
Real estate for modern shopping

Annual Report and Accounts 2018



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Alternative performance measures are financial measures which are not specified under IFRS but are used as they highlight the performance of the Group's property rental business. They are described in further detail in the Performance highlights section on page 10 and in the Financial review on page 34.

Financial performance

[+ See page 34](#)

IFRS reported profit	Total accounting return	EPRA EPS	Dividend per share
+195%	+16%	+4%	+5%



This year marked LondonMetric's fifth anniversary since its merger in 2013. I am extremely proud of the Company's progress and achievements."

Patrick Vaughan
Chairman



[+ See page 11](#)

Property performance

[+ See page 26](#)

WAULT	Total property return	LFL income growth
12.4 years	+13.7%	+4.3%



Our returns reflect longer term sector and property decisions where we have successfully pivoted the portfolio towards distribution and convenience assets that have structural support from changing consumer shopping habits."

Andrew Jones
Chief Executive

[+ See page 15](#)

Marketplace review

[+ See page 20](#)



Responsible Business review

[+ See page 40](#)



Our purpose

We provide desirable real estate
for modern shopping

Our story



Our portfolio is
aligned to modern
shopping habits

+ See page 02



We focus on
sustainable and
growing income

+ See page 04



We manage,
enhance and
create property
in a responsible
way

+ See page 06



Our expertise
and relationships
shape our
decision making

+ See page 08

 *Our story*

Our portfolio is aligned to modern shopping habits

Technological advancement continues to impact our daily lives and is causing significant disruption to the retail landscape.

As an allocator of capital and a manager of risk, one of our main objectives is to own real estate that is structurally supported and aligned to modern shopping habits.

We have pivoted away from traditional retail into the distribution and convenience retail sectors where we believe that the prospects for superior returns are significantly better.

Consumers continue to migrate online and towards convenience

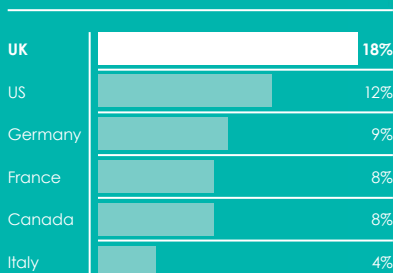
Consumer shopping habits have changed significantly driven by technological change.

Today, consumers can engage with retailers in a number of different ways, not just through the store. This consumer environment makes it ever more crucial for retailers to adapt to keep up.

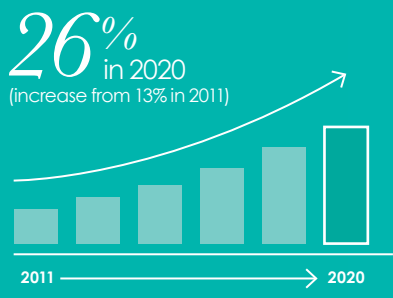
The UK is a leader in online shopping. 18% of total retail sales are online in the UK compared to 12% for the US and 9% for Germany. 26% of all non food retail sales in the UK are expected to be online by 2020 and parcel deliveries are growing at 16% per annum, with same day and next day delivery increasingly common.

Conversely, store portfolios are shrinking as occupiers prioritise investment in distribution and logistics capabilities. Convenience retail continues to perform strongly as online shoppers look to make smaller but more frequent purchases to supplement their larger shopping needs.

Percentage of total retail sales made online in 2017



UK online market share (non food)



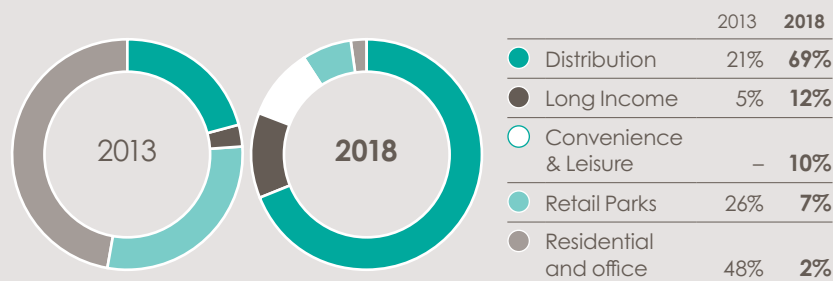
[+ See Market review on pages 20 to 21](#)





Our portfolio is aligned to sectors with the best prospects

Change in portfolio since Company's merger in 2013



[+ See Property review for more information on each sector](#)

We have adapted to these structural shifts.

Our portfolio has pivoted away from traditional multi-let retail and legacy office and residential into our preferred sectors of distribution, long income, convenience retail and leisure. Distribution has grown from 21% five years ago to 69% today.

This has driven a strong performance by the Company and the portfolio is well positioned for the future.



We own strong real estate, let to good tenants, investing in sectors that are aligned to changing shopping habits.”

Andrew Jones
CEO

We have focused on growing our urban logistics portfolio

Urban logistics – an attractive sub sector of distribution

The increasing delivery demands of consumers has attracted us to further invest within the urban logistics sector, where there is strong demand/supply dynamics as occupiers seek locations closer to major conurbations.

We continue to build critical mass in major UK geographies, with attractive income yields, supported by compelling income growth metrics.

During the year, we made investments of £178 million across 25 assets. Our urban logistics assets were valued at £367 million as at 31 March 2018, up from £161 million in 2017. Over 70% of these assets are located in the South East and the Midlands and their locations provide strong intrinsic value from alternative use of land.



Cabot acquisition in August 2017

The Cabot portfolio was acquired at a 6.1% net initial yield and was our most significant investment in the year. The assets are in established distribution locations with excellent motorway connectivity and strong occupier demand. Greater than 60% of income is from retailers and 3PLs including DHL, Howdens and Royal Mail.

£117m

acquisition of 14 urban and regional distribution warehouses

[+ See Property review on pages 26 to 33](#)



We focus on sustainable and growing income

Income remains central to our investment thesis in an environment where there is an almost desperate search for yield.

Our ultimate priority is to pass on income generated from our assets to our shareholders in the form of a well covered and progressive dividend.

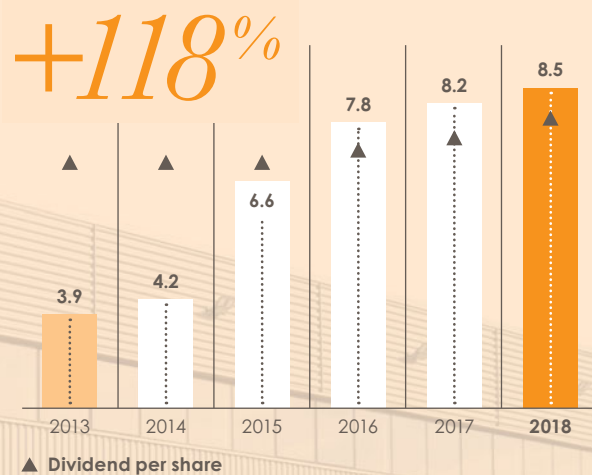
We believe strongly in the compounding attractions of sustainable, repetitive and growing income streams to deliver long term consistent outperformance.

