



Real estate for retail

Annual Report and Accounts 2017

LONDONMETRIC
PROPERTY PLC



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Our story

We own, create and build desirable real estate

[See more on p06](#)

that meets occupiers' demands in a rapidly evolving retail environment.

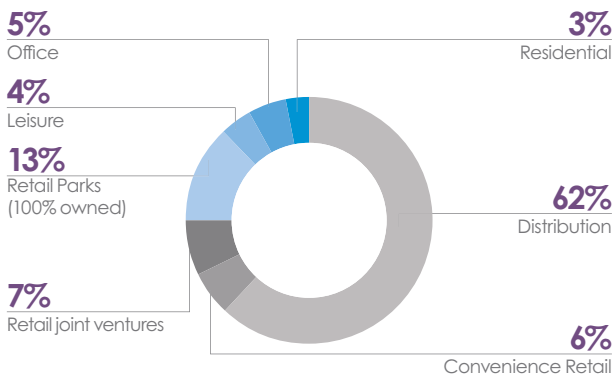
[See more on p08](#)

Our strong retailer relationships shape our decision making.

[See more on p10](#)

Portfolio overview

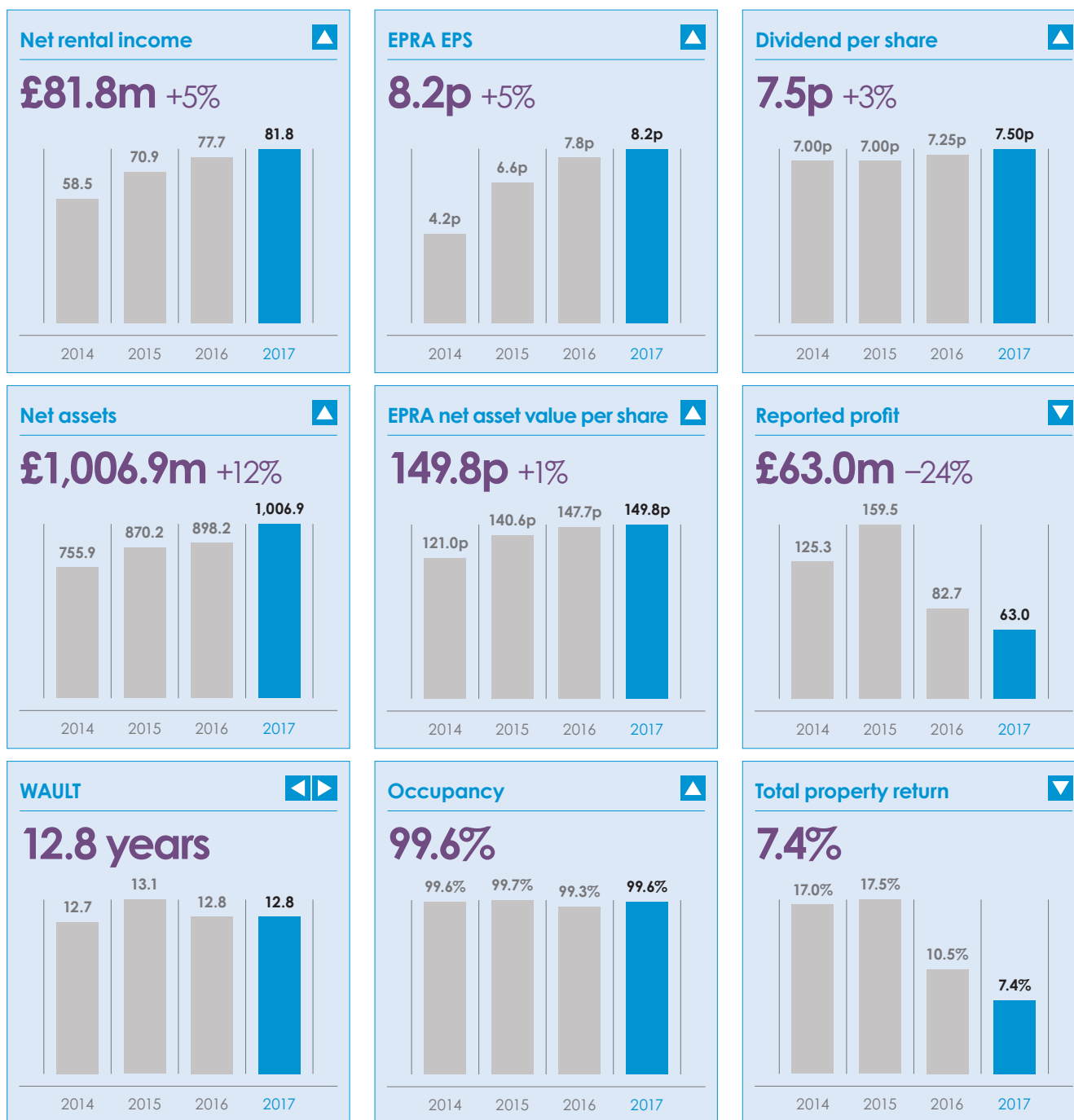
Total valuation £1,534 million



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 million sq ft under management and a high proportion of our portfolio is invested in retailer-led distribution.

Performance highlights



The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures are shown as a single line item on the income statement and balance sheet and all subsidiaries are consolidated at 100%. Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures on a line by line basis. The key financial performance indicators are also presented on this basis.

Alternative performance measures are financial measures which are not specified under IFRS but are used by management as they highlight the underlying recurring

performance of the Group's property rental business and are based on the EPRA Best Practice Recommendations (BPR) reporting framework which is widely recognised and used by public real estate companies.

Therefore, unless specifically stated, the performance metrics and financial results reflected above and in the Strategic report reflect the Group's wholly owned assets and its share of joint venture assets.

Further details and reconciliations between EPRA measures and IFRS equivalents can be found in the Financial review on page 35 and in note 8 to the Group financial statements.

Chairman's statement

Our objective is to own good assets with strong real estate fundamentals. They must generate income in excess of our dividend and have a higher value in five years' time.



We will continue to build the foundations for future dividend progression.

Dividend per share

7.5p
+3.4%

Whilst political and economic uncertainty was a significant distraction for the markets in the year, the attraction of secure income continued to grow. Not only are we living in a low growth, low interest rate environment but ageing demographics are accentuating the search for income and alternatives to low yielding government bonds. This need has already risen substantially and will grow further in the years to come. High quality companies offering well-covered and growing dividends ought to become ever more highly prized.

Our significant and increasing investment in distribution is delivering excellent returns, sustainable income growth and long term value for our shareholders. The sector is benefiting strongly from structural support as UK consumers continue to migrate to online. Conversely, physical retail continues to face significant challenges from this online shift with the inevitable space overcapacity this brings to the retail market.

This ongoing structural demand for distribution and lack of meaningful supply has given us the confidence to increase our investment across all distribution sub-sectors of mega box, regional and urban logistics. We continue to see good investment and short cycle development opportunities, particularly in urban logistics, and we have now fully committed the proceeds of our recent equity placing into sensible, accretive assets. Our distribution exposure is expected to exceed 70% within the current financial year.

Exposure to the best real estate sectors is driving demand for our space resulting in high occupancy, good like for like income growth and strong ERV uplifts. Our sector leading portfolio metrics have been maintained thanks to our strong occupier and property relationships. Over the last four years, through management activity, our occupancy level has been above 99% and our unexpired lease term has remained at 12.8 years with only 1% of our leases due to expire within the next three years.

Our predictable, repetitive and growing income streams have allowed us to progress the dividend again this year by 3.4%. An attractive dividend needs to be adequately covered by operating earnings and I'm pleased that we have maintained the 1.1x dividend cover we achieved last year.

We will continue to build the foundations for future dividend progression. Contractual rental uplifts are embedded in over 50% of the portfolio, we are achieving strong rent review uplifts and are adding new income from short cycle developments.

LondonMetric is well placed and I am genuinely excited by its outlook and look forward to the year with confidence.

Patrick Vaughan
Chairman
31 May 2017

At a glance

Our strategic focus on structurally supported real estate has seen our distribution exposure increase to 62% of the portfolio and the business deliver sustainable income growth and long term value growth.

Key facts

Number of assets

105

LFL income growth

+4.6%

Area

12m sq ft

EPRA topped up net initial yield

5.4%

Value

£1,534m

Total property return

+7.4%

Occupancy

99.6%

Capital return

+1.7%

ERV growth

+3.8%

Business activity in 2017

Investment activity

**Acquisitions
£116.2m**

Distribution £107.0m
Retail £9.2m

**Disposals
£201.9m**

Retail and leisure £136.7m
Distribution £54.4m
Non core (residential) £10.8m

Development activity

**Delivered
1.1m sq ft**

Rent £7.9m
Yield on cost 6.5%

**Under construction
0.7m sq ft**

Rent £4.9m
Yield on cost 6.3%

Asset management activity

**New lettings
33**

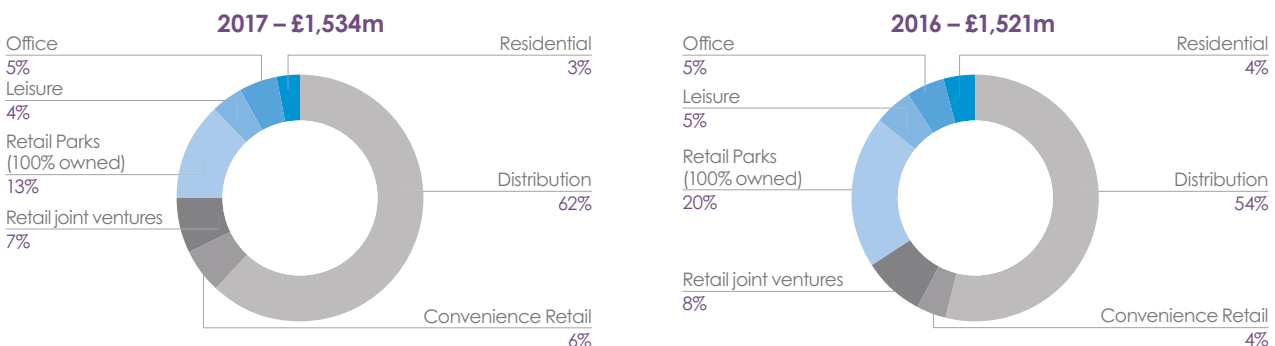
1.3m sq ft
WAULT 18.2 years
Rental uplift £5.8m

**Rent reviews
36**

4.1m sq ft
Rental growth 4.3% above ERV
Rental uplift £1.3m

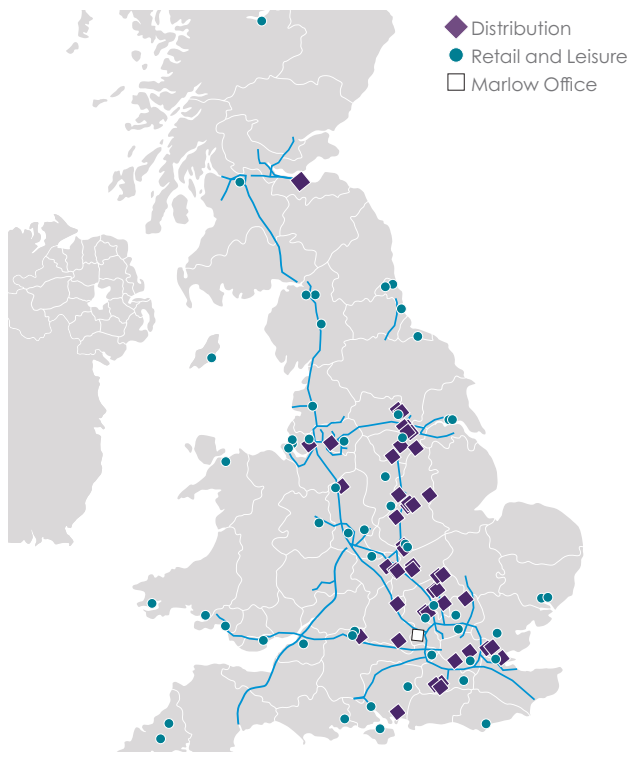
We are focused on retailer-led distribution

Portfolio¹



¹ Includes assets under development

Where our assets are located



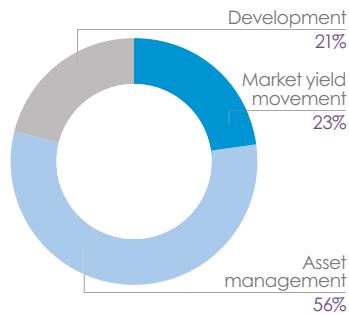
Distribution

Value	Total return
£950.2m	+9.9%
EPRA topped up NIY¹	Occupancy¹
5.0%	100%



Valuation performance

Uplift: £21m
 56% valuation movement attributable to asset management activity
 10bps yield compression across the portfolio
 Portfolio NIY of 5.4% compared to IPD of 4.9%



Retail and leisure

Value	Total return
£472.5m	+6.1%
EPRA topped up NIY¹	Occupancy¹
5.8%	99.3%



¹ Excludes developments

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.

Portfolio area

12.0m sq ft

Portfolio area rated BREEAM Very Good

3.0m sq ft

Occupancy

99.6%

Weighted average lease length

12.8 years

Our investment in end to end logistics

Mega

Large scale modern distribution units greater than 500,000 sq ft located close to major arterial routes. Strategically located to serve the customer and attract labour pools

Regional

Mid size units between 100,000 sq ft and 500,000 sq ft serving as regional hubs and creating the connecting link in any modern supply chain

Urban logistics

Smaller logistics units allowing the final journey of delivery. Strategically located in or close to dense areas of population to meet increasing consumer demands for next and same day delivery

Our 53,000 sq ft urban logistics warehouse in Crawley let to Barker & Stonehouse on a 15 year lease

“We have built on our early move into distribution and have further increased our exposure to this strongly performing sector. Our investment activity is focused on urban logistics and we continue to create value through developing regional and mega distribution warehouses.”

Valentine Beresford
Investment Director



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.

Parcel deliveries last year

1.2bn

UK most sophisticated online shopper

76% online

Online retail sales (non food)

**Forecast to be
£50bn by 2020**

Increasing

10% pa

High Street footfall

**-15%
since 2008**

Oversupply of physical retail space

**12%
vacancy
rate**

Our 357,000 sq ft regional distribution development in Warrington let to Amazon for 15 years



“Last year was a record for distribution warehousing take up, driven by the rapid growth in online retailing. Our letting to Amazon at Warrington occurred just five weeks after we completed the development. This warehouse will be integral to their same day and next day delivery proposition.”

Nick Heath
Development Manager



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.

Income from Retailers

77%

Number of retail occupiers

73

Leases signed in the year

33

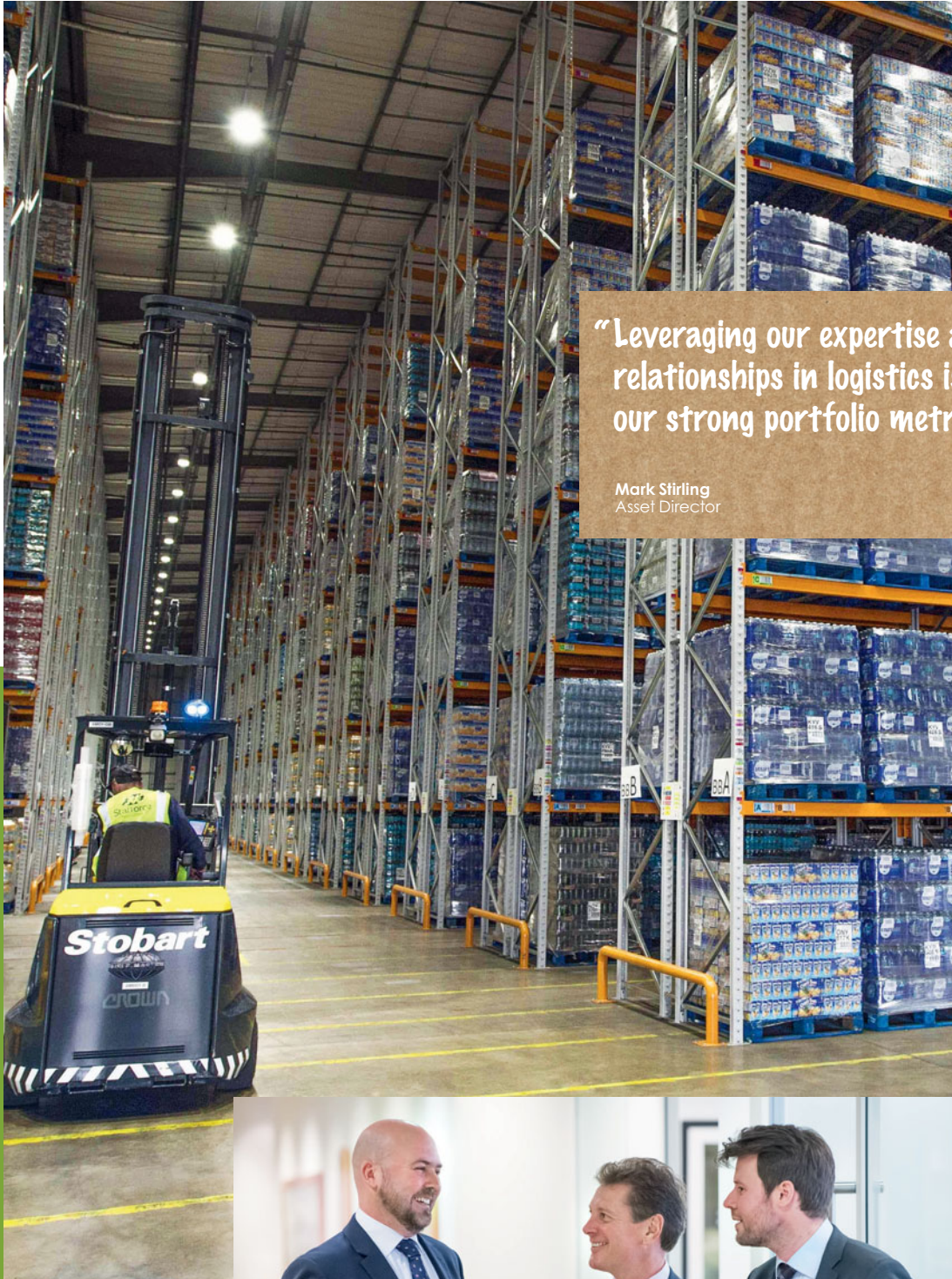
Logistics... the engine of retailing

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.

Average lease length on leases signed

18 years

Our 436,000 sq ft regional distribution warehouse in Dagenham let to Eddie Stobart



“Leveraging our expertise and relationships in logistics is enhancing our strong portfolio metrics.”

Mark Stirling
Asset Director



Chief Executive's review

Our focus, as a REIT, is to collect and compound our long and strong income and to enhance its repetitive, reliable and secure characteristics.



Andrew Jones
Chief Executive



Our portfolio is positioned around strong fundamentals of owning highly desirable assets, let to good companies and where over time the income will grow.

Distribution weighting

>70%
by next year

Income growth with structural support

We continue to live in a world characterised by both political and economic uncertainty. The prolonged low interest rate environment and unorthodox monetary policy has created an almost desperate search for yield across a widening spectrum of investment classes.

Our focus, as a REIT, is to collect and compound our long and strong income and to enhance its repetitive, reliable and secure characteristics. We expect this strategy to outperform more traditional hyper-active development and trading models where volatile and uncertain returns are diluted by income interruption and frictional costs.

Technological advancement and innovation is having a profound impact on many businesses as they attempt to remain relevant in an evolving world where the pace of change is accelerating. The real estate sector is not immune.

In recent years, we have seen a significant shift in consumer shopping habits, with customer expectations of efficiency, speed and convenience driving omni-channel retailing. This has significantly increased the proportion of non food retail sales online, which is expected to reach 26% by 2020 compared to just 13% in 2011; a growth rate of 10% per annum.

These structural changes in how people shop are driving retailer demand for logistics. We have responded to these trends by actively pivoting our investment focus from retail parks into the logistics and distribution sectors, which we expect to account for over 70% of our portfolio by the end of the current financial year. We remain disciplined and unemotional in our investment approach and will continue to dispose of assets where we think growth prospects are less exciting.

These actions have put us on the right side of the changing retail landscape and consequently we expect to be a strong beneficiary. We believe that the favourable demand/supply metrics for logistics will exist for some time, leading to high occupancy, long leases and attractive income.

Our portfolio is positioned around strong fundamentals of owning highly desirable assets that are benefiting from structural trends, let to good companies and where, over time, the income will grow and the returns will compound. This will allow us to deliver ongoing dividend growth over the next few years.



We continue to maintain our very strong portfolio metrics.

Average lease lengths on new lettings

18 years

26%
of non food retail sales are expected to be online by 2020 compared to just 13% in 2011

Behaving as a REIT

With interest rates hovering not far from all time lows, and a growing number of people retiring every year, the demand for alternative sources of income is on the rise.

We take comfort in having made the right structural calls, focusing on income and income growth, and our alignment to the logistics sector will continue to provide a highly repetitive, predictable and reliable income stream and deliver exactly what a REIT was designed to do. Ten years on from the introduction of REITs, it's notable how few companies have fully embraced the REIT structure.

Our income focus remains central to our investment thesis and we aim to own assets where the net income exceeds the dividend and the 'terminal' value will be higher in five years' time.

Our ultimate priority is to pass on income generated from our tenants to our shareholders in the form of a dividend. Since merger in 2013, our EPRA earnings have grown from 3.9p to 8.2p per share, which has allowed us to not only cover our dividend comfortably but also progress it for the second year running.

Enhancing our strong portfolio metrics

We continue to maintain our very strong portfolio metrics with long average lease lengths of 12.8 years, high occupancy at 99.6%, high gross to net income ratio of 98.6% and with only 1.2% of our rent due to expire in the next three years. Over 50% of our portfolio is now subject to contractual rental increases.

Continued refinement of our portfolio has delivered a strong performance in the year with a total property return of 7.4%, outperforming the IPD All Property by 280bps, and ERV growth of 3.8%.

These robust metrics are reflective of our sector calls, the strength of our occupier relationships and the high occupier appeal of our real estate.

In the year, we delivered 69 asset management activities generating like for like income growth of 4.6%. New lettings achieved an average lease length of 18.2 years, helped by new leases to Amazon, Michelin and Eddie Stobart. Open market rent reviews on distribution assets were particularly strong and we settled

three urban logistics reviews with an average uplift of 16.9% on a five yearly equivalent basis.

This demonstrates not only the attractive dynamics of our buildings but increasingly the growing importance that occupiers are putting on logistics and fulfilment.

Structural changes impacting shopping habits and occupier demand

Technology is disrupting many long established industries and real estate is no exception.

Structural trends in consumer behaviour and shopping patterns continue to drive retail sales online leading to c.10% per annum online growth.

Retailers are therefore increasingly committing more of their capital expenditure into improving the efficiencies of their fulfilment operation with more investment in digital infrastructure and distribution warehousing. Today, it is estimated that retailers and third party logistics operators account for 60-70% of all distribution warehousing real estate take up.

The benchmark continues to be set by Amazon which doubled its UK logistics footprint in 2016 and accounted for c.20% of take up in 2016. The urban logistics infrastructure that they are building is evidence of the importance they attach to same day, even same hour, delivery, something that the rest of the market will also have to address to stay competitive.

The impact of this evolution on traditional retail has never been more pronounced and, as retailers seek to 'right size' their store portfolios, their demand for physical retail space falls. There is clearly going to be pain felt across the sector as retailers continue to adjust to the growth of online shopping. Department stores and apparel retailers feel the most at risk, and whilst the stronger destinations will inevitably fare better, even the owners of super-prime locations will not be immune, as they have to deal with increasing polarisation, impending lease expiries, building obsolescence and/or tenant defaults.

The property markets are increasingly aware of the shifting tectonic plates and are beginning to price in these changes.

Chief Executive's review continued

Urban logistics portfolio

£161m
across 23 assets

Acquisition yield on our urban logistics investments

6.2%
100bps higher than
Big Box assets



Urban logistics is an essential part of modern logistics and enables the retailer to get closer to its point of delivery and fulfil orders quickly.

Aligning our portfolio further towards distribution through investment and development

We have been a significant beneficiary of an early move into the logistics and distribution sectors where demand/supply dynamics have strengthened considerably over recent years. Our strategy is aligned to the structural benefits of the distribution sector whilst overlaying a tactical approach to ensure we invest in the sub sector that offers the most compelling investment proposition.

After a record year for distribution take up in 2016, occupier demand remains strong across the UK. Supply remains highly restricted, there is limited speculative development and estimates suggest that there is only

four to five years of land available to accommodate warehouse demand.

These macro trends and attractive dynamics have seen investor demand for the asset class increase globally. Despite a more competitive landscape we have again made strong progress in growing our footprint across this sector, whilst remaining patient, disciplined and rational.

Over the year, we acquired a further £107.0 million of new distribution investments and developments at an average yield of 6.2%.

As at the year end, our distribution portfolio was valued at £950.2 million, which represented 62% of our whole portfolio, against 54% a year ago. This has increased to 64% including post period end activity.

Distribution investments

£107m

Increasing focus on urban logistics

As part of our end to end logistics strategy, our investment focus in the year was on building our platform in urban logistics.

Urban logistics is an essential part of modern distribution and enables the retailer and parcel operator to get closer to its point of delivery and fulfil orders quickly. Operators are increasingly looking to move closer to their end customer, albeit there are some severe supply constraints.

The functionality of urban logistics has evolved from a location which previously stored products to an operation today that is designed to maximise speed of delivery. Rising consumer expectations have reduced average delivery times down from 28 days to just a few days, with next day delivery now common.

Looking forward, delivery times are likely to fall further as expectations grow and more demanding younger

shoppers, in particular millennials, account for a larger proportion of retail spend. Half of shopping by millennials is expected to be online by 2019.

Vacancy across the urban logistics market is already very low and new supply is very limited, especially around the major UK cities. According to the UK Warehousing Association, there has been a 46% reduction of industrial space across Greater London since 1980. This is expected to fall by a further 30% over the next 20 years.

Achieving scale in this sub-sector is not easy, which in itself creates barriers to entry. Over the year, our urban logistics portfolio increased from eight to 23 assets valued at £160.8 million, the majority of which are located around major UK cities. We have made a further £23.9 million of acquisitions since the year end and expect this portfolio to grow quickly to c.£250 million in value.

Distribution developments completed in the year

0.9m sq ft

We have previously commented on the very attractive property fundamentals underpinning the strong pricing of mega and regional distribution warehouse investments.

Investing further in that market has therefore been less compelling of late and we have shifted our sights to growing our exposure through well located short cycle development opportunities, where the returns are significantly more attractive.

In Wakefield, our 527,000 sq ft development completed in September 2016. This was pre-let to Poundworld on a new 15 year lease with contracted rental uplifts linked to RPI.

In Warrington, our 357,000 sq ft regional distribution development completed in November 2016. Five weeks later we let the building to Amazon on a new 15 year lease with contracted rental uplifts linked to CPI.

This will become a major automated fulfilment centre for Amazon and will employ c.1,200 people.

We also completed a 53,000 sq ft distribution facility in Crawley, which is let to furniture retailer Barker & Stonehouse on a new 15 year lease.



Above: Our 527,000 sq ft development for Poundworld in Wakefield

The warehouse was developed at a yield of 6.3%. Poundworld signed a 15 year lease with the rent subject to five yearly compounded RPI rent reviews between 2.5-5.0%. The building is rated BREEAM Very Good.

Distribution developments under construction

0.6m sq ft

We continue to look at refilling our development 'hopper' but will only do so where the demand/supply dynamics are attractive and our exposure to market timings are short.

Therefore to minimise development risk, we only commit to developments once planning consent has been received and once pre-lets are agreed or where we have strong confidence of a letting before practical completion.

Today, we are committed to 0.6 million sq ft of developments at Dagenham, Stoke and Crawley delivering an anticipated yield on cost of 6.2%. We have secured pre-lettings on over half of the space.



Above: 137,000 sq ft development for Michelin in Stoke

Michelin has signed a new 15 year lease with five yearly rent reviews, at the higher of open market and guaranteed fixed uplifts. The anticipated yield on cost is 6.3% and we are leveraging our occupier relationships to progress a full build out of the 277,000 sq ft development. The building will be rated BREEAM Very Good.

Chief Executive's review continued

Retail disposals

£128m

Retail park weighting

13%
halved over two years

Further reducing our retail portfolio

Our further push in the distribution sector has largely been funded by the sale of mature retail parks where business plans have been fully executed.

Despite the political and economic uncertainty, we have continued to see strong buying interest for our assets with our retail disposals totalling £127.6 million. These disposals crystallised a geared IRR, on average, of 13%.

As a result of this activity our retail park weighting has halved over the last two years to 13% of the overall portfolio. We will continue to monetise further retail assets upon completion of various asset management initiatives during the year.

Post year end, we disposed of our Morrisons foodstore in Loughborough for £32.5 million, reflecting a net initial yield of 4.3% and a profit on cost of 26.0%.

Opportunistic retail acquisitions

We fully recognise the competitive nature of the retail market and therefore increasingly view this sector opportunistically. We will therefore limit our involvement to new convenience food opportunities and those where we partner with our retail customers in securing new outlets that they consider integral to growing their business.

Over the period we completed the development of seven convenience retail stores mainly let to Aldi and M&S. The average yield on cost for all of our retail developments was 6.7% and the average lease length achieved was 13.4 years.

During the year, we also acquired two single let retail assets for our long income MIPP Joint Venture at an average yield of 6.8% and with a lease length of over 15 years.

Retail park disposal at King's Lynn



Above: 74,000 sq ft retail park in King's Lynn sold for £24.0 million at a NIY of 5.8%

The property was purchased in 2011 for £15.1 million and has undergone complete refurbishment with six new lettings to Next, B&M, DFS, Tapi, Poundland and Greggs. Since purchase, the rental income has increased by 47% and the WAULT has risen from 4.3 years to 13.3 years.

US private debt placement

£130m
2.7% blended
coupon

LTV reduced

30%
as at year end

Our disciplined investment approach

We focus on achieving attractive risk-adjusted returns which are structurally supported and underpin a steady long term income return profile

Finances strengthened and diversified

Our financing arrangements remain aligned to our property strategy and we have continued to strengthen our debt facilities with new lenders and flexible arrangements.

During the year, we entered into a £130 million private debt placement at a blended coupon of 2.7% and a weighted average maturity of 8.3 years. This increased headroom available under our facilities which, as at 31 March 2017, was £299.7 million.

In addition, our £95 million equity raising in the year has given us the flexibility to accelerate our distribution investments and developments without impacting on our conservative approach to gearing.

As at 31 March, LTV was 30%, average debt maturity was 5.2 years and our cost of debt was 3.5% with a marginal cost on drawing further debt of just 1.5%.

Outlook

The sustained low interest rate and uncertain environment has driven strong demand for long duration assets with stable cash flows that are less sensitive to economic cycles.

However, not all income is the same. Whilst strong and sustainable income with structural support will endure, weak and over-rented income will be exposed as structurally challenged assets see their income shortening. We are therefore increasingly wary over the pricing of some assets where cash flows are at risk from continuing defensive capital expenditure and ongoing structural change. The yield gap between the very good and the poor assets has arguably compressed too far. As such we believe that structural changes will put some of these capitalisation rates under outward pressure.

Our disciplined investment approach continues to focus on delivering attractive risk-adjusted returns which are structurally supported and underpin a steady long term income return profile for our shareholders. We will behave rationally through maintaining a margin of safety in our actions whilst retaining appropriate portfolio liquidity and flexibility.

We continue to see attractive investment opportunities where we can leverage our relationships and expertise, and we remain confident in our business model and ability to deliver on our strategic objectives and priorities.

Marketplace

The UK economy remains relatively robust, however recent GDP numbers are trending lower and inflation measures are trending higher as ripples of political and economic uncertainty continue.

Uncertain times lead many to seek those things that are more certain. In an uncertain world with strong tailwinds, we believe that providing a strong income proposition underpinned by a structurally supported real estate sector in assets with strong fundamentals creates certainty providing organic growth over time. Here we explain more.

1 The Macro Environment

The Consumer Environment



The retail landscape continues to evolve and is in a state of flux. Almost a decade on from the global financial crisis in 2008, consumer attitudes and shopping habits have changed, driven by the continued accelerating pace of technological change and a shift in the traditional paradigm that each generation can expect to enjoy a better standard of living.

Online continues to gain market share from 13% of all non food retail sales in 2011 to an expected 26% by 2020. 1.2 billion parcels were delivered last year with next day delivery options increasing and a reduction in order cut off times.

Today's consumer environment makes it ever more crucial for retailers to adapt to keep up.

The Technology Backdrop



The pace of change has never been this fast before, but is likely to never be this slow again. The compounding impact of technological change is creating an accelerating pace of change.

A decade on from the introduction of the iPhone, the consumer is increasingly comfortable with the interaction of technology throughout life and recognises the benefits it brings and the ability it has to reduce frictional factors of every-day life.

The growth of new technologies, devices and channels is increasing the number of ways in which a consumer can engage with retailers and the route to purchase is no longer one dimensional through the store.

As a result, retailers are having to invest heavily in their digital infrastructure and logistics and fulfilment offer.

The Retailer Backdrop



The major shifts at play have, unsurprisingly, taken their toll on retailers. Across the sector, operating margins have shrunk as cut throat competition and the cost of meeting consumer expectations for retail theatre as part of an in-store experience and a seamless omni-channel offer weighs on the operating costs of the business.

As retailers seek to grow revenue by meeting consumer demands through multiple interaction points

and building brand loyalty, retailers are also having to reduce costs in other areas to ensure it delivers the level of investment required to remain relevant.

As a result, real estate has become more in focus than ever before. Store portfolios are shrinking as footfall and store sales decline with heavy investment into distribution and logistics operations to meet the continued growth of online sales.

2 The Winning Sectors of Retail



Amazon's UK business generated £7.4 billion of revenue in 2016 which was an increase of 21% on 2015 and represents 7% of its worldwide sales. Since 2010, Amazon has invested £6.4 billion in its UK operations and it employs nearly 20,000 people.

Amazon's UK logistics capabilities are unrivalled. It doubled its UK logistics footprint in 2016 and accounted for c.20% of take up. The urban logistics infrastructure that they are building is evidence of the importance they attach to same day, even same hour, delivery, setting new benchmarks for the competition to match.

Distribution & Logistics

The change in the retailing landscape and wider structural mega trends are driving demand for a range of different types of warehousing. We look to invest tactically across the logistics sector to benefit from the characteristics and investment propositions of each of the sub-sectors.

Mega Distribution

Large scale modern distribution units greater than 500,000 sq ft located close to major arterial routes. Strategically located to serve the customer and attract labour pools.

Regional Distribution

Mid size units between 100,000 sq ft and 500,000 sq ft serving as regional hubs and creating the connecting link in any modern supply chain.

Urban Logistics

A smaller logistics unit allowing the final journey of delivery. Strategically located in or close to dense areas of population to meet increasing consumer demands for next and same day delivery.

Convenience Led Retail and Long Income

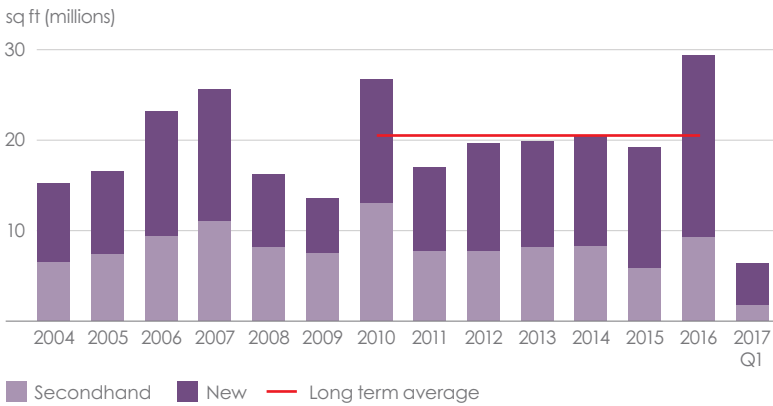
The UK convenience sector is a long standing feature of UK communities, however it is changing – from being shops used largely for emergency or distress purchases to being a regular part of many consumers' grocery shopping repertoire. Footfall has declined by 15% across the high street since 2008 however convenience retail continues to perform strongly as online shoppers look to top up

shop on a more regular basis to infill their larger shopping needs. Retailers continue to expand their exposure with retailers such as M&S Simply Food targeting in excess of 200 additional stores in an environment where they continue to consolidate general merchandising stores across the wider estate.

Marketplace continued

3 Real Estate Impact

UK logistics take-up



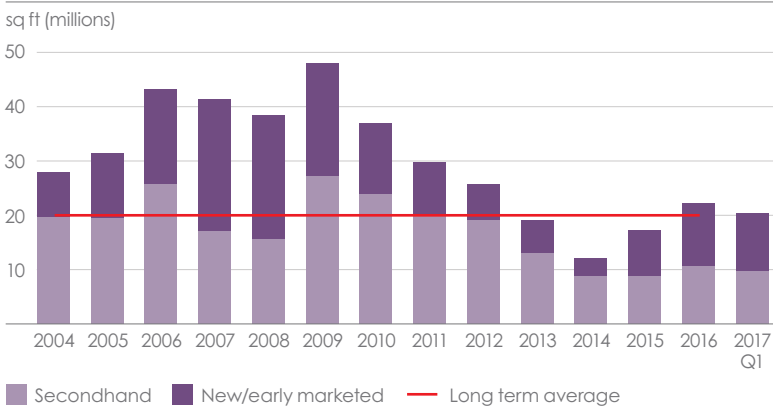
Source: CBRE

Demand across the logistics market (>100,000 sq ft) remains above long term averages of c.20 million sq ft per annum, driven mainly by retailers, third party logistics companies and major parcel carriers. In total, these occupiers accounted for 73% of total take up in the year to March 2017.

Together with the more traditional occupiers such as construction, food and automotive industries, total take up was 31.0 million sq ft for the 12 months to March 2017 with grade A at 23.6 million sq ft.

Amazon is believed to have accounted for c.20% of all take up in 2016 and although this is not expected to be repeated in 2017, the depth of demand is broad and robust suggesting another very strong year to come.

UK logistics availability



Source: CBRE

The resultant demand has led to an acute shortage of supply. CBRE estimate that only 10.8 million sq ft or six months' new and grade A supply is available in the market across properties greater than 100,000 sq ft with another 10.3 million sq ft second hand space available.

With limited speculative development ongoing at 4.3 million sq ft, the supply constrained market dynamics are likely to continue.

