	100%	Property investment
LMP Chelmsford Limited*	England	100%	Property investment
LMP Lee Valley Limited*	England	100%	Property investment

* Undertakings held indirectly by the Company

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

iv Trade and other receivables

	2016 £000	2015 £000
As at 31 March		
Prepayments and accrued income	532	102
Other receivables	773	10
Amounts due from subsidiary undertakings	323,904	–
	325,209	112

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

Notes forming part of the Company financial statements For the year ended 31 March 2016 continued

v Trade and other payables

	2016 £000	2015 £000
As at 31 March		
Trade payables	135	2,817
Other accruals and deferred income	6,951	613
Other payables	1,139	–
Amounts due to subsidiary undertakings	–	67,654
	8,225	71,084

vi Borrowings and financial instruments

Non current financial liabilities

	2016 £000	2015 £000
As at 31 March		
Secured bank loan	395,000	–
Unamortised finance costs	(4,300)	–
	390,700	–

On 1 April 2015 the Company agreed a new £400 million unsecured revolving credit facility with a syndicate of five lending banks and replaced five secured facilities. In November 2015 this facility was increased to £443.8 million.

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

	Bank loans £000	Derivative financial instruments £000	2016 £000	2015 £000
As at 31 March				
Less than one year	9,726	4,008	13,734	–
One to five years	38,929	18,793	57,722	–
More than five years	395,027	4,884	399,911	–
	443,682	27,685	471,367	–

Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest in order to manage this risk.

The Company uses interest rate swaps and caps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. Although the Board accepts that this policy neither protects the Company entirely from the risk of paying rates in excess of current market rates nor eliminates fully the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Company to movements in interest rates is protected by way of the hedging products listed below. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a level 2 fair value measurement as defined by IFRS13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Company of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

Notes forming part of the Company financial statements For the year ended 31 March 2016 continued

vi Borrowings and financial instruments (continued)

Details of the fair value of the Company's derivative financial instruments that were in place are provided below.

As at 31 March	Average rate		Notional		Fair value	
	2016 %	2015 %	2016 £000	2015 £000	2016 £000	2015 £000
Interest rate caps – expiry						
Less than one year	2.35%	–	77,500	–	–	–
One to two years	2.00%	–	16,313	–	4	–
Two to five years	2.13%	–	80,000	–	96	–
	2.22%	–	173,813	–	100	–

As at 31 March	Average rate		Notional		Fair value	
	2016 %	2015 %	2016 £000	2015 £000	2016 £000	2015 £000
Interest rate swaps – expiry						
Less than one year	3.34%	–	10,500	–	(12)	–
One to two years	3.24%	–	16,313	–	(624)	–
Two to five years	2.94%	–	60,000	–	(3,185)	–
Greater than five years	1.92%	–	280,000	–	(14,337)	–
	2.19%	–	366,813	–	(18,158)	–
Total fair value					(18,058)	–

Further information on financial risk management policies and practices can be found in note 14 of the Group accounts.

vii Related party transactions

Related party transactions for the Company are as noted for the Group in note 18 to the Group financial statements.

Supplementary information (not audited)

i EPRA summary table

	2016	2015
EPRA earnings per share	7.8p	6.6p
EPRA net asset value per share	147.7p	140.6p
EPRA triple net asset value per share	143.9p	139.4p
EPRA vacancy rate	0.7%	0.3%
EPRA cost ratio (including vacant property costs)	17%	19%
EPRA cost ratio (excluding vacant property costs)	17%	17%
EPRA net initial yield	4.9%	4.9%
EPRA 'topped up' net initial yield	5.4%	5.8%

The definition of these measures can be found on page 142.