Over the last five years, we have more than doubled our EPRA earnings per share and our strong portfolio metrics give us good certainty of future earnings growth.

Our ultimate priority is to pass income generated from our assets to our shareholders in the form of a well covered and progressive dividend.”

Andrew Jones
CEO

Delivered EPRA EPS growth of 118% since 2013, allowing dividend progression





Strong investor demand for income generating assets

The extended period of low economic growth and low interest rates is creating an almost desperate search for yield which is set to continue.

The search for income is being intensified by the increasing proportion of the UK's population entering retirement age and longer life expectancy.

The focus on alternative investment sources for an acceptable income return has increased the attraction of real estate which can deliver a reliable, predictable, long and growing income stream.

LondonMetric's dividend yield of 4.4% is almost 300 bps higher than UK government bonds and is delivering a real return above inflation. Our yield is more than fully covered by our earnings.



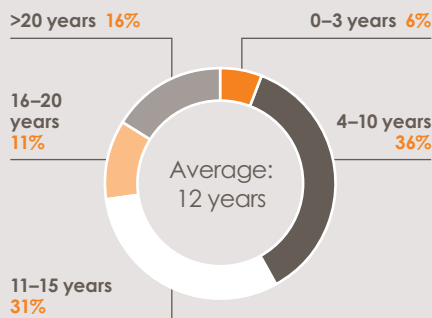
Income from our portfolio is long and sustainable

The Company has sector leading portfolio metrics with 12.4 years average lease lengths, 98% occupancy and only 6% of income expiring over three years.

We have financially strong occupiers, with the top five accounting for 35% of our rent and market capitalisations ranging from £2.4bn to £39.0bn.

The portfolio is focused on low operational assets, with many single let. Its low property costs result in only 1.3% gross to net income leakage.

Lease expiry profile



Top 5 occupiers

PRIMARK®

Dixons
Carphone

M&S

DHL

Argos

...and our income has certainty of growth

50.3%

of income has fixed uplifts or is inflation linked

+4.3%

like for like income growth in 2018

Approximately half of the portfolio is subject to contractual rental increases and we are capturing strong open market rental uplifts on the remainder.

This allows us to deliver annual like for like income growth on average of 3-4%.

Our development and other asset management activities provide further income growth potential.

As a consequence, we are confident in our ability to progress our dividend.

[+ See Property review on pages 26 to 33](#)

 *Our story*

We manage, enhance and create property in a responsible way

We continue to improve the quality and attractiveness of our assets through de-risked asset management and short cycle developments to build a portfolio of desirable and fit for purpose real estate.

Managing our assets

An important driver of generating long term, reliable and repetitive income is working with occupiers to offer them real estate solutions that meet their business objectives.

Over the year, our lettings and rent reviews delivered £3.1 million of rental uplift. Average lease lengths on lettings was 15.2 years demonstrating the attractiveness of our assets.

[+ See page 32 of the Property review](#)

Creating fit for purpose assets

During the year, we completed 578,000 sq ft of developments which were delivered at a yield on cost of 6.4%, mostly BREEAM Very Good rated. This activity has helped to further modernise our portfolio by adding new assets at yields materially above investment value.

As part of our efforts to improve our assets sustainability credentials, and by working in conjunction with the occupier, we completed the UK's largest landlord funded distribution solar installation at Newark.

[+ See page 33 of the Property review](#)

Delivering wider benefits for occupiers and communities

Through our activities, we give proper consideration to the needs of our occupiers and stakeholders and the impact on the environment and local communities. This promotes good stakeholder relationships and helps our occupiers to achieve their own objectives.

Our sustainability and responsible business efforts were again recognised in our increased GRESB score of 69%.

[+ See page 40 of the Responsible Business review](#)

58
occupier transactions

28%
of portfolio now rated
BREEAM Very Good

69%
Green Star in latest
GRESB* review

* Global Real Estate Sustainability Benchmark





Managing and developing at our 454,000 sq ft warehouse in Dagenham



180,000 sq ft new warehouse

LondonMetric worked with its occupier, Eddie Stobart, to construct a 180,000 sq ft distribution warehouse with 15 dock levellers, two level access doors and a 150 bay lorry park at a 5.7% yield on cost.

Attractive development yield

- Replaced two old buildings with poor environmental credentials
- Built in 12 months by McLaren, a local contractor, on time and within the £17m budget
- Lease was extended by c.10 years to 26 years across the 454,000 sq ft estate
- Rent increased by £0.9 million per annum generating a marginal yield on cost of 5.7%, significantly higher than investment yield

+75% pallet capacity

- Redevelopment created significant operational improvements for the occupier and was phased to minimise disruption to their live operations
- It has increased pallet capacity by 25,000 and is expected to generate an additional 200 permanent jobs
- At peak, there is a lorry movement every three minutes and the development significantly improves vehicle circulation on site

Local community involvement

- Significant local resident consultation pre-planning, including a walk in exhibition and, during development, at resident association meetings
- Supported local residents in pursuit of a better nearby traffic interchange and provided funding for a new local playground
- Over 100 temporary local workers employed; two are now full time employees of the contractor



Delivering a modern and environmentally sustainable building

BREEAM Very Good

The building achieved BREEAM "Very Good" and an EPC "A" rating. 99% of non hazardous demolition waste was diverted from landfill and the project achieved an exemplary BREEAM score for diversion of waste.

250 KW Solar PV installation and roof lights

The solar PV scheme is expected to fully cover all of the occupier's energy needs at peak times. 10% of the building's roof is covered by roof lights.

Electric Vehicle charge points

Four charge points were installed with enabling work undertaken for a further eight to be fitted as required.

External Lighting LED upgrade

The lorry park lighting was upgraded and is expected to generate a saving of 25,000 kWh per annum for the occupier.

On site vehicle servicing

A new facility to wash vehicles and tankers as well as a new fuel island is expected to save 3,900 lorry movements a year equating to 39,000 miles.



Our story

Our expertise and relationships shape our decision making

The key to the Company's success is employing a highly talented and motivated team that makes the right property decisions and has close relationships with its occupiers and other stakeholders.

Our people and expertise

We have a highly focused team of 25 employees and 11 directors. Our employees are based in London covering investment, asset management, development and finance roles.