In more urban areas land is competing for alternative uses, such as residential together with an increase in demand.

This is causing further pressure on rental levels leading to strong rental growth in land constrained markets such as the regional and urban logistics sub sector.

Sustainability

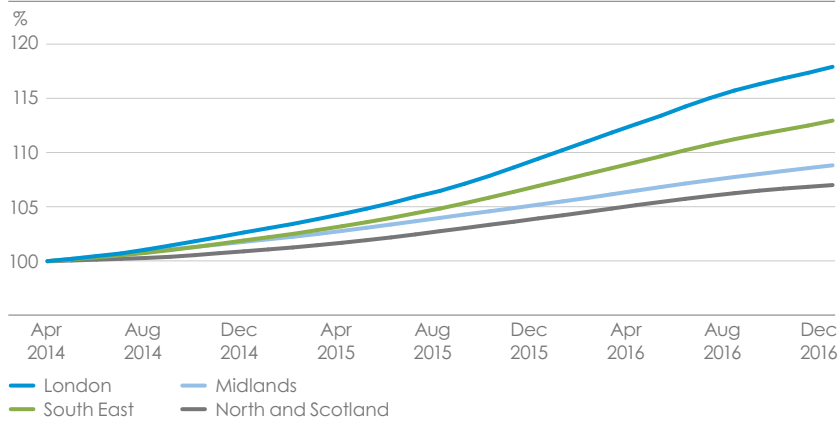


As the need for increased and more timely deliveries continues as more consumers adopt online shopping, environmental considerations become increasingly important. Increased traffic congestion, CO₂ emissions and often noise pollution mean that urban neighbourhoods are historically incompatible.

The market is beginning to respond positively to these challenges and is considering new and innovative ways to continue to meet modern day requirements whilst remaining sympathetic to our environment. This is likely to lead to further demand in other locations adding increased pressure to a supply constrained market.

4 Investment Considerations

UK Industrial rental growth

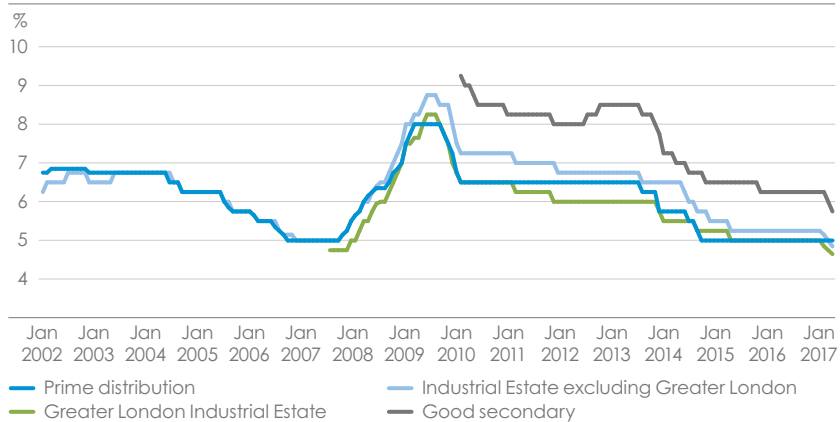


Source: CBRE

The demand and supply imbalance is leading to rental pressure across the logistics market. According to IPD, rental growth for the distribution sector as a whole for the 12 months to March 2017 recorded 3.0%. Rental growth varies across the specific sub sectors of the logistics market as well as across different regions of the UK.

Urban or close to urban locations are seeing particularly strong rental growth as the land competes for alternative uses and occupiers fight to take the locations that meet the delivery demands of the end consumer.

UK Industrial yields



Source: CBRE

The distribution and logistics sector continues to attract a high level of investor interest.

Attracted by the structural and mega trends that benefit the sector, the additional benefits of long lease length, limited gross to net income leakage and robust covenant strengths mean that investment yields have continued to fall during the period.

According to CBRE prime distribution yields stand at 5.0% compared to 5.8% three years ago.

Summary & Outlook

The retail market evolution continues with distribution, logistics and convenience retail real estate sectors winning out as the shift to online is further embraced. Total return for the distribution sector was 8.1% in the year to 31 March 2017 according to IPD, outperforming the overall property market by 350bps.

The UK is the most sophisticated online shopping market in the world with over 75% of UK shoppers actively online. The proportion of non food retail sales online in 2020 is expected to be 26% compared to 20% now. This will place further pressure on occupiers to be fit for purpose and ensure they win at least their share of the growth.

Technology will continue to evolve to the benefit of the online shopping experience and drive further growth.

Demand and supply imbalances within the market, fuelled by this shift to online shopping, suggests that the relative property performance will continue.

We anticipate another strong year with demand and supply constraints causing further rental pressure delivering a year of solid total returns. Longer term trends will persist providing strong, long, durable cash flows in a winning sector.

Business model

The business is positioned around strong fundamentals of owning highly desirable real estate that is structurally supported, let to good companies and that will generate reliable and growing income. We use our property expertise and occupier relationships to deliver outperformance. Our business model evolves to adapt to the changing world that we live in.

The fundamentals

Investing in structurally supported real estate

We allocate capital to sectors that we believe are supported by longer term structural mega trends.

Compounding our income

We focus on delivering reliable, repetitive and growing income derived from strong tenants and long leases.

Investing wisely and adding value

We invest in sectors with structural support with a tactical overlay to take advantage of pricing imperfections.

We add value through de-risked asset management and short cycle development to build a portfolio of desirable real estate.

Being financially astute

We employ a conservative financing strategy with a debt structure that is aligned to our property strategy.

The quality of our tenants ensures that we can service our debt comfortably.

Our strategic priorities

Increase weighting to distribution

The digital world we live in is driving structural mega trends resulting in a need for more efficient distribution real estate at the expense of traditional physical retail. Our priority is to increase our weighting to this sector further, particularly urban logistics where we see strong supply/demand dynamics.

Realising income growth potential

We aim to grow our income through:

- Contractual rental uplifts, both fixed and inflation linked
- Capturing open market rent review uplifts
- Development and asset management, where we deliver a superior return on our investment

Maintaining strong portfolio metrics

We aim to own, create and build desirable real estate. We achieve strong portfolio metrics through buying well, ensuring occupier contentment and gathering superior intelligence through our relationships and continually reviewing the quality of our portfolio.

Delivering short cycle developments

Through our expertise, we are able to add value from our development activity. Developments are short cycle, typically BREEAM Very Good rated and de-risked with planning approved and pre-lets agreed.

Our unique approach



People and expertise

People are central to our business and we look to attract and retain the best people in our industry. We have a talented and committed team across real estate and finance.



Relationships

Our strong occupier relationships shape our decision making. We aim to be the partner of choice across the distribution and retail sectors. Our occupier relationships shape our decision making.



Forensic approach

We are forensic about the quality of our assets and the strength of our tenants. Our due diligence at the time of acquisition and the constant evaluation of our portfolio ensure that we minimise macro risks and also asset and tenant specific risks.



The value created

Property

Additional income from lettings and rent reviews

£7.1m

Like for like income growth

4.6%

ERV growth

3.8%

Total Property Return

7.4%

BREEAM Very Good achieved on developments

1.0m sq ft

Financial

EPRA Earnings growth

5.3%

Dividend growth

3.4%

EPRA net assets per share growth

1.4%

Total Accounting return

6.4%

Key performance indicators

We continue to track seven key performance indicators to monitor the performance of the business, which include our share of joint ventures. The KPIs are also used to determine how Executive Directors and senior employees are evaluated and remunerated.

Objective	KPI measure/numbers	Performance
Deliver long term shareholder returns	Total shareholder return % 2015 19.7 2016 5.9 2017 4.4	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the four years post merger was 88%, outperforming the FTSE 350 Real Estate Super Sector of 46% by 1.9 times. 12 month TSR delivered 4.4% compared to the FTSE 350 Super Sector return which was a fall of 0.3%.
Maximise long term total accounting return	Total accounting return % 2015 21.7 2016 11.5 2017 6.4	Total Accounting Return ('TAR') of EPRA NAV movement together with dividend charge in the year. 12 month TAR delivered a return of 6.4%.
Maximise property portfolio returns	Total property return % 2015 17.5 2016 10.5 2017 7.4	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD. 12 months TPR delivered a return of 7.4% compared to the IPD benchmark of 4.6%.
Deliver sustainable growth in EPRA earnings	EPRA earnings per share p 2015 6.6 2016 7.8 2017 8.2	Recurring earnings per share from core operational activities have grown by 5.1% over the last 12 months. In the four years post merger, EPRA earnings per share has grown by 110.3% from 3.9p to 8.2p per share.
Drive like for like income growth through management actions	Like for like income growth % 2015 2.9 2016 3.1 2017 4.6	Year on year movement of net rental income on properties owned through the period increased by 4.6%.
Maintain strong occupier contentment	EPRA vacancy % 2015 0.3 2016 0.7 2017 0.4	Occupancy rate of investment portfolio of 99.6% against IPD all property benchmark of 93.1%.
Maintain a higher than market benchmark weighted average unexpired lease term (WAULT)	WAULT years 2015 13.1 2016 12.8 2017 12.8	Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 12.8 years as at 31 March 2017, which outperformed the IPD all property benchmark of 12.2 years.

Remuneration	2017/18 ambition	Other performance indicators									
<p>Under the Remuneration Policy 37.5% of LTIP awards are subject to TSR growth compared with the FTSE 350 Real Estate sector excluding agencies and operators. The TSR component of the 2013 LTIP award vested in full in the year and the TSR component of the 2014 LTIP award is expected to vest in full.</p>	<p>Three year TSR performance to be in the upper quartile of the FTSE 350 Real Estate companies, excluding agencies and operators.</p>	<p>LTV ratio %</p> <table border="1"> <tr> <td>2015</td> <td></td> <td>36</td> </tr> <tr> <td>2016</td> <td></td> <td>38</td> </tr> <tr> <td>2017</td> <td></td> <td>30</td> </tr> </table>	2015		36	2016		38	2017		30
2015		36									
2016		38									
2017		30									
<p>Under the Remuneration Policy 37.5% of LTIP awards are subject to TAR growth compared with the FTSE 350 Real Estate sector excluding agencies and operators.</p>	<p>Three year total accounting return to be in the upper quartile of FTSE 350 Real Estate companies, excluding agencies and operators.</p>	<p>Debt maturity years</p> <table border="1"> <tr> <td>2015</td> <td></td> <td>4.2</td> </tr> <tr> <td>2016</td> <td></td> <td>5.6</td> </tr> <tr> <td>2017</td> <td></td> <td>5.2</td> </tr> </table>	2015		4.2	2016		5.6	2017		5.2
2015		4.2									
2016		5.6									
2017		5.2									
<p>35% of annual bonus award is subject to TPR outperforming the IPD Quarterly Universe index. This year TPR outperformed the IPD benchmark delivering a 35% bonus payout.</p>	<p>One year TPR outperformance against Quarterly Universe index.</p>	<p>Cost of borrowing %</p> <table border="1"> <tr> <td>2015</td> <td></td> <td>3.7</td> </tr> <tr> <td>2016</td> <td></td> <td>3.5</td> </tr> <tr> <td>2017</td> <td></td> <td>3.5</td> </tr> </table>	2015		3.7	2016		3.5	2017		3.5
2015		3.7									
2016		3.5									
2017		3.5									
<p>35% of annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a 74% bonus payout. 25% of LTIP awards vest after three years subject to an EPS growth target. The EPS component of the 2013 LTIP award vested in full in the year and the EPS component of the 2014 LTIP award is expected to vest in full.</p>	<p>Deliver and sustain EPRA earnings growth and dividend progression.</p>	<p>EPRA topped up net initial yield %</p> <table border="1"> <tr> <td>2015</td> <td></td> <td>5.8</td> </tr> <tr> <td>2016</td> <td></td> <td>6.4</td> </tr> <tr> <td>2017</td> <td></td> <td>5.4</td> </tr> </table>	2015		5.8	2016		6.4	2017		5.4
2015		5.8									
2016		6.4									
2017		5.4									
<p>Forms part of EPRA earnings per share, which as noted above, is a key financial performance measure for the Company's variable incentive arrangements.</p>	<p>Deliver like for like income growth ahead of inflation plus 1.5%.</p>	<p>EPRA cost ratio %</p> <table border="1"> <tr> <td>2015</td> <td></td> <td>17</td> </tr> <tr> <td>2016</td> <td></td> <td>17</td> </tr> <tr> <td>2017</td> <td></td> <td>16</td> </tr> </table>	2015		17	2016		17	2017		16
2015		17									
2016		17									
2017		16									
<p>Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.</p>	<p>Maintain high occupancy across the investment portfolio, targeting >99%.</p>	<p>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 Risk management section on pages 40 to 47.</p>									
<p>Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.</p>	<p>Maintain high weighted average unexpired lease term targeting >12 years.</p>	<p>Remuneration The table on page 94 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.</p> <p> Risk management see page 40</p> <p> Remuneration Policy see page 88</p>									

Investment review

We invest in structurally supported real estate that delivers repetitive, dependable and growing income. Our investment activity in the year was focused on urban logistics investments largely funded by mature retail park sales.



Valentine Beresford
Investment Director

Structural support for distribution

We have been a significant beneficiary of an early move into distribution. The demand/supply dynamics for this sector have strengthened considerably and remain highly attractive. 2016 was a record year for occupier take up and supply remains restricted with limited speculative development. This is driving sustainable rental growth.

High quality distribution portfolio

The value of our distribution assets, including developments, increased to £950.2 million, representing 62% of the total portfolio. This is expected to grow to over 70% as we complete developments and further investments. Our distribution investments are 100% let and have a WAULT of 12.9 years, with 57.8% of income subject to contractual uplifts.

Disciplined investing in distribution

The investment market for mega and regional warehousing remains competitive, particularly where assets are let to strong covenants on long leases. We have, however, remained disciplined and not chased the market.

Despite the sale of our HUT Group warehouse, we increased our mega and regional exposure in the year through further development completions. We spent £71.0 million on our Wakefield and Warrington developments, achieving a blended

yield of 6.6%, which is c.150bps better than completed investment yields. We also acquired a regional warehouse let to One Stop in Wakefield for £9.5 million.

£97 million of investments in urban logistics

During the year, we increased our urban logistics portfolio significantly to £160.8 million through 15 acquisitions. These acquisitions have enhanced our end to end logistics portfolio.

They are typically 50-100,000 sq ft, and provide 'spoke' operations for larger 'hubs'. They are well located and facilitate next day and same day delivery to major cities and conurbations. They are increasingly critical to the distribution networks for retailers, third party logistics providers and other operators in meeting rising consumer delivery expectations.

Our average yield on acquisitions was 6.2%, which is c.100bps better than for larger warehouse investments. These assets offer strong rental growth prospects as evidenced by the ERV growth of 9.5% achieved on our existing assets.

We remain excited by the opportunities in urban logistics where we continue to leverage our relationships to often secure off market purchases. Since the year end, we have acquired a further £23.9 million of assets.

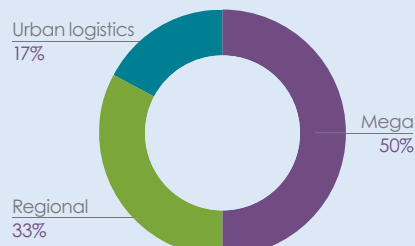
Distribution investments

£107m

Yield on urban logistics distribution investments

6.2%

Distribution portfolio split



As at 31 March 2017	Mega	Regional	Urban logistics
Typical warehouse size	500,000+ sq ft	100-500,000 sq ft	50-100,000 sq ft
Value ¹	£478m	£311m	£161m
Yield ²	4.8%	5.0%	5.8%
Contractual uplifts ³	74%	60%	9%

¹ Including developments

² Topped up NIY

³ Percentage of portfolio that benefits from contractual rental uplifts



Two urban logistics acquisitions in Leeds for £12 million

During the year, we acquired two modern and well located urban logistics warehouses in Leeds. The warehouses are 100,000 sq ft and 49,000 sq ft in size and are let to Vision Alert (pictured) and Siemens. The aggregate price paid was £11.9 million, reflecting a blended NIY of 6.0% and a reversionary yield of 6.5%.

Investment activity by sub sector

	Acquisitions		Disposals	
	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Distribution	107.0	6.2	54.4	6.5
Retail	9.2	6.8	127.6	6.3
Leisure	–	–	9.1	5.5
Residential	–	–	10.8	2.4
Total	116.2	6.2	201.9	6.2

Significant further retail sales

As at 31 March 2017, our retail parks represented 13% of the overall portfolio and this weighting has more than halved over two years. Our long income JV retail assets represented 7% and our convenience retail assets accounted for 6% of the portfolio.

Retail disposal activity was particularly strong in the year at £127.6 million. The key retail disposals were at Newry, King's Lynn and Christchurch which totalled £89.2 million and represented the opportunity to monetise several of our larger retail park investments following intense asset management activity and where business plans had been fully executed.

Post year end, we disposed of our Morrisons retail asset in Loughborough at a very attractive yield of 4.3%.

Leisure asset sales

During the year, we sold an Odeon cinema in Taunton for £9.1 million. Post year end, we sold a further cinema in Birkenhead for £5.8 million.

The sales have reduced our cinema ownership to six which account for £3.5 million of income per annum, 100% of which is RPI linked, and have a WAULT of 21.3 years. We continue to see strong buying appetite for our cinema portfolio.

Opportunistic retail acquisitions

Our MIPP Joint Venture acquired two single let warehouses for £18.4 million (Group Share: £9.2 million) at a yield of 6.8% and continues to see opportunities in selective high quality assets that are smaller lot sizes and offer the potential to generate stable, consistent income returns.

Following discussions with our Joint Venture partner, we have agreed to extend the term of the MIPP Joint Venture by a further three years to 2023.

21 Residential disposals

At Moore House in Chelsea, our last remaining residential asset in which we have a 40% share, we continue to patiently sell down individual units.

Purchaser interest has remained strong since last autumn and we sold 13 units in the second half of the year, taking the number sold in the year to 21. A further two units have been sold post period end and ten are currently under offer. There are 58 units remaining of the original 149 owned.

Retail sales

£128m

Retail parks halved over two years to

13%
of total portfolio

Investment review continued



Distribution

Investment activity

Overview

£107.0m acquired

NIY: 6.2%
WAULT: 8.7 years

£54.4m disposed

NIY: 6.5%
WAULT: 14.0 years

Post period end

51,000 sq ft in Crawley

£6.4 million acquisition of an urban logistics warehouse let to TNT. Acquired at a reversionary yield of 6.2% and with a WAULT of 6.4 years

90,000 sq ft in Coventry

£5.7 million acquisition of an urban logistics warehouse let to DHL for ten years at a NIY of 7.0%

120,000 sq ft in Huyton

£11.8 million acquisition of an urban logistics warehouse let to Antolin Interiors for 15.0 years at a yield on cost of 6.1%

Acquisition

382,000 sq ft portfolio

£26.0 million acquisition of six assets in established distribution locations.

Acquired at a NIY of 6.5% and with a WAULT of 7.0 years

120,000 sq ft in Wakefield

£9.5 million acquisition of a regional warehouse let to OneStop. Acquired at a NIY of 5.7% and with a WAULT of 6.2 years

100,000 sq ft in Leeds

£7.9 million acquisition of a warehouse let to Vision Alert. Acquired at a NIY of 6.0% and with a WAULT of 14.8 years

89,000 sq ft in Hemel Hempstead

£8.3 million acquisition of a warehouse let to ITAB. Acquired at a NIY of 6.4% and with a WAULT of 8.3 years

74,000 sq ft in Stevenage

£7.3 million acquisition of a warehouse let to Dixons Carphone. Acquired at a NIY of 6.3% with a WAULT of 8.7 years

49,000 sq ft in Leeds

£4.0 million acquisition of a warehouse let to Siemens. Acquired at a NIY of 6.0% with a WAULT of 3.0 years

49,000 sq ft in Dartford

£6.3 million acquisition of a warehouse let to Antalis. Acquired at a NIY of 6.0% with a WAULT of 10.0 years

41,000 sq ft in Basildon

£3.8 million acquisition of a warehouse let to Modular Heating Group. Acquired at a NIY of 6.5% with a WAULT of 4.0 years

30,000 sq ft in Bicester

£3.2 million acquisition of a warehouse let to DPD. Acquired at a NIY of 5.9% and with a WAULT of 9.5 years

Development

114,000 sq ft in Crawley

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

53,000 sq ft in Crawley

Pre-let development in Crawley acquired for £10.7 million at a yield on cost of 5.2% let to Barker & Stonehouse with a WAULT of 15.0 years

Disposals

690,000 sq ft in Warrington

Following an option exercise in the prior year by the occupier, The Hut Group acquired its warehouse for £53.7 million reflecting a NIY of 6.5%

The yield on cost for the development was 8.0%. The sale completed in November 2016 and generated a 22% geared IRR

2.2 acre site in Yeovil

We disposed of a small site for £0.7 million



Retail and leisure

Investment activity

Overview

£9.2m acquired

NIY: 6.8%
WAULT: 15.0 years

£136.7m disposed

NIY: 6.2%
WAULT: 10.9 years

Post period end

Loughborough

£32.5 million disposal of a 55,000 sq ft Morrisons store at a NIY of 4.3%

The asset had been extended recently and a new 25 year lease had been agreed with Morrisons. Our profit on cost was 26.0%

Birkenhead

£5.8 million disposal of a Vue cinema at a NIY of 7.2%

Newcastle-under-Lyme

£2.8 million disposal of a retail park in Newcastle Under Lyme at a NIY of 8.0%

Acquisition

Our MIPP joint venture acquired two assets for £18.4 million (Group share: £9.2 million):

Hull

£9.4 million acquisition of a 71,000 sq ft warehouse at a NIY of 7.5%, let to B&Q with a WAULT of 12 years

Dartford

£9.0 million acquisition of a 40,000 sq ft warehouse at a NIY of 6.2%, let to Wickes who signed a new 20 year lease on acquisition

Disposals

11 assets sold for £152.9 million (Group share: £136.7 million)

Newry

The 165,000 sq ft Damolly Retail Park was sold for £30.7 million at a NIY of 7.4%. During ownership, new lettings were signed with Lidl, Pets at Home, Home Bargains and Costa

Christchurch

The 104,000 sq ft retail park was sold for £34.5 million, reflecting a NIY of 5.7%. The property was purchased in 2013 for £27.1 million and since then new lettings had been signed with Costa, DFS, Home Bargains and Subway. The WAULT was 7.0 years

King's Lynn

The refurbished 74,000 sq ft Pierpoint Retail Park was sold for £24.0 million at a NIY of 5.8%. New lettings had been signed with Next, B&M, DFS, Tapi, Poundland and Greggs, increasing the rental income by 47% and the WAULT from 4.3 years to 13.3 years

Bedford

The 66,000 sq ft Alban Retail Park was sold for £14.3 million, reflecting a NIY of 5.9%. The property was acquired in 2010 for £9.2 million and, following asset management initiatives with B&M, Dunelm and Gym Group, rental income had increased by over 30%. The WAULT was 8.3 years

Warrington

The 20,000 sq ft Fordton Retail Park was sold for £6.6 million at a NIY of 5.4%

St Albans

The 25,000 sq ft retail asset was sold for £5.8 million at a NIY of 6.1%

Chatham, Bridgwater and Grimsby

Our MIPP Joint Venture sold three properties for £15.9 million (Group share: £8.0 million) at a NIY of 5.7%

Maidstone

A DFS property was sold for £12.0 million (Group share: £3.7 million) on behalf of our DFS joint venture, reflecting a NIY of 7.5%. The property was acquired in March 2014 as part of a portfolio of DFS stores off an overall NIY of 9.3%. The joint venture retains 12 assets

Taunton

One Odeon Multiplex Cinema was sold for £9.1 million at a NIY of 5.5%

Asset management and development

Our portfolio metrics continue to remain strong as our underlying income becomes more resilient and we deliver sustainable income growth. Our asset management and development activity continue to deliver value driven by our occupational intelligence.



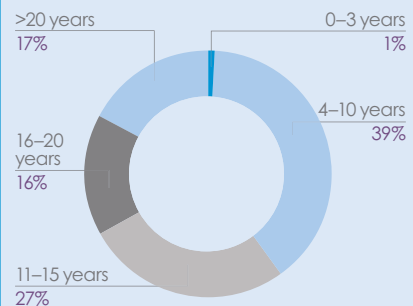
Mark Stirling
Asset Director

Delivering long term sustainable income

As an important driver of our repetitive income, we continued to achieve long lease lengths from our activity. The 33 lettings in the year were agreed at an average lease length of 18.2 years and our lettings to Amazon and Eddie Stobart in the year were particularly significant transactions. This activity helped to maintain our WAULT at 12.8 years (12.1 years to break) which remains one of the longest in the sector.

Only 1.2% of our income expires over the next three years, and over 17% of income has a WAULT of 20 years or greater.

Lease expiry profile



WAULT

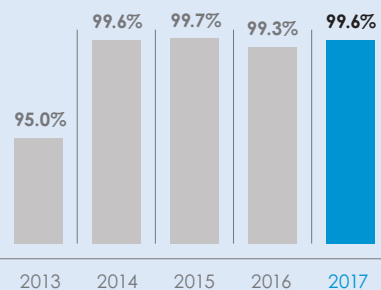
12.8 years

Protecting the reliability of our income

Maintaining a strong tenant list with high occupier satisfaction is a key priority. Our occupancy rate at the year end was 99.6%, a high level that has been maintained for several years. We have a high quality list of tenants as reflected in our top five tenants which account for 34% of income and consist of Primark, Dixons Carphone, M&S, Argos and Eddie Stobart.

Our gross to net income ratio of 98.6% reflects our further alignment to distribution where operational requirements are minimal.

Occupancy Rate



Occupancy

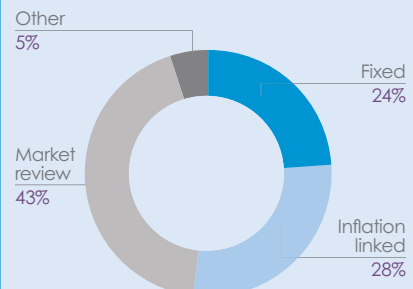
99.6%

Achieving income growth

Through 69 occupier transactions we generated £7.1 million of additional income and like for like income growth of 4.6%. The 33 new lettings delivered £5.8 million of income whilst contractual income uplifts and open market rent reviews helped to generate £1.3 million of additional income.

With 52% of our rental income benefiting from fixed or inflation linked uplifts, our portfolio has certainty of income growth.

Contractual rent reviews



Like for like income growth

4.6%



Eddie Stobart Distribution, Dagenham

26 year lease on an enlarged warehouse:

- Development of a new 180,000 sq ft warehouse
- New 26 year lease across 436,000 sq ft
- Increased rent with five yearly RPI reviews
- Development to be completed within 12 months
- Delivers marginal yield on cost of c.5.75%

Lettings

33 lettings were undertaken in the year generating additional contractual income of £5.8 million, of which £3.8 million related to distribution developments. Lettings were achieved with an average lease length of 18.2 years.

Distribution lettings

Five distribution lettings or regears were signed at:

- Dagenham, where a new 26 year lease was signed with Eddie Stobart
- Warrington, where a 15 year lease was signed with Amazon at our recently developed 357,000 sq ft warehouse
- Stoke, where a 15 year pre-let was signed with Michelin on 137,000 sq ft at our development. The c.277,000 sq ft scheme is under construction and we continue to engage with potential tenants on the remaining space
- Nottingham, where Hillarys Blinds extended their lease to ten years
- Newark, where we installed 1MW of solar, generating additional income of £0.1 million per annum.

At our 114,000 sq ft development in Crawley a pre-let has been agreed on 35,000 sq ft and we expect to sign the letting shortly.

Retail lettings

26 retail lettings were signed during the year. The key lettings were at:

- Tonbridge, where the former B&Q unit is fully pre-let following lettings with Home Bargains, Go-Outdoors, Jollyes, Costa and, most recently, with Carpetright
- Launceston, where the former B&Q unit is fully pre-let following lettings with B&M, M&S and Costa in the second half of the year

- Kirkstall, where lettings were signed with Peacocks, Holland & Barrett, Shoezone and Specsavers
- Dartford, where Wickes has signed a 20 year lease on 40,000 sq ft at our recently acquired investment
- Ipswich, where Wickes signed a 15 year lease on 21,000 sq ft at our development and Costa has signed a 15 year lease on 2,000 sq ft. We are under offer on letting the remaining space

At our last remaining office in Marlow, two leases were signed across 21,000 sq ft. The property is 96.7% occupied.

Rent reviews

Including contractual uplifts, 36 rent reviews were agreed across 4.1 million sq ft adding £1.3 million of income at 4.6% above passing and 4.3% above ERV.

Rental growth on our distribution assets was strong and we settled nine reviews at 5.0% above previous passing, three of which were open market reviews on urban logistics and regional warehouses where the average uplift was 16.9% above passing on a five yearly equivalent basis.

On our retail and leisure assets, we settled 27 rent reviews at 3.0% above previous passing and 6.5% above ERV. The majority of these reviews were inflation linked rent reviews and seven were open market reviews which were settled at 4.4% above previous passing.

Additional contracted income from 33 lettings

£5.8m

Growth in passing rent from 36 rent reviews

4.6%

Asset management and development continued

Developed in the year

1.1 million sq ft

Short cycle developments

Following the completion of 1.9 million sq ft of developments last year, we successfully completed 1.1 million sq ft of further developments in the period representing £7.9 million of additional income. The blended yield on cost for these developments was 6.5%.

Committed developments currently total 0.7 million sq ft, of which 0.6 million sq ft relates to distribution developments at Dagenham, Stoke and Crawley all of which are expected to be completed within 6-12 months. The blended yield on cost for all committed development is anticipated to be 6.3%.

We continue to de-risk our pipeline developments. At Bedford, where the site has planning for up to 700,000 sq ft, a six month extension has been agreed to purify the conditions of purchase with the council. We anticipate completing the land purchase by the end of 2017.

Property valuation and return

Despite continued political and economic uncertainty, we generated a positive valuation movement of £21.0 million for the year. Our £44.0 million valuation gain in the second half more than reversed the £23.0 million valuation loss that we saw in the first half. Our actions accounted for 77.1% of the total valuation uplift for the year.

Our sector leading occupancy rates and lease lengths within the structurally winning real estate sectors continue to provide strong support to our valuations delivering a total capital return of 1.7% and significantly outperformed the IPD All Property return measure of -0.1%.

Development summary

Scheme	Sector	Area sq ft '000	Additional rent £m	Yield on cost %	Practical completion date
Completed					
Wakefield	Distribution	527	2.5	6.3	Sept 16
Warrington	Distribution	357	2.1	7.1	Nov 16
Crawley	Distribution	53	0.6	5.2	March 17
Liverpool	Retail	29	0.5	6.2	July 16
St Margaret's, Leicester	Retail	29	0.4	8.1	July 16
Aldi, Leicester	Retail	19	0.3	6.0	August 16
Coventry	Retail	18	0.3	8.0	Feb 17
Tonbridge	Retail	18	0.4	10.5	Oct 16
Loughborough ¹	Retail	12	0.5	5.1	Jan 17
Ferndown	Retail	11	0.3	5.4	May 16
		1,073	7.9	6.5	
Under construction					
Stoke ²	Distribution	277	1.4	6.3	Q1 18
Dagenham	Distribution	180	0.9	5.7	Q2 18
Crawley ²	Distribution	114	1.3	6.3	Dec 17
Tonbridge (ex B&Q)	Retail	53	0.3	6.1	July 17
Ipswich ²	Retail	31	0.7	7.1	Q4 17
Launceston	Retail	30	0.3	6.2	Q4 17
		685	4.9	6.3	

¹ Sold post year end

² Based on anticipated rents

Distribution real estate continues to see healthy demand in both the investment and occupational market. As a result, it is one of the best performing real estate subsectors and delivered a capital return of 2.8%. Our distribution assets strongly outperformed the subsector generating a capital return of 4.4%, as a result of both the quality of our assets and our development and asset management action.

The Company's retail and leisure portfolio saw a 0.5% valuation increase, with a 2.9% decline in the retail park portfolio offset by the strength in our long income retail, convenience and leisure assets.

Our last two non-core buildings in Marlow and Moore House saw adverse valuation impacts over the year. Overall, our office and residential assets fell in value by 10.5%.

The valuation uplift, combined with the portfolio's sustainable and growing income, helped us to deliver a total property return of 7.4%, substantially beating the IPD All Property return measure of 4.6%. We believe that income will be the major component of total returns going forward, and we expect that the portfolio's strong income characteristics will help to deliver further total return outperformance.

Responsible development in action

Building a new way for everyone's future



Key responsible development activities completed in the year



Wakefield

- 527,000 sq ft distribution mega warehouse pre-let to Poundworld
- Completed September 2016
- BREEAM Very Good
- Roof lights on 50,000 sq ft
- Roof designed for future fitting of solar panels



Warrington

- 357,000 sq ft regional distribution warehouse let to Amazon
- Completed November 2016
- BREEAM Very Good
- Roof lights on 50,000 sq ft
- Roof designed for future fitting of solar panels



Crawley

- 53,000 sq ft urban logistics warehouse
- Completed March 2017
- BREEAM Very Good



M&S & Aldi, Liverpool

- 29,000 sq ft convenience retail development
- Completed July 2016
- BREEAM Very Good

Current responsible development activities committed

Dagenham

- 180,000 sq ft regional distribution warehouse
- BREEAM Very Good

Crawley

- 114,000 sq ft regional distribution warehouse
- BREEAM Excellent

Stoke

- 277,000 sq ft regional distribution warehouse
- BREEAM Very Good

Launceston

- 30,000 sq ft retail redevelopment

 For responsible development overview see page 52

 For local community activity see page 55

Financial review

Our commitment to repositioning the portfolio into our preferred distribution sector has delivered growth in secure and sustainable income and property values this year.



Martin McGann
Finance Director

Overview

We have achieved both earnings and NAV growth this year and have strengthened and de-risked our financing position through a private debt placement and an equity placing.

EPRA earnings have increased by 5.3% to £51.0 million or 8.2p per share, compared with £48.5 million or 7.8p last year. Reported profit under IFRS has fallen by £19.7 million to £63.0 million primarily as a result of lower valuation gains this year. EPRA NAV is £1,030.5 million or 149.8p per share, an increase of 11.8% or 1.4% on a per share basis which reflects the impact of the equity placing.

In September, we entered into a new £130 million private debt placement which diversified our funding sources and provided further capacity for investment. We supplemented this in March by an equity placing of 62.8 million ordinary shares which raised gross proceeds of £95.5 million.

Our loan to value ratio has improved as a result of the debt raised and equity issued in the year, falling to 30% from 38% last year. Other financing metrics remain strong, with average cost of debt unchanged at 3.5% and loan maturity, despite the passing of a year, of 5.2 years (2016: 5.6 years). We have £299.7 million of undrawn debt facilities, up from £69.9 million last year.

Our strong financial results and robust portfolio metrics have enabled us to increase the dividend for the year to 7.5p per share, up 3.4% from last year. Three quarterly payments totalling 5.4p per share have been made to date and a further 2.1p is proposed for payment on 10 July 2017. The dividend continues to be fully covered by EPRA earnings at 109%. A scrip alternative to a cash dividend payment was offered to shareholders for all dividends declared in the year to 31 March 2017 and it is our intention to continue to offer shareholders this choice.

EPRA earnings per share

8.2p

EPRA net assets per share

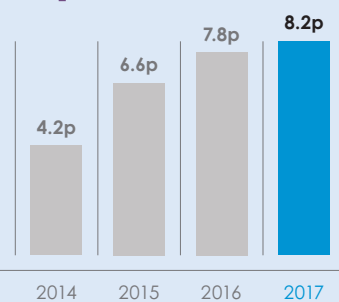
149.8p

Dividend per share

7.5p

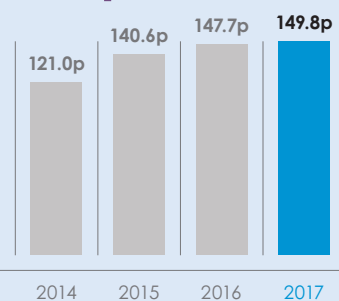
EPRA EPS

8.2p +5%



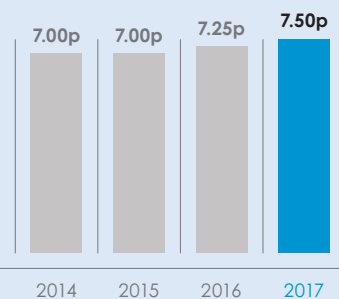
EPRA net asset value per share

149.8p +1%



Dividend per share

7.5p +3%



Presentation of financial information

The Group financial statements on pages 117 to 137 are prepared in accordance with IFRS.

We account for our interests in joint ventures using the equity method as required by IFRS 11 which means the results and investment in joint venture entities are presented as a single line item in the consolidated income statement and balance sheet.

Management monitors the performance of the business on a proportionally consolidated basis which includes the Group's share of income, expenses, assets and liabilities of joint ventures on a line by line basis in the income statement and balance sheet.

The figures and commentary in this review are consistent with our management approach as we believe this provides a more meaningful analysis of overall performance.

Alternative performance measures

The Group uses EPRA earnings and EPRA net assets as alternative performance measures as they highlight the underlying recurring performance of the Group's property rental business.

The EPRA alternative measures are widely recognised and used by public real estate companies and seek to improve transparency, comparability and relevance of published results.

The Group's key EPRA measures are summarised in the table below and also in note 8 to the financial statements and Supplementary notes i to vii.

Definitions of EPRA alternative performance measures are also given in the Glossary on page 148.

Reported profit

£63.0m

Loan to value

30%

Cost of debt

3.5%

EPRA highlights

	2017	2016
EPRA EPS	8.2p	7.8p
EPRA NAV per share	149.8p	147.7p
EPRA triple NAV per share	146.4p	143.9p
EPRA vacancy rate	0.4%	0.7%
EPRA cost ratio	16%	17%
EPRA NIY	4.5%	4.9%
EPRA 'topped up' NIY	5.4%	5.4%

The definition of each of these measures can be found in the Glossary on page 148.

Alternative performance measure

Rationale

EPRA earnings

Recurring earnings from core operational activities. It excludes items considered to be non recurring or exceptional in accordance with EPRA Best Practice Recommendations including property and derivative valuation movements, profits and losses on disposal of properties and financing break costs. It is presented as it is one of the Group's KPIs, an industry standard comparable measure and supports the level of dividend payments. A reconciliation between EPRA earnings and IFRS reported profit is provided in note 8 to the financial statements.