ii EPRA proportionally consolidated income statement

For the year to 31 March	Group £000	JV £000	2016 £000	Group £000	JV £000	2015 £000
Gross rental income	67,948	11,084	79,032	60,192	13,844	74,036
Property costs	(830)	(515)	(1,345)	(2,582)	(507)	(3,089)
Net income	67,118	10,569	77,687	57,610	13,337	70,947
Management fees	2,191	(865)	1,326	2,211	(949)	1,262
Administrative costs	(13,636)	(172)	(13,808)	(12,502)	(141)	(12,643)
Net finance costs	(13,789)	(2,947)	(16,736)	(15,384)	(3,238)	(18,622)
Other	(18)	–	(18)	(35)	–	(35)
EPRA earnings	41,866	6,585	48,451	31,900	9,009	40,909

iii EPRA proportionally consolidated balance sheet

As at 31 March	Group £000	JV £000	2016 £000	Group £000	JV £000	2015 £000
Investment property	1,346,110	174,741	1,520,851	1,164,140	236,245	1,400,385
Gross debt	(574,989)	(62,911)	(637,900)	(465,450)	(97,579)	(563,029)
Cash	42,621	4,049	46,670	50,568	13,051	63,619
Other net (liabilities)/assets	(11,641)	4,125	(7,516)	(20,603)	(3,146)	(23,749)
EPRA net assets	802,101	120,004	922,105	728,655	148,571	877,226
Loan to value	38%	34%	38%	36%	36%	36%
Cost of debt	3.5%	3.6%	3.5%	3.7%	3.6%	3.7%
Undrawn facilities	64,931	5,000	69,931	72,191	11,250	83,441

Supplementary information (not audited) continued

iv EPRA cost ratio

	2016 £000	2015 £000
For the year to 31 March		
Property operating expenses	830	2,582
Administration expenses	13,636	12,502
Share of joint venture property operating, administration expenses and management fees	1,552	1,597
Less:		
Joint venture property management fee income	(2,191)	(2,211)
Ground rents	(59)	(180)
Total costs including vacant property costs (A)	13,768	14,290
Group vacant property costs	(369)	(1,199)
Share of joint venture vacant property costs	(292)	(347)
Total costs excluding vacant property costs (B)	13,107	12,744
Gross rental income	67,948	60,192
Share of joint venture gross rental income	11,084	13,844
	79,032	74,036
Less:		
Ground rents	(59)	(180)
Total gross rental income (C)	78,973	73,856
Total EPRA cost ratio (including vacant property costs) (A)/(C)	17%	19%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	17%	17%

v EPRA net initial yield and 'topped up' net initial yield

	2016 £000	2015 £000
As at 31 March		
Investment property – wholly-owned	1,346,110	1,164,140
Investment property – share of joint ventures	174,741	236,245
Less development properties	(56,550)	(131,095)
Less residential properties	(55,895)	(69,573)
Completed property portfolio	1,408,406	1,199,717
Allowance for:		
Estimated purchasers' costs	95,772	69,584
Estimated costs to complete	43,967	33,754
EPRA property portfolio valuation (A)	1,548,145	1,303,055
Annualised contracted rental income	71,945	63,605
Share of joint ventures	8,064	12,222
Less development properties	(3,972)	(11,333)
Less residential properties	(856)	(1,140)
Annualised net rents (B)	75,181	63,354
Contractual rental increases for rent free periods	5,334	9,783
Contractual rental increases for fixed uplifts	3,641	1,855
'Topped up' net annualised rent (C)	84,156	74,992
EPRA net initial yield (B/A)	4.9%	4.9%
EPRA 'topped up' net initial yield (C/A)	5.4%	5.8%

Supplementary information (not audited) continued

vi EPRA Vacancy rate

	2016 £000	2015 £000
As at 31 March		
Annualised estimated rental value of vacant premises	604	255
Portfolio estimated rental value ¹	82,720	70,615
EPRA vacancy rate	0.7%	0.3%

¹ Excludes residential and development properties

vii EPRA capital expenditure analysis

	Group 2016 £000	JV 2016 £000	Total 2016 £000	Group 2015 £000	JV 2015 £000	Total 2015 £000
As at 31 March						
Opening valuation	1,164,140	236,245	1,400,385	1,030,553	189,205	1,219,758
Acquisitions	109,546	3,477	113,023	208,943	59,049	267,992
Developments ¹	104,955	–	104,955	21,557	–	21,557
Capital expenditure ²	13,720	761	14,481	10,545	727	11,272
Disposals	(128,493)	(64,749)	(193,242)	(231,451)	(22,854)	(254,305)
Revaluation	51,063	(1,276)	49,787	112,393	5,982	118,375
Lease incentives	31,179	283	31,462	11,600	4,136	15,736
Closing valuation	1,346,110	174,741	1,520,851	1,164,140	236,245	1,400,385