Since the merger in 2013, employee numbers have fallen 28% despite a 51% increase in our asset value, reflecting improved efficiencies and lower operational requirements of the portfolio. This has resulted in a low EPRA cost ratio.

Our future success is reliant on a diverse team with strong expertise. We promote a culture of empowerment, inclusion and development with remuneration aligned to personal and company performance.

The Company's success at retaining and motivating staff is reflected in its low voluntary turnover rate which has averaged 6% over the last five years.

[+ See page 45 of the Responsible Business review](#)

Making informed decisions

We take a disciplined, patient and rational approach to investing:

- We are highly conscious of the credit quality of our occupiers, security of our income, quality of the real estate and its opportunity for growth
- Our internalised structure and the Board's 3.5% equity in the Company ensures that our interests are aligned to those of our shareholders

[+ See page 26 of the Property review](#)

25

focused team of employees

+13.7%_{pa}

total property return in the year, outperforming IPD All Property by 360 bps





Our stakeholder relationships

Relationships across all of our activities are critical to the success of the Company. Our people and our occupiers are at the core of what we do but we are reliant on many other stakeholder relationships.

In particular, we interact closely with contractors, suppliers, local communities and authorities, our investors, joint venture partners and lenders. We seek to maintain and build these relationships and act in the best interests of all our stakeholders.



LondonMetric are very proactive, looking to support our business. They are reactive to our needs and commercial in thinking, which sets them apart.”

Property Director at a key occupier

Occupier relationships

Our occupier led approach provides us with market knowledge to better understand future trends and make the right asset decisions. Our high average occupancy rate of over 99% since merger in 2013 demonstrates the strength and depth of these relationships.

Extending existing relationships and developing new contacts are key areas of focus for us. We look to engage with occupiers across all of our activities to provide real estate solutions that deliver mutually beneficial outcomes and meet their requirements.

In 2018, we undertook our biennial customer satisfaction survey and scored highly with an average 8.5 out of 10 rating for how well we compared against other landlords.

99%

Average occupancy rate since 2013

8.5/10

Landlord score in 2018 customer survey

[+ See page 46 of the Responsible Business review](#)



LondonMetric’s professional approach helped us to achieve a building specification to suit our exacting standards and completion of the facility on time and on budget. This enabled a seamless transition to occupation.”

Jonathan Wright
Michelin

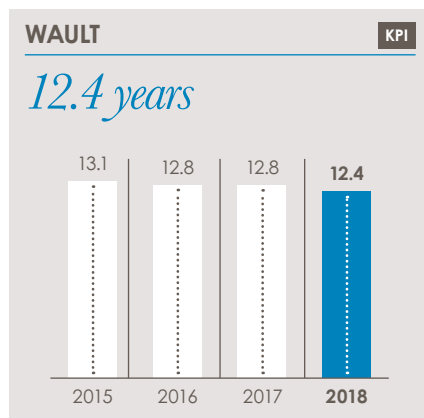
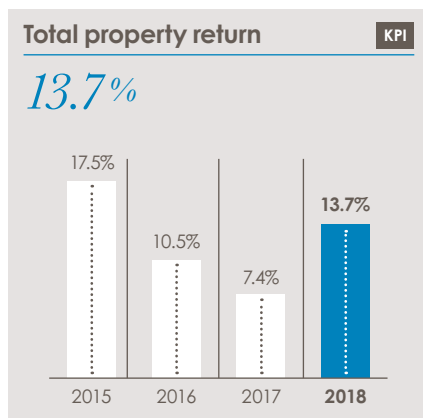
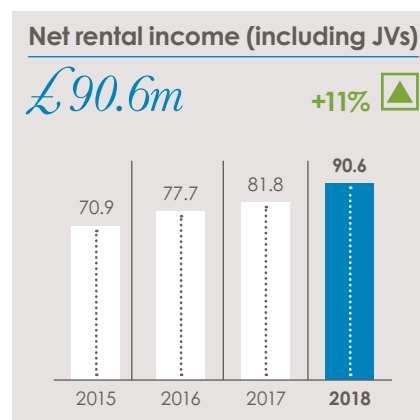
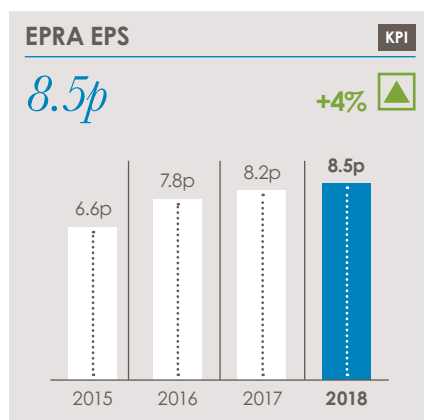
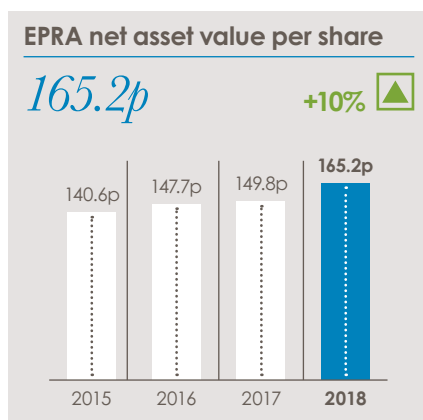
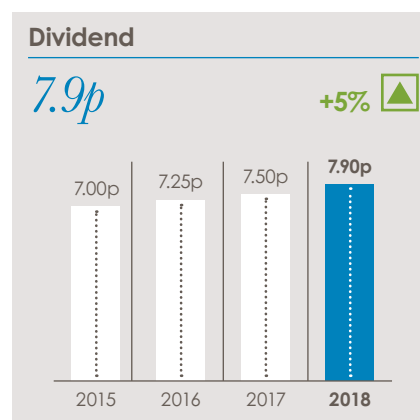
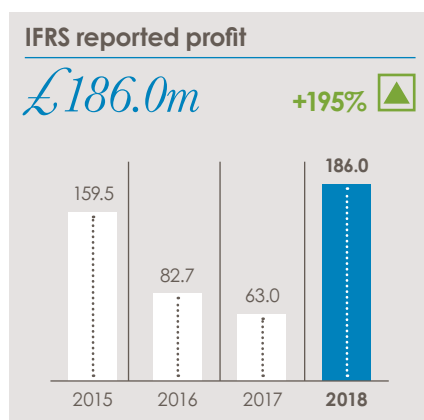
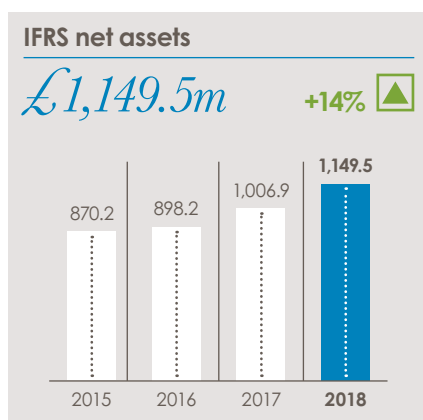


Our 137,000 sq ft development for Michelin

During the year, we completed our distribution development in Stoke. Michelin signed a new 15 year lease on a 137,000 sq ft distribution warehouse.