EPRA net assets

EPRA net asset value is a key measure of the Group's overall performance reflecting both income and capital returns. It excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between EPRA net assets and IFRS reported net assets is provided in note 8 to the financial statements.

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	2017 £m	Group £m	JV £m	2016 £m
Gross rental income	73.9	9.1	83.0	67.9	11.1	79.0
Property costs	(0.8)	(0.4)	(1.2)	(0.8)	(0.5)	(1.3)
Net rental income	73.1	8.7	81.8	67.1	10.6	77.7
Management fees	1.7	(0.7)	1.0	2.2	(0.9)	1.3
Administrative costs	(13.3)	(0.1)	(13.4)	(13.6)	(0.2)	(13.8)
Net finance costs	(16.3)	(2.1)	(18.4)	(13.8)	(2.9)	(16.7)
EPRA earnings	45.2	5.8	51.0	41.9	6.6	48.5

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

	£m	p
EPRA earnings 2016	48.5	7.8
Net rental income	4.1	0.7
Management fees	(0.3)	(0.1)
Administrative costs	0.4	0.1
Net finance costs	(1.7)	(0.3)
EPRA earnings 2017	51.0	8.2

Net rental income

The growth in EPRA earnings was driven by additional net rental income of £4.1 million, which increased by 5.3% in the year to £81.8 million. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2016	77.7
Existing properties ¹	0.7
Developments	5.1
Acquisitions	6.1
Disposals	(7.9)
Property costs	0.1
Net rental income 2017	81.8

¹ Based on properties held throughout 2016 and 2017 on a proportionately consolidated basis to exclude the distortive impact of acquisitions, disposals and development completions in either period

The existing portfolio generated £0.7 million of additional income and the Group's completed developments delivered a further £5.1 million.

Net disposals reduced income by £1.8 million, offset by marginal savings in property costs of £0.1 million.

Our net income as a percentage of gross rents has increased marginally to 98.6%.

Administrative costs

Administrative costs have fallen by 2.9% to £13.4 million after capitalising staff costs of £1.8 million (2016: £1.5 million) in respect of time spent on development activity in the year.

EPRA cost ratio

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

	2017 %	2016 %
EPRA cost ratio including direct vacancy costs	16	17
EPRA cost ratio excluding direct vacancy costs	15	17

The EPRA cost ratio for the year, including direct vacancy costs, was 16% compared with 17% 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 144.

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 £18.4 million, an increase of £1.7 million over the previous year.

This was due to decreases in interest receivable from forward funded development projects and interest capitalised on developments of £0.4 million and £0.7 million respectively. In addition, increased Group bank interest costs of £1.4 million associated with higher average levels of debt were offset by lower joint venture interest costs of £0.8 million

as a result of repaying debt facilities. The movements are shown in notes 5 and 10 to the financial statements.

Our interest rate exposure is hedged by a combination of fixed and forward starting interest rate swaps and caps as discussed on page 39.

Share of joint ventures

EPRA earnings from joint venture investments were £5.8 million, a reduction of £0.8 million over last year due to the impact of disposals as reflected in the table below.

For the year to 31 March	2017 £m	2016 £m
MIPP	3.4	4.0
Retail Warehouse	2.2	2.4
Residential	0.2	0.2
	5.8	6.6

In addition, the Group received net management fees of £1.0 million for acting as property advisor to each of its joint ventures (2016: £1.3 million).

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.

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations.

We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise.

The tax risk identification and management process is documented in the Risk Register and Internal Control Evaluation which is reviewed annually by the Audit Committee who reports its findings to the Board. The Board also considers risk at a high level at each quarterly meeting via a risk dashboard. The Finance Director has overall responsibility for the execution of the tax strategy.

We pay business rates on void properties and stamp duty land tax. In addition we collect VAT, employment taxes and withholding tax on dividends and pay these over to HMRC.

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution 90% of REIT relevant earnings to ensure our REIT status is maintained.

Our formal tax strategy has been published on the Group's website at www.londonmetric.com.

Dividend

The Directors have approved a fourth quarterly interim dividend of 2.1p per share, payable on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017, bringing the total amount paid and payable for 2017 to 7.5p, an increase of 0.25p compared with the previous year.

This year the Company has commenced a quarterly dividend payment cycle and has offered shareholders a scrip alternative to cash payments.

The first two quarterly payments totalling 3.6p per share were paid as Property Income Distributions (PIDs) in the year. The third quarterly dividend of 1.8p per share has since been paid

as a PID. The fourth quarterly dividend will comprise a PID of 1.3p per share and an ordinary dividend of 0.8p per share and a scrip alternative will be offered.

IFRS reported profit

The Group's reported profit for the year was £63.0 million compared with £82.7 million last year. The reduction was primarily due to lower property valuation gains realised, offset by a favourable movement in derivatives compared with the previous year as reflected in the table below.

Other movements in reported profit include the loss on sale of properties and associated debt and hedging break costs, which together reduced profit by £9.1 million this year as opposed to increasing profit by £1.6 million last year.

Disposals of mature retail parks, principally at Newry, King's Lynn and Christchurch, generated losses over book value of £4.5 million. The total profit over original cost on sales in the year was £7.4 million or 3.8% (2016: £37.9 million or 23.0%). Disposals are discussed in detail in the Investment review section of the Strategic report on pages 26 to 29.

In April 2016, we bought down £66.3 million of legacy out of the money interest rate swaps at a cost of £3.5 million as reflected in the table as hedging close out costs.

The IFRS reported profit excluding the fair value of derivatives, together with the dividend charge in the year of £43.7 million, represents a total accounting return of 6.4%.

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 below.

Net rental income

£81.8m

EPRA cost ratio

16%

Valuation gain

£21.0m

For the year to 31 March	Group £m	JV £m	2017 £m	Group £m	JV £m	2016 £m
EPRA earnings	45.2	5.8	51.0	41.9	6.6	48.5
Revaluation of investment property	22.2	(1.2)	21.0	51.1	(1.3)	49.8
Fair value of derivatives	0.2	0.1	0.3	(16.7)	(0.1)	(16.8)
Debt and hedging early close out costs	(3.5)	(0.1)	(3.6)	(0.1)	(0.4)	(0.5)
(Loss)/profit on disposal	(4.5)	(1.0)	(5.5)	2.4	(0.3)	2.1
Other items ¹	(0.2)	–	(0.2)	(0.4)	–	(0.4)
IFRS reported profit	59.4	3.6	63.0	78.2	4.5	82.7

¹ Other items include amortisation of intangible assets

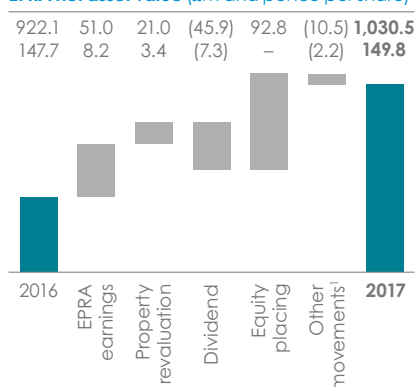
Financial review continued

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	2017 £m	Group £m	JV £m	2016 £m
Investment property	1,373.4	160.4	1,533.8	1,346.2	174.7	1,520.9
Gross debt	(473.2)	(54.5)	(527.7)	(575.0)	(62.9)	(637.9)
Cash	42.9	3.2	46.1	42.6	4.1	46.7
Other net (liabilities)/assets	(20.4)	(1.3)	(21.7)	(11.7)	4.1	(7.6)
EPRA net assets	922.7	107.8	1,030.5	802.1	120.0	922.1

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



EPRA net assets increased in the year by £108.4 million or 11.8% to £1,030.5 million. On a per share basis and after reflecting the impact of the equity placing, net assets increased by 2.1p, or 1.4%, to 149.8p. The chart highlights the principal movements in the year.

IFRS reported net assets increased by £108.7 million in the year to £1,006.9 million. A reconciliation between IFRS and EPRA net assets is detailed in note 8(c) to the financial statements on page 128.

¹ Other movements include loss on sales (£5.5 million), debt/hedging break costs (£3.6 million), share-based awards (£3.6 million) offset by scrip shares issued (£2.2 million)

Despite the market uncertainty over the past year, we have seen property values increase by £21.0 million and have delivered a total property return of 7.4% compared to the IPD index of 4.6%. Further detail can be found in the Asset management and development review on page 32.

The Group's commitment to development activity is demonstrated by the significant spend of £68.7 million in the year which included £52.7 million on forward funded developments principally at Warrington, Wakefield and Crawley. At the year end, the Group had capital commitments of £57.8 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Dagenham, Crawley, Stoke and Ipswich. Further detail can be found in the Asset management and development review on pages 30 to 33.

The Group acquired 16 distribution assets and two retail assets through its MIPP joint venture in the year as reported in the Investment review on pages 26 to 29.

It has continued to dispose of mature retail assets that have delivered their business plans and recycle capital into end to end distribution units which offer attractive yields, strong rental growth prospects and asset management opportunities.

The disposal of 13 commercial and 21 residential assets in the year generated proceeds of £201.9 million and reduced the carrying value of property by £198.2 million.

Included within the trade and other receivables balance of £18.8 million on the Group balance sheet is £14.3 million due on completion of the sale of Alban Retail Park, Bedford.

Portfolio valuation

The Group's portfolio including its share of joint venture properties grew to £1,533.8 million over the year, with investment in distribution assets, including those under development, increasing to 62% of the portfolio compared with 54% last year as reflected in the table below and in Supplementary note ix on page 145.

As at 31 March	2017 £m	2016 £m
Distribution	927.4	784.4
Retail	404.8	474.8
Leisure	63.2	69.0
Offices	70.0	80.2
Investment portfolio	1,465.4	1,408.4
Residential	41.1	55.9
Development ¹	27.3	56.6
Property value	1,533.8	1,520.9

¹ Distribution £22.8 million; Retail £4.5 million (2016: Distribution £40.0 million, Retail £16.6 million)

Investment in development assets has fallen as developments at Ferndown, Liverpool, Leicester, Wakefield and Warrington completed on schedule in the year and have been reclassified as investment assets. We have retained our remaining office at Marlow and have continued to sell down residential assets.

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

	Portfolio value ¹ £m
Opening valuation 2016	1,520.9
Acquisitions	90.2
Developments	68.7
Capital expenditure on completed properties	18.5
Disposals	(198.2)
Revaluation	21.0
Lease incentives	12.7

Closing valuation 2017 **1,533.8**

¹ Further detail on the split between Group and joint venture movements and the EPRA capital expenditure analysis can be found in Supplementary note vii on page 145

Financing

The performance indicators used to monitor the Group's debt and liquidity position are shown in the table below.

As at 31 March	2017 £m	2016 £m
Gross debt	527.7	637.9
Cash	46.1	46.7
Net debt	481.6	591.2
Loan to value ¹	30%	38%
Cost of debt ²	3.5%	3.5%
Undrawn facilities	299.7	69.9
Average debt maturity	5.2 years	5.6 years
Hedging ³	87%	84%

¹ LTV includes £14.3 million of deferred consideration receivable on sales (2016: £10.2 million)

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

³ Based on the notional amount of existing and forward starting hedges and total debt facilities

The Group and joint venture split is shown in Supplementary note iii on page 143.

In September 2016, the Group entered into a private placement at a blended coupon of 2.7% and a weighted average maturity of 8.3 years. The proceeds were used to repay existing unsecured debt which remained available to draw in full.

In March 2017, the group completed a successful equity placing of 62.8 million ordinary shares raising gross proceeds of £95.5 million. It used the proceeds in part to further repay its existing unsecured facility, increasing available undrawn facilities to £299.7 million at the year end.

The Group's share of joint venture gross debt has fallen by £8.4 million or 13.4% since last year as a result of sales and consequent debt repayments. The Moore House debt facility was repaid in full in December 2016.

The Group's key financial ratios remain strong with loan to value falling to 30% and the average cost of debt remaining stable at 3.5%. We intend to keep LTV below 40% to provide sufficient flexibility to take advantage of opportunities and execute transactions whilst maintaining sufficient headroom under our gearing covenants should property values decline.

The Group's policy is to substantially de-risk the impact of movements in interest rates by entering into hedging arrangements. Independent advice is given by J C Rathbone Associates.

At 31 March 2017, 87% of our exposure to interest rate fluctuations was hedged by way of current and forward starting swaps and caps assuming existing debt facilities are fully drawn (2016: 84%).

We continue to monitor our hedging profile in light of forecast interest rate movements.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom.

Covenant compliance is regularly stress tested for changes in capital values and income.

The Group's unsecured facility and private placement loan notes contain gearing and interest cover financial covenants. At 31 March 2017, the Group's gearing ratio as defined within these funding arrangements was 43% compared with the maximum limit of 125% and interest cover ratio was 4.5 times compared with the minimum level of 1.5 times.

Cash flow

During the year, the Group's cash balances increased by £0.3 million as reflected in the table below.

As at 31 March	2017 £m	2016 £m
Cash flows from operating activities	50.8	30.9
Cash flows from investing activities	7.4	(92.1)
Cash flows from financing activities	(57.9)	53.3
Net increase/ (decrease) in cash and cash equivalents	0.3	(7.9)

Cash flows from operating activities have increased by £19.9 million compared to last year as a result of higher net rental income and changes to net working capital requirements.

Portfolio value

£1,533.8m

Net debt

£481.6m

Available facilities

£299.7m

Cash flows from investing activities reflect property acquisitions, including those classified as forward funded developments, of £147.3 million and capital expenditure of £25.9 million offset by net proceeds from disposals of £165.0 million and distributions from joint ventures of £16.1 million.

Net repayment of bank facilities in the year of £101.8 million and cash dividends paid of £43.7 million was offset in part by net proceeds received from the equity placing of £92.8 million.

Further detail is provided in the Group Cash Flow Statement on page 120.

Risk management

As an income focused REIT our strategic priorities continue to be the delivery of sustainable, progressive earnings and long term capital growth.

Every business faces inherent risk and uncertainty. Whilst risk cannot be completely eliminated we recognise that effective risk management reduces the negative impact of risk on our business and improves our prospects for achieving our strategic objectives.

Our risk management process

The Board operates a culture of embedding risk consideration into its decision making processes. It recognises its responsibility to undertake a robust assessment of the principal risks facing the Company and the extent to which it is willing to accept some level of risk in achieving its strategy. Risk appetite is low where it prejudices strategic objectives and controls are in place to minimise the level of residual risk.

The Board considers risk at a high level at each meeting via a risk dashboard. The dashboard monitors material issues so that key risks can be managed appropriately and new risks identified early enabling action to be taken to remove or reduce the risk and any potential negative impact. The Board also considers the long term viability of the Company in the context of the principal risks it faces and its Viability statement is prepared in accordance with the provisions of the UK Corporate Governance Code.

The responsibility for detailed assurance on the risk management process has been delegated by the Board 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 2017.

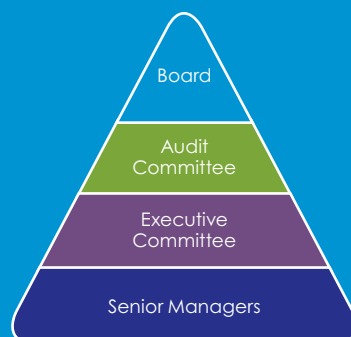
The Executive Committee is responsible for the identification of risk and the design, implementation and maintenance of the systems of internal controls, assisted by senior management. Appropriate mitigation plans are developed based on an assessment of the impact and likelihood of a risk occurring. Members of the Executive Committee are closely involved in day to day matters and the Company has a relatively low number of personnel all operating from one office location. This and the flat management structure enable risks to be quickly identified so appropriate responses can 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.

The Board has limited control over certain external factors such as the heightened level of uncertainty associated with major political events such as the EU Referendum and the triggering of Article 50, the UK election outcome and the cyclical nature of the property market. The Board's strategy over the last few years has however been to reshape its UK only portfolio into more resilient asset classes closely aligned to rapidly changing consumer shopping habits.

Risk management framework



Processes



Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group and future viability over a three year period, being 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 and risk appetite, current position, asset performance and future plans.

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 cash flows and also considers capital commitments, 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. Six forward funded developments completed in the year at Ferndown, Leicester, Liverpool, Wakefield, Warrington and Crawley. All of these developments were completed within one year. The other committed developments in progress at the end of the year, including those at Crawley, Stoke

and Dagenham, are expected to complete next year

- The average length of asset management initiatives involving significant reconfiguration of retail parks is under one year
- The Group's weighted average debt maturity at 31 March 2017 was 5.2 years
- 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 Group's business model consists of a base case scenario which only includes deals under offer and also an assumed case which factors in reinvestment.

A sensitivity analysis was carried out which involved flexing a number of key assumptions to consider the impact of changes to the Group's principal risks affecting the viability of the business, being:

- Changes to macro-economic conditions impacting rental income levels and property values
- Changes in the retail environment impacting occupancy levels and lettings
- Changes in the availability of funds impacting committed expenditure and investment transactions

The business model was stress tested to validate its resilience to property valuation and rental income decline, as well as increases in future libor and swap rates. It assessed the impact of these movements on future performance, liquidity and solvency and the ability to finance forecast transactions and committed capital expenditure and refinance maturing debt. It took into account the flexibility of capital expenditure and disposal plans and hedging in place.

In addition, further stress testing assessed the limits at which key financial covenants and ratios would be breached or deemed unacceptable. Property values would need to fall by approximately 30% to reach the loan to value covenant threshold under the existing debt facilities.

The Directors have also taken into account the strong financial position at 31 March 2017, significant cash and available facilities, low LTV and the Group's ability to raise new finance.

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 affecting 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 42 to 47 and in the matrix opposite are categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting. The rationale for perceived movements in the risks identified are contained within the commentary for each risk category.

↑ Risks which the Board considers have increased since last year:

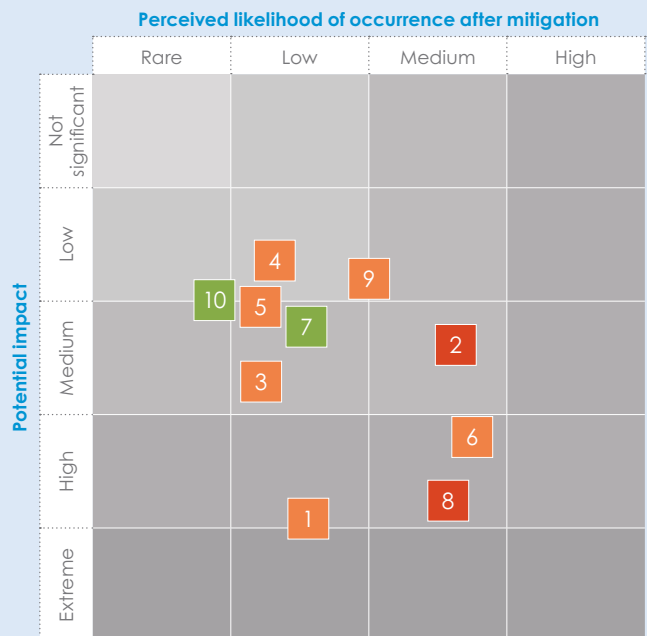
- 2 – Economic and political outlook
- 8 – Valuation risk

↔ Risks which the Board considers have remained broadly unchanged since last year:






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

↓ Risks which the Board considers have reduced since last year:

- 7 – Development risk
- 10 – Capital and finance risk



Corporate risks

Risk, impact, appetite	How it is managed	Commentary
1 Strategy		
<p>That the Company's strategy is unclear or unrealistic for the current stage of the property cycle and the economic climate</p> <p>Impact: Suboptimal returns for shareholders. A potential inability to take advantage of opportunities and effectively manage threats. The Company 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 the Company's reputation.</p>	<p>The Board review and update strategy and objectives regularly adapting to changes in economic conditions and opportunities as they arise.</p> <p>The Executive Directors are closely involved in day to day management and the Company operates from one office location with 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.</p> <p>Research is commissioned into consumer shopping patterns and occupational markets to assist strategic decision making.</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 with interests aligned with external shareholders.</p> <p>The Company's staffing plan is focused on experience and expertise necessary to deliver its strategy.</p>	<p>The Company has transitioned its portfolio so that 62% is now in the distribution sector. This and convenience retail are strong performing sectors with real prospects for rental and capital growth due to a supply/demand imbalance driven by structural changes in consumer shopping habits.</p> <p>Completed developments of 1.1 million sq ft of space in the year added rent of £7.9 million per annum.</p> <p>Development in progress of 0.7 million sq ft is expected to add a further £4.9 million of rental income.</p> <p>Like for like income growth was 4.6% over 69 lettings and rent reviews.</p> <p>These strong operational metrics supported EPRA earnings of 8.2p per share an increase of 5.1% on the prior year.</p> <p>Executive Directors hold 10.0 million shares between them and have unvested interests over a further 6.1 million shares and comfortably meet the Company's increased shareholding guidelines as shown on page 106.</p>
<p> No significant change from 2016</p> <ul style="list-style-type: none"> <li data-bbox="943 1202 1153 1244"> Investment review see page 26 <li data-bbox="943 1255 1421 1298"> Asset management and development review see page 30 <li data-bbox="943 1308 1136 1351"> Financial review see page 34 <li data-bbox="943 1361 1104 1404"> Governance see page 57 		

Risk, impact, appetite	How it is managed	Commentary
2 Economic and political outlook		
<p>A downturn or specific sector turbulence may result from economic and political factors</p> <p>Impact: Poorer than expected performance, asset 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. A significant proportion of the Company's portfolio is in a resilient asset class with a supply/demand imbalance. The weighted average unexpired lease term is high reducing re-letting risk. The vacancy rate is low due to strict investment and development criteria. The tenant base is diversified. Acquisition due diligence considers tenant covenant strength. Developments and asset management initiatives are usually undertaken on a pre-let basis or where a researched supply/demand imbalance exists. The Company has medium term, flexible funding with significant headroom in covenant levels and no reliance on sales.</p>	<p>The Company has a weighted average unexpired lease term of 12.8 years and an EPRA vacancy rate of 0.4%. This continues to be amongst the highest and lowest respectively in the industry. Distribution assets now represent 62% of the portfolio. Logistics space is still heavily under supplied. £52.7 million of expenditure in the year related to forward funded and pre-let opportunities. Successful equity placing in March increased available facilities for further investment to £299.7 million. The Board is confident that economic and political risk is mitigated through the makeup of the portfolio with its strong focus on distribution and convenience retail. The strong portfolio metrics and financial returns provide protection in the form of a sustainable long term income return to investors.</p>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="212 1087 971 1187"> <p> This risk has increased since the last year end. Heightened economic and political uncertainty exists from major events such as the triggering of Article 50 and the upcoming UK election</p> </div> <div data-bbox="1016 1087 1490 1187"> <p> Investment review see page 26</p> <p> Asset management and development review see page 30</p> </div> </div>		
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 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. The remuneration structure is aligned to long term performance targets for the business with long term share based incentive arrangements in place. Senior management shareholdings in the Company are significant. Annual appraisals identify training requirements and assess performance. 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 2018. Further consideration will be given to the position of Chairman during the course of the current year. The Executive Directors have a significant shareholding and unvested share awards in the Company to incentivise performance and retention, providing stability in the management structure of the business. Senior managers are incentivised in the same way as reflected in the table on page 96.</p>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="212 1815 971 1887"> <p> No significant change from 2016</p> </div> <div data-bbox="1016 1815 1490 1887"> <p> Directors' Remuneration Policy see page 88</p> </div> </div>		

Corporate risks continued

Risk, impact, appetite	How it is managed	Commentary
4 Systems, processes and financial management		
<p>There are weak controls for safeguarding assets and supporting strategy</p> <p>Impact: Inadequate asset security. Potentially suboptimal returns and decisions made on inaccurate information.</p> <p>Appetite: Appetite for such risk is low and management continually strives to monitor and improve processes.</p>	<p>The Company has a strong control culture. 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>An extension of the property database was implemented in the year to improve administrative and reporting procedures.</p> <p>The risk posed by cyber attacks continues to grow as attacker capabilities become increasingly sophisticated and open to an ever widening and global organised crime network. The Board however considers that the delivery of the Company's strategy is not dependent on the operation of its technology. Strategic risk therefore is not materially increased as a result of a cyber attack. IT security is an integral part of the Company's risk management and control processes and the Audit Committee has considered the safeguards in place.</p> <p>There is a rolling programme in place for IT improvements and updates to ensure security, systems and equipment remains fit for purpose.</p>
 No significant change from 2016		 Audit Committee report see page 75
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 receives 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 may be affected in the future by proposed tax changes to loss relief should there be any future profits which are not covered by its REIT exemption. These however are unlikely to be material.</p> <p>Changes relating to 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 its 40% joint venture interest in Moore House. The joint venture has continued to sell down flats with 21 being sold in the year.</p>
 No significant change from 2016		 Financial review see page 34



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: This risk is largely affected by matters outside of the Board's control, but is minimised by having the right people and funding in place to take advantage of opportunities as they arise.</p>	<p>Management's extensive experience 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 the difficulty in finding value in income generating assets due to yield compression in the market.</p>	<p>The Company acquired £116.2 million of property with a number of significant off market transactions.</p> <p>The Company recycled capital out of mature and non core retail, leisure and residential assets with disposals totalling £147.5 million in the year.</p>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="215 991 609 1025">  No significant change from 2016 </div> <div data-bbox="1015 991 1226 1025">  Investment review see page 26 </div> </div>		
7 Development risk		
<p>Excessive capital is allocated to activities with 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 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, although management have significant experience of more complex development.</p> <p>Exposure to development and phasing of projects is regularly considered. The 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 appointed.</p> <p>Procurement processes include 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. Significant pre-lets are secured where possible before commencement to de-risk projects.</p> <p>Where possible development sites are acquired with planning approval in place.</p>	<p>The 357,000 sq ft speculative development at Warrington was let within five weeks of completion to Amazon.</p> <p>Development only represents 1.8% of the portfolio at the year end.</p> <p>Ten developments representing 1.1 million sq ft of space were delivered in the year on time and budget.</p> <p>Committed development at the year end of 0.7 million sq ft was over 50% pre-let.</p>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="215 1896 592 1930">  This risk has reduced from 2016 </div> <div data-bbox="1015 1896 1469 1930">  Asset management and development review see page 30 </div> </div>		

Property risks continued

Risk, impact, appetite	How it is managed	Commentary
8 Valuation risk		
<p>Assets may devalue</p> <p>Impact: Pressure on NAV growth and potentially loan covenants.</p> <p>Appetite: This is an inherent risk in the industry. There is no certainty that property values will be realised.</p>	<p>As reported the Board's strategy has been to transition the portfolio into resilient asset classes. 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>Valuations should continue to be supported by a supply/demand imbalance in the Company's preferred sector.</p> <p>The valuation decline at the Interim stage following the outcome of the EU Referendum had been recouped by the year end with an overall gain in the year of £21.0 million.</p> <p>Delivery of developments on time and budget supported valuation assumptions.</p> <p>The top ten tenants contribute 51.8% of contracted commercial rental income.</p>
<p> Increased risk due to greater economic uncertainty</p>		<p> Asset management and development review see page 30</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 exerted on NAV, earnings and potentially loan covenants.</p> <p>Appetite: The Board's appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings is low.</p>	<p>Acquisitions are thoroughly evaluated through a detailed financial, legal and operational appraisal prior to Board approval.</p> <p>Asset management initiatives undergo cost-benefit analysis before implementation.</p> <p>External advisors ensure appropriate pricing of lease transactions and assist 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 identify potential issues.</p> <p>The Group has a diverse tenant base and limited exposure to individual occupiers in bespoke properties.</p>	<p>The Company has a very low level of tenant default and high occupancy levels. The EPRA vacancy rate at the year end was 0.4%.</p> <p>There were no significant trade debtors considered at risk at the year end.</p> <p>The tenant base has been further diversified during the year with the covenant strength of the top ten tenants increasing.</p> <p>The Board considers that the occupational market is strong in the distribution and convenience retail sectors.</p>
<p> No significant change from 2016</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.</p>	<p>Assets which have achieved target returns and strategic asset plans are considered for sale.</p> <p>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 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. A modest level of gearing is maintained 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 capitalised partners. Joint venture partners are chosen with care to ensure that strategies are not misaligned which may impact asset value and liquidity.</p>	<p>A private placement was entered into in September 2016 at a blended rate of 2.7% and a weighted average maturity of 8.3 years diversifying the Company's lending partners.</p> <p>An oversubscribed placing of £95.5 million completed in March 2017 to predominantly fund distribution acquisitions and a distribution development pipeline.</p> <p>Headroom on the Company's £443.8 million unsecured revolving credit facility has been increased as a result of the private placement, placing and sales providing greater operational flexibility. 76% of the facility has been extended for a further year to April 2022.</p> <p>Disposals of £201.9 million and acquisitions of £116.2 million in the year demonstrate our ability to recycle capital.</p> <p>At 31 March 2017, the Group had hedging in place covering 87% of total available debt facilities including joint venture arrangements.</p> <p>The Company has complied with and has significant headroom in all financial covenants.</p> <p>The Company's diversified and predominantly unsecured lending base, and its derivatives insulate it from credit risks associated with one off shocks from any single asset.</p>
 Risk reduced since 2016	 Financial review see page 34	

Our approach to Responsible Business

Responsible Business is an important priority for LondonMetric and we continue to work 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 Working Group 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 advisor. In 2017, we approved our Working Group terms of reference.

Responsible Business training is carried out across relevant 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, joint venture 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



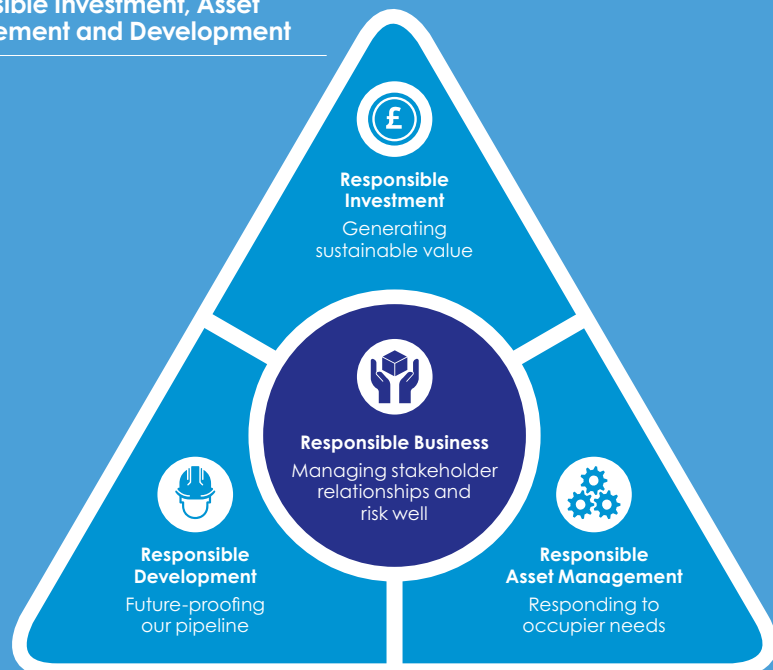
We have made good progress towards achieving our 2016-2018 targets and this is allowing us to build further on our sustainability achievements

Martin McGann
Finance Director



For the full Responsible Business 2017 report
see www.londonmetric.com





Responsible Investment, Asset Management and Development



Key achievements in the year

Our Responsible Business activities are enabling us to build on our significant achievements from previous years. The successful rolling out of our Responsible Business Strategy has resulted in the achievement of a GRESB Green Star award and we maintained our EPRA sustainability BPR Gold award.

Last year, we set 33 new two year targets and have made good progress towards achieving these.

<p>Awarded GRESB Green Star and maintained EPRA sBPR Gold award</p>  <p>See page 50</p>	<p>Targets 2016/18</p> <p>82% targets achieved, ongoing or in progress at year end</p> <p>See the full Responsible Business 2017 Report</p>	<p>Assets rated 'E' or above for MEEs purposes¹</p> <p>100%</p> <p>See page 53</p>
<p>BREEAM Very Good certification on completed developments</p> <p>1.0m sq ft</p> <p>See page 52</p>	<p>Solar PVs installed</p> <p>1.1MW</p> <p>See page 53</p>	<p>Monitoring Responsible Procurement and development</p>  <p>See page 52</p>
<p>Car park lighting LED replacement programme completed</p>  <p>See page 53</p>	<p>Collection of tenant energy usage and monitoring performance on developments</p>  <p>See page 53</p>	<p>Carbon footprint reduced by 17%</p> <p>-17% on a like for like basis</p> <p>See page 51</p>

¹ Excludes a recently refurbished convenience asset where a rating is expected shortly

Continued recognition of our focus on sustainability

The significant improvement in our sustainability performance and practices made over recent years has been rewarded through our EPRA sBPR Gold award for environmental performance reporting as well as the achievement of a Green Star award from GRESB for the first time, proving that two leading industry bodies recognise the soundness of our Responsible Business approach.

Global Real Estate Sustainability Benchmark 2016

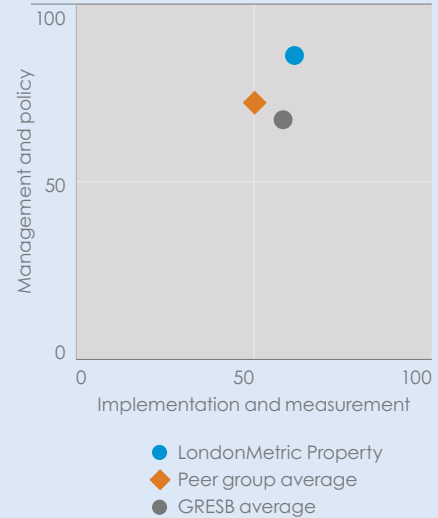
66%
(2015: 50%)
(2014: 34%)

Global Real Estate Sustainability Benchmark (GRESB)

- Achieved 66% score in 2016 survey and achieved green star status
- Up from 34% in 2014 and 50% in 2015
- In 2016 we achieved improvements in seven out of eight GRESB segments, with our biggest improvements in Risk & Opportunities and Building Certification, where our energy efficiency activities and better environmental ratings of our assets helped in particular
- Further actions undertaken to maintain status in the 2017 survey for stakeholder engagement and new construction/major renovations criteria



Performance in 2016 GRESB Survey %



EPRA Sustainability Best Practice Recommendations (sBPR)

- Framework for reporting standardised environmental data
- For first time in 2015, we reported in a format required by the EPRA sBPR and received special commendation for improvement made
- In 2016, we were one of only ten listed UK companies to receive a Gold award



FTSE4Good

- Assessment for inclusion in the FTSE4Good Index
- In 2016, our most recent assessment, we scored 3.0 out of 5.0
- Significant improvement on the 2015 score of 1.4
- Exceeded target score of greater than 2.0
- Narrowly missed inclusion in index and working to make further improvements to achieve inclusion in index

Environmental 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 energy consumption and GHG emissions, enabling us to save over £317,000 in costs.



Energy consumption¹

6,511 MWh

Down 6% on absolute basis

We have also reduced our total like for like energy consumption (electricity and natural gas) by 6% compared to 2015/16. A key initiative which helped us to achieve this was upgrading car park lighting across a number of our retail park assets.



Greenhouse gas (GHG) emissions¹

2,150 tCO₂e

Down 18% on absolute basis

On a like for like basis, GHG emissions were down by 17% as a result of both the reduction in energy consumption and the annual reduction to UK emissions factors. We have also reduced our Carbon Reduction Commitment (CRC) liabilities from £43,382 to £38,748 since last year.

¹ Excluding Moore House

Mandatory GHG emissions reporting

		2016/17	2015/16
Direct greenhouse gas emissions in tonnes of CO ₂ e (combustion of fuel and operation facilities)	Scope 1	275	475
Indirect greenhouse gas emissions in tonnes of CO ₂ e (purchased electricity, heat, steam and cooling)	Scope 2 – location-based	1,719	1,970
	Scope 2 – market-based	1,629	2,015
Total carbon footprint in tonnes of CO ₂ e	Total scope 1 & 2	1,995	2,445
Scope 1 and 2 intensity (tonnes of CO ₂ e per £m net income after administration costs)	Scope 1 and 2 intensity	32	44

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.

The guidance on the reporting of Scope 2 GHG emissions under the Greenhouse Gas Protocol was updated in 2015 and we are now required to report two different values to reflect the 'location-based' and 'market-based' emissions resulting from purchased electricity.

The location-based method uses an average emission factor for the entire national grid on which electricity consumption occurs. Location-based emissions factors are taken from the latest UK Government (DEFRA) conversion factors for company reporting (2016).

The market-based method uses an emissions factor that is specific to the electricity which has been purchased, or where not available a national 'residual-mix' factor is applied. Market-based emissions factors are taken from the latest Association of Issuing Bodies European Residual Mixes (2016).

The total carbon footprint and emissions intensities have been calculated using location-based Scope 2 emissions.

Data for the year to 31 March 2016 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.

Due to issues accessing energy data, we have also excluded the emissions for the vacant units of our residential asset Moore House. Last year this asset accounted for just 2% of total emissions.



For full environmental performance reporting
see the Responsible Business 2017 Report
www.londonmetric.com

Responsible development

Managing risks and future-proofing our assets



Development is a significant activity of ours. It is therefore important that we carry out our development work responsibly and give proper consideration to environmental, sustainable and social matters.



Our Responsible Procurement Policy and Development Requirements Checklist have expanded our sustainability efforts. This year we have made great progress in monitoring their implementation and have further enhanced these requirements for the coming year.

Tom Pinder
Responsible Business

BREEAM Very Good or Excellent

1.0m sq ft
across 5 assets
in 2016/17

0.6m sq ft
expected on assets
under construction

Construction data

93%
of waste diverted
from landfill

Zero
Reportable accidents
or incidents

Environmental standards

The majority of our developments are designed to meet BREEAM Very Good as the minimum certification standard.

In the year, we achieved five BREEAM Very Good certifications. In addition, we continued to integrate a range of sustainable features, including solar PV, into our portfolio.

Active supply chain management

Responsible Procurement Policy

Supply chains remain under a high level of scrutiny. 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 Requirements Checklist

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

- 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 56).

Monitoring our contractors

Having implemented our development checklist, our focus is on ensuring that contractors meet our requirements. The monitoring of compliance has helped us to identify areas of improvement with regards to the environmental impact of our construction activities.

Benefits for local communities

Our developments typically involve local contractors and suppliers. Once developments are complete and operational, our tenants employ locally-based staff 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 examples, see page 55.

Future plans

We will continue to 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 local communities.

Responsible asset management



We work in partnership with occupiers to undertake mutually beneficial asset management opportunities and mitigate any material risks.