¹ Includes capitalised interest of £2.7 million (2015: £1.6 million)

² Capital expenditure on completed properties

viii Total accounting return

	2016 £000	2015 £000
For the year to 31 March		
EPRA net asset value		
– at end of year	922,105	877,226
– at start of year	877,226	756,970
Increase	44,879	120,256
Dividend paid	56,171	43,749
Increase including dividend	101,050	164,005
Total accounting return	11.5%	21.7%

Supplementary information (not audited) continued

ix Portfolio split and valuation

As at 31 March	2016 £m	2016 %	2015 £m	2015 %
Retail	474.8	31.2	490.7	35.0
Leisure	69.0	4.5	77.1	5.5
Distribution – retail	581.1	38.2	402.2	28.7
Distribution – non retail	203.3	13.4	156.4	11.2
Office	80.2	5.3	73.3	5.2
Investment portfolio	1,408.4	92.6	1,199.7	85.6
Development – retail	16.6	1.1	32.8	2.4
Development – distribution	40.0	2.6	98.3	7.0
Residential	55.9	3.7	69.6	5.0
	1,520.9	100.0	1,400.4	100.0

Retail (Group and JV split)

Wholly-owned	360.5	75.9	345.3	70.4
Metric Income Plus Partnership	82.7	17.4	106.2	21.6
LMP Retail Warehouse JV Property Unit Trust	31.6	6.7	39.2	8.0
	474.8	100.0	490.7	100.0

x Investment Portfolio yields

As at 31 March	2016			2015		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Retail	4.8	5.8	5.8	5.2	6.0	5.9
Leisure	6.0	6.0	7.0	6.1	6.2	7.4
Distribution	4.7	5.2	5.4	4.2	5.4	5.7
Office	5.3	5.6	6.6	6.3	6.3	6.2
Investment portfolio	4.9	5.4	5.7	4.9	5.8	5.9

xi Investment Portfolio – Key statistics

As at 31 March 2016	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Retail	2,461	12.1	11.2	98.1	16.90
Leisure	289	21.3	21.3	100.0	15.30
Distribution – Retail	6,171	13.9	13.2	100.0	5.20
Distribution – Non Retail	1,634	11.1	10.4	100.0	6.85
Office	231	7.3	7.3	100.0	21.30
Investment portfolio	10,786	12.8	12.2	99.3	8.30
Distribution development ¹	1,180				
Retail development	89				
Total investment and development portfolio	12,055				

¹ Excludes conditional development site at Bedford

Supplementary information (not audited) continued

xii Total property returns (%)

	Core portfolio 2016 %	All property 2016 %	All property 2015 %
For the year to 31 March			
Capital return	5.2	4.9	11.1
Income return	5.5	5.3	5.8
Total return	10.9	10.5	17.5

xiii Contracted rental income

	2016 £m	2015 £m
As at 31 March		
Retail	31.3	31.6
Leisure	4.4	5.0
Distribution – retail	31.1	23.1
Distribution – non retail	11.2	8.8
Office	4.9	4.7
Investment portfolio	82.9	73.2
Development – retail	0.8	2.1
Development – distribution	2.5	9.2
Residential	0.9	1.1
Total portfolio	87.1	85.6

xiv Rent subject to expiry

	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
As at 31 March 2016					
Retail	7.0	33.7	76.4	91.4	100.0
Leisure	–	–	10.1	10.1	100.0
Distribution	5.1	37.7	58.0	88.1	100.0
Office	13.4	100.0	100.0	100.0	100.0
	6.0	37.9	64.8	86.0	100.0

xv Contracted rent subject to RPI or fixed uplifts for investment portfolio (%)

	2016 £m	2016 %	2015 £m	2015 %
As at 31 March				
Retail	8.9	27.7	8.3	26.4
Leisure	4.4	100.0	5.0	100.0
Distribution	26.0	57.9	16.2	50.8
Office	3.0	60.9	3.0	64.1
Investment portfolio	42.3	49.0	32.5	44.4