Our expertise helped Michelin to take occupation within 14 months of building work commencing.

Performance highlights



Alternative performance measures

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 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 in the Strategic report reflect the Group's wholly owned assets and its share of joint venture assets and the EPRA BPR reporting framework.

Further details and reconciliations between EPRA measures and IFRS equivalents can be found in the Financial review on page 34 and in note 8 to the Group financial statements.

Financial highlights

	IFRS		EPRA	
	2018	2017	2018	2017
Earnings per share	26.9p	10.1p	8.5p	8.2p
Net asset value per share	165.7p	146.4p	165.2p	149.8p
EPRA triple net asset value per share			165.7p	146.4p
EPRA vacancy rate			2.5%	0.4%
EPRA cost ratio			15%	16%
EPRA net initial yield			4.5%	4.5%
EPRA 'topped up' net initial yield			4.9%	5.4%

The definition of each EPRA measure can be found in the Glossary on page 147

Chairman's statement

This year marked LondonMetric's fifth anniversary since its merger in 2013 and I am extremely proud of its progress and achievements. Over this period, we have doubled net rental income and EPRA earnings per share and delivered a total shareholder return of 119%, of which 43% was generated from dividends.

The Company has delivered a particularly strong financial performance in the year, resulting in a record reported profit of £186.0 million. On a per share basis, EPRA earnings were 3.7% higher, dividends increased by 5.3%, our third year of progression, and EPRA NAV rose by 10.3%, benefiting from a £121.6 million revaluation surplus. Total accounting return was 15.5%.

Critical to our long term success is our alignment to sectors supported by structural changes in shopping habits, which have been profound and, in our view, permanent. Distribution continues to benefit significantly from these changes and is one of the best performing real estate sectors. Over the year, our distribution assets increased by over £300 million to represent 69% of the portfolio, compared to 21% in 2013. They have delivered another strong performance which, together with a good performance from our convenience, leisure and long income assets, helped to deliver a total property return of 13.7% for the year, a 360 bps outperformance of IPD All Property.

As a REIT, our priority is to generate income returns and pass onto our shareholders in the form of a covered and progressive dividend. The portfolio's alignment to strong sectors, assets and tenants and its unexpired lease term of 12 years provides highly reliable and repetitive income. Our disposal activity in the year, particularly the sale of shorter let and older distribution assets, reflects our disciplined approach to portfolio management and the value we attach to reliable income.

We firmly believe that income will be an increasingly important component of total returns. Therefore, our focus is on owning assets that can also generate rental growth. Through a combination of contractual and open market rent reviews as well as our asset management, we increased like for like income by 4.3% in the year. With half of the portfolio subject to contractual rental increases and strong prospects for organic rental growth, particularly from our growing urban logistics portfolio, we are confident in our ability to grow our earnings and continue to progress the dividend.

Our people remain fundamental to the ongoing success of the Company and I would like to take this opportunity to thank the Board and all of our employees for their hard work. I should also like to welcome Suzanne Avery as a Non Executive Director and to thank Andrew Varley for his contribution and dedication to LondonMetric following his retirement earlier in the year.

Our combined occupier and property relationships continue to provide us with a competitive advantage and put LondonMetric in a strong position for the future.

I look forward to the next year with confidence.



Patrick Vaughan
Chairman
30 May 2018

Total shareholder return over five years

+119%

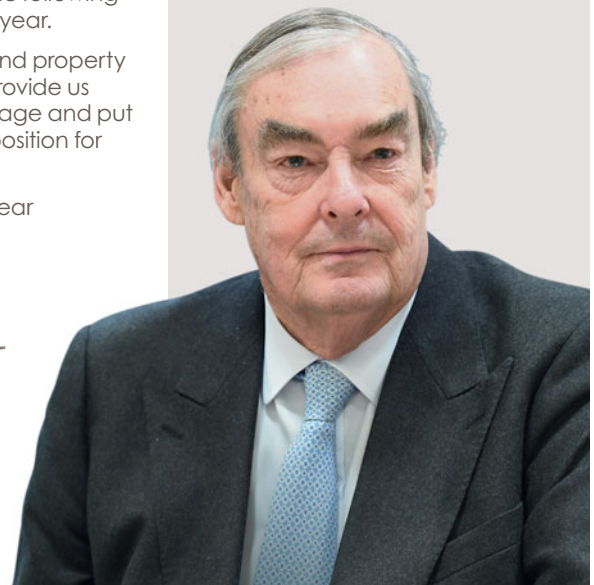
Dividend increase in the year

+5%

to 7.9p per share

The Company has delivered a particularly strong financial performance in the year, resulting in a record reported profit of £186 million."

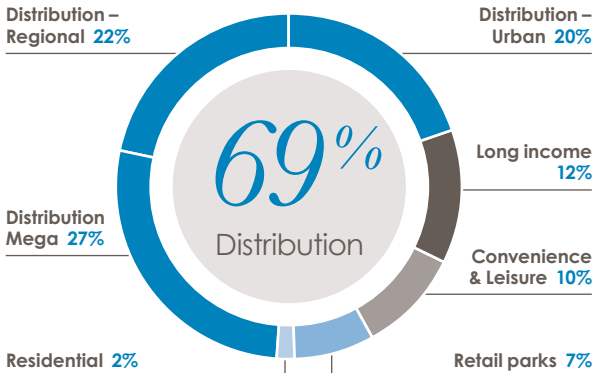
Patrick Vaughan
Chairman



At a glance

We own real estate that has structural support from changing consumer shopping habits. Our distribution exposure has increased to 69% of the portfolio and the Company is delivering sustainable income growth and long term value growth.