As part of our asset management activities we focus on:

- Ensuring that we remain compliant with key environmental regulation
- Monitoring and targeting improvements in the environmental performance of our assets
- Active engagement with our tenants, including on matters relating to sustainability



External car park lighting replacement programme at North Shields, completed in August 2016.

Regulatory compliance

We continue to actively maintain compliance and manage risks associated with key regulatory drivers:

EPCs: As part of our Responsible Investing, we carefully assess the environmental risks of assets prior to purchase.

This year, we have again reported that, for the purposes of MEES, 100% of our assets are rated 'E' or above. Through our asset management we are improving the rating of our assets.

CRC: We continue to meet our obligations under the CRC Energy Efficiency Scheme.

ESOS: Audits were carried out across our portfolio in 2015/16 in accordance with the Energy Savings Opportunity Scheme, and we continue to satisfy our obligations under this scheme.

Energy & cost savings

Our activities continue to drive energy use reductions, cost savings and greener energy sourcing:

Lighting: External car park lighting accounts for a meaningful part of our energy usage and carbon footprint. To date, we have completed an LED lighting upgrade across four retail parks. The average expected reduction in energy requirements is 65%.

Green Tariff: At our office in Marlow, we have agreed to enter into a low carbon electricity supply with our incumbent supplier. Marlow accounts for 30% of our energy consumption and this contract will deliver not only 100% renewably sourced energy but also a 3% reduction in the tariff.

Recharge pods: We are trialling the installation of electric car recharge pods on two retail parks.

Tenant engagement

Solar PVs: As a result of ongoing engagement with our tenants and a number of feasibility studies, we have installed 700 KWs of solar PV capacity across our assets over the last two financial years.

Following significant engagement with Dixons Carphone, a further 1,000 KW has been installed recently at our distribution centre in Newark. We continue to look at further solar installations, particularly on our current and recently completed developments.

Tenant data: We have increased the scope of our environmental data collection from tenants and now collect data on 32% of our portfolio.

Energy audits: We have started to undertake full energy audits at several of our distribution centres and are progressing discussions with one tenant on an internal lighting replacement programme.

Future plans

In addition to progressing on achievements to date and continuing to engage with our tenants, we will:

- For the first time, undertake an investor survey to seek their views on our sustainability performance
- Further to our comprehensive independent tenant survey in 2015, undertake a follow on tenant survey



1,000 KW solar PV installation at our distribution centre in Newark let to Dixons Carphone.

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.

23 new leases signed with our occupiers that will bring long term local employment across 12 locations



£35,695 total charitable contributions in the year



Community Policy published



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 and occupiers, who typically sign 10-15 year leases bringing long term employment to the local area

At our newly developed distribution warehouse in Warrington, for example, Amazon are expected to employ 1,200 people once fully operational.

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 continued our support of 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
- Committing to ongoing support of the community events in Kirkstall, Leeds

Community and charity minded company

Following the formation of a Charity and Communities Working Group in 2016, this year we published a Community Policy, which is available on our website.

Future plans

As well as continuing our local community engagement, we will continue to:

- Target giving to community causes local to our assets
- Support LandAid events and employee-led charity events
- Match employee charity giving
- Encourage pro bono work and employee volunteering

Community and charity – in action



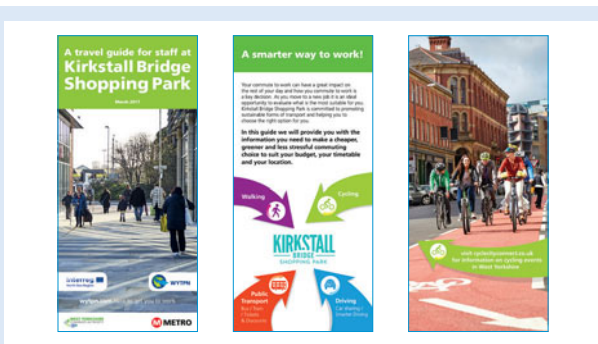
Community consultation at Launceston

We fully pre-let a former B&Q store redevelopment where we had previously accepted an early surrender. As part of our Responsible Business strategy, we undertook a public consultation and our plans received strong support from the community.



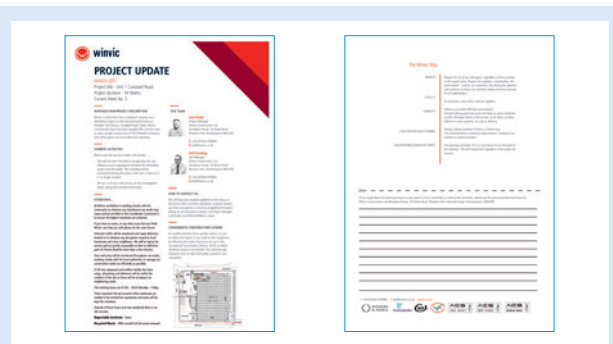
Apprenticeship training at Stoke

As part of our 277,000 sq ft distribution development, demolition works were undertaken, including asbestos removal, by AR Demolition. Given the extent of the project, AR Demolition carried out invaluable apprenticeship training at the site.



Travel Plan at our 120,000 sq ft Retail Park in Leeds

At our recent retail development, we published a travel plan to encourage the use of non-car journeys. In conjunction with the council, the plan was widely distributed locally and we are monitoring its impact.



Ongoing community communication at Stoke

Through our contractor Winvic, monthly newsletters are distributed locally to inform the local community of progress and update on planned works. All our contractors adhere to the Considerate Constructors Scheme.



Mudathon Event

The LondonMetric team participated in a Paragon Mudathon event to raise money for Landaid.



LondonMetric Cycle Ride

LondonMetric organised a 100 km charity cycle event with participants including many of its occupiers. The event, after matching by the Company, raised £3,560. All proceeds went to Prostate Cancer UK.

Our people, human rights and governance

We support our employees internally by providing a healthy and productive workplace and uphold high standards of corporate governance.



Our people

LondonMetric has 38 employees including Directors. Over the four years since merger, our voluntary staff turnover rate has been low at 6%. Staff development, and wellbeing is highly important to us; we aim to attract, retain and motivate high performing individuals. We:

- Actively encourage training with over 480 hours of training recorded by employees in the year
- Conduct annual reviews where performance is evaluated, objectives and training requirements are set, and employee feedback is discussed
- Promote healthy living, encourage volunteering and supporting of charitable causes.

We continue to promote diversity across a range of criteria including skills, knowledge, experience, gender, age and ethnicity. 58% of employees are male and 42% are female.

Governance

As further set out in this Report, the Board is committed to upholding the high standards of corporate governance that underpin the successful management of the business and its success.

Recently, we have formalised three additional Responsible Business policies:

- **Health and safety:** The policy aims 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. (For more details see the full Responsible Business 2017 Report)
- **Compliance and anti corruption:** Details how LondonMetric manages, investigates and reports risks associated with compliance,

anti-money laundering, financial crime and conflicts of interest

- **Responsible procurement:** Establishes LondonMetric's requirements in relation to labour standards; human rights; health and safety; resource use and pollution risk in relation to its procurement and development activities and specifies considerations for managing agents and development contractors on environmental, community and labour aspects

UK Modern Slavery Act

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

LondonMetric has published its Remuneration Policy which demonstrates its commitment to transparent and fair remuneration for its own employees. However, to reduce exposure to slavery and human trafficking within its supply chain, LondonMetric specifically addresses these important areas in its Responsible Procurement Policy and Responsible Development Requirements Checklist.

LondonMetric requires its contractors to meet 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.

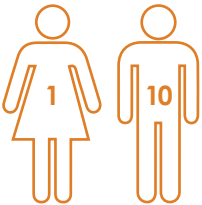
No human rights concerns have arisen within our direct operations or our supply chain during 2017.

Our Modern Slavery Act Statement is available on the Company's website home page.

Employee gender diversity

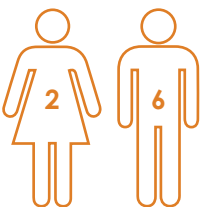
Directors

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



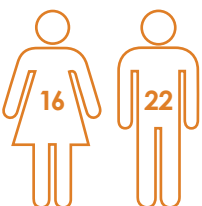
Senior managers

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:



Governance

Inside this section

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Introduction from the Chairman



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

Patrick Vaughan
Chairman

Good governance underpins the scope of transactions and our ability to operate in a way that is both legally compliant and also responsible.

This approach to business builds and maintains the trust of our key stakeholders including investors, business partners, customers, suppliers and employees. Furthermore we are committed to enhancing the business environments in which we operate as discussed in detail in the Responsible Business section of the Strategic report.

The Directors and senior managers have formed strong relationships over several years of working together in an open environment that welcomes challenge and constructive debate. Through the close involvement of the Executive Directors, this culture permeates through the wider organisation, promoting good governance practices beyond the Boardroom and supporting the successful delivery of strategy.

The Corporate Governance report which follows provides insight into our governance processes and activities in the year and demonstrates our commitment to upholding the principles and provisions of the UK Corporate Governance Code (the 'Code').

This year much thought has been given to our risk appetite and emerging risks in the aftermath of the EU Referendum and Brexit vote. The risk dashboard is a standing agenda item at each quarterly meeting, highlighting changes in the Group's exposure to risks and prompting further debate.

Succession planning and talent development has continued to be a key area of focus to support the Company's long term plans. Last year, we appointed The Zygos Partnership to assist with a phased refreshment of the Non Executive Board in light of their individual tenure and the best practice recommendations of the Code.

As a result, we welcomed Andrew Livingston to the Board and Audit Committee this year and said farewell to Charles Cayzer who had served as a valuable Board member and Senior Independent Director for six years.

Having further considered the size, skill set and tenure of the Non Executive Directors this year, Andrew Varley has decided to retire from the Board and Committees in September. I would like to thank him for his contribution and dedication over the last four years at LondonMetric and previously as a Non Executive Director of Metric.

The Audit Committee has considered the updates to the UK Corporate Governance Code and Guidance on Audit Committees, which are mandatory for the Company next year. The Board has considered the composition of the Audit Committee and its experience in the property sectors in which we operate in order to satisfy the new requirement that the Committee as a whole has competence in the relevant operating sectors. It has also reviewed the Company's policy on non audit services provided by the external auditors.

The Audit Committee has once again challenged the going concern principal underlying the preparation of these accounts and considered the Company's longer term viability. It has reviewed the processes in place and followed by management to ensure that the financial statements are fair, balanced and understandable and has scrutinised and challenged the accounting treatment of significant transactions and areas of judgement which could have a material impact on the results, including those

concerning the valuation of property. This year the Committee has paid particular attention to the alternative performance measures reported in these accounts and the balance of statutory and non statutory measures.

Regular communication with investors continues to be a key priority for the Executive Directors. Understanding the views of shareholders is fundamental to the Company's strategic direction and ultimate success. This year, the Executive Directors met with 280 shareholders, fund managers, private wealth investors and other interested parties to discuss the Company's performance and plans.

The Nomination Committee led our annual internal Board evaluation which involved all Directors completing a questionnaire which focused on the key components of good governance and effective performance.

Overall the findings were extremely positive and concluded that the individual Directors, the Board and its Committees continue to work well together with the right balance of skills and expertise and within a climate of trust and transparency. The Committee will lead an externally facilitated review next year.

The Remuneration Committee has undertaken a full review of the Company's Remuneration Policy for the forthcoming three year period in advance of the mandatory vote at the AGM. The overriding principle is to maintain a fair reward structure that adequately incentivises and retains the executive team to deliver long term growth and success. The Committee was advised by PwC, who were appointed new remuneration advisors in the year. The Chairman of the Committee consulted extensively with shareholders, who provided constructive feedback and, following suggested revisions, were supportive of the final proposals.

Patrick Vaughan
Chairman
31 May 2017

Governance at work

The Board seeks to promote and embed a culture of good governance and ethical values into its daily activities and continues to uphold the high standards of corporate governance that underpin the successful management of the business and its long term success.

Leadership



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.

- Role of the Board and its Committees
- Division of responsibility
- Independence of Non Executive Directors
- Setting the tone and culture from the top

 See pages 62 to 67

Accountability



The Board is responsible for establishing and maintaining the Group's system of risk management and internal controls and the integrity of financial reporting.

- Assessment of principle and emerging risks
- Risk management and internal control
- Viability and going concern
- Financial reporting and a 'fair, balanced and understandable' Annual Report
- Audit Committee report


 See pages 75 to 81

Effectiveness



The Board sets the key processes to ensure the Board and its Committees operate effectively.

- Composition of the Board, skills, independence, diversity and time commitment
- Succession planning
- Board appointments, induction and training
- Internal Board evaluation
- Nomination Committee report

 See pages 70 to 74

Remuneration



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

- Proposed new Remuneration Policy
- Annual bonus and LTIP achievement against targets
- Appointment of new remuneration advisor
- Remuneration Committee report

 See pages 82 to 107

Relations with shareholders



Communication and an open dialogue with investors is a top priority of the Chief Executive and Executive Directors, the Company's principal representatives.

- The Executive Directors have met with, and presented to, 280 investors and analysts throughout the year
- Portfolio tours arranged for leading investors and new corporate lenders
- Consultation with shareholders setting out key components of proposed Remuneration Policy
- AGM is attended by the whole Board

 See pages 68 and 69

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.

Board of Directors



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



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



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



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



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



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



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. She 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 Senior Advisor to 3i Investments and Providence Equity Partners, Chairman of Ipreo Holdings LLC, the US-based financial data and solutions group, and has worked for Reuters Group where she was a member of the Executive Committee.

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), Remuneration Committee



Philip Watson
Senior 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 a Non Executive Director 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 A Non Executive Director of Mirabaud Asset Management Limited

Board Committees Nomination Committee and Remuneration 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



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 London & Lincoln Properties Ltd and Patrick Dean Ltd

Board Committees Remuneration Committee (Chairman), Nomination Committee



Andrew Livingston
Independent Director

Appointed 31 May 2016

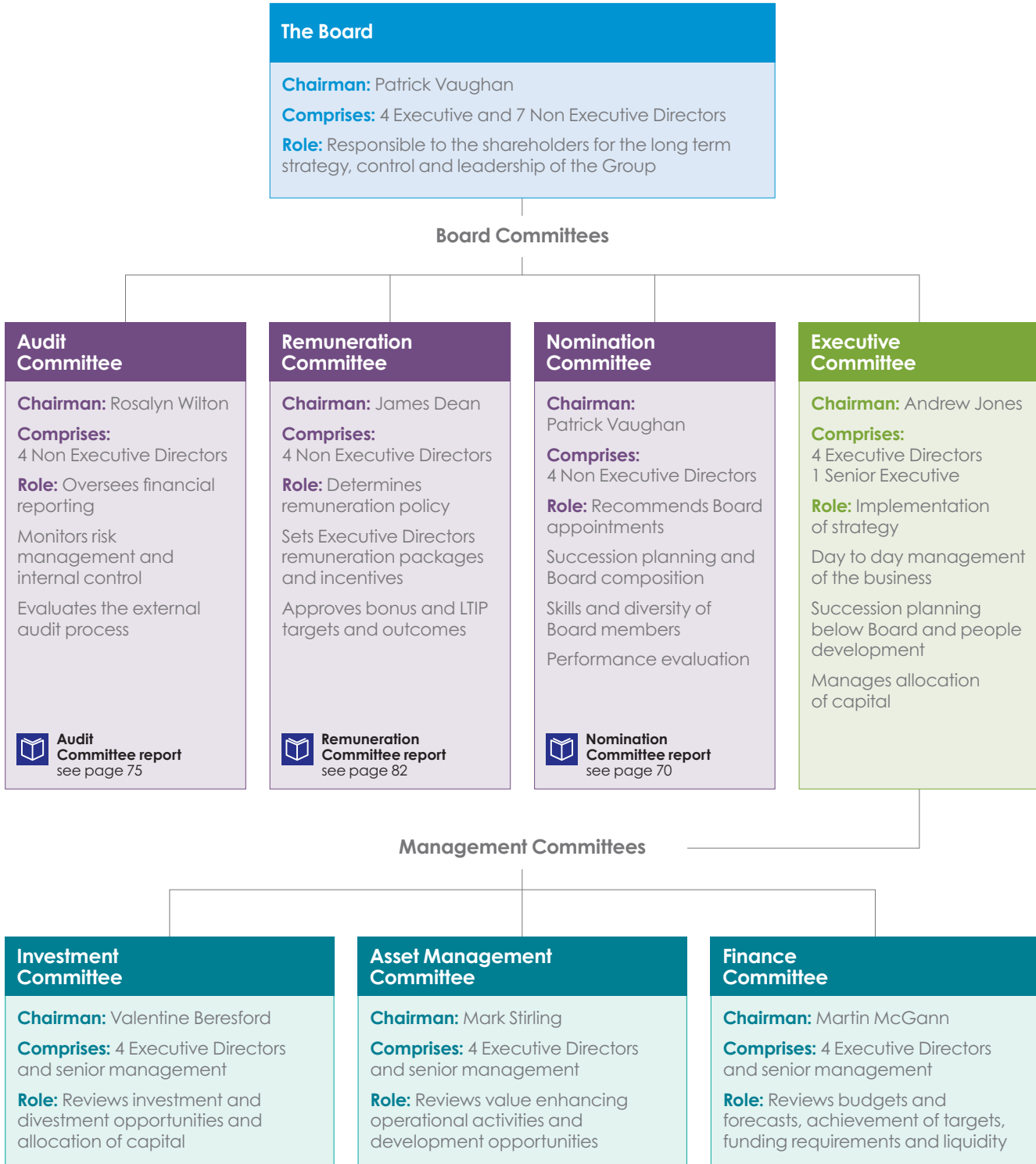
Skills and experience Andrew was appointed to the Board on 31 May 2016. He has been the Chief Executive of Screwfix since 2013 where he was previously the Commercial and Ecommerce Director from 2009 to 2013. Before joining Screwfix, Andrew was Commercial Director at Wyevalde Garden Centres between 2006 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

Leadership Structure



The framework reflects the composition of the Board as at 31 March 2017



The role of the Board

The Board is collectively responsible to the shareholders of the Company for the long term success of the business.

It sets and implements strategy and provides leadership and direction within a sound framework of risk management and internal controls.

Details of the Directors, including the skills and experience they bring to the Board, are reflected on pages 60 and 61.

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 the Board's 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 outside of formal Board meetings which ensures he is kept abreast of individual Directors' views and issues as they arise.

During the year the Board recommended the extension of the Chairman's appointment for a further year to 31 March 2018.

As reported in the table on page 65, each of the Non Executive Directors, other than the Chairman, is considered by the Board to be independent from management and has no commercial or other connection with the Company.

In considering independence, the Board concluded that tenure should be measured from the date of election to the LondonMetric Board.

Committees comprise entirely of 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.

The Board has a schedule of matters reserved for its attention which includes approval of budgets, financial reports, significant acquisitions and disposals, major capital expenditure, funding and dividend policy.

Board culture

Individual Directors and senior managers have formed strong relationships over several years of working together.

The Chairman sets the culture of the Board and wider organisation which is defined as a balanced approach to business and a willingness to take considered risks to achieve strategic goals within an open environment which encourages constructive challenge and debate.

This culture and thinking permeates through the organisation through the close interaction of Directors and staff in day to day activities.

Board processes are well understood and adhered to after many years of consistent application.

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 at 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 Chairman of each Committee provides a verbal update on the matters discussed at each meeting to the Board.

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

The Executive Committee is supported by three sub Committees, each focusing on different areas of the business; the Investment, Asset Management and Finance Committees. These Committees comprise Executive Directors and members of the senior management team and meet at least monthly.

Leadership continued

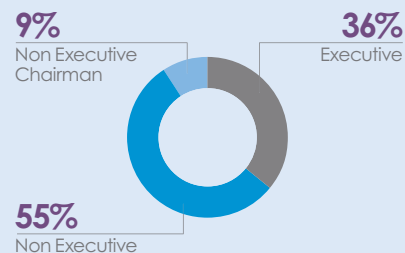
Responsibilities of the Board

The following table sets out the key responsibilities of Board members:

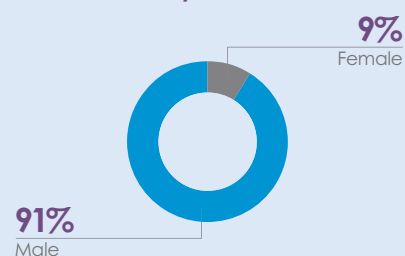
Role	Responsibilities
Chairman Patrick Vaughan	<ul style="list-style-type: none"> Leads the Board and ensures it operates effectively Sets Board agenda, culture and tone of discussions to promote Boardroom debate and openness Builds relationships between Executive and Non Executive Directors Monitors progress against strategy and performance of the Chief Executive
Chief Executive Andrew Jones	<ul style="list-style-type: none"> Manages dialogue and communication with shareholders and relays investors' views to the Board Develops and recommends strategy to the Board and is responsible for its implementation Day to day management of the business operations and personnel assisted by the Executive team
Non Executive Directors James Dean Andrew Livingston Alec Pelmore Andrew Varley Philip Watson Rosalyn Wilton	<ul style="list-style-type: none"> Support and constructively challenge the Executive Directors in determining and implementing strategy Bring independent judgement and scrutiny to decisions taken by the Executive Board Contribute a broad range of skills and experience 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
Senior Independent Director Philip Watson	<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 Leads performance evaluation of Chairman
Executive Directors Andrew Jones Valentine Beresford Martin McGann Mark Stirling	<ul style="list-style-type: none"> Manage business operations within area of expertise Assist Chief Executive in the implementation of strategy Manage, appraise and develop staff below Board level
Company Secretary Jadzia Duzniak	<ul style="list-style-type: none"> Advises the Board and is responsible to the Chairman on corporate governance matters Ensures good flow of information to the Board, its Committees and senior management Promotes compliance with statutory and regulatory requirements and Board procedures Provides guidance and support to Directors, individually and collectively

A balanced board

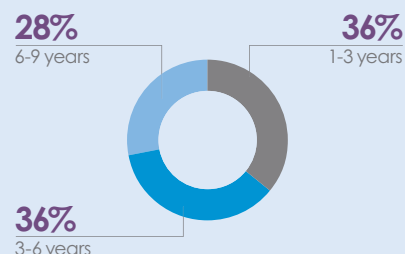
Composition



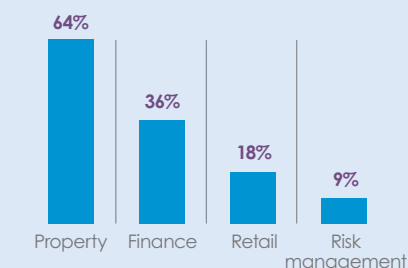
Gender diversity



Board tenure



Expertise



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 2017

³ Some Directors are represented in more than one category in terms of their expertise



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, adding insight from their varied commercial backgrounds. They bring independent and objective scrutiny and judgement to all matters raised, ensuring that no one individual has unfettered decision making powers.

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.

The Board has a regular schedule of meetings, timed around the financial calendar, together with further ad hoc meetings as required to deal with transactional matters.

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. On the

rare occasion that a Director is unable to attend a meeting, papers will still be provided in advance and their comments are provided to the Board prior to the meeting.

Non Executive Directors are encouraged to communicate directly and openly with the Executive Directors and senior management between scheduled Board meetings to explore and challenge large and complex transactions and as part of each Director's contribution to the delivery of strategy. This ad hoc communication is often supplemented by site visits and provides further opportunity to mix with senior management.

The Executive Directors have regular off site meetings to discuss business strategy and performance in a less formal environment. External advisors and senior managers are invited to present and the focus is reviewing the appropriateness of and progress against agreed strategy in light of Company performance and the wider macroeconomic environment.

Membership and attendance

The number of Board and Committee members and their attendance during the year was as follows:

Title	Date appointed	Tenure ⁴ (years)	Independent	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman							
Patrick Vaughan	13/1/2010	7	N/A ¹	6 (6)			2 (2)
Executive Directors							
Andrew Jones	25/1/2013	4	No	6 (6)			
Martin McGann	13/1/2010	7	No	6 (6)			
Valentine Beresford	3/6/2014	3	No	6 (6)			
Mark Stirling	3/6/2014	3	No	6 (6)			
Non Executive Directors							
Charles Cayzer ³	29/7/2010	n/a	Yes	2 (3)	2 (2)	1 (2)	1 (1)
James Dean	29/7/2010	7	Yes	6 (6)		4 (4)	1 (1)
Andrew Livingston	31/5/2016	1	Yes	5 (6)	5 (5)		
Alec Pelmore	25/1/2013	4	Yes	6 (6)	5 (5)		2 (2)
Andrew Varley	25/1/2013	4	Yes	6 (6)	5 (5)	4 (4)	
Philip Watson	25/1/2013	4	Yes	6 (6)		4 (4)	2 (2)
Rosalyn Wilton	25/3/2014	2	Yes	6 (6)	5 (5)	3 (3)	
Percentage independent¹			60%				

¹ Provision B.1.1 of the Code regarding independence is not appropriate in relation to the Chairman. Calculation is based on Board members as at 31 March 2017

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

³ Resigned with effect from 30 September 2016

⁴ Tenure is measured from the date of appointment to the LondonMetric Board and as at 31 March 2017, rounded to the nearest whole year

Leadership continued

Board changes

As reported last year, 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, replacing Charles Cayzer who retired from the Board in September 2016.

Philip Watson replaced Charles Cayzer as Senior Independent Director and Rosalyn Wilton and James Dean were appointed to the Remuneration and Nomination Committees respectively.

Patrick Vaughan was appointed as Chairman of the Nomination Committee in July 2016. Andrew Varley has expressed his intention to retire from the Board and its Committees in September.

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. The induction also involves meeting with the senior management team to discuss property transactions, financial matters, share dealing and governance.

This induction process was carried out for Andrew Livingston who joined as a new Non Executive Director in the year. For an insight into the Group, Andrew had one-to-one meetings with senior managers in property and finance and the Company's external auditors.

Ongoing training and information updates in relation to the Group's business, regulatory framework and accounting requirements are provided to the Directors through Board briefing papers, reports and presentations by external advisors, senior executives and property visits.

During the year, training was provided through presentations at Board meetings by senior managers and advisors on real estate and capital markets. Specific briefing papers were provided on the Private Placement debt facility, scrip dividend alternative, Market Abuse Regulations, institutional feedback and Responsible Business.

Each Director is expected to take responsibility for identifying their individual training needs and ensuring they are adequately informed about the Group's strategy, business and responsibilities.

Directors are encouraged to attend relevant seminars and conferences and receive technical update material from advisors.

Non Executive Directors are encouraged to familiarise themselves with the Group's business through regular communications with the Executive Directors and senior management between formal meetings.

Informal communication between Non Executive Directors and the Executive Board is encouraged and occurs on a regular basis and supports the Company's culture of openness.

Information flow

The Chairman, supported by the Company Secretary, ensures 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 to 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.

In addition, the Chairmen of the Audit and Remuneration Committees communicate regularly and independently with relevant staff and external advisors including the Company's external auditors and remuneration advisors.

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.

Conflicts of interest

Directors are required and have a duty to notify the Company of any potential conflicts of interest they may have. Any conflicts are recorded and reviewed at each Board meeting. There have been no conflicts of interest noted this year.

Board considerations in 2018

- Implementation of business objectives in line with strategy to promote the long term success of the Company
- Continue to embed risk culture into all daily business activities and promote the early identification of risks
- Succession planning and ongoing Board refreshment
- External performance evaluation exercise
- Set a base EPS target for the 2017 LTIP awards and annual bonus for the year to 31 March 2018
- Consider regulatory and technical developments on the horizon including the 2016 UK Corporate Governance Code, Guidance on Audit Committees, the Green Paper on governance reform, EU Non Financial Reporting Directive and reporting on Payment Practices and Performance



Board activities in 2017

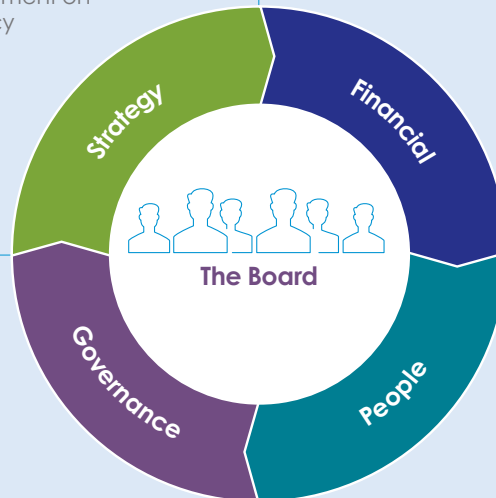
The key areas of Board activity during the year were as follows:

Strategy

- Focus on distribution and convenience retail sectors
- Continued divestment of retail parks and non core assets
- Property and retail market outlook and demand expectations, general economic and political climate and competitor activity
- Implications of Brexit vote and US Election outcome including presentation by CBRE post EU referendum
- Significant property acquisitions and disposals in excess of £10 million including retail park sales in Newry, King's Lynn, Christchurch and Bedford and a portfolio acquisition of six distribution warehouses
- Major capital expenditure and development projects including at Omega South, Warrington
- Shareholder relations, liaison and feedback from roadshows including engagement on proposed new Remuneration Policy

Financial

- Interim and annual financial statements and results presentations
- Three year financial forecasts
- Interim and annual property valuations
- Financing arrangements, available debt facilities, LTV and financial covenants including Private Placement debt facility
- Capital structure and equity placing
- Move to quarterly dividend payments and scrip alternative
- Tax strategy and structure
- Hedging and approved buy down £66 million of legacy swaps
- Presentations to staff from advisors on impact of new leasing standard and Anti money laundering



Governance

- Risk appetite and culture
- Risk register and quarterly dashboard update, including debate of significant and emerging risks including political and cyber security
- Effectiveness of the internal control framework to manage risks
- Developments in corporate governance and regulatory including consideration of Market Abusive Regulations, the Modern Slavery Act and the 2016 Corporate Governance Code
- Internal Board and Committee performance evaluation
- Viability statement and going concern
- Considered policy on Non Audit Services provided by external auditors
- Considered relevant sector competence of Audit Committee

People

- Appointed new Non Executive Director, Andrew Livingston
- Reviewed size of Board and retirement of Andrew Varley as a Non Executive Director
- Reviewed proposed new remuneration policy, executive remuneration and performance against targets
- Appointed new remuneration advisor
- Succession planning and tenure
- Staff resources and requirement
- Health & Safety policy and presentation to all staff
- Responsible Business report
- Cyber risk and IT security

Relations with shareholders

Communication with investors remains a top priority of the Board who believes that understanding the views of shareholders is key to the Company's strategic direction and success.

The Company places considerable emphasis on maintaining an open dialogue with investors, in particular institutions and private wealth managers and brokers through a comprehensive investor relations programme.

The Chief Executive and Finance Director are the Company's principal representatives and, along with the other Executive Directors and the Head of Investor Relations, hold meetings throughout the year to communicate the Company's strategy and performance. These include results presentations, one to one meetings, group meetings, panel discussions, conferences and site visits.

Investor meetings

The framework of investor relations is set around the financial reporting calendar, specifically announcement of half and full year results. In addition, significant shareholder engagement occurs outside these periods and primarily consists of UK regional and overseas roadshows.

These meetings and roadshows seek to keep investors informed of the Company's performance and plans, answer questions they may have and understand their views.

Topics discussed include the development and implementation of strategy, performance, property transactions, quality of underlying tenants, strength of the Company's income, debt structure and the real estate market in general.

Investor activity

During the financial year, the Company met with over 280 shareholders, analysts and potential investors.

A breakdown by type of investor seen and location of meeting are shown in the charts opposite. Meetings were held predominantly in the UK with 54% of investors seen in London.

As the importance of retail/private wealth shareholders continues to grow, the Company maintained its high level of roadshow activity in UK regions. Regional roadshows included visits to Glasgow, Edinburgh, Dublin, Bristol, Liverpool and Manchester. In total, private wealth meetings accounted for 36% of investors seen and the Company continues to place great importance on engaging with its private wealth shareholders.

Approximately 17% of investor meetings were held overseas in Ireland, Holland, South Africa and the United States. The Company will continue to engage with overseas investors to broaden further its investor base.

Investor site visits

Three investor site visits were arranged in the year, at several of the Company's distribution warehouses in:

- Newark, occupied by Dixons Carphone
- Reading, let to DHL
- Warrington, which was under construction at the time but was subsequently let to Amazon

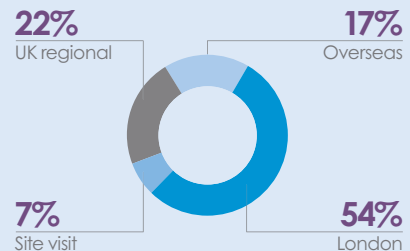
The visits were attended by approximately 60 investors, several Directors and senior managers. In addition, in September 2016 the Company arranged a site visit to two of its key distribution warehouses in Thrapston, occupied by Primark, for its new Private Placement debt providers.

Equity placing

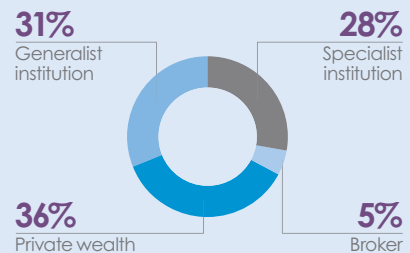
During the year, the Company undertook a successful equity placing to raise £95 million. The Company pre-marketed the placing largely to its top shareholders ahead of announcing. The placing was priced at a tight discount of 1.9% to the previous day's share price and a 6.3% premium to the last reported EPRA NAV. The fundraising structure of a placing allowed the Company to raise the money within less than a week thereby reducing equity market risk and giving high certainty of success. The placing was oversubscribed with strong support from existing shareholders and several new investors.

Investor meetings

By location



By type of investor





Investor feedback

Investor feedback is presented to the Board at scheduled meetings, together with published analyst comments.

Feedback received is very supportive of the Company's strategy, performance, management and future direction.

The Chairman of the Remuneration Committee wrote to shareholders in January 2017 outlining proposed changes to the Remuneration Policy that will be subject to a binding vote at this year's Annual General Meeting.

Following feedback from the shareholder consultation, the proposed new policy was amended to exclude an additional one year LTIP target. The majority of the shareholders consulted were supportive of the revised proposal.

As part of its ongoing shareholder engagement, the Company is planning to conduct its bi-annual investor sustainability engagement survey this year.

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. A live and on demand webcast of results and 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, which provides a forum for communication with both private and institutional shareholders alike. The whole Board attends and is available to answer shareholder questions.

The Senior Independent Director is available for shareholders to contact if other channels of communication with the Company are not available or appropriate.

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 149 to 153. Shareholders are able to lodge their votes through the CREST system or by returning the Proxy Card sent with the Annual Report. 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.

Key shareholder events throughout the year

Q1



- Full year 2016 results presentation
- Investor full year roadshow held post results
- Site visit to Newark
- Regional investor meetings in Edinburgh, Glasgow and Bristol

Q2



- Annual General Meeting of Shareholders
- US investor roadshow
- Investor meetings in Dublin
- Site visit to Thrapston

Q3



- Half year results presentation
- Half year investor roadshow post results
- Investor roadshow in London, Liverpool and Amsterdam
- Site visits to Warrington and Reading

Q4



- Investor meetings in Birmingham, Bristol, Manchester, Dublin, Cape Town and Johannesburg
- Letter sent to major shareholders outlining new Remuneration Policy
- Equity placing

Effectiveness

Nomination Committee report



Patrick Vaughan
Chairman,
Nomination Committee

The Committee's key role is to ensure the Board and its Committees continue to have the right balance of skills, experience and knowledge to independently carry out their duties and provide strong and effective leadership to enable the Company to deliver its strategy.

Members of the Committee

Member	Date appointed	Tenure (years)	Meetings attended
Patrick Vaughan	1/11/2012	4	2 (2)
Alec Pelmore	25/1/2013	4	2 (2)
Philip Watson	25/1/2013	4	2 (2)
James Dean	14/7/2016	1	1 (1)
Charles Cayzer (retired 30 September 2016)	25/1/2013	n/a	1 (1)

Bracketed numbers indicate the number of meetings the member was eligible to attend. Tenure is measured from date of appointment to the Committee and as at 31 March 2017, rounded to the nearest whole year.

Areas of focus this year

- Approved the appointment of Andrew Livingston as a new Non Executive Director and Audit Committee member to replace Charles Cayzer who retired on 30 September 2016
- Approved 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 2016
- Led internal Board and Committee performance evaluation in January 2017
- Recommended the re-election of Directors to the Board at the AGM
- Recommended the appointment of Andrew Livingston to the Remuneration Committee following the AGM to replace Andrew Varley who will retire as a Non Executive Director and member of both the Audit and Remuneration Committees in September 2017

This year the Committee continued to focus on the size and composition of the Board and its Committees, having welcomed Andrew Livingston to the Board in May 2016 and after Charles Cayzer stepped down in September 2016. This led to the consideration of Andrew Varley's retirement from the Non Executive Board and reduction in its overall size.

The resulting Board composition continues to meet the requirements of the Code and has the correct balance of skills and knowledge to lead the Company going forward.

The Committee also led an internal evaluation of Board and Committee performance in the year and concluded that the Board was well led and administered by a dynamic and respected Chairman who promoted an open culture of discussion and constructive debate.

The Directors unanimously considered the Board to have the appropriate complement of skills required to monitor performance, challenge management, promote debate and develop strategy.

Role of the Committee

The role of the Committee is to evaluate the size, structure and composition of the Board to ensure that it has the appropriate balance of skills, knowledge, experience and independence, having due regard to the benefits of diversity.

The Board's collective experience covers a range of relevant sectors as reflected in the chart on page 64, including property, finance and retail.

The Committee drives succession planning for Directors and other senior executive positions and ensures that the refreshment process is properly planned and managed to maintain stability and mitigate business disruption.

It is responsible for identifying and recommending candidates to fill Board vacancies and leads the selection process ensuring it 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.

A comprehensive induction programme was arranged for Andrew Livingston, who joined as a new Non Executive Director in the year, including:

- One to one meetings with Executive Directors and senior managers from property and finance
- Provision of past Board and Committee papers, minutes and finance reports, Board and Committee timetables
- One to one meeting with the Company's audit partner

Responsibilities of the Committee

The principal responsibilities of the Committee are to:

- Review and evaluate the size, structure and composition of the Board
- Make recommendations to the Board regarding Board and Committee membership changes
- Consider succession planning for Directors and other senior executives
- Identify candidates to fill Board vacancies as they arise
- Lead the 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

Composition of the Committee

The Committee is comprised entirely of Non Executive Directors and membership details are set out in the table on page 70. The Committee was chaired by Charles Cayzer until the AGM in July 2016 when he announced his retirement from the Board and Committee and Patrick Vaughan replaced him as Chairman. James Dean was appointed as a member of the Committee following the AGM and Charles Cayzer retired as a member of the Committee on 30 September 2016.