Supplementary information (not audited) continued

xvi Top ten assets (by value¹)

As at 31 March 2016	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark Distribution Centre, Islip	1,062	5.3	100	24.5	24.5
Dixons Carphone, Newark Distribution Centre	726	3.9	100	17.3	17.3
Primark Distribution Centre, Thrapston	783	4.0	100	16.5	16.5
Marlow International, Marlow	231	4.9	100	7.3	7.3
Argos, Bedford	658	3.8	100	6.7	6.7
Eddie Stobart, Dagenham	410	3.1	100	15.3	15.3
The Hut Group, Warrington	690	3.8	100	14.6	14.6
Royal Mail, Daventry	273	2.5	100	7.4	7.4
Kirkstall Bridge Shopping Park, Leeds	120	2.1	100	12.8	10.7
M&S, Sheffield	626	2.6	100	7.7	5.3

¹ Excluding residential assets

xvii Top ten occupiers

As at 31 March 2016	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.4	23.1	10.9
Dixons Carphone	5.5	5.1	6.4
M&S	5.3	7.2	6.1
Argos ¹	4.1	5.2	4.7
Odeon	4.0	Private	4.6
The Hut Group	3.8	Private	4.4
DFS	3.6	0.7	4.3
Royal Mail	3.2	4.9	3.8
Eddie Stobart	3.1	Private	3.5
Allergan	3.0	61.3	3.5
Top ten	45.0		52.2
Other commercial income	41.2		47.8
Total commercial	86.2		100.0
Residential income	0.9		
Total Group income	87.1		

¹ Market capitalisation of Parent Company

Definitions

Building Research Establishment Environmental Assessment Methodology (BREEAM)

A set of assessment methods and tools designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build

Capital Return

The valuation movement on the property portfolio adjusted for capital expenditure and expressed as a percentage of the capital employed over the period

Contracted Rent

The annualised rent adjusting for the inclusion of rent free periods

Cost of Debt

Weighted average interest rate payable

Debt Maturity

Weighted average period to expiry of drawn debt

Energy Performance Certificate (EPC)

Required certificate whenever a property is built, sold or rented. An EPC gives a property an energy efficiency rating from A (most efficient) to G (least efficient) and is valid for 10 years. An EPC contains information about a property's energy use and typical energy costs, and recommendations about how to reduce energy use and save money

EPRA Cost Ratio

Total operating costs as a percentage of gross rental income

EPRA Earnings per Share (EPS)

Recurring earnings from core operational activities divided by the average number of shares in issue over the year

EPRA Like-for-Like Income Growth

The movement in rental income on properties owned throughout the current and previous periods under review. The movement includes revenue recognition and lease accounting adjustments but excludes properties held for development and residential

EPRA NAV per Share

Balance sheet net assets excluding fair value of derivatives, divided by the number of shares in issue at the balance sheet date

EPRA NNAV per Share

EPRA NAV per share adjusted to include the fair value of financial instruments, debt and deferred taxes at the balance sheet date

EPRA net initial yield

Annualised rental income based on cash rents passing at the balance sheet date, less non recoverable property operating expenses, expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

EPRA topped up net initial yield

EPRA net initial yield adjusted for expiration of rent free periods or other lease incentives such as discounted rent periods and stepped rents

EPRA Vacancy

The Estimated Rental Value (ERV) of immediately available vacant space divided by total annualised income of the investment portfolio

Equivalent Yield

The weighted average income return expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

Estimated Rental Value (ERV)

The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property

European Public Real Estate Association (EPRA)

The European Public Real Estate Association (EPRA) is the industry body for European Real Estate Investment Trusts (REITs)

Group

LondonMetric Property Plc and its subsidiaries

IFRS

The International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union

Income Return

Net rental income expressed as a percentage of capital employed over the period

Investment Portfolio

The Group's property portfolio excluding development, land holdings and residential properties

Investment Property Databank (IPD)

Investment Property Databank (IPD) is a wholly owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns

Loan to Value (LTV)

Net debt expressed as a percentage of the total property portfolio value at the period end

Net Rental Income

The rental income receivable after deduction for ground rents and other net property outgoings including void costs and net service charge expenses

Occupancy Rate

The ERV of the let units as a percentage of the total ERV of the investment portfolio

Omni-Channel Retailing

The evolution of multi channel retailing providing a seamless shopping experience for the consumer through all available shopping channels, ie physical, internet, mobile, social media, telephone, catalogue etc

Passing Rent

The gross rent payable by tenants under operating leases, less any ground rent payable under head leases

Property Income Distribution (PID)

Dividends from profits of the Group's tax-exempt property business under the REIT regulations. The PID dividend is paid after deducting withholding tax at the basic rate

Real Estate Investment Trust (REIT)

A listed property company which qualifies for and has elected into a tax regime which is exempt from corporation tax on profits from property rental income and UK capital gains on the sale of investment properties

Total Accounting Return (TAR)

The movement in EPRA NAV plus the dividend paid during the period expressed as a percentage of the EPRA NAV at the beginning of the period

Total Property Return (TPR)

Unlevered weighted capital and income return of the property portfolio as calculated by IPD

Total Shareholder Return (TSR)

The movement in the ordinary share price as quoted on the London Stock Exchange plus dividends per share assuming that dividends are re-invested at the time of being paid

Weighted Average Interest Rate

The total loan interest and derivative costs per annum (including the amortisation of finance costs) divided by the total debt in issue at the period end

Weighted Average Unexpired Lease Term (WAULT)

Average unexpired lease term across the investment portfolio weighted by net rental income

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of the members of LondonMetric Property Plc (Registered number 7124797) will be held at The Connaught, Carlos Place, Mayfair, London W1K 2AL on 14 July 2016 at 10.00 a.m.

Resolutions 1 to 18 (inclusive) will be proposed as ordinary resolutions and resolutions 19 to 21 (inclusive) will be proposed as special resolutions.

1. That the Annual Report and Audited Financial Statements for the year ended 31 March 2016 be considered and approved.
2. That the Annual Remuneration Report in the form set out in the Annual Report and Audited Financial Statements for the year ended 31 March 2016 be approved.
3. That Deloitte LLP be reappointed as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
4. That the Directors be authorised to determine the remuneration of the auditor.
5. That Patrick Vaughan be re-elected as a Director.
6. That Andrew Jones be re-elected as a Director.
7. That Martin McGann be re-elected as a Director.
8. That Valentine Beresford be re-elected as a Director.
9. That Mark Stirling be re-elected as a Director.
10. That James Dean be re-elected as a Director.
11. That Alec Pelmore be re-elected as a Director.
12. That Andrew Varley be re-elected as a Director.
13. That Philip Watson be re-elected as a Director.
14. That Rosalyn Wilton be re-elected as a Director.
15. That Charles Cayzer be re-elected as a Director.
16. That Andrew Livingston be elected as a Director.
17. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the '2006 Act') in substitution for all existing authorities:

- a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together 'relevant securities') up to an aggregate nominal amount of £20,934,797; and
- b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to an additional aggregate nominal amount of £20,934,797 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in paragraph (a) and (b) of this resolution 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 this 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.

18. That, subject to the passing of resolution 17 and in accordance with Article 145 of the Company's Articles of Association (as varied and amended from time to time), the Directors be and are hereby authorised, for the period of three years from the date of the passing of this resolution, to offer to any holder of ordinary

Notice of Annual General Meeting continued

shares in the Company, the right to elect to receive ordinary shares credited as fully paid, instead of cash in respect of the whole (or part, to be determined by the Directors) of all or any dividend on such terms as the Directors shall determine (subject to the terms provided in the Articles of Association of the Company) from time to time.

19. That the Directors be and are hereby empowered, in accordance with Sections 570 and 573 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 17 above 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 conferred by resolution 17(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;
 - b. and the allotment (otherwise than pursuant to paragraph (a) of this resolution above) of equity securities up to an aggregate nominal amount of £6,280,439,

and shall expire upon the expiry of the general authority conferred by resolution 17 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.