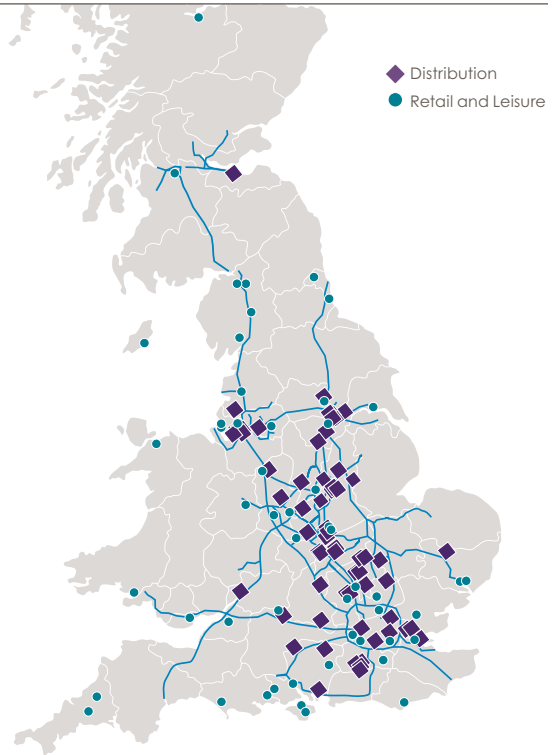
Our focus is on distribution, long income, convenience and leisure¹



As at 31 March 2018	NIY ²	WAULT
● Distribution	4.6%	12.1 yrs
● Long Income	5.9%	11.0 yrs
● Convenience & Leisure	4.9%	17.2 yrs
● Retail Parks	5.6%	11.1 yrs
Investment portfolio	4.9%	12.4 yrs

¹ Including developments
² EPRA topped up NIY

Where our assets are located



Significant events in the year

Investment

- £384.9m invested in our preferred sectors of distributions, long income, convenience and leisure
- Largest investment was in the £116.6m Cabot portfolio of 14 distribution warehouses
- £251.6m of disposals, including the disposal of our last remaining office in Marlow

Asset Management

- 58 occupier transactions generating additional income of £3.1m
- 31 lettings at a WAULT of 15.2 years and 22% above ERV
- 27 rent reviews at 12.3% above previous passing on a five yearly equivalent basis

Development

- Completion of five developments across 578,000 sq ft at an anticipated yield on cost of 6.4%
- Acquisition of 40 acre site in Bedford allowing us to commence development of up to 680,000 sq ft of distribution warehousing at an anticipated yield on cost of 7.0%

Portfolio value

£1,842m

WAULT

12.4 years

Total property return

+13.7%

Valuation uplift

+7.1%

ERV growth

+3.1%

Distribution portfolio

Mega distribution



- 7 Assets, 4.7m sq ft
- £24.9m rent (av £5.30 psf)
- NIY¹ 4.7%
- WAULT 13.2 years

Regional distribution



- 15 Assets, 3.6m sq ft
- £18.3m rent (av £5.60 psf)
- NIY¹ 4.5%
- WAULT 14.2 years

Urban distribution



- 45 Assets, 3.0m sq ft
- £17.9m rent (av £6.10 psf)
- NIY¹ 4.7%
- WAULT 8.5 years

Retail and leisure portfolio

Long income



- 28 Assets, 1.2m sq ft
- £13.9m rent (av £19.70 psf)
- NIY¹ 5.9%
- WAULT 11.0 years

Convenience and leisure



- 18 Assets, 0.6m sq ft
- £9.4m rent (av £16.70 psf)
- NIY¹ 4.9%
- WAULT 17.2 years

Retail parks



- 5 Assets, 0.4m sq ft
- £8.4m rent (av £18.90 psf)
- NIY¹ 5.6%
- WAULT 11.1 years

¹ Topped up NIY

Our strategic priorities



Our portfolio is aligned to modern shopping habits

1. Increase alignment to sectors that have structural support from changing shopping habits, principally online and convenience shopping
2. Focus on property in good locations with strong intrinsic value



We focus on sustainable and growing income

3. Generate reliable income with income growth potential from financially secure tenants
4. Minimise operational, financial and frictional costs of managing the portfolio



We manage, enhance and create property in a responsible way

5. Add income and value from management and development actions
6. Improve the quality and sustainability of our assets



Our expertise and relationships shape our decision making

7. Remain disciplined in our investment approach
8. Build on occupier and property relationships to maintain strong portfolio metrics and make better informed decisions

Chief Executive's review

Distribution assets

69%

of the portfolio

Distribution assets owned

+33%

in the year to £1.3bn

Our portfolio is positioned around strong fundamentals of owning structurally supported real estate let to good tenants.”

Andrew Jones
Chief Executive

Overview

Our objective is to deliver attractive and dependable income returns to our shareholders whilst preserving and enhancing capital through owning structurally supported real estate let to good tenants. In short, we aim to behave as a true REIT.

The advancement of technology continues to cause significant disruption to many industries and those that fail to adapt to change face an increasingly uncertain future. Over the past five years, we have successfully positioned the portfolio to navigate this disruption by pivoting away from multi-let operational retail assets and office property.

We have instead focused on fit for purpose distribution, long income and convenience assets where changing consumer shopping habits are providing structural support.

Our occupier and property relationships improve our decision making and allow us to maintain our sector leading portfolio metrics. Whilst we can never be totally immune from all headwinds, we believe that these relationships and our robust approach give us a competitive advantage that allows us to increase our earnings, progress our dividend and see the value of our assets increase ahead of the market.



Chief Executive's review continued



Even after many years of strong take up, occupier demand for new distribution and warehouse space remains well above long term averages.”

Online retail sales (non food)

26%

by 2020 compared to 20% today



Our portfolio is aligned to modern shopping habits

Digital evolution continues to cause significant disruption

Today's world is complex and more dynamic than ever with technological innovation impacting every aspect of society.

The rapid and permanent shift in consumer shopping habits has seen a material growth in pure online and omni-channel retailing. This has seen online non food retail sales hit 20%, compared to 13% in 2011, and this is forecast to reach 26% by 2020. Traditional brands are being replaced by names which barely existed a decade ago, but are now considered very much part of retail's New World Order: Amazon, eBay, boohoo, ASOS and Ocado to name a few. These retailers rely on their efficient and well located distribution network to service their customers' demands with ever increasing speed. We are no longer a nation of shopkeepers.

Whilst the virtual tills are ringing, the physical ones aren't. Physical retail sales are growing at their slowest rate since 2012. The outlook for more traditional retailers is very challenging and they are having to adapt continuously to remain relevant. Recently, New Look, Mothercare and Carpetright admitted that their store portfolios no longer meet their needs and have sought to radically shrink the size and cost of their estates. We have also seen both Toys R Us and Maplin fall away altogether, and it is inevitable that they will not be the last victims and that the list of retail failures will grow.

The retail channel shift is real, material and permanent. Stores today are increasingly having to provide convenience, value or extraordinary entertainment. If they cannot, then what is their purpose?