Meetings and activities

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

- The appointment, re-appointment and resignation of Non Executive Directors to the Board and its Committees
- The internally led performance evaluation of the Board and its Committees
- The re-election of Directors at the forthcoming AGM
- Its own terms of reference

Diversity

The Board continues to be committed to a culture that attracts and retains talented individuals to deliver outstanding results.

It strives to operate in a working environment of equal opportunity and recognises the benefits diversity brings to the organisation. It continues to promote diversity at every level of recruitment and across a range of criteria including skills, knowledge, experience, gender, age and ethnicity.

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.

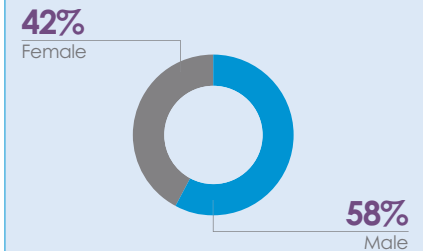
It supports and promotes greater female representation on listed company boards but it does not consider, given the size of the Company, that diversity quotas are appropriate in determining its composition and has not set targets.

It does not wish to increase its size solely to enable further women to be appointed. However, there is an ongoing commitment to strengthen female representation at Board level, the pace of which will be dependent upon the availability of suitable candidates and Board vacancies.

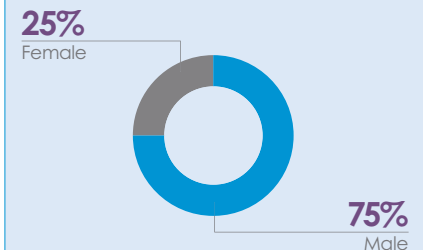
Gender and wider diversity will continue to be taken into account when evaluating Board composition and appointments and will be considered as part of the ongoing Board refreshment programme.

Gender diversity

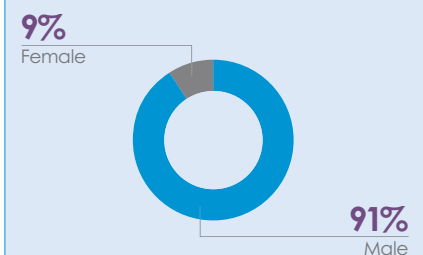
Employees



Senior management



Directors



¹ All charts reflect the composition of the Company and Board as at 31 March 2017

The Company as a whole is supportive of gender diversity, with 25% of senior management positions being filled by women and 42% of all staff being female.

The Company supports flexible working practices for employees on a case by case basis, as utilised by four of the total 31 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 page 56.

Effectiveness continued

Succession planning

A key priority of the Committee is the consideration of succession planning and talent development to support the Company's long term plans.

In reviewing succession planning for both Executive and Non Executive Directors, the Committee considers the leadership needs of the Company and balance of the Board.

Last year, the Committee considered the tenure of the Non Executive Directors and the need for a progressive refreshing of the Board as required by the Code.

It appointed an external executive search agency, The Zygos Partnership, to assist with a phased refreshment of the Non Executive Board.

Potential candidates were shortlisted for consideration and the Committee recommended the appointment of Andrew Livingston, replacing Charles Cayzer who retired in September 2016. Further details of Andrew's appointment process was given in last year's Annual Report.

Once again this year, the Nomination Committee considered the size and skill set of the Non Executive Board and has agreed that Andrew Varley will retire from the Board and Committees in September 2017.

The remaining balance of independent Non Executive Directors continues to meet the requirements of the Code and further Board refreshment will be considered next year in light of strategic focus and regulatory changes.

The Executive Directors consider succession planning below Board level and is committed to nurturing, developing and retaining high performing individuals to ensure a clear talent pipeline exists for future Board and senior management positions.

Staff are encouraged to develop and broaden their experience and Directors are mindful of cover for senior management positions should a need arise. Low staff turnover at senior levels signifies a loyal, content and motivated workforce.

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 the 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 re-election of all Directors at the forthcoming AGM.

Board performance and evaluation

The Board is committed to undertaking an annual internal review of its performance and of its Committees and an externally facilitated review every three years. An externally facilitated performance review will be undertaken next year.

The Board has delegated responsibility for carrying out the performance evaluation to the Nomination Committee.

This year's performance evaluation was led by the Chairman of the Nomination Committee and involved the Directors completing a detailed questionnaire which focused on the key aspects of good governance.

The findings were collated by the Finance Director and were tabled for discussion at the Nomination Committee who reported their findings to the Board in January 2017. The key areas of focus and findings are set out in the table on page 73.

Progress against 2016 targets

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

Recommendation	Progress
Continued focus on succession planning and Board refreshment	<ul style="list-style-type: none"> Board refreshment commenced with the appointment of Andrew Livingston and retirement of Charles Cayzer in the year Andrew Varley to retire in September 2017
Consideration of skills required for new appointments given strategy and regulations	<ul style="list-style-type: none"> The appointment of Andrew Livingston brought further and current retail and e-commerce experience to the Board
Continue to promote diversity at all levels	<ul style="list-style-type: none"> 25% of senior management positions are filled by women All staff appointments are considered on the basis of merit
Succession planning for the Chairman	<ul style="list-style-type: none"> The Chairman's letter of appointment has been extended for a further 12 months to 31 March 2018
Promote a risk culture which underpins business decisions	<ul style="list-style-type: none"> The risk dashboard has been a standing item on the Board meeting agenda for over a year. Emerging risks are tabled at meetings of the Executive Committee



2017 performance evaluation

Focus areas	Findings
<p>Board objectives and strategy Development of strategy, review of performance against strategic objectives</p>	<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 the impact of external factors such as bond yields, 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 capabilities in terms of people and financial resources • Six month strategy update and presentation by senior executives to the Board was recommended to increase exposure of the Non Executive Directors to other key members of staff
<p>Performance Reporting of performance against strategy, communication of expected performance and variances</p>	<ul style="list-style-type: none"> • Reporting to the Board is regular and timely • Board papers analyse the effect of changes in strategy and the portfolio and the impact on earnings, dividend cover, net assets and liquidity • Board receives early warning signals of problems that may adversely affect the business
<p>Board composition and its Committees Committees, balance of skills, diversity, size, appointment process, contribution of Directors, succession, tenure</p>	<ul style="list-style-type: none"> • Adequate time is devoted to the consideration of pertinent matters • Appropriate balance of skills, experience, independence and knowledge • Consideration to be given to reducing the complement of Non Executive Directors by one • Enhanced support for the Remuneration Committee following the appointment of PwC as advisor • Board is cohesive and combines management support together with appropriate challenge • Culture viewed positively and seen as a key consideration when undertaking further Board recruitment
<p>Relationships with shareholders Shareholder engagement and perception</p>	<ul style="list-style-type: none"> • Shareholder engagement is comprehensive with an extensive programme of investor meetings led by the Chief Executive • High proportion of shares held through private client fund managers illustrates strong relationship with shareholders • The Company has a good reputation in the investor community and is well regarded
<p>Risk management Process of identifying, reporting and evaluating principal risks</p>	<ul style="list-style-type: none"> • A risk dashboard is prepared and circulated ahead of each Board meeting providing commentary on changes to and emerging risks in the period under review • Assurances on risk management processes has been delegated to the Audit Committee • Management are responsible for designing, implementing and maintaining the necessary systems of internal control

Effectiveness continued

Overall the results were extremely positive and concluded that the Board, its Committees and individual Directors continued to operate effectively and worked well together, with the right balance of skills and expertise and within a climate of trust and transparency.

No significant 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 agreed that the Board was 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 Directors agreed that the Chairman and Chief Executive had a very good working relationship and provided clear and effective leadership and focus.

Areas of focus for 2018

The Board continues to look for areas of improvement and has highlighted the following to consider next year:

- Externally facilitated performance evaluation
- Continued Board refreshment and diversity to complement existing Board culture
- Succession planning for the Chairman
- More time to be devoted to strategy debate including a six monthly strategy update and presentation to the Board by senior executives
- Consideration of Board size, skills and experience in light of changes to the UK Corporate Governance Code



Patrick Vaughan
Chairman of the Nomination Committee
31 May 2017



Audit Committee report



Rosalyn Wilton
Chairman,
Audit Committee

The Audit Committee continues to play a key oversight and assurance role, assisting the Board and ensuring shareholder interests are protected by monitoring the processes that support financial reporting and the activities of management and external auditors.

Members of the Committee

Member	Date appointed	Tenure (years)	Meetings attended
Rosalyn Wilton	25/3/2014	3	5 (5)
Andrew Livingston	31/5/2016	1	5 (5)
Andrew Varley	25/1/2013	4	5 (5)
Alec Pelmore	25/1/2013	4	5 (5)
Charles Cayzer (retired 30 September 2016)	1/10/2010	n/a	2 (2)

Bracketed numbers indicate the number of meetings the member was eligible to attend. Tenure is measured from date of appointment to the Committee and as at 31 March 2017, rounded to the nearest whole year.

Areas of focus this year

- Ongoing review of risk management and internal control, going concern and viability
- Fair, balanced and understandable statement and presentation of alternative performance measures
- Gaining assurance around the valuation process
- Legislative changes on sector competence of Audit Committee
- Reviewed and refreshed policy for non audit services
- Rotation of audit partner

Chairman's introduction

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.

The Committee monitors the integrity of the financial reporting process and scrutinises the full and half year financial statements before proposing them to the Board for approval.

This year the Committee has continued to focus on risk management and has undertaken a comprehensive review of principal risks and the internal control framework. It has challenged the significant accounting judgements made by management, including those concerning the valuation of investment property in light of the economic and political uncertainties arising from the EU Referendum and triggering of Article 50 and the forthcoming UK election. The Committee has also scrutinised the processes in place to ensure that the Annual Report is fair, balanced and understandable.

The disclosure and explanation of alternative performance measures has been considered in accordance with FRC and ESMA Guidelines published in the year along with the 2016 amendments to the UK Corporate Governance Code regarding the relevant sector competence of the Audit Committee.

It has also considered the independence and effectiveness of the external audit process and has recommended that Deloitte be reappointed at the AGM in July. As part of this process it considered the rotation next year of the lead audit partner and has reviewed the policy governing the provision of non audit services, establishing and clarifying guidelines for any such appointments.

The Committee has considered the provisions of the UK Corporate Governance Code concerning going concern and viability and has advised the Board on the statement made in the Risk management section of this report on page 41. It has also confirmed to the Board that there are adequate processes and internal controls in place to ensure the Annual Report is fair, balanced and understandable and to make its statement on page 111.

Accountability continued

Activities during 2017

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

Financial reporting



- Interim and year end results announcement and Annual Report
- Accounting treatment of significant transactions 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
- Use of alternative performance measures and disclosure in the Annual Report
- Audit Committee report
- Group tax strategy

Risk management



- Annual assessment of the Group's principal and emerging risks, appetite, risk register and dashboard
- IT and cyber risk review
- The adequacy and effectiveness of the Group's internal control and risk management systems
- The appropriateness of the going concern assumption and the level of stress testing undertaken
- The Viability statement

External audit



- Scope of the external audit plan
- The independence, objectivity and tenure of Deloitte LLP
- Performance of the external auditor and effectiveness of the audit process
- Evaluation of key audit findings
- Auditor's fee proposal
- Reappointment of external auditor
- Rotation of audit partner
- Policy on provision of non audit services

Property valuation



- The property valuation process and the appropriateness of the interim and year end individual valuations
- The independence and competence of the external valuers

Other



- Committee's relevant sector competence
- Committee's own terms of reference, constitution and performance
- The need for an internal audit function
- The Group's whistle blowing arrangements

Membership

The Committee continues to comprise four Non Executive Directors, chaired by Rosalyn Wilton. Andrew Livingston was appointed to the Committee and Board as a Non Executive Director on 31 May 2016. Charles Cayzer retired from the Committee and Board on 30 September 2016, having served as a Non Executive Director of the Company for over six years. 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. Additionally, in accordance with the 2016 Corporate Governance Code which becomes mandatory for the Company next year, the Board considers that all Committee members have the expertise and relevant competency required in the sectors in which the Company operates to discharge their duties, as they all hold or have previously held senior positions in related and relevant

businesses. Andrew Livingston adds to the existing skill set of members, bringing current retail and ecommerce experience as Chief Executive of Screwfix, a leading online retailer.

Biographies of the Committee members which set out the relevant knowledge and sector relevant experience they bring can be found on pages 60 and 61.

Meetings

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

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 independently of management. In addition to formal Committee

meetings, the Chairman has regular contact and 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. It also considered a paper from the Finance Director on IT and cyber risk and the risk management processes in place.

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 and support from management and the Company's external auditor to allow it to fulfil its obligations.



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 matters 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 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 to determine the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust.

Significant matter considered	Committee's approach
<p>Property valuations The property valuation is a critical and significant part of the Group's reported performance being the largest item on the balance sheet.</p> <p>It is a key determinant of the Group's profitability, net asset value and total property return and is therefore a key area of focus.</p> <p>Property valuations are inherently subjective as they are based on assumptions made by the external valuers which are underpinned by recent market transactions and may not prove to be accurate.</p> <p>For further details on property valuations refer to notes 1 and 9 of the financial statements.</p>	<p>All of the Group's investment properties and those held in joint ventures are externally valued by two independent property valuers, CBRE and Savills.</p> <p>The Committee met twice during the year with the property valuers, as part of the interim and year end reporting process, to challenge and assess the integrity of the valuation process, methodologies and outcomes.</p> <p>The key judgements applied to each property valuation and any issues raised or disagreements with management were considered and discussed, to ensure that undue influence had not been placed on the valuation process and the valuers remained independent and objective.</p> <p>This year the Committee was mindful of the political and economic uncertainty associated with the EU Referendum and the UK election. It considered the impact on the investment and occupier markets and the lower volumes of transactional evidence available to support and substantiate certain property valuations.</p> <p>Future rental growth and yield assumptions were challenged and supporting market evidence was provided to enable the Committee to benchmark assets and conclude that the assumptions applied were appropriate.</p> <p>Any valuation which required a greater level of judgement, for example development assets, and any valuation movements that were not broadly in line with the IPD benchmark were scrutinised.</p> <p>The Committee discussed with the valuers the impact on values of committed expenditure on developments, letting assumptions, vacant space, rent free periods and lease incentives.</p> <p>As part of their audit work, Deloitte use valuation specialists to assess and challenge the valuation approach, assumptions and judgements. They meet independently with the valuers and report their findings and conclusions to the Committee.</p>
<p>Revenue recognition Certain transactions include unusual or complex adjustments to revenue and require management to make judgements as to whether, and to what extent, revenue should be recognised in the year.</p> <p>There is a risk of overstatement or deferral of income in order to meet performance and remuneration targets.</p>	<p>The Committee considered the timing of recognising rental income arising on pre-let developments at Leicester, Liverpool, Wakefield and Warrington that completed in the year and concluded that it was appropriately recognised from the commencement of the lease. It also considered the accounting for rent free periods and lease inducements including those to Amazon and Eddie Stobart.</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.</p> <p>The Committee considered the options available, challenged the judgements made and were satisfied that revenue had been appropriately recognised in the financial statements.</p>

Accountability continued

Significant matter considered	Committee's approach
<p>Significant transactions During the year, the Group transacted on £318 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 retail park in Newry and distribution warehouse in Warrington, both of which were considered in substance to be property disposals • The timing of recognition of acquisitions and disposals on unconditional exchange of contracts rather than completion, including the disposal of Alban Retail Park in Bedford which was accounted for as a disposal in the year with completion deferred until 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>Presentation of information The Group operates through a number of joint ventures which are monitored by management on a proportionately consolidated basis but are required under accounting standards to be equity accounted.</p> <p>EPRA performances measures are presented as KPIs and elsewhere within this report in line with other public real estate companies to highlight the recurring performance of the Group</p>	<p>The Group equity accounts for its three joint venture operations as required by accounting standards. Its share of profit after tax and net assets is reflected in the financial statements as one line in each of the income statement and balance sheet.</p> <p>However, management monitors the business on a proportionately consolidated basis and uses EPRA performance measures which reflect the recurring performance of the Group's property rental business. The figures and commentary presented in the Finance review section of the Strategic report on pages 34 to 39 are consistent with this approach. Reconciliations between the management and statutory bases are provided in note 8 to the financial statements and in the Supplementary Information section.</p> <p>The Committee has reviewed the prominence given to statutory and alternative performance measures and has concluded that sufficient disclosure, explanation and reconciliations are provided. It believes the approach adopted provides the most useful analysis of the year's results.</p>
<p>REIT status 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 reported on as part of the quarterly report presented by the Finance Director to the Board and concluded that there was full compliance and significant headroom for the current year.</p>
<p>Going concern and viability 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 Board's assessment of going concern is on page 110 and its Viability statement is on page 41.</p>	<p>The Committee reviewed the appropriateness of the going concern assumption in the preparation of these financial statements and whether the business was viable in accordance with the UK Corporate Governance Code.</p> <p>It considered the quarterly reports presented by the Finance Director to the Board which included the Group's three year profit and cash flow forecasts, committed and undrawn debt facilities and expected headroom under the financial covenants in those facilities.</p> <p>The Committee reviewed management's assumptions about the principle risks facing the Group, future trading performance, rental income growth, valuation projections, capital expenditure, funding requirements and gearing levels. It considered the amount of stress testing undertaken and the appropriateness of the three year assessment period.</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>



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, a formal tender of the auditor every ten years and a change of auditor every 20 years. The lead partner, Claire Faulkner, who has held office for the past four years, will be stepping down following the conclusion of this year's audit and Georgina Robb has been appointed as her successor. Georgina has shadowed the audit partner and team this 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. In addition the Committee Chairman meets independently with the Audit Partner on a regular basis throughout the year.

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 and the depth of understanding of key accounting judgements. It 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. 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.

The Committee recognises the importance of auditor objectivity and independence and understands that this could be compromised by the provision of non audit services. This year it has reviewed and refreshed the Company's policy governing the provision of non audit services in light of legislative changes including the 2016 update to the UK Corporate Governance Code, Guidance on Audit Committees and the FRC's Ethical Standard for Auditors. It took into account the fact that all taxation services and remuneration advice is provided separately by PwC and corporate due diligence and liquidation work is undertaken by BDO LLP.

However, the Company's policy recognises that there may be certain circumstances where, due to Deloitte's expertise and knowledge of the Company or real estate sector, it is appropriate for them to undertake non audit work.

A thorough assessment of each case is undertaken by the Executive Directors who observe the following guidelines;

- Pre approval of fees by the Executive Directors up to a limit of £100,000 or referral to the Audit Committee for review and approval
- Proposed arrangements to maintain auditor independence
- Confirmation from the auditors that they are acting independently
- Certain services are prohibited from being undertaken by the external auditors including bookkeeping, preparing financial statements, design and implementation of financial information systems, valuation, remuneration and legal services

The table below sets out the ratio of non audit to audit fees for each of the past three years. The three year average ratio of non audit fees to audit fees is less than 1%, supporting the Committee's conclusion that Deloitte remains independent and that the level on non audit fees is not material.

Deloitte 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 2017 audit was appropriately planned, executed and of a high quality, there continues to be a good working relationship between management and Deloitte, who remain 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.

The Company has complied 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.

Audit and non audit fees to Deloitte

Year to 31 March	2017 £000	2016 £000	2015 £000
Audit fees including related assurance services	179	179	183
Non audit fees	–	–	2
Total	179	179	185
Ratio of non audit fees to audit fees	n/a	n/a	1%

Audit fees paid to the external auditor in respect of joint ventures totalled £17,000 at share (2016: £17,000 at share).

Accountability continued

Risk management and internal controls

The Board is ultimately responsible for establishing and maintaining the Group's framework of risk management and internal control and for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. It recognises that risk is inherent in running the business and understands that effective risk management is critical to the decision making process and ultimate success of the Group.

The risk framework and processes in place to identify, evaluate and manage the principal risks and uncertainties facing the Group are described in the Risk management section on pages 40 to 47.

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 undertakes a robust assessment of the principal and emerging risks facing the business at each meeting and has adopted a risk dashboard as a standing agenda item which highlights changes in the Group's exposure to current and emerging risks and the mitigation thereof.

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 Audit Committee carries out an annual review of the risk register and reports its findings to the Board. The risk register was last updated in February 2017 and presented to the Audit Committee at their planning meeting in March. The risk register identifies the following for each key strategic, economic, transactional and financial risk facing the business:

- Significance and probability of each risk
- Controls and safeguards in place to manage and minimise each risk
- Movements in the Group's exposure to the risk since the last review
- Allocated owner of the risk and management of safeguards

A key part of the risk management process is the identification and assessment of risks which is the responsibility of the Executive Committee assisted by senior management. Short reporting lines and operating from one office ensures the Executive Directors have close involvement in day to day matters allowing early identification of risks and development of mitigation strategies.

The Audit Committee monitors and reviews the effectiveness of the Group's internal controls. It receives an annual internal control evaluation questionnaire which is completed by senior management and other reports provided by the external auditor.

The key elements of the Group's 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, forecasting and reporting

- Short term cash flow forecasting that is considered weekly by the Executive Committee
- An integrated financial and property management system
- 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
- Disciplined monthly meetings of the Executive, Investment, Asset Management and Finance Committees
- The maintenance of a risk register and quarterly risk dashboard highlighting movements in principal and emerging risks and mitigation strategies
- A formal whistle blowing policy

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 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.

Based on its review and assessment, 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. It concluded that risks were properly categorised, understood and acted upon if necessary.



Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the 2017 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 scrutinised the procedures in place and adopted by management in the preparation of the Annual Report, which included the following:

- The establishment of a team of senior managers drawn from finance, investor relations and property with clear responsibilities for preparation and review of relevant sections of the report
- Regular team meetings were held during the drafting stages to ensure consistency of tone and message, balanced content and appropriate linking of the various sections
- 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 February 2017
- The Chief Executive provided early input to and agreed the overall message and tone of the report
- The Executive Directors were closely involved in the initial drafting process and reviewed their respective draft sections
- An extensive verification exercise was undertaken to ensure factual accuracy
- 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 alternative performance measures had been adequately explained and reconciled to the financial statements.

The Directors' statement on fair, balanced and understandable is on page 111 and their findings can be summarised as follows:

Fair

- Includes relevant transactions and balances
- Includes required regulatory disclosures

Balanced

- Consistent throughout
- Appropriate mix of statutory and alternative performance measures
- Alternative 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
Chairman of the Audit Committee
31 May 2017

Remuneration

Remuneration Committee report



James Dean
Chairman,
Remuneration Committee

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.

Members of the Committee

Member	Date appointed	Tenure (years)	Meetings attended
James Dean	1/10/2010	7	4 (4)
Philip Watson	25/1/2013	4	4 (4)
Andrew Varley	30/5/2013	4	4 (4)
Rosalyn Wilton	14/7/2016	1	3 (3)
Charles Cayzer (retired 30 September 2016)	1/10/2010	n/a	1 (2)

Bracketed numbers indicate the number of meetings the member was eligible to attend. Tenure is measured from date of appointment to the Committee and as at 31 March 2017, rounded to the nearest whole year.

2017 Policy renewal highlights

- An increase in the minimum shareholding requirement to 700% of salary from 400% and the introduction of one year post-cessation shareholding requirement of 100% of salary
- Provision for individuals who have met their shareholding requirement to opt out of bonus deferral and increasing the level and period of bonus deferral for those individuals who have not met their requirement
- Improved alignment with emerging corporate governance best practice through the introduction of a two year holding period post vesting for long term awards
- Clarification on the malus and clawback provisions including time horizons in which they may operate
- No other material changes to the current policy

This report is structured as follows:

Chairman's introduction	page 82
Directors' Remuneration at a glance	page 85
Directors' Remuneration Policy	page 88
Annual Report on Remuneration	page 100

Chairman's introduction

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

The Policy we have operated for the past three financial years was approved by shareholders at the 2014 AGM and our new Policy, which is presented on pages 88 to 99, is being put forward for a binding vote at the forthcoming AGM. The Committee believes the proposed Policy is better suited to incentivise and motivate management to deliver the Company's strategy over the next three year period and this is explained in further detail in the Directors' Remuneration Policy report.

Our Annual Report on Remuneration contains details of our payouts during the financial year being reported on and how we intend to implement our new Policy for the year ended 31 March 2018. This part of the report is subject to an advisory vote at the AGM.

Performance during 2016/17

The KPIs which underpin the Company's incentive plans are EPRA earnings per share (EPS), total property return (TPR), total accounting return (TAR) and total shareholder return (TSR).

The Group's decision to reposition the portfolio towards the logistics market away from the physical retail market to reflect the change in consumer shopping patterns is proving to be profitable. The long term secure income flows from the logistics sector supported by our development strategy has delivered strong financial performance which is reflected in the sums paid to Executive Directors in the year.

The Group remains committed to a progressive dividend that is fully covered by EPRA earnings and has increased its payment this year by 3.4% to 7.5p per share.

EPRA earnings per share has increased by 5.1% to 8.2p and EPRA net assets per share by 1.4% to 149.8p. Group like for like net rental income increased by 4.6% and the Group's total property return of 7.4% outperformed the IPD Quarterly Universe Index reweighted to the Group's core assets of 5.9% by 150bp. Total accounting return for the year was 6.4%.



Annual bonus

The Executive Directors have delivered successfully against a large number of operational and strategic objectives including contracted income growth, portfolio repositioning, diversified funding, delivery of developments 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 89% of their respective maximum levels.

Half of the bonus will be deferred into shares which vest in equal tranches over three years.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2014 is dependent on Company performance over the three year period to 31 March 2017.

Performance is measured by reference to TSR versus the FTSE 350 Real Estate Super Sector and EPRA EPS growth.

The Committee assessed performance and based on actual EPRA EPS of 8.2p and TSR performance of 25.2%, 100% of both components are expected to vest in June 2017, 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.

No discretion was exercised by the Committee in relation to these outcomes.

Salary increases

The Committee approved salary increases of 2.0% for the Executive Directors, effective from 1 June 2017 which are lower than the increases for employees generally of 3.1%.

Policy renewal

Increased minimum shareholding and new post cessation requirements

One of the core principles of the current Policy is to create alignment between shareholders and Executive Directors by encouraging high levels of Executive share ownership.

The Committee believes that the Policy has been successful in achieving this, as demonstrated by the table on page 85 which shows how a shift in the Company's share price has a material financial impact on each Executive Director thereby ensuring they share the same ownership experience as other shareholders.

Furthermore, this core principle has shaped one of the enhancements to the new Policy where we are increasing the minimum shareholding requirement for the Executive Directors to 700% of salary from 400%.

This, coupled with the introduction of a one year post cessation share holding period equal to an individual's salary will ensure that Executive Directors are incentivised to deliver sustainable results and will also ensure they have an incentive to manage an orderly succession on departure.

Opt-out of Bonus Deferral

In conjunction with the increase to the minimum shareholding requirements, we are proposing that Executive Directors can opt out of annual bonus deferral if they have met the increased requirement.

The key purpose of bonus deferral is to link the interests of the Executive Directors and shareholders in the long term.

This objective will have been achieved when Executive Directors have satisfied the heightened minimum shareholder requirements and therefore any incremental bonus deferral will have an immaterial impact given the size of their shareholdings.

PwC research conducted with the London School of Economics indicates that Executive Directors perceive a time and forfeiture risk discount of 10-20% per annum to deferred share bonus awards, therefore the increased liquidity provided by cash payments increases the economic value of the remuneration and therefore the competitiveness of the Company without increasing headline incentive opportunities.

In recognition of this change, the Committee is reducing the maximum bonus potential under the Policy from 200% of salary to 175% of salary for newly appointed Executive Directors.

The maximum bonus potential for the current Executive Directors is being retained at 165% of salary for the Chief Executive and 140% of salary for the other Executive Directors for the next financial year.

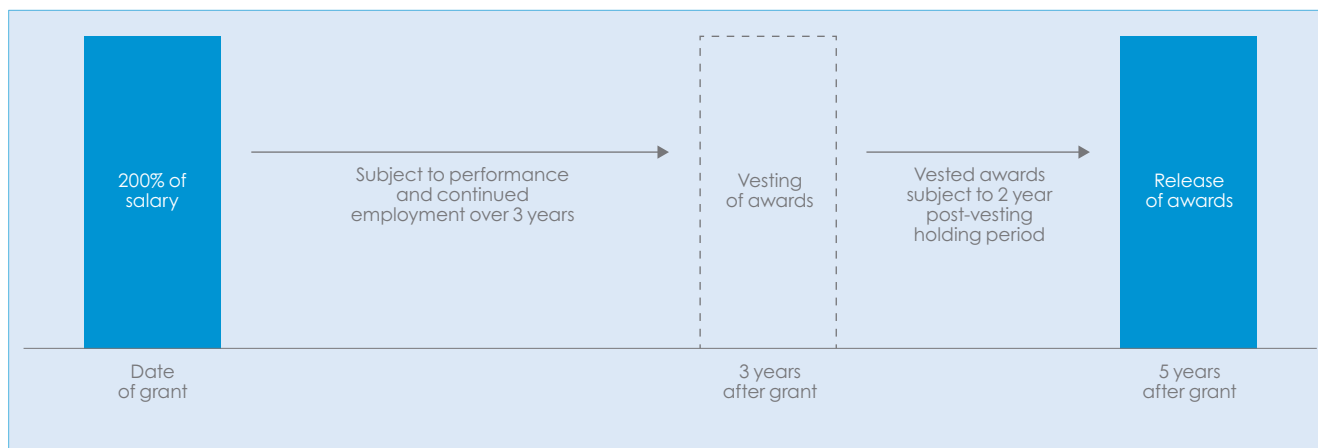
For Executive Directors who have not met the minimum shareholding requirement, deferral of up to 100% of the annual bonus for three years may apply, which is increased from 50% deferral under the current Policy. In addition, shares will only vest at the end of a three year deferral period subject to continued employment rather than in three equal tranches over three years under the current policy.

LTIP holding period

The Committee proposes to alter the LTIP to ensure performance is sustainable and it is aligned with corporate governance best practice by introducing a two year post-vesting holding period during which the Executive Directors cannot dispose of shares, other than for tax purposes. All other terms of the LTIP remain the same as under the current policy.

The schematic on page 84 shows the proposed operation of the LTIP for the Chief Executive under the new Policy.

Remuneration continued



Shareholder consultation

The Committee consulted extensively with shareholders and the main shareholder representative bodies, Institutional Shareholder Services, the Investment Association and Glass Lewis on the proposed Policy.

One of the areas discussed with shareholders was whether to introduce an element to the LTIP where performance was measured over a period of one year.

The Committee felt that whilst the current financial LTIP metrics measure the output of a successful implementation of strategy over a fixed three year time period they do not reflect the decisions which are likely to make them sustainable such as business/asset mix, new markets and acquisitions.

For a heavily cyclical business such as LondonMetric it is equally important to incentivise strategic and operational objectives which have an impact on the long term sustainable performance of the business but may not be in either the current bonus or LTIP performance scorecard.

The nature of operational/strategic targets is that they flex and change over time and therefore the Committee proposal was to set and assess targets annually.

Recognising that the performance risk is less with an element assessed annually compared to over three years the Committee proposed a reduction in the maximum LTIP award level from the current policy.

Following the shareholder consultation exercise and having considered the proposed one year targets of LTV, EPRA cost ratio and portfolio weighting, the Committee decided not to proceed with the one year LTIP performance measure for the following reasons:

- The Committee on reflection felt that these objectives could be used as part of the current annual bonus plan within the personal objectives category
- Their use within the bonus under the personal objectives category would allow the Committee to provide more qualitative and granular disclosure of the objectives and targets; something requested by a number of shareholders during the consultation; and
- The removal of the annual element of the LTIP simplified the incentive proposals in line with the Committee's desires and in line with the feedback from some of the shareholders.

Following the Committee's decision not to proceed with the annual element of the LTIP it determined that the LTIP would continue to operate with the same maximum and terms as under the current Policy but with the addition of a holding period.

The Company is grateful for the engagement and constructive suggestions made during this process at the end of which the majority of shareholders indicated that they were supportive of the proposed Policy.

James Dean

James Dean
Chairman of the Remuneration Committee
31 May 2017



Directors' Remuneration at a glance

What we awarded during the financial year and why

Total remuneration for Executive Directors

	Salary £000	Benefits £000	Pension £000	Bonus £000	LTIP £000	Total 2017 £000	Total 2016 £000	Illustrative change in value of shares owned and outstanding share awards ¹ £000
Andrew Jones	510	24	77	751	1,000	2,362	2,792	522
Martin McGann	335	25	50	418	513	1,341	1,003	382
Valentine Beresford	353	25	53	441	540	1,412	1,635	379
Mark Stirling	353	25	53	441	540	1,412	1,630	328

¹ Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was £1.668 and the lowest closing price was £1.349. The number of shares and share awards was calculated based on the year end total

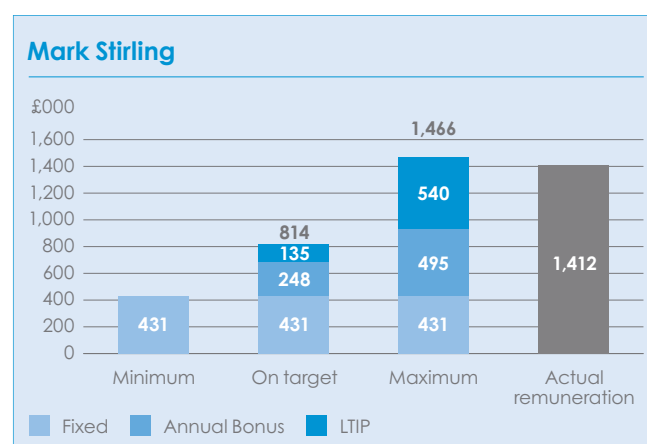
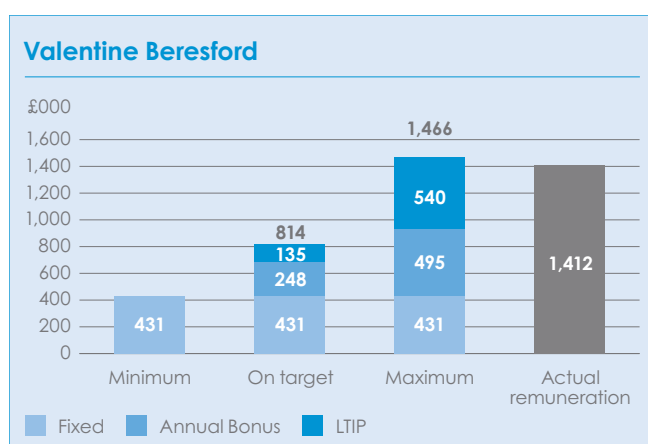
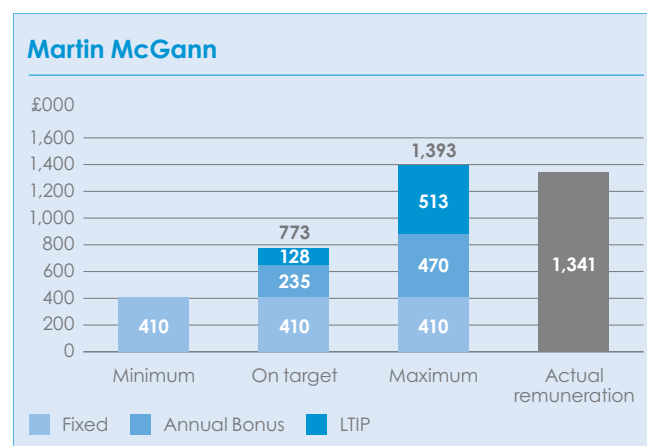
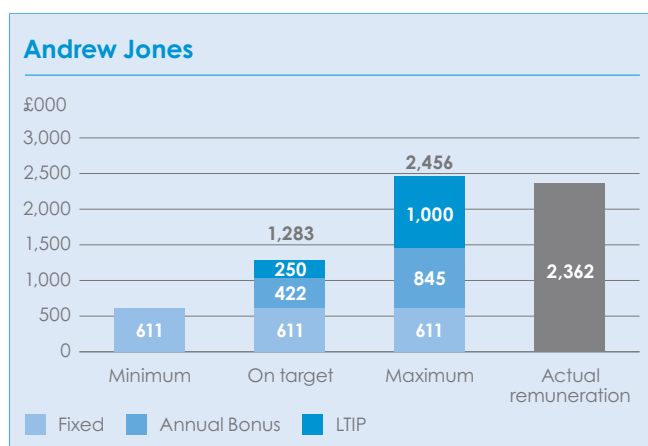
Actual total remuneration compared to the 2017 potential

The following charts show the actual remuneration earned by the Executive Directors against the minimum, on target and maximum scenarios for the year.

The remuneration payable to each of the Executive Directors is based on salaries agreed for the year under three different performance scenarios: (i) Minimum; (ii) Target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus (including Deferred Bonus); and (iii) LTIP.

The target scenarios assume 50% payout of the maximum opportunity under the annual bonus and 25% (being threshold vesting) of the LTIP. For the purposes of comparison we have included the single figure remuneration for the year ending 31 March 2017.

A comparison of the actual remuneration earned compared to the Policy scenarios demonstrates the strong performance of the Company over the period with actual remuneration being between the on target and maximum Policy scenarios.