20. That the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 10p each in the capital of the

Company ('ordinary shares') on such terms and in such manner as the Directors may from time to time determine provided that:

- a. the maximum number of ordinary shares authorised to be purchased is 62,804,391;
- b. the minimum price which may be paid for an ordinary share is 10p being the nominal amount thereof (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.

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

By order of the Board



Jadzia Duzniak
Company Secretary

1 June 2016

Notice of Annual General Meeting continued

Notes to the Notice of the Annual General Meeting:

- (i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend, speak and vote on their behalf, provided that each proxy is appointed to exercise the rights attaching to the different shares held by him or her.
- (ii) Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- (iii) Any person to whom this notice is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right, or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of rights of shareholders in relation to the appointment of proxies in paragraph (i) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.
- (iv) To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note (vi) below.
- (v) To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be completed and signed and received by Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF as soon as possible but, in any event, so as to arrive no later than 10 am on 12 July 2016. A Form of Proxy accompanies this notice. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- (vi) The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 6 pm on 12 July 2016. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 6 pm on the day that is two days before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (viii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10 am on 12 July 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
- (x) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (xii) You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
- (xiii) As at 31 May 2016 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 628,043,905 ordinary shares carrying one vote each.
- (xiv) Members satisfying the thresholds in Section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to:
 - a. the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or

Notice of Annual General Meeting continued

- b. any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

- (xv) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
- to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xvi) A copy of this Notice, and other information required by Section 311A of the 2006 Act, can be found at www.londonmetric.com.
- (xvii) The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
- copies of the Executive Directors' service contracts with the Company; and
 - copies of letters of appointment of Non Executive Directors; and
 - a copy of the Articles of Association of the Company.
- (xviii) In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which names stand on the register of members of the Company in respect of the relevant joint holding.

Explanatory notes:

The information below is an explanation of the business to be considered at the Annual General Meeting.

Resolution 1 – To receive the Annual Report and Accounts

The Chairman will present the Annual Report and Audited Financial Statements for the year ended 31 March 2016 to the meeting. Resolution 1 is to consider and approve the Report of the Directors, the financial statements and the Auditor's report on the financial statements and on the auditable part of the Annual Remuneration Report for the financial year ended 31 March 2016.

Resolution 2 – Annual Remuneration Report

At the 2014 Annual General Meeting, shareholders approved the Board's Remuneration Policy. This policy remains unchanged and is not required to be approved at the Annual General Meeting. The approved Remuneration Policy may be viewed in the Annual Report for 2014 which is available on the Company's website at www.londonmetric.com. The Remuneration Policy will be put to shareholders for approval again no later than 17 July 2017.

Resolution 2 is an ordinary resolution to approve the Annual Remuneration Report on the implementation of the Remuneration Policy. Section 439 of the Companies Act 2006 (the 'Companies Act') requires UK-incorporated listed companies to put their Annual Remuneration Report to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual Director. The Annual Remuneration Report is set out in full in the Annual Report and Financial Statements.

Resolutions 3 and 4 – Reappointment of auditors

Resolution 3 relates to the reappointment of Deloitte LLP as the Company's auditor to hold office until the next Annual General Meeting of the Company and Resolution 4 authorises the Directors to set their remuneration.

Resolutions 5 to 16 – Re-election and election of Directors

Resolutions 5 to 16 deal with re-election and election (as applicable) of the Directors. Biographies of each of the Directors seeking re-election or election (as applicable) can be found on pages 56 and 57 of the Annual Report and Financial Statements. The Board has confirmed, following a performance review, that all Directors standing for re-election continue to perform effectively and demonstrate commitment to their role.

Resolution 17 – Allotment of share capital

At the last Annual General Meeting of the Company held on 16 July 2015, the Directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £20,934,797 representing approximately one-third of the Company's then issued ordinary share capital. This authority expires at the conclusion of the Annual General Meeting.

Your Board considers it appropriate that a similar authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £20,934,797 representing approximately one-third of the Company's issued ordinary share capital as at 31 May 2016 (the latest practicable date before publication of this Notice) during the period up to the conclusion of the next Annual General Meeting of the Company.