Primark's value and store only proposition continues to succeed whilst the likes of John Lewis, Next and Argos have successfully adapted their businesses for omni-channel retailing by actively managing their store portfolios and investing heavily in new distribution warehouses and technology systems; it is no coincidence that they report online sales well above 40% of total sales.

In food retail, the disruption from convenience operators such as Aldi and Lidl is forcing the established grocery market to drive further pricing and cost efficiencies as well as preparing for an onslaught from online competition. We have, therefore, consciously avoided large format food stores and distribution, instead focusing on convenience stores where changing habits have seen the growth of 'top up' shopping.

Distribution has strong structural support

Despite years of being unfashionable, the channel shift in retail spending is providing a significant boost to the distribution property sector; and this is only expected to continue.

Even after many years of strong take up, occupier demand for new distribution and warehouse space remains well above long term averages. Retailers and logistics operators are constantly improving their distribution infrastructure and warehousing to increase speed of delivery and cost efficiencies through automation, better locations and higher quality space; and this cycle of improvement is happening at a faster rate than ever before.

There remains a strong demand/supply imbalance, which is propelling rental growth across most parts of the UK. The best distribution space is highly sought after and occupiers are consequently prepared to pay record rents and sign long leases, often with contractual rental uplifts at review, as they look to protect their significant capital investments inside these warehouses. The search for greater efficiencies will, however, inevitably lead to the closure of some older, less fit for purpose logistics warehousing, which is something that we continue to address through our disposal activities.

Consumers' expectations are always rising, meaning that yesterday's 'wow' quickly becomes tomorrow's 'norm'. This is illustrated by increased expectations around speed of delivery, a trend which has underpinned our further investment within the urban logistics sector, particularly in assets close to large population centres. The real estate fundamentals are strong and so we will continue to build critical mass in major UK geographies, attracted by growing income streams and strong intrinsic land values, often supported by the added benefit of more valuable alternative uses.

Deflation and depreciation

The continuing transfer of sales to online represents a permanent and profound structural change. Its impact is illustrated in Next's latest results which listed 17 store closures and average rental falls of 25% on the 19 leases that it decided to renew. Similarly, New Look's CVA will see 60 stores close as well as reducing rents across 393 stores of between 20% and 60%. Together, they represent over 75% of New Look's UK store portfolio. Carpetright also confirmed the closure of 93 stores and reducing rents of between 30% and 50% on another 113, in aggregate representing over 50% of their UK estate.

The headwinds facing legacy real estate is a clear and present danger to the value of many retail assets. As well as store closures and rent reductions, retailers are demanding shorter leases and more advantageous incentive packages. The average lease taken by Next on lease renewals fell to seven years and they expect this to reduce to just five years. Whilst the store network still retains critical importance for omni-channel retailers, at current rental levels they are for many an increasingly declining asset. It is not evident that the property market is fully appreciating or pricing in the negative impact of

these structural challenges. We no longer believe that it's as simple as 'prime' versus 'secondary'. It feels more indiscriminate than that.

Therefore, we have consciously avoided the most vulnerable sectors in retail and focused our retail exposure towards long income and convenience led assets let to the likes of Aldi, M&S, Wickes and B&M. As a result, our exposure to retail parks has fallen to only 7% and our retail and leisure portfolio is 100% let on leases with over 12 years remaining.

Our team has considerable experience in the retail market and our actions have allowed us to, so far, avoid the value destruction across the various sectors. This still has a long way to go, and whilst many in the property market want us to believe that we are entering the final act, we are not!

[+ See pages 28 to 31 of the Property review](#)



The real estate fundamentals for urban logistics are strong and so we will continue to build critical mass in major UK geographies, attracted by growing income streams and strong intrinsic land values, often supported by the added benefit of more valuable alternative uses."

Urban logistics assets

29%

of our distribution portfolio

Chief Executive's review continued



Focusing on income and income growth is a simple idea but in a world of very low growth, it is one that we strongly believe in and one that we are taking seriously."



Our portfolio is in good shape with long leases of over 12 years, occupancy at 97.5%, only 1.3% gross to net income leakage and little defensive capex requirement."



We focus on sustainable and growing income

Demographic trends accentuating the search for income

The extended period of low economic growth and low interest rates continues to create an almost desperate search for yield. We believe that this search is unlikely to change any time soon as a lower growth environment is combined with a demographic wave, as the population ages and life expectancy increases. In the UK, according to the ONS, the percentage of the population defined as old age dependent has risen from 24% ten years ago to 29% today and is forecast to increase to 41% by 2036.

Therefore, we believe that income will continue to be the defining characteristic of this decade's investment environment. The investing fraternity, including dedicated income funds, private investors, corporate and local authority pension funds are pivoting their approach more and more towards income returns that are reliable, predictable and growing.

These are compelling arguments and some real estate sectors are ideally suited to meet this need. Indeed, this is essentially the role that REITs in the UK were created to provide, passing 90% of their net income to shareholders, without the burden of double taxation.

Dividend security and growth from our portfolio

Income remains central to our investment thesis. Our ultimate priority is to pass income generated by our assets to shareholders, which is why we consistently pay out 90%+ of our earnings in dividends, and why, with the benefit of future rent reviews, finance and other corporate cost efficiencies, we are confident in our ability to progress our dividend.

Receiving a meaningful proportion of your total return in income not only provides a margin of safety against short term price fluctuations, it also helps compounding returns. Growth on growth is always underestimated.

Following the repositioning of the portfolio, our investment strategy today is more patient. This is allowing us to collect and compound our income and reduce the frictional costs of buying and selling that can negatively impact total returns; after all, the first rule of income compounding is to never interrupt it unnecessarily.

Fortunately, our portfolio is in good shape with long leases of over 12 years, occupancy at 97.5%, only 1.3% gross to net income leakage and little defensive capex requirement. We have also benefited from good like for like income growth over the year, and, going forward, we know that we have the certainty of future income growth through contractual rental increases across half of the portfolio.

Focusing on income and income growth is a simple idea but in a world of very low growth, it is one that we strongly believe in and one that we are taking seriously.

[+ See pages 26 to 27 of the Property review](#)



We manage, enhance and create property in a responsible way

Delivering enhanced returns from our property

We continue to grow our income and improve the quality and attractiveness of our assets through de-risked asset management and short cycle development activity.

In the year, we completed the development of 0.6 million sq ft at a yield on cost of 6.4%, materially higher than the investment yield. As at the year end, we had 1.0 million sq ft of development underway or in the near term pipeline. This activity helps to further modernise our portfolio, with 28% now rated BREEAM Very Good, and it has reduced the average age of our distribution assets to 15 years.