Remuneration continued

Annual bonus plan – targets and outcomes

Performance measure	Payout target			Actual	% awarded	Combining these outcomes with the personal objectives gives the following payouts:		
	25%	50%	100%			£000	% of maximum	
EPRA EPS	8.01p	8.09p	8.22p	8.16p	74%	Andrew Jones	751	89
TPR	5.94%	6.53%	7.13%	7.40%	100%	Martin McGann	418	89
						Valentine Beresford	441	89
						Mark Stirling	441	89

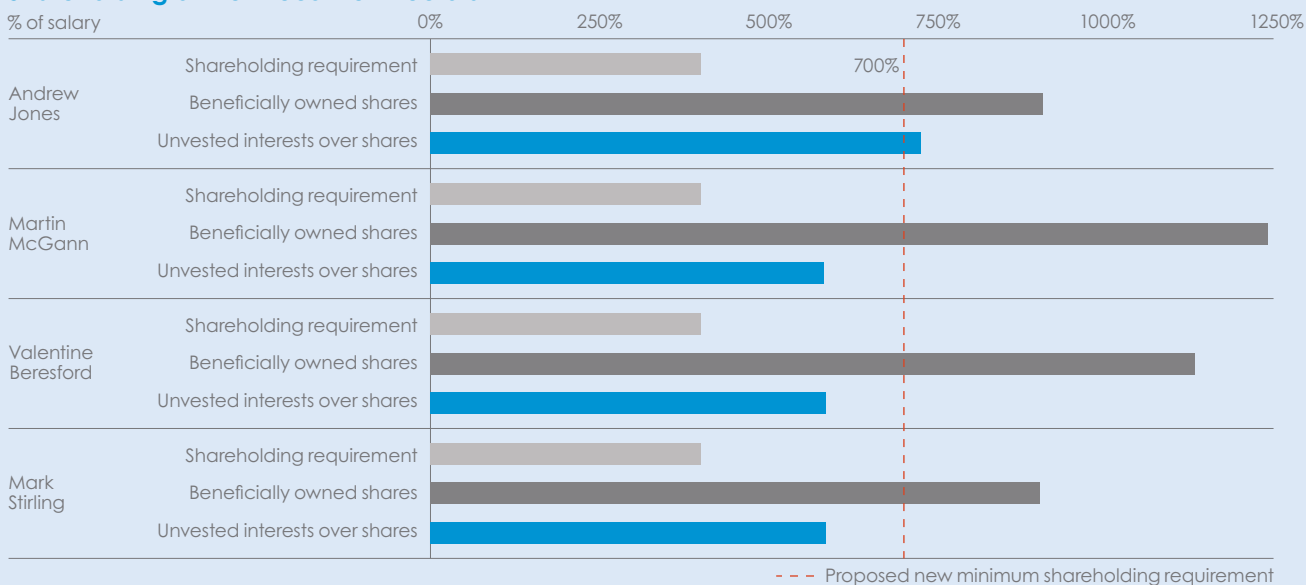
It should be noted that the very strong actual TPR performance compared to the targets set at the beginning of the year was due to the strong performance of distribution assets and completed developments.

2014 LTIPs vesting in the year – targets and outcomes

Performance measure	Payout target			Actual	% awarded	The estimated number of shares vesting are as follows:	
	25%	100%	Number				
TSR	12.27%	18.40%	25.23%	100%	Andrew Jones	658,138	
EPRA EPS	7.61p	7.96p	8.16p	100%	Martin McGann	337,422	
					Valentine Beresford	355,320	
					Mark Stirling	355,320	

The level of LTIP vesting in 2017 demonstrates the long term successful performance of the Company over the performance period with strong absolute earnings growth and a resulting comparative return performance in excess of the Company's direct competitors.

Shareholding of the Executive Directors



Due to the large shareholdings of the Executive Directors, a relatively small change in the share price would have a material impact on their wealth. For example, a 10p dip in share price would result in a loss in value for the Chief Executive equivalent to 102% of his annual salary. It is the Committee's view that it is important when considering the remuneration paid in the year under the single figure to take a holistic view of the Director's total wealth linked to the performance of the Company. In the Committee's

opinion, the impact on the total wealth of the Director is more important than the single figure in any one year; this approach encourages Directors to take a long term view of the sustainable performance of the Company; this is critical in a cyclical business. The ability for the Directors to gain and lose dependent on the share price performance of the Company at a level which is material to their total remuneration is a key facet of the Company's future Remuneration Policy.



How we intend to operate the Policy next year

The table below illustrates the implementation of our new Policy for the coming year.

Key elements and time period	2018	2019	2020	2021	2022																
Year ending March																					
Base salary	[Bar chart showing a steady increase]																				
Pension	[Bar chart showing a steady increase]																				
Benefits	[Bar chart showing a steady increase]																				
Annual bonus	[Bar chart showing a steady increase]																				
Cash	[Bar chart showing a steady increase]																				
Deferred shares	[Bar chart showing a steady increase]																				
LTIP	[Bar chart showing a steady increase]																				
Non Executive Directors' fees	[Bar chart showing a steady increase]																				
Key: Performance period: [Bar chart] Vesting period: [Bar chart] Holding period: [Bar chart]																					
Overview of Remuneration Policy for 2017/18																					
<p>Base salary</p> <p>The Committee decided to increase base salaries for the Executive Directors by 2.0%. The average increase across the Group was 3.1%</p> <table border="1"> <thead> <tr> <th>Executive Director</th> <th>Base salary from 1 June 2017</th> <th>Base salary from 1 June 2016</th> </tr> </thead> <tbody> <tr> <td>Andrew Jones</td> <td>522,115</td> <td>511,877</td> </tr> <tr> <td>Martin McGann</td> <td>342,638</td> <td>335,920</td> </tr> <tr> <td>Valentine Beresford</td> <td>360,811</td> <td>353,736</td> </tr> <tr> <td>Mark Stirling</td> <td>360,811</td> <td>353,736</td> </tr> </tbody> </table>			Executive Director	Base salary from 1 June 2017	Base salary from 1 June 2016	Andrew Jones	522,115	511,877	Martin McGann	342,638	335,920	Valentine Beresford	360,811	353,736	Mark Stirling	360,811	353,736	<p>The Committee believes that the EPRA EPS target and details of the personal objectives for the coming year are commercially sensitive and accordingly these are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.</p> <p>Under the proposed Policy, bonus deferral will not apply for the Executive Directors if they have met the new shareholding guideline. At the date of this report, each of the Executive Directors' shareholdings exceeds their minimum requirements.</p>			
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<p>Pension</p> <p>The maximum contribution into the Executive Director's individual personal pension plan or a salary supplement in lieu of pension will be 15% of gross base salary.</p>			<p>LTIP</p> <p>In line with the operation last year, awards made under the LTIP in the year to 31 March 2018 will be 200% of salary for the Chief Executive and 165% for other Executive Directors.</p>																		
<p>Benefits</p> <p>Standard benefits will be provided. See Remuneration Policy for further details.</p>			<table border="1"> <thead> <tr> <th>Performance measures</th> <th>Weighting</th> <th>Threshold (25% vesting)</th> <th>Maximum¹ (100% vesting)</th> </tr> </thead> <tbody> <tr> <td>Total shareholder return (TSR)</td> <td>37.5%</td> <td>Equal to index</td> <td>Equal to upper quartile ranked company</td> </tr> <tr> <td>Total accounting return (TAR)</td> <td>37.5%</td> <td>Equal to index</td> <td>Equal to upper quartile ranked company</td> </tr> <tr> <td>EPRA EPS growth</td> <td>25%</td> <td>RPI plus 3% over three years</td> <td>RPI plus 8% over three years</td> </tr> </tbody> </table>			Performance measures	Weighting	Threshold (25% vesting)	Maximum ¹ (100% vesting)	Total shareholder return (TSR)	37.5%	Equal to index	Equal to upper quartile ranked company	Total accounting return (TAR)	37.5%	Equal to index	Equal to upper quartile ranked company	EPRA EPS growth	25%	RPI plus 3% over three years	RPI plus 8% over three years
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<p>Annual bonus</p> <p>The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% of salary for the other Executive Directors.</p> <p>The performance conditions and their weightings for the annual bonus are as follows:</p> <table border="1"> <thead> <tr> <th>Performance measure</th> <th>Weighting</th> <th>Description of targets</th> </tr> </thead> <tbody> <tr> <td>Growth in EPRA EPS</td> <td>35%</td> <td>Growth in Company's EPRA EPS against a range of challenging targets</td> </tr> <tr> <td>Growth in total property return (TPR)</td> <td>35%</td> <td>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</td> </tr> <tr> <td>Personal objectives</td> <td>30%</td> <td>Vary between individuals and include portfolio management metrics, financial and people management, investor relations and regulatory compliance</td> </tr> </tbody> </table>			Performance measure	Weighting	Description of targets	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	<p>¹ Straight line interpolation between threshold and maximum</p> <p>TSR and TAR are relative measures measured against the FTSE 350 Real Estate Sector excluding agencies and operators (the Index). Under the TSR element, there will be no payout if TSR is negative. The Committee determined that the indices would not be weighted.</p>						
Performance measure	Weighting	Description of targets																			
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<p>Non Executive Directors' fees</p> <p>The current fees for the Non Executive Director roles are:</p> <table border="1"> <tbody> <tr> <td>Chairman</td> <td>£250,000</td> </tr> <tr> <td>Base Non Executive Director fee</td> <td>£47,754</td> </tr> <tr> <td>Senior Independent Director additional fee</td> <td>£5,000</td> </tr> <tr> <td>Additional fee for Audit/Remuneration Committee Chairmanship</td> <td>£10,000</td> </tr> <tr> <td>Additional fee for Audit/Remuneration Committee membership</td> <td>£5,000</td> </tr> </tbody> </table>			Chairman	£250,000	Base Non Executive Director fee	£47,754	Senior Independent Director additional fee	£5,000	Additional fee for Audit/Remuneration Committee Chairmanship	£10,000	Additional fee for Audit/Remuneration Committee membership	£5,000									
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Remuneration continued

Directors' Remuneration Policy

The previous Remuneration Policy for the Group which was approved by shareholders at the 2014 AGM on 17 July 2014 for a period of three years is near expiry. This section outlines the new Remuneration Policy which, subject to shareholder approval, will take effect for three years from the 2017 AGM on 11 July 2017.

Overview of our new 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 current Policy continue to be relevant to 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

The table below outlines the key changes the Committee is proposing to ensure the Policy remains fit for purpose and adheres to the principles outlined.

Area	Proposed change	Rationale for change
Minimum shareholding requirement	Increase the minimum shareholding requirement from 400% of salary to 700% of salary for existing Executive Directors. Current arrangement will apply for new Executive Directors.	Increasing the current shareholding requirement will ensure the lock-in and sustained alignment between Executive Directors and shareholder interests.
Post leaving shareholding requirement	Introduction of a post-leaving shareholding requirement of 100% of salary lasting one year from the date of cessation.	Ensures a focus on successful succession planning providing an ongoing equity risk and is in line with emerging shareholder sentiment.
LTIP post vesting holding period	Introduction of a two year holding period during which individuals cannot sell shares other than for tax purposes.	Five year time period for long term incentives is in line with corporate governance best practice.
Bonus deferral	Executive Directors who have met their minimum shareholding requirement may opt out of bonus deferral and receive 100% of the annual bonus in cash. For those who have not met the minimum requirement, deferral may be up to 100% of the annual bonus (minimum 50%). Deferred share bonus payments, where operated, to vest in full after three years as opposed to in three equal instalments over the three year period.	The key purpose of bonus deferral is to link the interests of the Executive Directors and shareholders in the long term. The extensive shareholding already built up by the Executive Directors has achieved this goal and therefore share price movements have a material impact on wealth. Cash payments increase the economic value of the remuneration without increasing headline incentive opportunities. Vesting schedule of deferred shares brought in line with market practice.
Maximum bonus opportunity	Maximum bonus award in exceptional circumstances reduced from 200% to 175% of salary. For current Executive Directors the maximum level of award is retained at 165%.	Reduced level of awards in exceptional circumstances will achieve a similar perceived value in light of the potential removal of bonus deferral.
Malus and clawback provisions	The new Policy provides clarification on the malus and clawback circumstances and the time horizons within which they may be operated.	These changes provide further protection for the Company and shareholders and help to ensure sustainable performance.



Executive Directors' Remuneration Policy Table

Base salary

Purpose and link to strategy	<p>Provide a competitive level of fixed pay to attract and retain Executive Directors of the required calibre to deliver the Group's strategy.</p> <p>Level of pay reflects individuals' skills, seniority and experience and complexity of the role.</p>
Operation	<p>An Executive Director's basic salary is set on appointment and reviewed annually with changes taking effect from 1 June or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> • Pay increases to other employees • Remuneration practices within comparable property companies • Any change in scope, role and responsibilities • The general performance of the Company and each individual • The experience of the relevant Director • The economic environment <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role.</p> <p>In such cases subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved.</p>
Maximum opportunity	<p>The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to the Group and validated against other property companies, so that they are competitive against the market.</p> <p>The Committee intends to review the comparator group each year and will add or remove companies as it considers appropriate.</p> <p>In general, salary increases for Executive Directors will be in line with the increase for employees.</p> <p>However, larger increases may be offered if there is a material change in the scope and responsibilities of the role, including significant changes in Group size and/or complexity or if it is necessary to remain competitive to retain a Director.</p> <p>The Company will set out in the section of the Annual Report on Remuneration headed Statement of Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.</p>
Performance measures	<p>The Directors are subject to an annual performance assessment, the outcome of which is taken account of in setting base salaries.</p>

Pension

Purpose and link to strategy	<p>Provide a competitive post-retirement benefit to attract and retain individuals.</p>
Operation	<p>The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.</p> <p>This allowance will be a non-consolidated allowance and will not impact any incentive calculations.</p>
Maximum opportunity	<p>The maximum contribution is 15% of salary which is payable as a monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply. No element other than base salary is pensionable.</p>
Performance measures	<p>None.</p>

Remuneration continued

Executive Directors' Remuneration Policy Table continued

Benefits

Purpose and link to strategy	Provide a comprehensive and competitive benefit package to aid recruitment and the retention of high quality Executive Directors.
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 recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other employees on broadly similar terms may therefore be offered.</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.</p>
Performance measures	None.

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.
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 strategic performance and contribution to the achievement of portfolio management initiatives and other operational management objectives.</p> <p>Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash. For those who are yet to meet the minimum shareholding requirement, up to 100% of the annual bonus will be paid in deferred shares vesting after three years. No further performance conditions will apply to these shares other than continued employment and dividend equivalents are paid out at the end of the vesting period.</p> <p>The annual bonus contains malus and clawback provisions as noted on page 95.</p>
Maximum opportunity	<p>The current maximum bonus for the Chief Executive is 165% of salary and 140% of salary for the other Executive Directors.</p> <p>The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of maximum.</p> <p>In exceptional circumstances, such as recruitment, the Committee may award a bonus opportunity of up to 175% of salary. However, the maximum bonus limit for current Executive Directors will be capped at 165%, i.e. no exceptional awards will be made to existing Executive Directors.</p>
Performance measures	<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.</p> <p>The Committee will set challenging annual targets consistent with the Group's business strategy that are appropriately stretching, but achievable. The Committee is of the opinion that due to the commercial sensitivity of annual targets, targets will be disclosed retrospectively.</p> <p>Details of the targets set and measures applied for the current financial year can be found in the Annual Report on Remuneration on pages 101 and 102.</p> <p>The Committee retains discretion to make downward or upward adjustments to the amount of bonus payable resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance.</p>



Executive Directors' Remuneration Policy Table 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 Executive Directors' interests with shareholders' interests.
Operation	<p>The LTIP rules were approved by the shareholders at the 2013 AGM.</p> <p>Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option.</p> <p>Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. If the Committee decides that the selected strategic metrics are commercially sensitive for future grants, details will be disclosed retrospectively in the Annual Report on Remuneration.</p> <p>Awards will normally vest at the end of a three year period subject to:</p> <ul style="list-style-type: none"> • the Executive Director's continued employment at the date of vesting • satisfaction of the performance conditions <p>Vested awards will be subject to a further two year holding period during which Executive Directors cannot dispose of shares other than for tax purposes.</p> <p>The Committee may award dividend equivalents on awards that vest.</p> <p>The LTIP contains malus and clawback provisions as noted on page 95.</p>
Maximum opportunity	<p>Annual awards with a maximum value of up to 200% of salary for the Chief Executive and 165% of salary for the other Executive Directors based on the market value at the date of grant set in accordance with the rules of the LTIP.</p> <p>25% of the award will vest for threshold performance.</p> <p>100% of the award will vest for maximum performance. There is straight line vesting between these points.</p>
Performance measures	<p>For the awards to be made in the year to 31 March 2018, the following three year performance measures will apply to the award:</p> <ul style="list-style-type: none"> • Total Shareholder Return (TSR) exceeding the TSR of the FTSE 350 Real Estate Super Sector Index (excluding agencies and operators) • relative Total Accounting Return (TAR) • EPRA EPS growth versus a base target plus RPI <p>The award to be made in the year to 31 March 2018 will be measured as follows:</p> <ul style="list-style-type: none"> • 37.5% on relative TSR • 37.5% on relative TAR • 25% on EPRA EPS growth <p>The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate.</p> <p>No material change will be made to the type of performance conditions without prior shareholder consultation.</p> <p>In exceptional circumstances the Committee retains the discretion to:</p> <ul style="list-style-type: none"> • vary, substitute or waive the performance conditions applying to LTIP Awards if it considers it appropriate and the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions • make downward or upward adjustments to the amount vesting under the LTIP award resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance

Remuneration continued

Non Executive Directors' Remuneration Policy Table

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>The Board is responsible for setting the remuneration of the Non Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees.</p> <p>Non Executive Directors are paid an annual fee and additional fees for chairmanship of Committees and for the Senior Independent Director. The Company retains the flexibility to pay fees for the membership of Committees. The Chairman does not receive any additional fees for membership of Committees.</p> <p>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.</p> <p>Non Executive Directors and the Chairman do not participate in any variable remuneration arrangements or other benefits arrangements.</p>
Maximum opportunity	<p>The fees for Non Executive Directors and the Chairman are broadly set at a competitive level against the comparator group.</p> <p>In general the level of fee increase for the Non Executive Directors and the Chairman will be set taking account of any change in responsibility. The aggregate fee for Non Executive Directors and the Chairman will not exceed £1 million.</p> <p>The Company will pay reasonable expenses incurred by the Non Executive Directors and Chairman and may settle any tax incurred in relation to these.</p>

Recruitment remuneration arrangements for Executive Directors

Remuneration element

Recruitment Policy

Salary, Benefits and Pension	These will be set in line with the policy for existing Executive Directors.
Annual Bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 165% of salary (175% of salary in exceptional circumstances).
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
Maximum Variable Remuneration	The maximum variable remuneration which may be granted in normal circumstances is 365% of salary (375% of salary in exceptional circumstances). This excludes in both cases the value of any buyouts.
'Buyout' of incentives forfeited on cessation of employment	<p>Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment (the lapsed valued) will be calculated taking into account the following:</p> <ul style="list-style-type: none"> • the proportion of the performance period completed on the date of the Executive Director's cessation of employment • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied • any other terms and conditions having a material effect on their value <p>The Committee may then grant up to the same value as the lapsed value under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.</p>
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences and schooling.



Service contracts and payment for loss of office

Remuneration element

Treatment on cessation of employment

General

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith to discharge an existing legal obligation, or by way of damages for breach of such an obligation or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Salary, Benefits and Pension

These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.

Cash bonus

Good leaver: performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.

Other reason: no bonus payable for year of cessation.

Discretion: the Committee has the following elements of discretion:

- to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- to determine whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders

Deferred share awards

Good leaver: all subsisting deferred share awards will vest.

Other reason: lapse of any unvested deferred share awards.

Discretion: the Committee has the following elements of discretion:

- to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- to vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Directors' departure

LTIP

Good leaver: pro-rated to time and performance in respect of each subsisting LTIP award.

Other reason: lapse of any unvested LTIP awards.

Discretion: the Committee has the following elements of discretion:

- to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will pro-rate awards for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders

Other contractual obligations

There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.

Remuneration continued

The following table outlines the Policy for the treatment of incentives in the event of a change of control:

Change of control Remuneration element	Change of control	Discretion
Annual bonus (cash)	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Annual bonus (deferred shares)	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.

Strategy Link to Remuneration Policy

The Committee's remuneration decisions are heavily steered by the Group's strategic direction and corporate objectives, as reflected by the selected performance metrics for the annual bonus and the LTIP. The following table demonstrates how the Company's strategic KPIs are aligned to our incentive arrangements. Further details of these KPIs can be found on pages 24 and 25 of this Annual Report.

Company Objective/KPI	Annual Bonus cash	Annual Bonus deferred shares	LTIP
Deliver long term shareholder returns Total shareholder return			✓
Maximise long term total accounting return Total accounting return			✓
Maximise property portfolio returns Total property return	✓	✓	
Deliver sustainable growth in EPRA earnings EPRA earnings per share	✓	✓	✓
Drive like for like income growth through management actions Like for like income growth	✓	✓	
Maintain strong occupier contentment EPRA vacancy	✓	✓	
Maintain a higher than market benchmark WAULT WAULT	✓	✓	
Key remuneration objective Encourage the build-up and retention of shares		✓	✓

In the Committee's opinion it is key that the incentive arrangements operated by the Company are directly linked to the achievement of the Company's strategy and overall corporate objectives. It is the Committee's belief that the proposed incentive elements of the new Policy align with these objectives.



Recruitment remuneration arrangements

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short term or long term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award.

Where an existing employee is promoted to the Board, the policy would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements.

Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Committee report for the relevant financial year.

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.

The Non Executive Directors do not have service contracts but are appointed under letters of appointment. Each Non Executive is subject to an initial three year term followed by annual re-election at the Company's AGM.

The following definition of leavers will apply to both the annual bonus and the LTIP. A good leaver reason is defined as cessation in the following circumstances:

- Death
- Ill-health
- Injury or disability
- Redundancy
- Retirement
- Employing company ceasing to be a Group company
- Transfer of employment to a company which is not a Group company
- At the discretion of the Committee

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Malus and clawback

The following definition of malus and clawback will apply to both the annual bonus (including any deferred shares) and the LTIP.

Malus is the adjustment of the annual bonus payments or unvested LTIP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus or vested LTIP awards as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a participant's payment under the annual bonus or LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company
- The assessment of any performance condition or condition in respect of an annual bonus payment or LTIP award was based on error, or inaccurate or misleading information
- The discovery that any information used to determine the annual bonus payment or LTIP award was based on error, or inaccurate or misleading information
- Action or conduct of a participant which amounts to fraud or gross misconduct
- Events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant

The following table outlines the time periods during which these recovery provisions may apply for each element of remuneration:

Remuneration element	Malus	Clawback
Annual bonus (cash)	Up to the date of the cash payment	Two years post the date of any cash payment
Annual bonus (deferred shares)	To the end of the three year vesting period	n/a
LTIP	To the end of the three year vesting period	Two years post vesting

Remuneration continued

Shareholding guidelines

Minimum shareholding requirement

In line with the Group's remuneration principles, the Remuneration Policy places significant importance on aligning the long term interests of shareholders with those of management by encouraging the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.

In addition, Executive Directors will be required to retain at least 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements.

Role	Shareholding requirement (% of salary)
Chief Executive	700%
Other Executive Directors	700%
Newly appointed Executive Directors	400%

The Committee has set the requirement at 400% of salary for the Policy period for newly appointed Executive Directors to reflect the practical maximum that could be achieved if all incentives were earned over the Policy period and paid in shares.

Post leaving shareholding requirement

The Committee has introduced a post leaving shareholding requirement for the Executive Directors, who must retain shares equivalent in value to one year's salary for 12 months post cessation.

This requirement provides further long term alignment with shareholders and ensures a focus on successful succession planning.

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 £45,225 in the year to 31 March 2017.

Employee considerations

The Company applies the same principles to the remuneration of all employees as it applies to the Executive Directors, namely that:

- Any incentive compensation is aligned to the business strategy and achievement of business goals
- The remuneration encourages employees to become shareholders
- The remuneration attracts, motivates and retains high calibre individuals
- The remuneration is competitive in relation to other comparable property companies
- The incentive elements reward superior performance through the variable elements of remuneration that are linked to performance

The Committee is mindful of the internal pay relativities when setting pay for the Executive Directors.

Whilst the Committee did not consult directly with employees on the drawing up of the new Policy given the small size of the Company, it believes that the Board as a whole has an accurate picture of employees' views.

The diagram below illustrates the cascade of pay structures throughout the business for the Chief Executive, other Executive Directors and senior management for the year to 31 March 2017.

The Committee believes this demonstrates a fair and transparent progression of remuneration throughout the Company which is in line with one of its core pay principles that variable performance based pay increases with seniority.

Element of pay	Participation		
	Chief Executive	Other Executive Directors	Senior Management ¹
LTIP	200% of salary	165% of salary	51% of salary
Annual bonus	165% of salary	140% of salary	72% of salary
Pension	15% of salary	15% of salary	11% of salary
Salary	£511,877	£335,920 to £353,736	£96,900 to £182,070

¹ Amounts for LTIP, annual bonus and pension represent the weighted average percentage of salary



Statement of consideration of shareholder views

Following a thorough review of the current Remuneration Policy, the Committee carried out an extensive consultation with top shareholders and their representative bodies on the changes featured in the proposed Policy. We recognise the heightened attention placed on executive pay this year from both a political and corporate governance perspective, and have proposed a Policy which the majority of shareholders were supportive of during the consultation process.

The Committee remains committed to ongoing dialogue with the Company's shareholder base to ensure the views of all stakeholders are taken in to account in order to ensure the correct decisions are made for the Company.

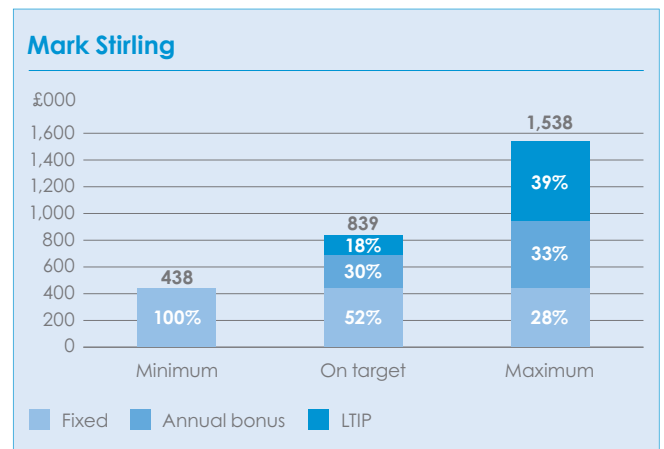
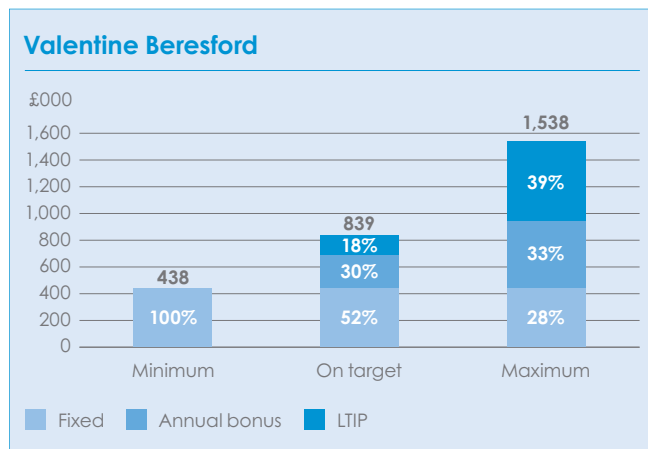
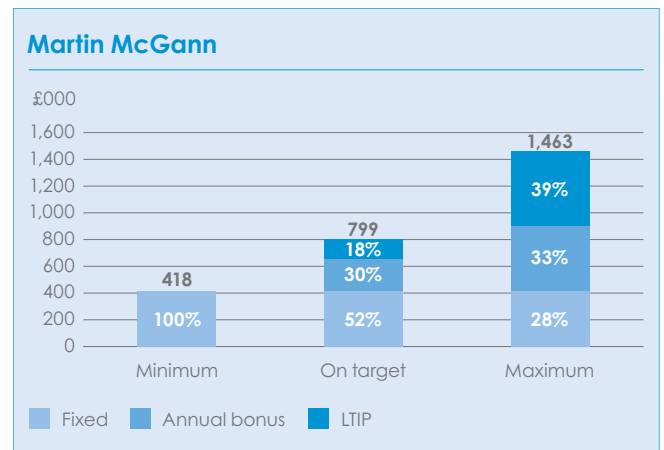
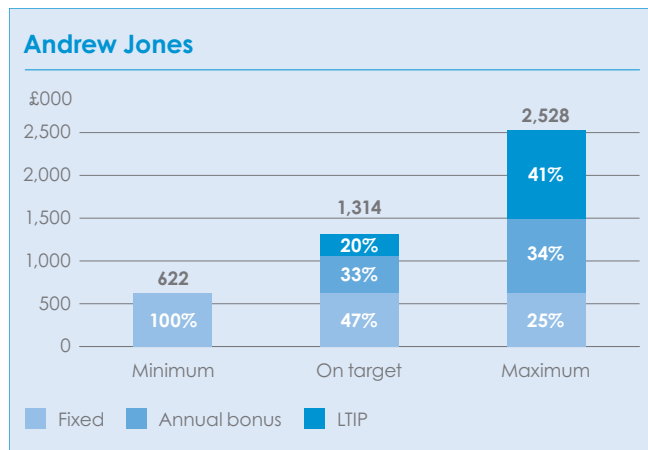
Illustration of potential remuneration for Executive Directors under the new Policy

The charts below set out the potential remuneration receivable by the Executive Directors for the year to 31 March 2018 reflecting base salaries proposed for the year commencing 1 April 2017 as reflected on page 87 and as increased from 1 June 2017.

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 the year to 31 March 2018. Benefits are as shown in the single figure remuneration table for the year for the year to 31 March 2017 on page 101.

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

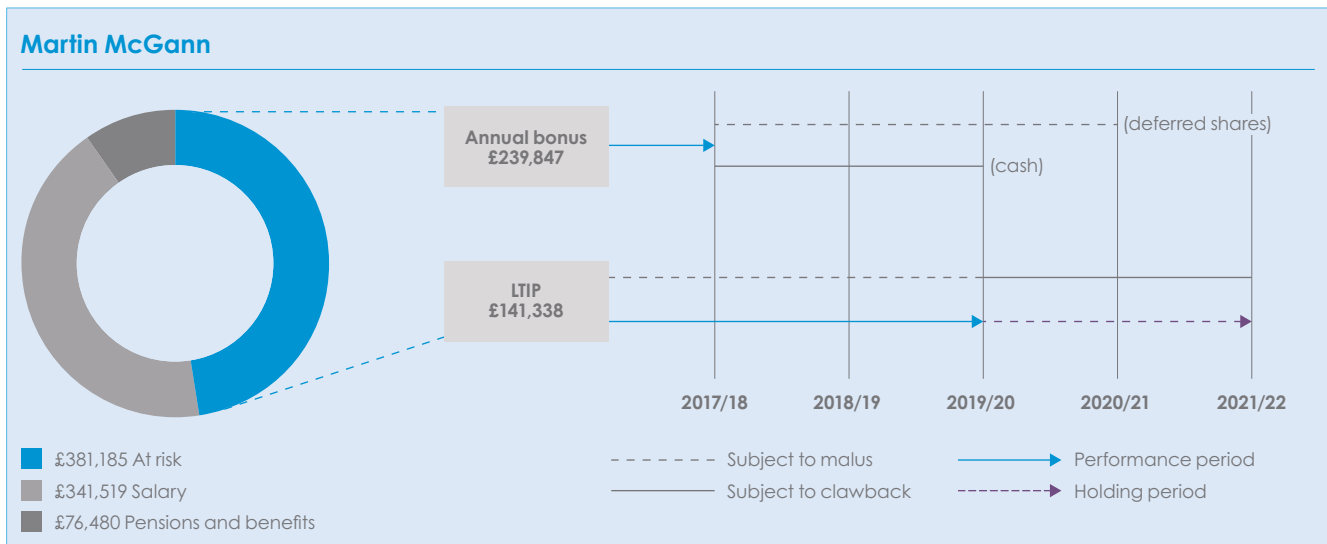
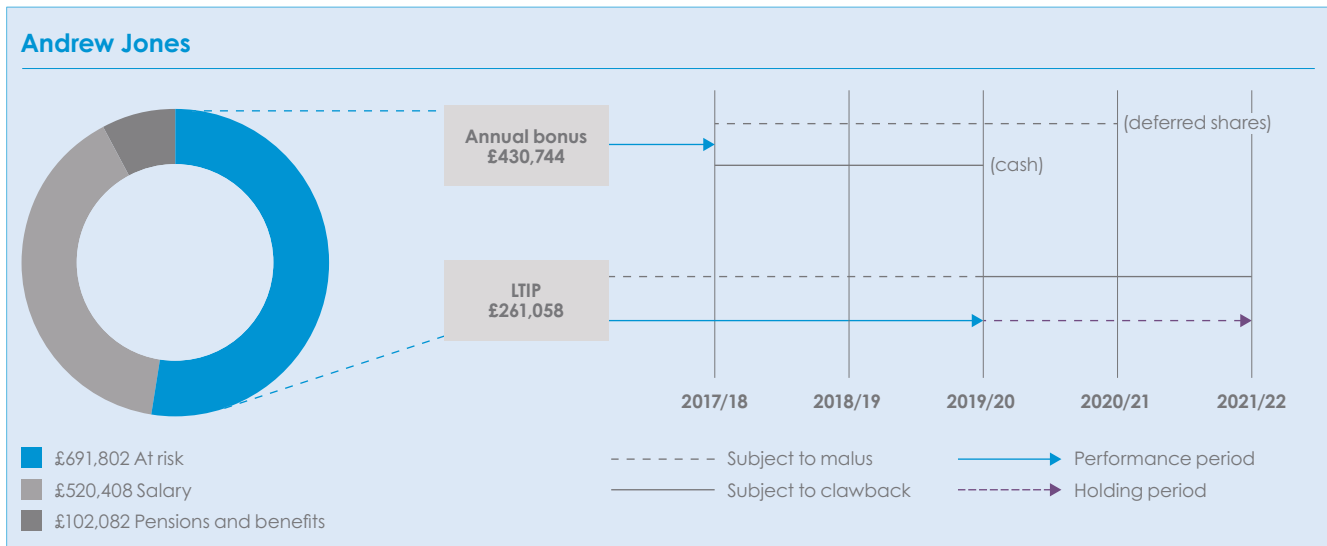
Pay at risk

The charts below set out the target remuneration for each Executive Director for the year to 31 March 2018 based on whether the elements remain 'at risk', categorised as follows:

- Payment is subject to continuing employment for a period
- Performance conditions have yet to be satisfied

- Elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting

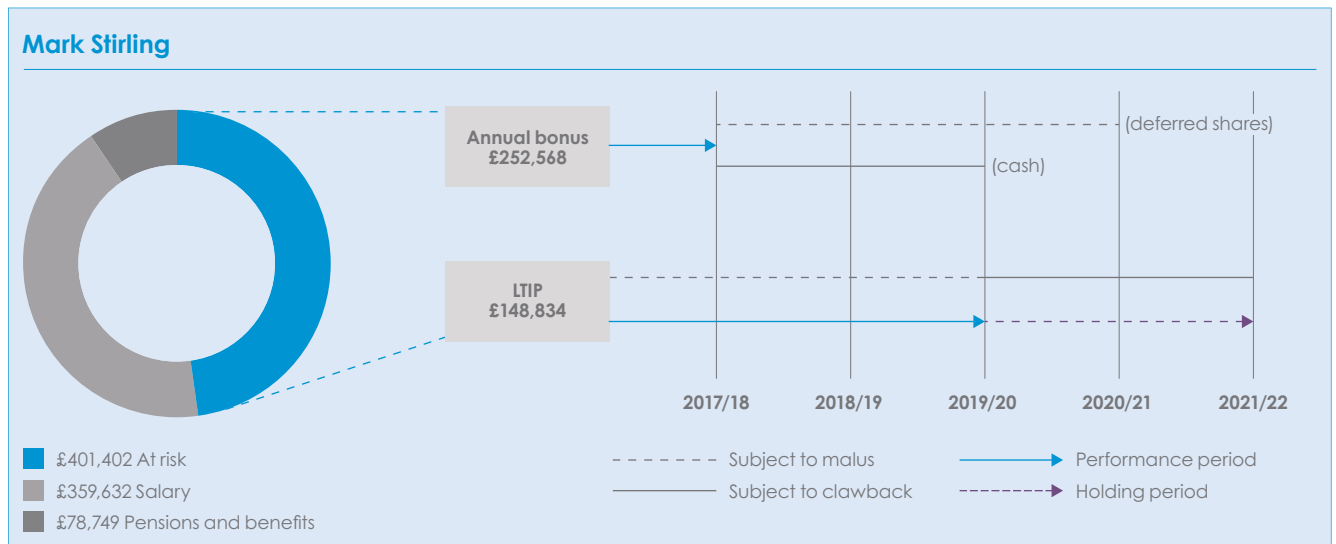
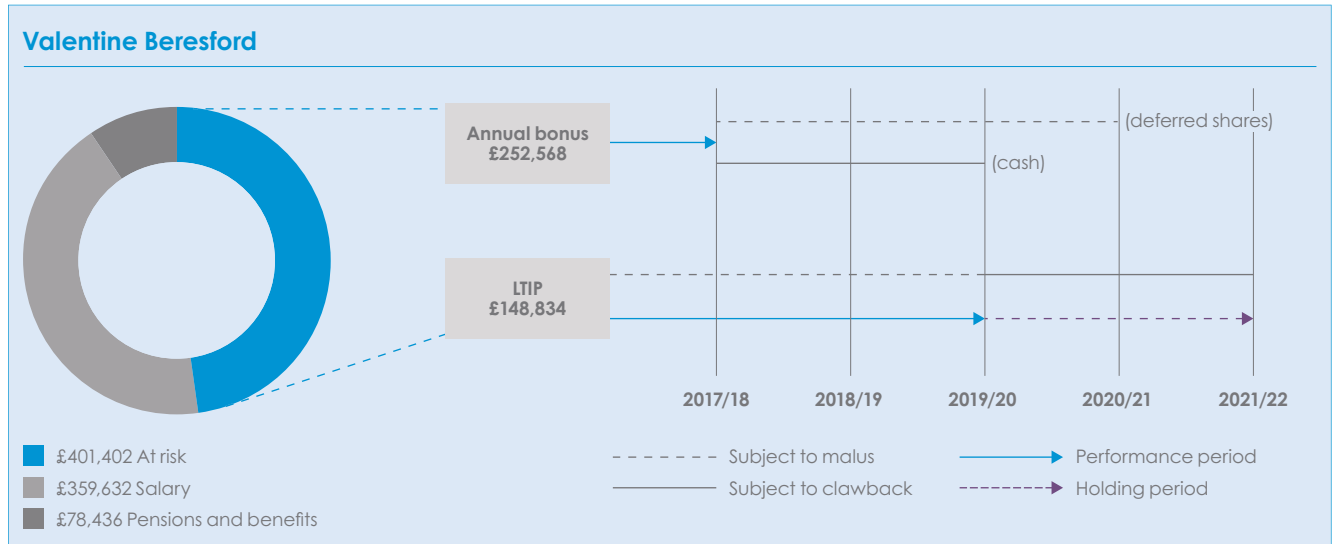
The annual bonus is at risk for three years due to the malus and clawback provisions on any paid awards, and are also at risk for one year prior to the payment of any awards due to the stretching annual performance conditions.