In addition, The Investment Association has said that it will consider as routine a resolution to authorise the allotment of a further one-third of share capital for use in connection with a rights issue. Your Board considers it appropriate to seek this additional allotment authority at the Annual General Meeting in order to take advantage of the flexibility it offers. However, the Board has no present intention of exercising either authority other than in connection with employee share schemes and any possible future scrip dividend programme.

As at the date of this Notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Notice of Annual General Meeting continued

Resolution 18 – Authority to offer scrip dividend

Under the Articles of Association of the Company, the Board may, with the prior authority of an ordinary resolution of the Company, offer holders of any particular class of shares who have elected to receive them paid up ordinary shares instead of cash in respect of all or part of a dividend or dividends specified by the ordinary resolution.

Under a scrip dividend programme, shareholders who elect to do so will be able to receive ordinary shares in the Company in lieu of future cash dividends. In addition to the benefit to shareholders of allowing them to increase their shareholdings without incurring costs (such as stamp duty or dealing costs), a scrip dividend programme will allow the Company to retain the proceeds which would otherwise be paid out as dividends.

While no decision has been made by the Board to introduce a scrip dividend programme, resolution 18 is being proposed to provide for flexibility in the future. Shareholders will be sent full details of the terms and conditions and instructions on how to participate should the Board resolve to introduce any scrip dividend programme.

In line with investor protection guidelines the authority contained in resolution 18 is sought for three years.

Resolution 19 – Disapplication of statutory pre-emption rights

Resolution 19 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis:

1. In connection with a rights issue or other pro-rata offer to existing shareholders.
2. Otherwise than in connection with a rights issue, up to a maximum nominal value of £6,280,439, representing approximately 10 per cent. of the issued ordinary share capital of the Company as at 31 May 2016 (the latest practicable date before publication of this Notice).

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not to allot shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 19:

1. in excess of an amount equal to 5 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares); or
2. in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three year period, without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Resolution 20 – Authority to purchase own shares

Resolution 20 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act. The authority limits the number of shares that could be purchased to a maximum of 62,804,391 (representing approximately 10 per cent. of the Company's issued ordinary share capital as at 31 May 2016 (the latest practicable date before publication of this Notice)) and sets minimum and maximum prices. This authority will expire at the conclusion of the next Annual General Meeting of the Company.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and

future funding opportunities. The authority will be exercised only after consideration by the Directors of the effect on net asset value and if the Directors believe that to do so would be in the interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

If resolution 20 is passed at the Annual General Meeting, it is the Company's current intention to hold in treasury the majority of the shares it may purchase pursuant to the authority granted to it. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so. The Company may hold a maximum of up to 10 per cent. of its issued share capital in treasury in accordance with guidelines issued by The Investment Association.

As at 31 May 2016 (the latest practicable date before publication of this Notice), there were share awards over 6,827,517 ordinary shares in the capital of the Company representing 1.09% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these awards would represent 1.09% of the Company's issued ordinary share capital.

Resolution 21 – Notice period for general meetings

It is proposed in resolution 21 that shareholders should approve the continued ability of the Company to hold general meetings other than the Annual General Meeting on 14 clear days' notice.

This resolution is required under Section 307A of the Companies Act. Under that section, a traded company which wishes to be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice must obtain shareholders' approval. Resolution 21 seeks such approval.

The resolution is valid up to the next Annual General Meeting of the Company and needs to be renewed annually. The Company will also need to meet the requirements for voting by electronic means under Section 307A of the Companies Act before it can call a general meeting on 14 days' notice.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Financial calendar

Announcement of results	1 June 2016
Annual General Meeting	14 July 2016

Shareholder information

Advisors to the Company

Joint Financial Advisors and Brokers

Peel Hunt LLP

Moor House
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London EC2Y 5ET

JP Morgan Securities Limited

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Auditor

Deloitte LLP

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London EC4A 3BZ

Property Valuers

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Savills Advisory Services Limited

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Stephenson Harwood LLP

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Mourant Ozannes

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Registrar

Capita Registrars

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Beckenham
Kent BR3 4TU

Secretary and Registered Address

Jadzia Duzniak
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London W1J 5HB

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REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions (PIDs) and non PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Capita Registrars. Tax vouchers will continue to be sent to the shareholder's registered address.