Our 58 lettings and rent reviews helped to deliver £3.1 million of additional income with lettings achieved at 22% above ERV on average lease lengths of 15.2 years.

Post year end, we have agreed and are in legal on further occupier transactions representing an additional £1.3 million of income. This includes four distribution lettings and rent reviews at 28% above passing rent.

We expect our income to continue to grow, particularly as we let the remainder of our recently completed developments and continue to settle distribution rent reviews at levels which are materially above passing.

+ See pages 32 to 33 of the Property review and pages 42 to 43 of the Responsible Business review



Our expertise and relationships shape our decision making

Disciplined decision making using our occupier intelligence

We take a disciplined, patient and rational approach to investing. We are obsessed about the credit quality of occupiers, the security of our income, quality of the real estate and its potential for income growth.

Over the year, we were a significant net investor in distribution and used our strong occupier and developer relationships to acquire over £300 million of distribution assets. Whilst we remain focused on growing our logistics exposure, that doesn't prevent us from selling to ensure that our portfolio remains fit for purpose. Therefore, we took advantage of the strong market to monetise £88.2 million of our older and shorter let distribution assets in geographies where we believe rental growth and occupier demand is less robust.

Whilst the market remains very competitive, we have a highly talented and focused team with strong relationships which puts us in a strong position to find new opportunities and make well-informed decisions.

Disciplined financing

Our financing remains aligned to our property strategy. Loan to value of 35% provides us with flexibility to make further acquisitions and build our developments. Debt maturity remains at five years and we have reduced our cost of debt to 2.8% following the cancellation and recouping of interest rate swaps, the cost of which has already been accounted for and has a payback period of 2.5 to 4.0 years. Our dividend is 108% covered and our EPRA cost ratio fell to 15% from 16% last year.

+ See pages 26 to 31 of the Property review and pages 34 to 39 of the Financial review

Outlook

In an uncertain economic and political environment we believe that our income compounding model is increasingly attractive, especially as investors pivot their investment approach for low growth and demographic changes. Our income focus allows us to be a little less obsessed about predicting exact market movements or the exact timing of cycles, although our thoughts on these will be reflected in the management of our capital structure.

We remain highly nervous on the outlook for the retail sector with the tectonic plates shifting so materially that it's now a very difficult sector to navigate and deliver superior returns. For the best space in the best locations, this is cyclical; for the majority it is permanent disruption and for the weakest it will be highly problematic.

Conversely, distribution remains structurally supported by the fundamental changes in consumer shopping patterns with attractive demand/supply tension, especially for urban logistics where rental growth is strongest. This is providing reliable, sustainable and consistent rental income and a fantastic bedrock from which to grow our income and dividends.

Our returns over the year are a measure of the progress that we have made and reflect our longer term sector and property decisions. Looking forward, we seek to continually build a better company and believe that, despite an environment of profound political and economic change, our strategy positions us well to not only weather but also benefit from short term fluctuations in values.

Our marketplace

Real estate remains an attractive investment class supported by a resilient economic backdrop and an increasing need for real income returns. However, in a complex and highly dynamic world, real estate has to be fit for purpose to navigate a rapidly evolving environment.

Economic backdrop

The UK economy remains relatively robust. GDP growth remains resilient and is forecast to be around 2% over the next few years. Interest rates remain at historic lows and inflation is set to fall back to around 2%. With evidence of real wage inflation and unemployment trending towards 4%, consumer spending is set to pick up.

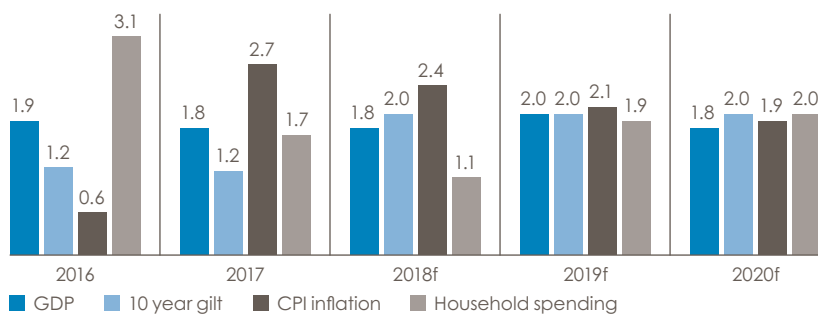
+2.0%*pa*

GDP growth remains resilient over next two years

There remains a lack of clarity on the UK's future relationship with the European Union which could impact on near term investment decisions. The economy has remained resilient to this distraction and with greater clarity around Brexit, this could improve current uncertainty.

Real estate remains an attractive investment class in this economic environment, delivering a positive yield arbitrage and positive real returns. Overseas capital continues to be attracted to UK real estate.

Economic forecasts (%)



Source: Capital Economics

The need for income

+60%

Global population aged 65 and older growth to 2030

Demographic shifts and longevity of life are having a profound impact on the search for income. Pension freedoms together with reduction in Annuity rates have led many to seek alternative sources of income.

Real income returns require an income ahead of the prevailing inflation rate. Many traditional investment classes (cash, bonds, equities) do not deliver this and, as a result we are seeing a rise of alternative investment classes.

Real Estate Investment Trusts (REITs) that invest in the right real estate are an attractive investment proposition in this environment providing reliable, sustainable and growing income with the potential for long term capital appreciation.

Modern shopping habits and changes in technology

The compounding impact of technological change continues to empower the consumer. The structural shift in shopping habits continues to have a ripple effect through many businesses as ecommerce becomes an increasingly driving force of growth amongst traditional

retailers and newly established ecommerce retailers.

Online is forecast to continue to grow with same store sales stagnating. Responding to these shifts, occupiers are upgrading their supply chains to meet consumer demands.

+13%

Online sales year on year

-1%

Store sales year on year



Supply & demand imbalance

The logistics and fulfilment real estate market is a direct beneficiary of the shifts in shopping habits. CBRE estimate that 18.5 million sq ft of Grade A distribution space was taken up in the 12 month period against the five year average of c.13.8 million sq ft. Q1 2018 was a record quarter with 10 million sq ft of take up across 28 deals dominated by online, 3PLs and Post & Parcel operators. Online retail led occupiers have accounted for 23.7% of total take up in the last two years compared to 0.6% and 0.9% in 2012 and 2013 respectively.

The development market has responded with c.19.4 million sq ft of current development activity. However 64% is pre-let and developers remain risk adverse. Total supply of new and grade A stands at c.15 million sq ft, representing c.10 months supply based on the last 12 months take up.