LTIP awards are at risk due to performance conditions and malus provisions applying for the first three years of an award. Awards are at risk for a further two years due to the holding period during which Executive Directors cannot sell shares (other than to settle tax obligations relating to the award) and awards are subject to clawback.

Figures have been calculated based on target performance (fixed elements plus 50% of maximum annual bonus and 25% of the maximum LTIP). The charts have been based on the same assumptions as set out on page 97 for the illustrations of the potential remuneration for Executive Directors for the year to 31 March 2018.



Remuneration continued

Annual Report on Remuneration

Set out below is the Annual Report on Remuneration for the year ending 31 March 2017 which provides details of how the remuneration policy was applied and how we intend to apply the proposed policy for the year to 31 March 2018. 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 at 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 the Annual 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' 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 PwC, 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 and taxation advice. PwC were appointed as advisors during the financial year under review after a competitive tender process, replacing New Bridge Street (a trading name of Aon plc). Total fees paid to New Bridge Street were £25,674 (2016: £103,195). Total fees paid to PwC in respect of remuneration advice to the Committee were £77,500. No Executive Director is involved in the determination of his own remuneration and fees for Non Executive Directors 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 of the Committee reports to the Board on proceedings and outcomes following each Committee meeting.

Meetings and activities

The Committee met on four occasions during the year.

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

- Reviewed and designed the proposed Remuneration Policy to be put forward for shareholder approval at the AGM on 11 July 2017
- Set a base EPS target for the 2016 LTIP awards and annual bonus for the year to 31 March 2017
- Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2016
- Approved the Deferred Bonus Shares vesting in the year for Executive Directors
- 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 2017 and reviewed against pay increases within the wider workplace
- Reviewed and approved the Chairman's annual fee to be fixed at £250,000 per annum until 31 March 2018
- Reviewed its own effectiveness, Terms of Reference, constitution and performance
- Reviewed and approved the Remuneration Committee Report



Single total figure of remuneration for each Director (audited)

Director	Salary and fees		Benefits ¹		Pension ²		Annual bonus ³		LTIP ⁴		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Executive												
Andrew Jones	510	500	24	24	77	75	751	583	1,000	1,610	2,362	2,792
Martin McGann	335	328	25	25	50	49	418	319	513	282	1,341	1,003
Valentine Beresford	353	301	25	24	53	103	441	336	540	871	1,412	1,635
Mark Stirling	353	346	25	25	53	52	441	336	540	871	1,412	1,630
Non Executive												
Patrick Vaughan	320	320	9	8	–	–	–	–	–	–	329	328
Charles Cayzer	31	61	–	–	–	–	–	–	–	–	31	61
Andrew Livingston	43	–	–	–	–	–	–	–	–	–	43	–
James Dean	62	61	–	–	–	–	–	–	–	–	62	61
Alec Pelmore	52	51	–	–	–	–	–	–	–	–	52	51
Andrew Varley	57	56	–	–	–	–	–	–	–	–	57	56
Philip Watson	55	51	–	–	–	–	–	–	–	–	55	51
Rosalyn Wilton	65	61	–	–	–	–	–	–	–	–	65	61

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 2017 paid 50% in cash and 50% in deferred shares

⁴ 2014 LTIP awards expected to vest in June 2017 for the performance period to 31 March 2017. 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 2017. The estimated figures disclosed in the previous annual report for 2016 vesting has been re-stated to reflect final vesting figures and the share price on the date of vesting

Annual bonus outcome for the year ended 31 March 2017

The annual bonus performance targets set for the year to 31 March 2017 and the assessment of actual performance achieved is set out in the tables below.

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 EPRA EPS and Total Property Return relative to the IPD Quarterly Universe Index re-weighted to the Company's core portfolio. 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 2017 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	61%	28%	89%	147%	751
Martin McGann	61%	28%	89%	125%	418
Valentine Beresford	61%	28%	89%	125%	441
Mark Stirling	61%	28%	89%	125%	441

Group financial targets

Performance measure	Weighting	Basis of calculation	(0%)	Range (25%)	(50%)	Maximum (100%)	Actual performance	% awarded
EPRA EPS	35%	Growth in EPRA EPS against a challenging base target	Base target 7.77p	Base target plus RPI 8.01p	Base target plus RPI plus 1% 8.09p	Base target plus RPI plus 2.67% 8.22p	8.16p	74%
Total property return (TPR)	35%	Growth in TPR against IPD Quarterly Universe index for the core portfolio	Positive growth	TPR matches index 5.94%	TPR is 1.1 times index 6.53%	TPR is 1.2 times index 7.13%	7.40%	100%

The very strong actual TPR performance compared to the targets set at the beginning of the year was due to the strong performance of distribution assets and completed developments.

Remuneration continued

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 substantially achieved their individual personal

objectives and approved a payout based on achieving 93% of the maximum level.

The table below outlines the key personal objectives set and the Committee's assessment of performance for each of the Executive Directors for the annual bonus awarded in the year to 31 March 2017.

Objective	Assessments
<p>Andrew Jones</p> <ul style="list-style-type: none"> Portfolio focus to maximise both EPS and NAV growth Recycling capital with sell down of non core and underperforming assets Focus on income growth to deliver opportunities in sustainable and progressive earnings Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers, occupiers and analysts Continue to realign 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 Focus on overhead costs to help deliver EPS growth 	<ul style="list-style-type: none"> 5.1% growth in EPRA EPS and 1.4% growth in EPRA NAV 62% invested in preferred distribution sector Like for like income growth of 4.6% WAULT maintained at 12.8 years and vacancy reduced to 0.4% Low EPRA cost ratio of 16% Held meetings with over 280 investors, of which 36% were private wealth managers Successful equity placing which was oversubscribed at a tight (1.9%) discount to the previous day's share price and 6.3% premium to the last reported EPRA NAV Robust share price performance during period of political and economic uncertainty
<p>Martin McGann</p> <ul style="list-style-type: none"> Optimising the funding structure to support the real estate strategy Diversify available funding sources 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 	<ul style="list-style-type: none"> £130 million private debt placement diversifying lending sources and increasing the average maturity Successful equity placing of 62.8 million shares Awarded GRESB Green Star for first time and EPRA sustainability Gold Award Enhanced board reporting of risk utilising risk dashboard Growth in EPRA EPS of 5.1%, WAULT maintained at 12.8 years and vacancy reduced to 0.4%
<p>Valentine Beresford</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 Increase investment into the urban logistics sector Sell down non core, ex-growth and underperforming assets Continue to strengthen team Promote the Company as 'partner of choice' with developers, vendors and agents 	<ul style="list-style-type: none"> Increased investment in distribution sector to 62% (2016: 54%) and reduced investment in out of town retail parks to 13% (2016: 20%) £107 million of distribution acquisitions, £97 million in urban logistics sector £128 million of retail sales 21 non core residential flat sales Repeat business with key developers High proportion of off market deals reflecting strong relationships with vendors, purchasers and agents
<p>Mark Stirling</p> <ul style="list-style-type: none"> Portfolio focus to deliver both income and capital growth versus IPD benchmark Continuing to increase and improve our development pipeline through new opportunities, new planning consents and new lettings Continuing focus on asset management to lengthen and strengthen our rent roll Maintain our high occupancy Retain our position as partner of choice amongst key retailers and developers 	<ul style="list-style-type: none"> Developments under construction at Crawley, Dagenham and Stoke of 0.6 million sq ft Strong portfolio metrics with like for like income growth of 4.6%, ERV growth of 3.8% and total property return of 7.4%, outperforming IPD by 280bps Increased asset management activity with 69 lettings and rent reviews Occupancy increased from 99.3% to 99.6% 70% of the logistics portfolio let to retailers



Deferred Bonus Plan

In accordance with the existing Remuneration Policy, 50% of the annual bonuses of the Executive Directors will be deferred and paid by way of shares in three equal instalments over three years, subject only 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 2016 vested on 19 June 2016. One third of the deferred shares granted on 11 June 2015 and held at 31 March 2016 also vested on 11 June 2016. Further shares representing one third of the June 2014, June 2015 and June 2016 awards are expected to vest in June 2017.

Deferred shares representing 50% of the Executive Directors' bonus entitlement for the year ended 31 March 2017 will be awarded in June 2017. The shares are held in an Employee Benefit trust which at 31 March 2017 held 4,501,794 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 2017
			At 1 April 2016	Awarded in the year	Notional dividend shares	Released in the year	
Andrew Jones	19 June 2014	360	193,682	–	4,582	(96,841)	101,423
	11 June 2015	290	185,984	–	4,457	(61,995)	128,446
	8 June 2016	291	–	181,288	6,516	–	187,804
Martin McGann	19 June 2014	166	89,329	–	2,113	(44,664)	46,778
	11 June 2015	158	101,709	–	2,437	(33,903)	70,243
	8 June 2016	159	–	99,142	3,564	–	102,706
Valentine Beresford	19 June 2014	197	105,920	–	2,506	(52,960)	55,466
	11 June 2015	167	107,105	–	2,566	(35,702)	73,769
	8 June 2016	168	–	104,400	3,752	–	108,152
Mark Stirling	19 June 2014	197	105,920	–	2,506	(52,960)	55,466
	11 June 2015	167	107,105	–	2,566	(35,702)	73,969
	8 June 2016	168	–	104,400	3,752	–	108,152

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, for 2016 this was 160.7p

Long Term Incentive Plan

Awards granted in the year to 31 March 2017 are summarised in the table below.

	Basis of award (% of salary)	Date of grant	Share awards number	Face value per share	Face value of award £000
Andrew Jones	200%	8 June 2016	637,059	160.7p	1,024
Martin McGann	165%	8 June 2016	344,909	160.7p	554
Valentine Beresford	165%	8 June 2016	363,201	160.7p	584
Mark Stirling	165%	8 June 2016	363,201	160.7p	584

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.

Remuneration continued

Performance condition	Vesting level
TSR measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of Award)	
TSR less than index over 3 years	0%
TSR equals index over 3 years ¹	25%
TSR between index and upper quartile ranked company in the index ¹	Pro rata on a straight line basis between 25% and 100%
TSR equal or better than the upper quartile ranked company in the index ¹	100%
Total Accounting Return (TAR) measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of Award)	
TAR less than index over 3 years	0%
TAR equals index over 3 years	25%
TAR between index and upper quartile ranked company in the index	Pro rata on a straight line basis between 25% and 100%
TAR equal or better than the upper quartile ranked company in the index	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 2014, 1 April 2015 and 1 April 2016 has been set at 7.0p, 7.45p and 7.77p 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 2017/18 in relation to the three year performance period commencing 1 April 2014 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	<12.27%	12.27%	18.40%	25.23%	100%
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<7.61p	7.61p	7.96p	8.16p	100%



Director	LTIP% of maximum	Estimated number of shares	Estimated face value of award ¹ £000
Andrew Jones	100%	658,138	1,000
Martin McGann	100%	337,422	513
Valentine Beresford	100%	355,320	540
Mark Stirling	100%	355,320	540

¹ The face value is based on the average share price for the three months to 31 March 2017

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 ¹					Performance Period
			At 1 April 2016	Granted in year	Notional dividend shares	Vested in year	At 31 March 2017	
Andrew Jones	19.6.2014	136.9p	635,302	–	22,836	–	658,138	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	563,917	–	20,269	–	584,186	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	–	637,059	22,898	–	659,957	1.4.2016 to 31.3.2019
Martin McGann	19.6.2014	136.9p	325,716	–	11,706	–	337,422	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	296,057	–	10,641	–	306,698	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	–	344,909	12,397	–	357,306	1.4.2016 to 31.3.2019
Valentine Beresford	19.6.2014	136.9p	342,992	–	12,328	–	355,320	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	311,759	–	11,205	–	322,964	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	–	363,201	13,055	–	376,256	1.4.2016 to 31.3.2019
Mark Stirling	19.6.2014	136.9p	342,992	–	12,328	–	355,320	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	311,759	–	11,205	–	322,964	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	–	363,201	13,055	–	376,256	1.4.2016 to 31.3.2019

¹ Awards granted as nil cost options

Directors' shareholdings and share interests (audited)

The beneficial interests in the ordinary shares of the Company held by the Directors and their families who were in office during the year and at the date of this report are set out in the table on page 106.

There were no movements in Directors' shareholdings between 31 March 2017 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 2017 and as at the date of this report. No Director had any interest or contract with the Company or any subsidiary undertaking during the year.

During the year the Executive Directors entered into individual personal loan arrangements with J P Morgan International Bank Limited and granted pledges over ordinary shares in the Company as security in connection with the loans. The loans were used to repay debt secured against various residential investment properties held personally. The number of shares pledged by each of the Directors is reflected in the table on page 106.

Remuneration continued

	Overall beneficial Interest 31 March 2017 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2016 Ordinary shares of 10p each	LTIIP shares subject to performance conditions	Deferred bonus shares	Total interests as at 31 March 2017	Share ownership as % of salary ¹	Shareholding guideline met	Number of shares pledged as at 31 March 2017
Executive Directors								
Andrew Jones	2,897,922	2,297,455	1,902,281	417,673	5,217,876	905%	Yes	2,552,922
Martin McGann	2,603,148	2,364,174	1,001,426	219,727	3,824,301	1238%	Yes	2,341,585
Valentine Beresford	2,498,400	2,171,895	1,054,540	237,587	3,790,527	1129%	Yes	2,084,523
Mark Stirling	1,992,062	1,665,557	1,054,540	237,587	3,284,189	900%	Yes	1,523,358
Non Executive Directors								
Patrick Vaughan	13,277,500	13,777,500						
Andrew Livingston	68,898	–						
James Dean	20,000	20,000						
Alec Pelmore	145,500	120,500						
Andrew Varley	47,000	47,000						
Philip Watson	264,000	214,000						
Rosalyn Wilton	50,000	50,000						

¹ Based on the Company's share price at 31 March 2017 of 159.8p and the beneficial interests of the Directors

Performance graph

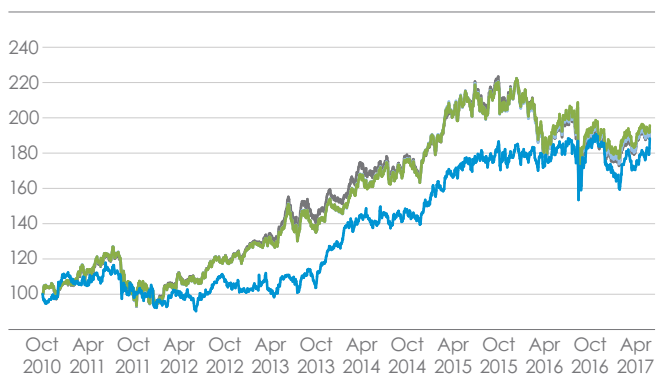
The graph shows the Group's total shareholder return (TSR) for the period from 1 October 2010, when the Company listed on the Main Market of the London Stock Exchange, to 31 March 2017, compared to the FTSE All Share REIT Index, the FTSE 350 Real Estate Index and the FTSE 350 Real Estate Super Sector 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.



— LondonMetric Property Plc
— FTSE All Share REIT Index
— FTSE 350 Real Estate Index
— FTSE 350 Real Estate Super Sector Index



— LondonMetric Property Plc
— FTSE All Share REIT Index
— FTSE 350 Real Estate Index
— FTSE 350 Real Estate Super Sector Index



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 2017.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2017	2,362	89	100
2016	2,792	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's 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%	4%	29%
Other employees (excluding Chief Executive)	3%	7%	20%

The increase in the Chief Executive's annual bonus this year was due to the implementation of a higher bonus opportunity of 165% as reported last year.

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.

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.

	2017 £000	2016 £000	% change
Employee costs ¹	9,716	9,734	(0.2)%
Dividends ²	45,904	43,689	5.1%

¹ Figures taken from note 4 Administration expenses on page 125 and are stated before any amounts capitalised and exclude share scheme costs

² Figures taken from note 7 Dividends on page 127

Statement of voting at AGM

At the AGM on 14 July 2016, the Annual Report on Remuneration was approved with votes from shareholders representing 74% of the issued share capital of the Company.

At the 2014 AGM on 17 July 2014, the Directors' Remuneration Policy was approved with votes from shareholders representing 68% of the issued share capital at the time. The details of these outcomes are below.

	2016 Annual Report on Remuneration		2014 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	455,814,470	98.48	415,767,605	98.82
Against	7,035,728	1.52	4,948,010	1.18
Withheld	11,500		6,977,296	
Total	462,861,698		427,692,911	

Statement of implementation of Remuneration Policy for the year ending 31 March 2018

The table on page 87 illustrates how we intend to implement our policy over the next financial year and gives details of remuneration payments and targets.

James Dean

James Dean
Chairman of the Remuneration Committee
31 May 2017

Report of the Directors



Martin McGann
Finance Director

The Directors present their report together with the audited financial statements for the year ended 31 March 2017.

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

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 11 July 2017.

The Notice of Meeting on pages 149 to 153 sets out the proposed resolutions and voting details.

The Board considers that the resolutions 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 23,864,430 shares representing approximately 3.4% of the existing issued ordinary share capital of the Company as at 30 May 2017.

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:

Shareholder	Number of shares	%
Rathbones	49,841,706	7.19
BlackRock Inc	46,412,504	6.70
Troy Asset Management	34,981,138	5.05
Cohen & Steers Inc	34,565,410	4.99
Ameriprise Financial Inc	25,448,848	3.67
Aberdeen Asset Managers	22,058,071	3.18
LaSalle Investment Management	21,703,121	3.13
The Vanguard Group Inc	20,796,019	3.00

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, its business model and strategy and its approach to responsible business is contained in the Strategic report on pages 1 to 56 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 £63.0 million (2016: £82.7 million). A second interim dividend for 2016 of 3.75p per share and the first two quarterly dividends for 2017 totalling 3.6p per share were paid in the year, of which 6.2p was paid as a Property Income Distribution (PID).

The third quarterly dividend of 1.8p was paid following the year end on 18 April 2017 as a PID. The Directors have approved a fourth quarterly dividend of 2.1p per share payable on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017, of which 1.3p will be paid as a PID.

The total dividend charge for the year to 31 March 2017 was 7.5p per share, an increase of 0.25p or 3.4% over the previous year.

Of the total dividend for 2017 of 7.5p, 6.7p was paid as a PID as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 0.8p 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 2017 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £1,533.8 million including the Group's share of joint venture property as reflected in notes 9 and 10 to these accounts.

Share capital

As at 31 March 2017, there were 692,382,431 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 108.

On 27 March 2017 the Company issued 62,804,390 new ordinary shares at a price of 152p per share, as a result of a successful equity placing. The Company pre-marketed the placing largely to its top shareholders ahead of announcing.

The placing was oversubscribed with strong support from existing shareholders and several new investors.

A placing is an issue of shares directly to certain shareholders. There are regulatory restrictions on placings designed to protect the rights of existing shareholders which the Company adhered to.

At the 2016 AGM, shareholders gave the Company authority to allot shares up to a maximum amount of £20,934,797, representing one third of the Company's issued share capital as at 31 May 2016 and to allot shares up to a maximum nominal value of £6,280,439, representing approximately 10% of the Company's issued share capital at 31 May 2016 without having to first offer those shares to existing shareholders. The Company used the authority given to it at the 2016 AGM to issue the shares in connection with the placing, which represented a 9.99% increase to the issued share capital as at 31 May 2016.

The placing raised gross proceeds of £95.5 million and the net cash received after deducting costs was £92.8 million which will be used to fund committed acquisitions and the development pipeline. The price reflected a 1.9% discount to the previous day's share price and a 6.3% premium to last reported EPRA net asset value.

The fundraising structure of a placing allowed the Company to raise funds within less than one week, reducing equity market risk and giving a high certainty of success.

In addition the Company issued 1,534,136 ordinary shares under the terms of its Scrip Dividend Scheme in the year. Since the year end the Company issued a further 589,633 ordinary shares in relation to the third quarterly dividend scrip alternative.

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 2016 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 60 and 61.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 82.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for re-election at the forthcoming AGM on 11 July 2017.

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.

Employees

At 31 March 2017 the Group had 38 employees including all Directors. The Company encourages employee involvement and consultation and invests time in ensuring staff are informed of the Group's transactions, activities and performance through internal email communication of corporate announcements and regular briefings and presentations. Its interim and annual results presentations are delivered to all staff along with other relevant employee matters including Health and Safety.

Certain employees are eligible to participate in the annual bonus and LTIP arrangements, helping to develop an interest in the Group's performance and align rewards with Directors' incentive arrangements.

The Company operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment made by people with disabilities, having regard to their skills and abilities, and to the continued employment of staff who become disabled.

The Company encourages the continuous development and training of its staff and the provision of equal opportunities for the training and career development of disabled employees.

The Company provides retirement benefits for its employees excluding Non Executive Directors.

Further information relating to employees can be found on page 56 of the Strategic report.

Report of the Directors continued

The environment

Details of our approach to responsible business and its aims and activities can be found on the Company's website www.londonmetric.com, where a full version of the annual Responsible Business report can be downloaded. An overview of our responsible business activity can be found on pages 48 to 56 of this report.

The Group recognises the importance of minimising the adverse impact of its operations on the environment and the management of energy consumption and waste recycling.

The Group strives to improve its environmental performance and regularly reviews its management system and policy to ensure it maintains its commitment to environmental matters.

Shares held in the Employee Benefit Trust

The Trustees of the LondonMetric Long Term Incentive Plan hold 4,501,794 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.

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 2017 was 15 days (2016: 16 days).

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 Risk management report on page 40.

Charitable and political contributions

During the year, the Group made charitable donations of £35,695 (2016: £20,000). No political donations were made during the year (2016: £nil).

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.

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 51.

Post balance sheet events

Details of the Group's post balance sheet events are reflected in note 19 to these financial statements on page 137.

Listing rule disclosures

The information required to be disclosed in accordance with LR 9.8.4R can be found in this report on the following pages:

Interest capitalised	page 126
Details of long term and incentive schemes	pages 91 and 103 to 105
Non pre-emptive issue of equity	page 109
Shareholder waivers of dividends	page 110

All other subsections of LR 9.8.4R are not applicable.

Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are on pages 40 to 47.

The Group's financial position, cash flows and liquidity, borrowings, undrawn facilities and hedging are described in note 14 to the accounts and in the Financial review on page 39.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance, property valuations and planned capital expenditure. As part of this review, the Group has considered its cash balances and undrawn facilities, future capital commitments, its debt maturity profile 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 financial statements for the year to 31 March 2017.

Viability statement

The Company's statement on viability is presented on page 41.

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 11 July 2017.

On behalf of the Board



Martin McGann
Finance Director
31 May 2017

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
31 May 2017



Andrew Jones
Chief Executive
31 May 2017

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 2017 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'
- 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 that we have audited comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 19 for the Group and notes i to vii for the Company. 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. 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'.

Summary of our audit approach

Key risk	The key risk that we identified in the current year was the assessment of the carrying value of the investment property portfolio.
Materiality	The materiality that we used in the current year was £20.1 million based on 2% of equity. For testing of balances that impacted EPRA earnings, we used a lower materiality of £2.6 million based on 5% of that measure.
Scoping	The Group is subject to a full scope audit on 100% of net assets, revenue and profit before tax.
Significant changes in our approach	There has been no change to the basis upon which materiality is calculated, our identified risks or our approach in scoping the audit from the prior year.

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 are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 40 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 41 to 47 that describe those risks and explain how they are being managed or mitigated
- the Directors' statement in note 1 to the financial statements 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 12 months from the date of approval of the financial statements
- the Directors' explanation on page 41 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

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 confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

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.

Valuation of investment property

Risk description	How the scope of our audit responded to the risk	Key observations
<p>The Group owns a portfolio of largely retail and distribution property assets, which is valued at £1,534 million (2016: £1,521 million), including share of joint venture properties, as at 31 March 2017. 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 77 (Audit Committee report), page 121 (accounting policy) and note 9 on pages 129 and 130 (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 concluded that the assumptions applied in arriving at the fair value of the Group's property portfolio by the external valuers were appropriate.</p>

Property transaction accounting

Risk description	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 £151.0 million and disposals for total proceeds of £201.9 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 78 (Audit Committee report), page 121 (accounting policy) and note 9 on pages 129 and 130 (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>We concluded that all property transactions had been appropriately accounted for.</p>

Revenue recognition

Risk description	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 2017 was £83 million (2016: £79 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 lease contracts.</p> <p>Refer to page 77 (Audit Committee report), page 121 (accounting policy) and note 3 on page 125 (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>We concluded that revenue was appropriately accounted for.</p>

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.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	We determined materiality for the Group to be £20.1 million (2016: £17.9 million). We consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £2.6 million (2016: £2.4 million) 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.
Basis for determining materiality	Materiality for the Group is based on 2% (2016: 2%) of shareholders' equity. For EPRA Earnings the basis used is 5% (2016: 5%) of that measure.
Rationale for the benchmark applied	As an investment property company, the main focus of management is to generate long term capital value from the investment property portfolio and, therefore, we consider equity to be the most appropriate basis for materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2016: £0.4 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.

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.

Based on that assessment, and consistent with our conclusion on scoping in the prior year, our full scope audit is performed on 100% (2016: 100%) of the Group's net assets, and 100% (2016: 100%) of revenue and profit before tax.

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, based on the work undertaken in the course of the audit:

- the part of the Directors' Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006
- 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
- the Strategic report and the Report of the Directors have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Report of the Directors.

Independent Auditor's report to the members of LondonMetric Property Plc continued

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
- 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
- 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.

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' Report on Remuneration 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
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit
- 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

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

31 May 2017

Group income statement

For the year ended 31 March

	Note	2017 £000	2016 £000
Gross rental income		73,905	67,948
Property operating expenses		(814)	(830)
Net rental income	3	73,091	67,118
Property advisory fee income		1,713	2,191
Net income		74,804	69,309
Administrative costs	4	(13,268)	(13,636)
Amortisation of intangible asset		(182)	(315)
Total administrative costs		(13,450)	(13,951)
Profit on revaluation of investment properties	9	22,200	51,063
(Loss)/profit on sale of investment properties		(4,503)	2,359
Share of profits of joint ventures	10	3,560	4,528
Operating profit		82,611	113,308
Finance income		1,740	2,182
Finance costs	5	(21,340)	(32,748)
Profit before tax		63,011	82,742
Taxation	6	(13)	(18)
Profit for the year and total comprehensive income		62,998	82,724
Earnings per share			
Basic and diluted	8	10.1p	13.3p
EPRA	8	8.2p	7.8p

All amounts relate to continuing activities.

The notes on pages 121 to 137 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2017 £000	2016 £000
Non current assets			
Investment properties	9	1,373,400	1,346,110
Investment in equity accounted joint ventures	10	107,567	119,666
Intangible assets		–	182
Other tangible assets		310	392
		1,481,277	1,466,350
Current assets			
Trade and other receivables	11	18,758	16,049
Cash and cash equivalents	12	42,944	42,621
		61,702	58,670
Total assets		1,542,979	1,525,020
Current liabilities			
Trade and other payables	13	46,395	35,343
		46,395	35,343
Non current liabilities			
Borrowings	14	466,319	567,910
Derivative financial instruments	14	23,350	23,570
		489,669	591,480
Total liabilities		536,064	626,823
Net assets		1,006,915	898,197
Equity			
Called up share capital	16	69,238	62,804
Share premium		88,548	–
Capital redemption reserve		9,636	9,636
Other reserve		221,374	222,936
Retained earnings		618,119	602,821
Equity shareholders' funds		1,006,915	898,197
Net asset value per share	8	146.4p	143.9p
EPRA net asset value per share	8	149.8p	147.7p

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2017 and were signed on its behalf by:

Martin McGann

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 121 to 137 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2016		62,804	–	9,636	222,936	602,821	898,197
Profit for the year and total comprehensive income		–	–	–	–	62,998	62,998
Equity placing		6,280	86,492	–	–	–	92,772
Purchase of shares held in trust		–	–	–	(5,195)	–	(5,195)
Vesting of shares held in trust		–	–	–	3,633	(3,629)	4
Share based awards		–	–	–	–	1,833	1,833
Dividends	7	154	2,056	–	–	(45,904)	(43,694)
At 31 March 2017		69,238	88,548	9,636	221,374	618,119	1,006,915

	Note	Share capital £000	Share premium £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	7	–	–	–	–	(56,171)	(56,171)
At 31 March 2016		62,804	–	9,636	222,936	602,821	898,197

The notes on pages 121 to 137 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before tax	63,011	82,742
Adjustments for non cash items:		
Profit on revaluation of investment properties	(22,200)	(51,063)
Loss/(profit) on sale of investment properties	4,503	(2,359)
Share of post tax profit of joint ventures	(3,560)	(4,528)
Movement in lease incentives	293	(5,173)
Share based payment	1,833	1,606
Amortisation of intangible asset	182	315
Net finance costs	19,600	30,566
Cash flows from operations before changes in working capital	63,662	52,106
Change in trade and other receivables	902	2,360
Change in trade and other payables	9,686	(165)
Cash flows from operations	74,250	54,301
Interest received	64	50
Interest paid	(17,149)	(16,516)
Tax paid	(34)	(8)
Financial arrangement fees and break costs	(6,340)	(6,960)
Cash flows from operating activities	50,791	30,867
Investing activities		
Purchase of investment properties	(147,348)	(179,000)
Purchase of other tangible assets	–	(60)
Capital expenditure on investment properties	(19,387)	(43,584)
Lease incentives paid	(6,495)	(26,006)
Sale of investment properties	165,035	123,353
Investments in joint ventures	(450)	(10)
Distributions from joint ventures	16,109	33,238
Cash flow from investing activities	7,464	(92,069)
Financing activities		
Dividends paid	(43,694)	(56,171)
Proceeds from issue of ordinary shares	92,772	–
Purchase of shares held in trust	(5,195)	(419)
Vesting of shares held in trust	4	306
New borrowings	226,181	478,275
Repayment of loan facilities	(328,000)	(368,736)
Cash flows from financing activities	(57,932)	53,255
Net increase/(decrease) in cash and cash equivalents	323	(7,947)
Opening cash and cash equivalents	42,621	50,568
Closing cash and cash equivalents	42,944	42,621

The notes on pages 121 to 137 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2017

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 154. 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 56.

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 110.

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 estimated 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 IFRS 3.

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.

Presentation of information

The Group operates through a number of joint venture operations which are accounted for under the equity method as described in Section d(ii) of this note. As management monitor the business on a proportionately consolidated basis, the information presented in the Strategic report is consistent with this approach.

In addition, EPRA performance measures are presented as Key Performance Indicators and in the Strategic report in line with other public real estate companies to highlight the recurring performance of the Group. There is a reconciliation between IFRS reported profit and net assets and the equivalent EPRA measures in note 8 to these financial statements.

REIT status

The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

Notes forming part of the Group financial statements

For the year ended 31 March 2017 continued

1 Significant accounting policies (continued)

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: 2012 – 2014	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
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
IAS 1 and IAS 7	Disclosure Initiative
Amendments to IFRS 10, IFRS 12 and IAS 28	Applying the Consolidation Exception

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 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
IAS 40 (amendments)	Transfers of Investment Property
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 12

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 the timing of 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
- 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.

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) Profit and loss on sale of investment properties

Profits and losses 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 amortised cost 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 of three months or less.

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 2017 continued

1 Significant accounting policies (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

i) Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

j) Shares held in Trust

The cost of the Company's shares held by the Employee Benefit Trust is deducted from equity in the Group balance sheet. Any shares held by the Trust are not included in the calculation of earnings or net assets per share.

k) Dividends

Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

2 Segmental information

As at 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Property value						
Distribution	921,165	6,172	927,337	778,340	6,068	784,408
Retail	290,020	114,800	404,820	360,505	114,323	474,828
Leisure	63,245	–	63,245	68,970	–	68,970
Offices	70,000	–	70,000	80,200	–	80,200
Residential	1,655	39,456	41,111	1,545	54,350	55,895
Development	27,315	–	27,315	56,550	–	56,550
	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851

For the year to 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Gross rental income						
Distribution	46,144	411	46,555	37,252	583	37,835
Retail	19,251	7,747	26,998	20,473	9,112	29,585
Leisure	4,421	–	4,421	5,593	–	5,593
Offices	3,941	–	3,941	4,471	–	4,471
Residential	68	953	1,021	79	1,389	1,468
Development	80	–	80	80	–	80
	73,905	9,111	83,016	67,948	11,084	79,032

For the year to 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Net rental income						
Distribution	46,200	412	46,612	37,115	573	37,688
Retail	18,677	7,683	26,360	19,835	9,053	28,888
Leisure	4,421	–	4,421	5,581	–	5,581
Offices	3,678	–	3,678	4,434	–	4,434
Residential	32	603	635	71	943	1,014
Development	83	–	83	82	–	82
	73,091	8,698	81,789	67,118	10,569	77,687

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 rental income

For the year to 31 March	2017 £000	2016 £000
Gross rental income	73,905	67,948
Property operating expenses	(814)	(830)
	73,091	67,118

For the year to 31 March 2017, 14% of the Group's gross rental income was receivable from one tenant. For the comparative period, 22% of the Group's gross rental income was receivable from two tenants.

4 Administration expenses

a) Total administration expenses

For the year to 31 March	2017 £000	2016 £000
Staff costs	9,787	9,852
Auditor's remuneration	184	183
Depreciation	105	103
Other administrative expenses	3,192	3,498
	13,268	13,636

b) Staff costs

For the year to 31 March	2017 £000	2016 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	8,720	8,567
Less staff costs capitalised	(1,762)	(1,488)
	6,958	7,079
Social security costs	720	724
Pension costs	276	443
Share based payment	1,833	1,606
	9,787	9,852

The emoluments and pension benefits of the Directors are set out in detail within the Remuneration Committee report on page 101.

The long term share incentive plan ('LTIP') 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, total shareholder return and total accounting 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 £1.8 million (2016: £1.6 million).

The Company awarded 2,196,467 LTIP shares during the year, 1,708,370 of which were awarded to Executive Directors as shown in the Remuneration Committee report on page 103. The cost of acquiring the shares expected to vest under the LTIP of £5.2 million has been charged to reserves.

Employee costs of £1.8 million (2016: £1.5 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 2017 continued

4 Administration expenses (continued)

c) Staff numbers

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

	2017 Number	2016 Number
Head office and property management	33	35

d) Auditor's remuneration

For the year to 31 March	2017 £000	2016 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	74	74
Audit of subsidiary financial statements, pursuant to legislation	79	79
Audit related assurance services	26	26
Other fees:		
Other advisory services	–	–
Total fees for audit and other services	179	179

In addition to the above audit fees, £31,000 (2016: £31,000) was due to the Group's auditor in respect of its joint venture operations (excluding LMP Retail Warehouse JV Property Unit Trust).

5 Finance costs

For the year to 31 March	2017 £000	2016 £000
Interest payable on bank loans and related derivatives	16,916	15,641
Debt and hedging early close out costs	3,516	77
Amortisation of loan issue costs	1,409	1,404
Commitment fees and other finance costs	1,643	1,595
Total borrowing costs	23,484	18,717
Less amounts capitalised on the development of properties	(1,924)	(2,669)
Net borrowing costs	21,560	16,048
Fair value (profit)/loss on derivative financial instruments	(220)	16,700
Total finance costs	21,340	32,748

In April 2016 the Company bought down £66.3 million legacy out of the money interest rate swaps at a cost of £3.5 million.

6 Taxation

For the year to 31 March	2017 £000	2016 £000
The tax charge comprises:		
Current tax		
UK tax charge on profit	13	18

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

For the year to 31 March	2017 £000	2016 £000
Profit before tax	63,011	82,742
Tax at the standard rate of corporation tax in the UK of 20% (2016: 20%)	12,602	16,548
Effects of:		
Expenses not deductible for tax purposes	36	63
Tax effect of income not subject to tax	(11,913)	(15,687)
Share of post tax profit of joint ventures	(712)	(906)
UK tax charge on profit	13	18

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

For the year to 31 March	2017 £000	2016 £000
Ordinary dividends paid		
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
2016 Second interim dividend: 3.75p per share	23,404	–
2017 First quarterly interim dividend: 1.8p per share	11,257	–
2017 Second quarterly interim dividend: 1.8p per share	11,243	–
	45,904	56,171
Quarterly dividend payable in 2017/18		
2017 Third quarterly interim dividend: 1.8p per share	11,269	
2017 Fourth quarterly interim dividend: 2.1p per share	14,458	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.8p per share, wholly as a Property Income Distribution (PID), on 18 April 2017 to ordinary shareholders on the register at the close of business on 17 March 2017.

The fourth quarterly interim dividend for 2017 of 2.1p per share, of which 1.3p is payable as a PID, will be payable on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017. A scrip dividend alternative will be offered to shareholders as it was for the first three quarterly dividend payments.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the year to 31 March 2018.

During the year the Company issued 1,534,136 ordinary shares in relation to the first two quarterly dividends which reduced the cash dividend payment by £2.2 million to £43.7 million.

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	2017 £000	Group £000	JV £000	2016 £000
Gross rental income	73,905	9,111	83,016	67,948	11,084	79,032
Property costs	(814)	(413)	(1,227)	(830)	(515)	(1,345)
Net income	73,091	8,698	81,789	67,118	10,569	77,687
Management fees	1,713	(732)	981	2,191	(865)	1,326
Administrative costs	(13,268)	(85)	(13,353)	(13,636)	(172)	(13,808)
Net finance costs ¹	(16,304)	(2,094)	(18,398)	(13,789)	(2,947)	(16,736)
Other	(13)	–	(13)	(18)	–	(18)
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451

¹ Group net finance costs reflect net borrowing costs of £21,560,000 (note 5) less early close out costs of £3,516,000 (note 5) and finance income of £1,740,000

Notes forming part of the Group financial statements

For the year ended 31 March 2017 continued

8 Earnings and net assets per share (continued)

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

For the year to 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451
Revaluation of investment property	22,200	(1,227)	20,973	51,063	(1,276)	49,787
Fair value of derivatives	220	108	328	(16,700)	(132)	(16,832)
Debt and hedging early close out costs	(3,516)	(126)	(3,642)	(77)	(411)	(488)
(Loss)/profit on disposal	(4,503)	(982)	(5,485)	2,359	(238)	2,121
Amortisation of intangible assets	(182)	–	(182)	(315)	–	(315)
IFRS reported profit	59,438	3,560	62,998	78,196	4,528	82,724

b) Earnings per ordinary share

For the year to 31 March	2017 £000	2016 £000
Basic and diluted earnings	62,998	82,724
EPRA adjustments ¹	(11,992)	(34,273)
EPRA earnings	51,006	48,451

¹ Adjustments shown in table reconciling EPRA earnings with IFRS reported profit

For the year to 31 March	2017 Number of shares '000	2016 Number of shares '000
Weighted average number of ordinary shares¹	625,457	624,159

¹ Excludes shares held in the LondonMetric Property Plc Employee Benefit Trust

Basic and diluted earnings per share	10.1p	13.3p
EPRA earnings per share	8.2p	7.8p

c) Net assets per share

As at 31 March	2017 £000	2016 £000
Equity shareholders' funds	1,006,915	898,197
Fair value of derivatives	23,350	23,570
Fair value of joint ventures' derivatives	229	338
EPRA net asset value	1,030,494	922,105

As at 31 March	2017 Number of shares '000	2016 Number of shares '000
Ordinary share capital	692,383	628,044
Number of shares held in employee trust	(4,502)	(3,945)
Number of ordinary shares	687,881	624,099
Basic net asset value per share	146.4p	143.9p
EPRA net asset value per share	149.8p	147.7p

Further EPRA performance measures are reflected in the Supplementary notes on pages 143 to 147.