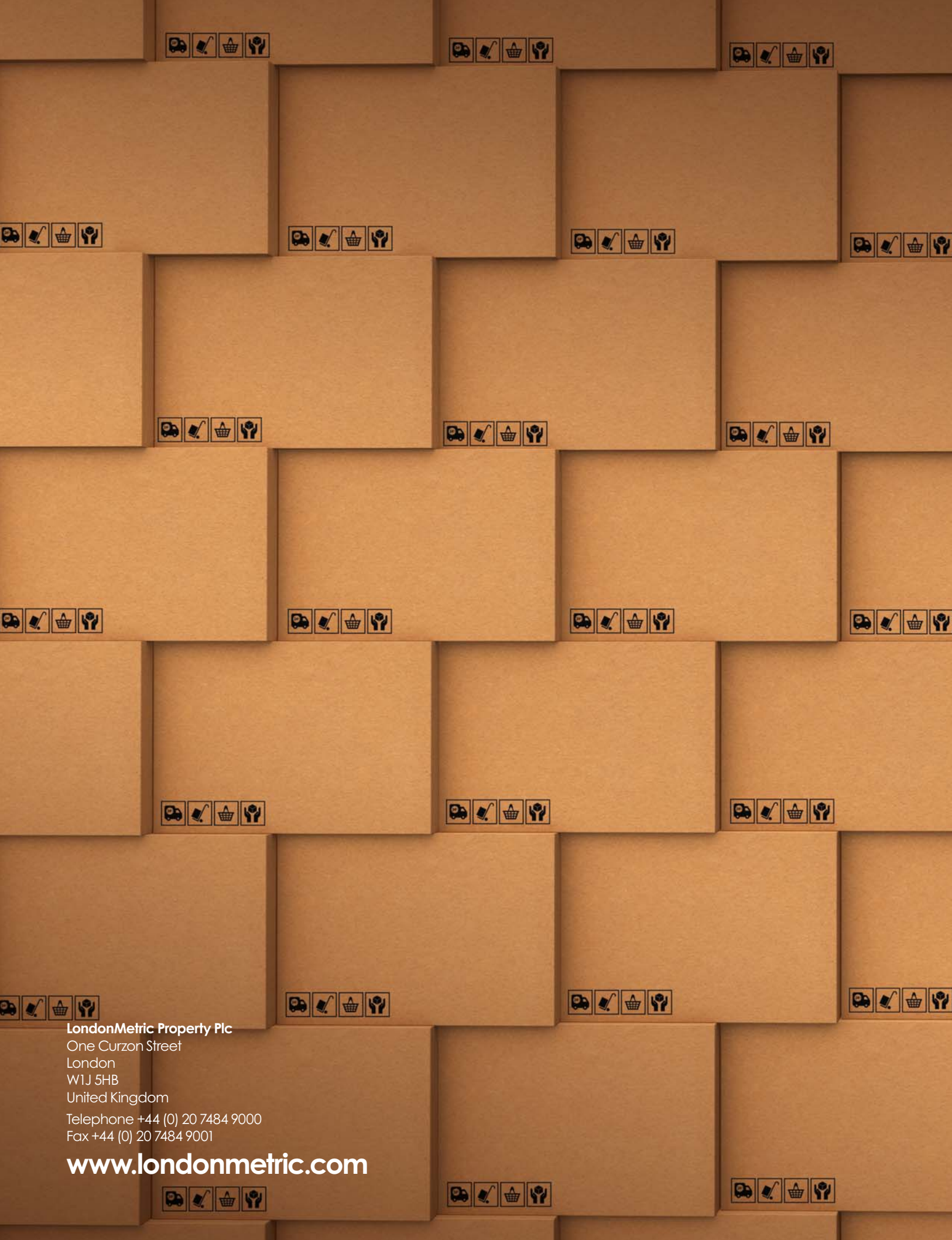
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