9 Investment properties

a) Investment properties

	2017			2016		
	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
As at 31 March						
Opening balance	1,289,560	56,550	1,346,110	1,033,045	131,095	1,164,140
Acquisitions	81,043	60,840	141,883	109,546	70,290	179,836
Other capital expenditure	18,055	7,901	25,956	13,720	34,665	48,385
Disposals	(174,965)	(650)	(175,615)	(128,493)	–	(128,493)
Property transfers	103,976	(103,976)	–	204,823	(204,823)	–
Revaluation movement	15,615	6,585	22,200	41,991	9,072	51,063
Movement in tenant incentives and rent free uplifts	12,801	65	12,866	14,928	16,251	31,179
	1,346,085	27,315	1,373,400	1,289,560	56,550	1,346,110

Investment properties are held at fair value as at 31 March 2017 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 2017 was £40.9 million (2016: £62.8 million).

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value as set out in note 1. 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 £102.0 million (2016: £93.9 million). All other properties are freehold.

Included within the investment property valuation is £65.3 million (2016: £52.5 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 2017 was £1,135.5 million (2016: £1,127.9 million).

Capital commitments have been entered into amounting to £57.8 million (2016: £85.5 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.8 million (2016: £1.5 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £52.7 million have been classified within investment property under development as acquisitions.

b) Valuation technique and quantitative information

Asset type	Fair value 2017 £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	290,020	Yield capitalisation	17.03	9.01-27.00	5.50	4.14-8.01	5.37	4.14-8.01
Leisure	63,245	Yield capitalisation	14.13	9.93-17.50	5.84	5.39-7.50	5.47	5.06-7.50
Distribution	921,165	Yield capitalisation	5.92	3.95-12.00	5.00	4.15-6.98	5.18	4.30-7.66
Office	70,000	Yield capitalisation	25.03	25.03	6.45	6.45	7.57	7.57
Residential	1,655	Comparison	n/a	n/a	n/a	n/a	n/a	n/a
Development	27,315	Residual	n/a	n/a	n/a	n/a	n/a	n/a

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 2017. The fair value at 31 March 2017 represents the highest and best use.

Notes forming part of the Group financial statements

For the year ended 31 March 2017 continued

9 Investment properties (continued)

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.

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 2017, 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 Ltd	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 two assets in the year for £18.4 million (Group share: £9.2 million) and disposed of three assets for gross proceeds of £15.9 million (Group share: £8.0 million).

The LMP Retail Warehouse joint venture disposed of one asset in Maidstone for £12.0 million (Group share: £3.7 million).

The Group also disposed of 21 residential flats for £27.0 million (Group share: £10.8 million) through its 40% interest in LSP London Residential Investments Limited in the year. The associated bank loan was repaid in full in the year.

At 31 March 2017, 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 by joint ventures at 31 March 2017 was £1.6 million (Group share: £0.7 million), (2016: £17.4 million and Group share £8.7 million).

10 Investment in joint ventures (continued)

The movement in the carrying value of joint venture interests in the year is summarised as follows:

	2017 £000	2016 £000
As at 31 March		
Opening balance	119,666	148,366
Additions at cost	450	10
Share of profit in the year	3,560	4,528
Disposals	(5,384)	(14,110)
Profit distributions received	(10,725)	(19,128)
	107,567	119,666

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	Total 2017 £000	Group share 2017 £000
Summarised income statement					
Gross rental income	10,290	9,881	2,381	22,552	9,111
Property costs	(115)	(20)	(874)	(1,009)	(413)
Net rental income	10,175	9,861	1,507	21,543	8,698
Administration expenses	(24)	(93)	(77)	(194)	(85)
Management fees	(774)	(384)	(570)	(1,728)	(732)
Revaluation	5,123	(2,035)	(7,921)	(4,833)	(1,227)
Finance income	39	2	3	44	22
Finance cost	(2,766)	(2,365)	(343)	(5,474)	(2,242)
Movement in derivatives	251	(80)	19	190	108
(Loss)/profit on disposal	(95)	977	(3,080)	(2,198)	(982)
Tax	(1)	–	–	(1)	–
Profit/(loss) after tax	11,928	5,883	(10,462)	7,349	3,560
EPRA adjustments:					
Revaluation	(5,123)	2,035	7,921	4,833	1,227
Movement in derivatives	(251)	80	(19)	(190)	(108)
Loss/(profit) on disposal	95	(977)	3,080	2,198	982
Debt and hedging early close out costs	204	–	60	264	126
EPRA earnings	6,853	7,021	580	14,454	5,787
Group share of EPRA earnings	3,426	2,128	233	5,787	
Summarised balance sheet					
Investment properties	174,370	110,775	98,641	383,786	160,428
Other current assets	268	–	289	557	240
Cash	4,029	779	2,371	7,179	3,200
Current liabilities	(3,089)	(1,021)	(526)	(4,636)	(2,068)
Bank debt	(75,900)	(54,470)	–	(130,370)	(54,563)
Unamortised finance costs	716	658	–	1,374	559
Derivative financial instruments	(462)	6	–	(456)	(229)
Net assets	99,932	56,727	100,775	257,434	107,567
Group share of net assets	49,967	17,290	40,310	107,567	

Notes forming part of the Group financial statements

For the year ended 31 March 2017 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 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
Group share of EPRA earnings	4,014	2,387	168	21	(5)	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 of net assets	50,569	19,472	49,615	10	–	119,666	

11 Trade and other receivables

	2017 £000	2016 £000
As at 31 March		
Trade receivables	280	1,771
Amounts receivable from property sales	14,931	11,402
Prepayments and accrued income	3,455	2,744
Other receivables	92	132
	18,758	16,049

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 2017 there were no trade receivables which were overdue and considered at risk (2016: none).

12 Cash and cash equivalents

Cash and cash equivalents include £5.3 million (2016: £4.9 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	2017 £000	2016 £000
Trade payables	9,118	4,780
Amounts payable on property acquisitions and disposals	1,832	9,595
Rent received in advance	13,724	12,160
Accrued interest	1,664	1,897
Other payables	3,102	525
Other accruals	16,955	6,386
	46,395	35,343

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	2017 £000	2016 £000
Secured bank loans	196,170	179,989
Unsecured bank loans	277,000	395,000
Unamortised finance costs	(6,851)	(7,079)
	466,319	567,910

On 21 September 2016 the Group entered into a £130 million private placement at a blended fixed coupon of 2.7% and a weighted average maturity of 8.3 years. The proceeds were used to repay debt drawn under the existing unsecured credit facility.

Certain bank loans at 31 March 2017 are secured by fixed charges over Group investment properties with a carrying value of £388.6 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.

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.

Notes forming part of the Group financial statements

For the year ended 31 March 2017 continued

14 Borrowings and financial instruments (continued)

ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group actively maintains a mixture of long term and short term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's funding sources are diversified across a range of banks and institutions. 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 £42.9 million (2016: £42.6 million) and available and undrawn bank loan facilities at 31 March 2017 of £296.8 million (2016: £64.9 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 2017					
Bank loans	12,245	12,245	265,620	251,672	541,782
Derivative financial instruments	5,712	6,500	21,529	16	33,757
	17,957	18,745	287,149	251,688	575,539
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

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 2017, 87% of the Group's exposure (including share of joint ventures) to interest rate fluctuations was hedged by way of current and forward starting swaps and caps assuming existing debt facilities are fully drawn (2016: 84%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2017 including the cost of amortising finance arrangement fees, was 3.5% (2016: 3.5%). A 1% change in interest rates would decrease or increase the Group's annual profit before tax by less than £0.1 million.

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

	Loans and receivables	
	2017 £000	2016 £000
As at 31 March		
Current assets		
Cash and cash equivalents (note 12)	42,944	42,621
Trade receivables (note 11)	280	1,771
Other receivables (note 11)	92	132
	43,316	44,524

14 Borrowings and financial instruments (continued)

	Measured at amortised cost		Measured at fair value	
	2017 £000	2016 £000	2017 £000	2016 £000
As at 31 March				
Non current liabilities				
Borrowings (note 14)	466,319	567,910	–	–
Current liabilities				
Trade payables (note 13)	9,118	4,780	–	–
Accrued interest (note 13)	1,664	1,897	–	–
Other accruals (note 13)	16,955	6,386	–	–
Other payables (note 13)	3,102	525	–	–
Derivative financial instruments (see 14c(iii))	–	–	23,350	23,570
	497,158	581,498	23,350	23,570

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 2017.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2017 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
	2017 %	2016 %	2017 £000	2016 £000	2017 £000	2016 £000
Interest rate caps – expiry						
Less than one year	2.0	2.4	16,313	77,500	–	–
One to two years	2.0	2.0	100,000	16,313	1	4
Two to five years	2.3	2.1	29,620	110,000	121	128
More than five years	–	2.0	–	19,620	–	234
	2.1	2.2	145,933	223,433	122	366
Interest rate swaps – expiry						
Less than one year	–	3.3	–	10,500	–	(12)
One to two years	0.6	3.2	50,000	16,313	(134)	(624)
Two to five years	2.0	2.9	166,960	60,000	(6,187)	(3,185)
More than five years	2.1	2.0	425,000	581,960	(17,151)	(20,115)
	1.9	2.2	641,960	668,773	(23,472)	(23,936)
Total fair value					(23,350)	(23,570)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2017 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.

Notes forming part of the Group financial statements

For the year ended 31 March 2017 continued

15 Commitments under operating leases

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

	2017 £000	2016 £000
As at 31 March		
Less than one year	78,420	73,090
Between one and five years	304,595	288,518
Between six and ten years	292,985	287,566
Between 11 and 15 years	192,168	186,977
Between 16 and 20 years	92,599	82,761
Over 20 years	59,872	43,387
	1,020,639	962,299

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

	2017 £000	2016 £000
As at 31 March		
Less than one year	810	810
Between one and five years	337	1,147
	1,147	1,957

16 Share capital

	2017 Number	2017 £000	2016 Number	2016 £000
As at 31 March				
Issued, called up and fully paid				
Ordinary shares of 10p each	692,382,431	69,238	628,043,905	62,804

On 27 March 2017 the Company issued 62,804,390 ordinary shares through a placing undertaken by Peel Hunt and J P Morgan Cazenove at 152p per share which raised gross proceeds of £95.5 million. After costs of £2.7 million, net proceeds received were £92.8 million. In addition, the Company issued 1,534,136 shares under the terms of its Scrip Dividend Scheme in the year.

In June 2016, the Company granted options over 2,711,575 ordinary shares under its Long Term Incentive Plan and Deferred Bonus Plan. In the year to 31 March 2017, 414,727 ordinary shares in the Company's Deferred Bonus Plan and 2,503,419 ordinary shares in the Company's Long Term Incentive Plan that were granted in 2013 vested.

17 Reserves

The Group statement of changes in equity is shown on page 119.

The following describes the nature and purpose of each reserve within equity:

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
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

Management fees and profit distributions 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		Profit distributions	
		2017 £000	2016 £000	2017 £000	2016 £000
LSP Green Park Property Trust	31.4%	–	–	10	231
LSP Green Park Distribution Holdings	50.0%	–	92	–	11,210
LSP London Residential Investments	40.0%	475	458	5,120	–
Metric Income Plus Partnership	50.0%	854	1,216	3,434	4,161
LMP Retail Warehouse JV Property Unit Trust	30.5%	384	425	2,161	3,526
		1,713	2,191	10,725	19,128

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

19 Events after the balance sheet date

On 11 April 2017 the Group exchanged to sell the Morrisons store at Loughborough for £32.5 million.

On 18 April 2017 the Group acquired a distribution warehouse in Crawley let to TNT for £6.4 million.

On 11 May 2017 the Group exchanged to sell Vue Cinema, Conway Park in Birkenhead for £5.8 million.

On 26 May 2017 the Group acquired a distribution warehouse in Coventry let to DHL for £5.7 million.

On 26 May 2017 the Group completed the disposal of Barracks Road Retail Park in Newcastle Under Lyme for £2.8 million.

On 30 May 2017 the Group acquired an urban logistics warehouse in Huyton let to Antolin Interiors for £11.8 million.

Company balance sheet

As at 31 March

	Note	2017 £000	2016 £000
Fixed assets			
Investment in subsidiaries	iii	785,413	751,072
Other tangible assets		310	392
		785,723	751,464
Current assets			
Trade and other receivables	iv	312,732	325,209
Cash at bank		37,103	35,653
		349,835	360,862
Total assets		1,135,558	1,112,326
Current liabilities			
Trade and other payables	v	10,849	8,225
		10,849	8,225
Non current liabilities			
Borrowings	vi	272,505	390,700
Derivative financial instruments	vi	17,600	18,058
		290,105	408,758
Total liabilities		300,954	416,983
Net assets		834,604	695,343
Equity			
Called up share capital		69,238	62,804
Share premium		88,548	–
Capital redemption reserve		9,636	9,636
Other reserve		69,101	80,112
Retained earnings		598,081	542,791
Equity shareholders' funds		834,604	695,343

The Company reported a profit for the financial year to 31 March 2017 of £93.5 million (2016: £42.3 million).

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2017 and were signed on its behalf by:

Martin McGann

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 140 to 142 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March

	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2016	62,804	–	9,636	80,112	542,791	695,343
Profit for the year	–	–	–	–	93,541	93,541
Ordinary share capital issued	6,280	86,492	–	–	–	92,772
Purchase of shares held in trust	–	–	–	(5,195)	–	(5,195)
Vesting of shares held in trust	–	–	–	3,633	(3,629)	4
Share based awards	–	–	–	–	1,833	1,833
Reserve transfer of impairment in subsidiary	–	–	–	(9,449)	9,449	–
Dividends paid	154	2,056	–	–	(45,904)	(43,694)
At 31 March 2017	69,238	88,548	9,636	69,101	598,081	834,604

	Share capital £000	Share premium £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

The notes on pages 140 to 142 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2017

i Accounting policies

Accounting convention

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement 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 reported profit of the Company was £93.5 million (2016: £42.3 million).

Audit fees in relation to the Company only were £75,480 in the year (2016: £74,000).

iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2016	751,072
Additions	43,790
Impairment of investment	(9,449)
At 31 March 2017	785,413

The carrying value of the Company's investments was impaired by £9.4 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 ³	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
Metric Property Investments plc	England	100%	Intermediate holding company
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Finance 2 Limited	England	100%	Intermediate holding company
LMP Retail Warehouse JV Holdings Limited ¹	England	81.88%	Intermediate holding company
Metric LP Income Plus Limited ¹	England	100%	Intermediate holding company
Metric Property Finance (Holdings) Limited ¹	England	100%	Intermediate holding company
Metric MIPP Asset Management Limited ¹	England	100%	Property management
LSI (Investments) Limited	England	100%	Property investment
LSI Developments Limited	England	100%	Property investment
LondonMetric Saturn Limited	England	100%	Property investment
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
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

iii Fixed asset investments (continued)

	Country of incorporation or registration ³	Proportion of voting rights held (by way of share capital or units held)	Nature of business
LondonMetric Retail Limited	England	100%	Property investment
LondonMetric Edinburgh Limited	England	100%	Property investment
LondonMetric Derby Limited	England	100%	Property investment
Goresbrook Property Limited	England	100%	Property investment
LondonMetric Crawley Limited	England	100%	Property investment
Metric Property Launceston Limited	England	100%	Property investment
Metric Property Loughborough Limited ¹	England	100%	Property investment
Metric Property Coventry Limited	England	100%	Property investment
Metric Property Bedford Limited ¹	England	100%	Property investment
Metric Property Milford Haven Limited ¹	England	100%	Property investment
Metric Property Hove Limited ¹	England	100%	Property investment
Metric Property Kirkstall Limited ¹	England	100%	Property investment
Metric Property Kings Lynn Limited ¹	England	100%	Property investment
Metric Property St Albans Limited ¹	England	100%	Property investment
Metric Property Cannock Limited ¹	England	100%	Property investment
L&S Business Space Limited ¹	Guernsey	100%	Property investment
L&S Highbury Limited ^{1,2}	Guernsey	100%	Property investment
LSP Marlow Limited ^{1,2}	Guernsey	100%	Property investment
LMP Green Park Cinemas Limited ^{1,2}	Guernsey	100%	Property investment
LMP Thrapston Limited ^{1,2}	Guernsey	100%	Property investment
LMP Bell Farm Limited ^{1,2}	Guernsey	100%	Property investment
LMP Omega II Limited ^{1,2}	Guernsey	100%	Property investment
LMP Wakefield Limited ^{1,2}	Guernsey	100%	Property investment
LMP Dagenham Limited ^{1,2}	Guernsey	100%	Property investment

¹ Undertakings held indirectly by the Company

² Exempt from the requirement to file audited accounts under S256 Companies (Guernsey) Law, 2008

³ The registered address for companies incorporated in England is One Curzon Street, London, W1J 5HB. The registered address for companies incorporated in Guernsey is Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3AP

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

As at 31 March	2017 £000	2016 £000
Prepayments and accrued income	514	532
Other receivables	933	773
Amounts due from subsidiary undertakings	311,285	323,904
	312,732	325,209

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

v Trade and other payables

As at 31 March	2017 £000	2016 £000
Trade payables	797	135
Other accruals and deferred income	7,627	6,951
Other payables	2,425	1,139
	10,849	8,225

Notes forming part of the Company financial statements

For the year ended 31 March 2017 continued

vi Borrowings and financial instruments

Non current financial liabilities

As at 31 March	2017 £000	2016 £000
Secured bank loan	277,000	395,000
Unamortised finance costs	(4,495)	(4,300)
	272,505	390,700

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.

As at 31 March	Bank loans £000	Derivative financial instruments £000	2017 £000	2016 £000
Less than one year	7,846	3,648	11,494	13,734
One to five years	65,570	22,087	87,657	57,722
More than five years	251,672	16	251,688	399,911
	325,088	25,751	350,839	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 IFRS 13 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.

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		2017 £000	Notional 2016 £000	Fair value	
	2017 %	2016 %			2017 £000	2016 £000
Interest rate caps – expiry						
Less than one year	2.0%	2.4%	16,313	77,500	–	–
One to two years	2.0%	2.0%	70,000	16,313	1	4
Two to five years	3.0%	2.1%	10,000	80,000	1	96
	2.1%	2.2%	96,313	173,813	2	100

As at 31 March	Average rate		2017 £000	Notional 2016 £000	Fair value	
	2017 %	2016 %			2017 £000	2016 £000
Interest rate swaps – expiry						
Less than one year	–	3.3%	–	10,500	–	(12)
One to two years	0.6%	3.2%	50,000	16,313	(134)	(624)
Two to five years	2.0%	2.9%	10,000	60,000	(318)	(3,185)
Greater than five years	2.1%	2.1%	425,000	425,000	(17,150)	(14,337)
	1.9%	2.2%	485,000	511,813	(17,602)	(18,158)
Total fair value					(17,600)	(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

	2017	2016
EPRA earnings per share	8.2p	7.8p
EPRA net asset value per share	149.8p	147.7p
EPRA triple net asset value per share	146.4p	143.9p
EPRA vacancy rate	0.4%	0.7%
EPRA cost ratio (including vacant property costs)	16%	17%
EPRA cost ratio (excluding vacant property costs)	15%	17%
EPRA net initial yield	4.5%	4.9%
EPRA 'topped up' net initial yield	5.4%	5.4%

The definition of these measures can be found on page 148.

ii EPRA proportionally consolidated income statement

For the year to 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
Gross rental income	73,905	9,111	83,016	67,948	11,084	79,032
Property costs	(814)	(413)	(1,227)	(830)	(515)	(1,345)
Net income	73,091	8,698	81,789	67,118	10,569	77,687
Management fees	1,713	(732)	981	2,191	(865)	1,326
Administrative costs	(13,268)	(85)	(13,353)	(13,636)	(172)	(13,808)
Net finance costs	(16,304)	(2,094)	(18,398)	(13,789)	(2,947)	(16,736)
Other	(13)	–	(13)	(18)	–	(18)
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451

iii EPRA proportionally consolidated balance sheet

As at 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
Investment property	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851
Gross debt	(473,170)	(54,563)	(527,733)	(574,989)	(62,911)	(637,900)
Cash	42,944	3,200	46,144	42,621	4,049	46,670
Other net (liabilities)/assets	(20,476)	(1,269)	(21,745)	(11,641)	4,125	(7,516)
EPRA net assets	922,698	107,796	1,030,494	802,101	120,004	922,105
Loan to value	30%	32%	30%	38%	34%	38%
Cost of debt	3.6%	3.4%	3.5%	3.5%	3.6%	3.5%
Undrawn facilities	296,750	2,938	299,688	64,931	5,000	69,931

Supplementary information (not audited) continued

iv EPRA cost ratio

	2017 £000	2016 £000
For the year to 31 March		
Property operating expenses	814	830
Administration expenses	13,268	13,636
Share of joint venture property operating, administration expenses and management fees	1,230	1,552
Less:		
Joint venture property management fee income	(1,713)	(2,191)
Ground rents	(121)	(59)
Total costs including vacant property costs (A)	13,478	13,768
Group vacant property costs	(548)	(369)
Share of joint venture vacant property costs	(236)	(292)
Total costs excluding vacant property costs (B)	12,694	13,107
Gross rental income	73,905	67,948
Share of joint venture gross rental income	9,111	11,084
	83,016	79,032
Less:		
Ground rents	(121)	(59)
Total gross rental income (C)	82,895	78,973
Total EPRA cost ratio (including vacant property costs) (A)/(C)	16%	17%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	15%	17%

v EPRA net initial yield and 'topped up' net initial yield

	2017 £000	2016 £000
As at 31 March		
Investment property – wholly owned	1,373,400	1,346,110
Investment property – share of joint ventures	160,428	174,741
Less development properties	(27,315)	(56,550)
Less residential properties	(41,111)	(55,895)
Completed property portfolio	1,465,402	1,408,406
Allowance for:		
Estimated purchasers' costs	99,647	95,772
Estimated costs to complete	39,309	43,967
EPRA property portfolio valuation (A)	1,604,358	1,548,145
Annualised passing rental income	65,169	71,945
Share of joint ventures	8,814	8,064
Less development properties	(1,243)	(3,972)
Less residential properties	(526)	(856)
Annualised net rents (B)	72,214	75,181
Contractual rental increases for rent free periods	10,558	5,334
Contractual rental increases for fixed uplifts	3,151	3,641
'Topped up' net annualised rent (C)	85,923	84,156
EPRA net initial yield (B/A)	4.5%	4.9%
EPRA 'topped up' net initial yield (C/A)	5.4%	5.4%

vi EPRA Vacancy rate

	2017 £000	2016 £000
As at 31 March		
Annualised estimated rental value of vacant premises	384	604
Portfolio estimated rental value ¹	86,228	82,720
EPRA vacancy rate	0.4%	0.7%

¹ Excludes residential and development properties

vii EPRA capital expenditure analysis

	Group 2017 £000	JV 2017 £000	Total 2017 £000	Group 2016 £000	JV 2016 £000	Total 2016 £000
As at 31 March						
Opening valuation	1,346,110	174,741	1,520,851	1,164,140	236,245	1,400,385
Acquisitions	81,043	9,146	90,189	109,546	3,477	113,023
Developments ¹	68,741	–	68,741	104,955	–	104,955
Capital expenditure ²	18,055	561	18,616	13,720	761	14,481
Disposals	(175,615)	(22,631)	(198,246)	(128,493)	(64,749)	(193,242)
Revaluation	22,200	(1,227)	20,973	51,063	(1,276)	49,787
Lease incentives	12,866	(162)	12,704	31,179	283	31,462
Closing valuation	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851

¹ Includes capitalised interest of £1.9 million (2016: £2.7 million) and capitalised staff costs of £1.8 million (2016: £1.5 million)

² Capital expenditure on completed properties

viii Total accounting return

	2017 £000	2016 £000
For the year to 31 March		
EPRA net asset value		
– at end of year	1,030,494	922,105
– at start of year	922,105	877,226
Increase	108,389	44,879
Dividend paid	43,694	56,171
Equity placing	(92,772)	–
Net increase	59,311	101,050
Total accounting return	6.4%	11.5%

ix Portfolio split and valuation

	2017 £m	2017 %	2016 £m	2016 %
As at 31 March				
Distribution	927.4	60.4	784.4	51.6
Retail	404.8	26.4	474.8	31.2
Leisure	63.2	4.1	69.0	4.5
Office	70.0	4.6	80.2	5.3
Investment portfolio	1,465.4	95.5	1,408.4	92.6
Development – distribution	22.8	1.5	40.0	2.6
Development – retail	4.5	0.3	16.6	1.1
Residential	41.1	2.7	55.9	3.7
	1,533.8	100.0	1,520.9	100.0
Retail (Group and JV split)				
Wholly owned – retail parks	197.0	12.8	293.9	19.3
Wholly owned – convenience retail	93.0	6.1	66.6	4.4
Metric Income Plus Partnership	87.2	5.7	82.7	5.4
LMP Retail Warehouse JV Property Unit Trust	27.6	1.8	31.6	2.1
	404.8	26.4	474.8	31.2

Supplementary information (not audited) continued

x Investment portfolio yields

	2017			2016		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
As at 31 March						
Distribution	4.9	5.0	5.5	4.7	5.2	5.4
Retail	5.8	5.8	5.8	4.8	5.8	5.8
Leisure	4.1	5.8	6.9	6.0	6.0	7.0
Office	5.8	6.5	7.4	5.3	5.6	6.6
Investment portfolio	4.5	5.4	5.8	4.9	5.4	5.7

xi Investment portfolio – Key statistics

As at 31 March 2017	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	9,009	12.9	12.3	100.0	5.73
Retail	2,080	12.5	11.5	99.2	17.33
Leisure	261	20.2	20.2	100.0	15.07
Office	231	7.2	7.0	96.7	21.96
Investment portfolio	11,581	12.8	12.1	99.6	7.87
Distribution development ¹	391				
Retail development	31				
Total investment and development portfolio	12,003				

¹ Excludes conditional development site at Bedford

xii Total property returns

For the year to 31 March	All property 2017 %	All property 2016 %
Capital return	1.7	4.9
Income return	5.6	5.3
Total return	7.4	10.5

xiii Contracted rental income

As at 31 March	2017 £m	2016 £m
Distribution	50.9	42.3
Retail	25.8	31.3
Leisure	3.9	4.4
Office	4.9	4.9
Investment portfolio	85.5	82.9
Development – distribution	0.8	2.5
Development – retail	0.5	0.8
Residential	0.5	0.9
Total portfolio	87.3	87.1

xiv Rent subject to expiry

As at 31 March 2017	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	7.6	41.0	63.7	81.7	100.0
Retail	7.2	32.2	74.8	92.6	100.0
Leisure	–	–	11.4	11.4	100.0
Office	28.2	100.0	100.0	100.0	100.0
	8.5	39.8	66.7	82.8	100.0

xv Contracted rent subject to RPI or fixed uplifts for investment portfolio

As at 31 March	2017 £m	2017 %	2016 £m	2016 %
Distribution	29.9	57.8	26.0	57.9
Retail	8.6	32.8	8.9	27.7
Leisure	3.9	100.0	4.4	100.0
Office	3.0	60.9	3.0	60.9
Commercial portfolio¹	45.4	52.4	42.3	49.0

¹ Excluding residential assets

xvi Top ten assets (by value)

As at 31 March 2017	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark Distribution Centre, Islip	1,062	5.4	100.0	23.5	23.5
Primark Distribution Centre, Thrapston	783	4.1	100.0	15.5	15.5
Dixons Carphone, Newark Distribution Centre	726	4.4	100.0	16.3	16.3
Argos, Bedford	658	3.8	100.0	5.7	5.7
Eddie Stobart, Dagenham	456	4.1	100.0	26.5	26.5
Marlow International, Marlow	231	4.9	96.7	7.2	7.0
Royal Mail, Daventry	273	2.5	100.0	6.4	6.4
Poundworld, Wakefield	527	2.6	100.0	14.5	14.5
M&S, Sheffield	626	2.6	100.0	6.7	4.3
Kirkstall Bridge Shopping Park, Leeds	120	2.4	95.3	11.4	9.0

xvii Top ten occupiers

As at 31 March 2017	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.5	22.2	11.0
Dixons Carphone	6.2	4.5	7.2
M&S	5.5	5.8	6.3
Argos ¹	4.1	5.6	4.7
Eddie Stobart	4.1	0.6	4.7
Odeon	3.5	3.1	4.0
Royal Mail	3.3	4.1	3.8
Allergan	3.0	58.2	3.5
DFS	3.0	0.6	3.4
DHL ¹	2.8	34.5	3.2
Top ten	45.0		51.8
Other commercial income	41.8		48.2
Total commercial	86.8		100.00
Residential income	0.5		
Total Group income	87.3		

¹ Market capitalisation of Parent Company

Glossary

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 excluding rent free periods

Cost of Debt

Weighted average interest rate payable

Debt Maturity

Weighted average period to expiry of drawn debt

Distribution

The activity of delivering a product for consumption by the end user

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 ten 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

Administrative and operating costs (including and excluding costs of direct vacancy) 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 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 NNNAV 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 as a percentage of the total ERV 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)

Gross rental income

Rental income for the period from let properties reported under IFRS, after taking into account the net effects of straight lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, turnover based rent, surrender premiums and car parking income

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

Like for Like Income Growth

The movement in contracted rental income on properties owned through the period under review, excluding properties held for development and residential

Loan to Value (LTV)

Net debt expressed as a percentage of the total property portfolio value at the period end

Logistics

The organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption

Net Rental Income

Gross 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 reinvested 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 Contracted Rent

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 11 July 2017 at 10.00 am.

Resolutions 1 to 17 (inclusive) will be proposed as ordinary resolutions and resolutions 18 to 21 (inclusive) will be proposed as special resolutions.

1. That the Annual Report and Audited Financial Statements for the year ended 31 March 2017 be considered and approved.
2. That the Remuneration Policy in the form set out in the Annual Report and Audited Financial Statements for the year ended 31 March 2017 be approved.
3. That the Annual Report on Remuneration in the form set out in the Annual Report and Audited Financial Statements for the year ended 31 March 2017 (other than the part containing the Remuneration Policy) be approved.
4. 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.
5. That the Directors be authorised to determine the remuneration of the auditor.
6. That Patrick Vaughan be re-elected as a Director.
7. That Andrew Jones be re-elected as a Director.
8. That Martin McGann be re-elected as a Director.
9. That Valentine Beresford be re-elected as a Director.
10. That Mark Stirling be re-elected as a Director.
11. That James Dean be re-elected as a Director.
12. That Alec Pelmore be re-elected as a Director.
13. That Andrew Varley be re-elected as a Director.
14. That Philip Watson be re-elected as a Director.
15. That Rosalyn Wilton be re-elected as a Director.
16. That Andrew Livingston be re-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 £23,099,069 (such amount to be reduced by the nominal amount of any equity securities (within the meaning of Section 560 of the 2006 Act) allotted under paragraph 17b below in excess of £23,099,069); 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 a maximum nominal amount of £46,198,137 (such amount to be reduced by any Relevant Securities allotted or granted under paragraph 17a above) 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 date as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities 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 paragraphs 17a and 17b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, on the date which is 15 months after the date of the Annual General Meeting), except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.
18. That the Directors be and are 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 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply

Notice of Annual General Meeting continued

to any such allotment or sale, provided that this power shall be limited to:

a. the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities made to (but in the case of the authority conferred by paragraph 17b of resolution 17 above, by way of a rights issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

b. the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 18a above) up to an aggregate nominal amount of £3,464,860,

provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of the Annual General Meeting) but prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

19. That the Directors be and are empowered, in addition to any authority granted under resolution 18, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 17 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 or sale, such power to be:

- a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,464,860; and
- b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

provided that this power shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of the Annual General Meeting) but, in each case, prior

to its expiry the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority in question 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 69,297,206;
- 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
31 May 2017

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 Annual 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 notorially 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 7 July 2017. 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 close of business on 7 July 2017. 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 close of business 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 7 July 2017. 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 30 May 2017 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 692,972,064 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 Audited Financial Statements

The Chairman will present the Annual Report and Audited Financial Statements for the year ended 31 March 2017 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 Report on Remuneration for the financial year ended 31 March 2017.

Resolution 2 – Remuneration Policy

Resolution 2 is an ordinary resolution to approve the new Directors' Remuneration Policy (which will replace the Company's existing Remuneration Policy). Shareholders are invited to approve the Directors' Remuneration Policy which is set out on pages 88 to 99 of the Annual Report. The policy, which sets out the Company's forward looking policy on Directors' remuneration, is subject to a binding shareholder vote by ordinary resolution at least every three years.

Once the Directors' Remuneration Policy has been approved, all payments by the Company to the Directors and any former Directors must be made in accordance with the policy (unless a payment has separately been approved by shareholder resolution).

If the Company wishes to change the Directors' Remuneration Policy, it will need to put the revised policy to a shareholder vote again before it can implement any payments pursuant to the amended policy. If the Directors' Remuneration Policy remains unchanged, the 2006 Act requires the Company to put the policy to shareholders for approval again no later than 11 July 2020.

Resolution 3 – Annual Report on Remuneration

Resolution 3 is an ordinary resolution to approve the Annual Report on Remuneration on the implementation of the Remuneration Policy. Section 439 of the 2006 Act requires UK-incorporated listed companies to put their Annual Report on Remuneration to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual Director. The Annual Report on Remuneration is set out in full in the Annual Report and Financial Statements.

Resolutions 4 and 5 – Re-appointment of auditors

Resolution 4 relates to the re-appointment of Deloitte LLP as the Company's auditor to hold office until the next Annual General Meeting of the Company and Resolution 5 authorises the Directors to set their remuneration.

Resolutions 6 to 16 – Re-election and election of Directors

Resolutions 6 to 16 deal with re-election of the Directors. Biographies of each of the Directors seeking re-election can be found on pages 60 and 61 of the Annual Report and Accounts. 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 the Directors were given authority to allot ordinary shares in the capital of the Company. This authority expires at the conclusion of the Annual General Meeting (or, if earlier, on the date which is 15 months after the date 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 £23,099,069 (representing approximately one third of the Company's issued ordinary share capital as at 30 May 2017) during the period up to the conclusion of the next Annual General Meeting of the Company. Such authority is sought in paragraph 17a of Resolution 17.

In accordance with the guidelines issued by the Investment Association, paragraph 17b of Resolution 17 will allow Directors to allot, including the shares referred to in paragraph 17a of Resolution 17, shares in the Company in connection with a pre-emptive offer by way of a rights issue to shareholders up to a maximum nominal amount of £46,198,137, representing approximately two thirds of the issued ordinary share capital of the Company as at 30 May 2017.

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. If they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the Investment Association.

As at the date of this Notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolutions 18 and 19 – General and additional authority to disapply pre-emption rights

At the last Annual General Meeting of the Company the Directors were also given authority to allot equity securities for cash without first being required to offer such shares to existing shareholders. This authority expires at the conclusion of the Annual General Meeting (or, if earlier, on the date which is 15 months after the date of the Annual General Meeting).

The passing of Resolutions 18 and 19 would allow the Directors to allot equity securities (or sell any shares which the Company may purchase and hold in treasury) without first offering them to existing holders in proportion to their existing holdings.

The authority set out in Resolution 18 is limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares; or (b) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £3,464,860 (representing 34,648,600 shares). This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company as at 30 May 2017.

Taking into account the template resolutions published by the UK Pre-Emption Group in May 2016, the authority set out in Resolution 19 is limited to allotments or sales of up to an aggregate nominal amount of £3,464,860 (representing 34,648,600 shares) in addition to the authority set out in Resolution 18 which are used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on dis-applying pre-emption rights most recently published by the UK Pre-Emption Group prior to the date of this Notice. This aggregate nominal amount represents an additional 5% of the issued ordinary share capital of the Company as at 30 May 2017.

The Directors also confirm their intention to follow the provisions of the UK Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three year period where the Principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above.

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 2006 Act. The authority limits the number of shares that could be purchased to a maximum of 69,297,206 (representing approximately 10% of the Company's issued ordinary share capital as at 30 May 2017) 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% of its issued share capital in treasury in accordance with guidelines issued by the Investment Association.

As at 30 May 2017 (the latest practicable date before publication of this Notice), there were share awards over 6,889,357 ordinary shares in the capital of the Company representing 0.99% 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 0.99% 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 2006 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 20 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 2006 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	31 May 2017
Annual General Meeting	11 July 2017

Shareholder information

Advisors to the Company

Joint Financial Advisors and Brokers

Peel Hunt LLP

Moor House
120 London Wall
London EC2Y 5ET

JP Morgan Securities Limited

25 Bank Street
Canary Wharf
London E14 5JP

Auditor

Deloitte LLP

2 New Street Square
London EC4A 3BZ

Property Valuers

CBRE Limited

St Martin's Court
10 Paternoster Row
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Savills Advisory Services Limited

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Tax Advisors

PricewaterhouseCoopers LLP

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Solicitors to the Company

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CMS Cameron McKenna Nabarro Olswang LLP

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Mourant Ozannes

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Capita Asset Services

The Registry
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Beckenham
Kent BR3 4TU

Secretary and Registered Address

Jadzia Duzniak
One Curzon Street
London W1J 5HB

www.londonmetric.com

REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions (PIDs) and non PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Capita Asset Services. Tax vouchers will continue to be sent to the shareholder's registered address.

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Paper

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Read [here](#) for details