23.7%

Online retail occupiers have accounted for 23.7% of total take up in the last two years

Real estate requirements

Technological advancements and changes in shopping habits are resulting in a need for fit for purpose, modern real estate to maximise supply chain efficiencies. Retailers have two principle routes to market: retail stores and online. Modern and efficient logistics and fulfilment space is required to deliver to the consumer regardless of route and logistics has to seamlessly provide for both store and home delivery.

Increased parcel deliveries and rising retailer promises to deliver to your home, place of work and soon anywhere of your choice, is resulting in

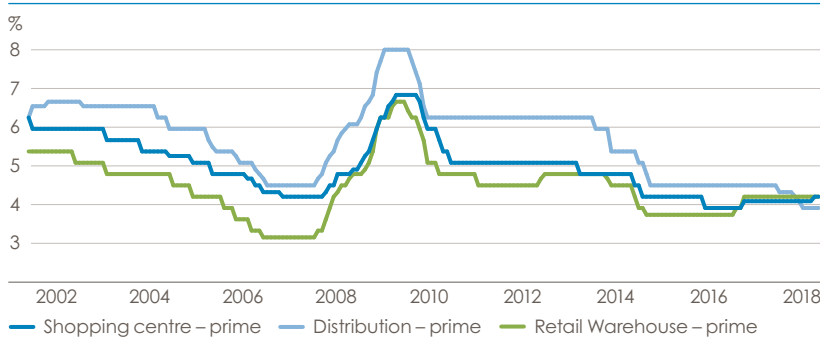
heightened demand for well located and specified logistics and fulfilment accommodation in or close to urban centres. Urban logistics property, however, is in short supply given the alternative use that these locations have and consequently there is a demand/supply imbalance.

The store network remains an integral part of a retailer's business. However store portfolios need to shrink and reflect the way in which people choose to shop. Convenience-led retail remains a growing sector as top up shopping trips complement online shopping.



Driving investment markets

Prime retail yields v prime distribution



Source: CBRE

The structural shifts supporting accelerating growth, together with the favourable demand/supply dynamics, have attracted large inward real estate investment into the logistics and fulfilment sectors. Occupiers continue to sign up to long

leases with contractual uplifts given the importance of distribution to their operations. This long dated income with bond like characteristics is very appealing and is delivering strong risk adjusted total returns for owners of distribution real estate.

Outlook

The shift in consumer behaviour we have witnessed in recent years is accelerating. We believe it is critical to invest in real estate that is fit for purpose, aligned to structural shifts and offers strong income characteristics. Our strong occupier relationships help shape our decision making to navigate a rapidly evolving market.

Our business model

How we generate sustainable income and create value.

Our key stakeholders

People

Our success is dependent on employing a talented, motivated and diverse team with strong property expertise.

Occupiers

We engage with occupiers across all of our activities to provide real estate solutions that deliver mutually beneficial outcomes and assist them in meeting their business needs.

Contractors and suppliers

Delivering developments and asset services on time, on budget and in adherence with our standards is of high priority.

We select high quality and robust contractors who have a proven track record and we work in collaboration with them.

Investors and Joint Ventures

We value our good relationships with investors and debt providers to ensure we have a wide access to capital markets.

We also work closely with our joint venture partners to fulfil their business objectives.

Local communities

We recognise the importance of supporting and properly engaging with local communities.

We work closely with local authorities, residents and businesses to ensure that our activities consider and bring benefits to local communities.

[+ See the Responsible Business review on pages 45 to 47](#)

How our story creates income and value [+ See pages 01 to 09](#)

We anticipate changes in shopping habits and pivot our portfolio to those sectors which benefit from these changes. As a result of our actions, we are strongly positioned in distribution, retail and leisure property.

Distribution

69%
of portfolio

Total property return in 2018

13.7%
360 bps out performance
of IPD All Property



Our portfolio is aligned to modern shopping habits

[+ See page 02](#)

Development activity in 2018

578,000 sq ft

Additional income

+£3.1m
from occupier transactions
in 2018



We manage, enhance and create property in a responsible way

[+ See page 06](#)

We improve the quality and attractiveness of our assets through de-risked asset management initiatives and short cycle developments.

In a yield starved environment, we are a true REIT adopter where we focus on sustainable and growing income. We believe that income will be an increasingly important component of total returns and we look to improve the quality and length of our income to maximise returns to shareholders.



We focus on sustainable and growing income

➤ See page 04

WAULT

12.4 years

Only 6% of income expires over 3 years

LFL income growth

+4.3%



Our expertise and relationships shape our decision making

➤ See page 08

Investment

+£384.9m

Occupancy

98%

Our people are highly talented and have strong relationships with retailers and the property sector which have been built up over many years. This gives us unrivalled knowledge and we are a trusted partner. As a result, we are able to access attractive opportunities and make the right property decisions.

Value created

Total shareholder return (5 years)

+119%

Total accounting return

+15.5%

EPRA EPS growth

+3.7%

Dividend growth

+5.3%

Sustainable improvements

28%

of portfolio BREEAM Very Good






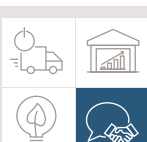
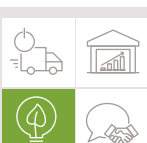
Community benefits


345

permanent jobs created by our occupiers on our recent developments

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 % <table border="1"> <tr> <td>2018</td> <td>16.6</td> </tr> <tr> <td>2017</td> <td>4.4</td> </tr> <tr> <td>2016</td> <td>5.9</td> </tr> </table>	2018	16.6	2017	4.4	2016	5.9	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the five years post merger was 119%, more than twice the FTSE 350 Real Estate Super Sector movement of 58%. 12 month TSR delivered 16.6% compared to the FTSE 350 Super Sector return of 7.9%.
2018	16.6							
2017	4.4							
2016	5.9							
Maximise long term total accounting return 	Total accounting return % <table border="1"> <tr> <td>2018</td> <td>15.5</td> </tr> <tr> <td>2017</td> <td>6.4</td> </tr> <tr> <td>2016</td> <td>11.5</td> </tr> </table>	2018	15.5	2017	6.4	2016	11.5	Total Accounting Return ('TAR') of EPRA NAV movement together with dividend paid in the year. 12 month TAR delivered a return of 15.5%. The full calculation can be found in Supplementary note viii on page 144
2018	15.5							
2017	6.4							
2016	11.5							
Maximise property portfolio returns 	Total property return % <table border="1"> <tr> <td>2018</td> <td>13.7</td> </tr> <tr> <td>2017</td> <td>7.4</td> </tr> <tr> <td>2016</td> <td>10.5</td> </tr> </table>	2018	13.7	2017	7.4	2016	10.5	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD. 12 months TPR delivered a return of 13.7% compared to the IPD All Property benchmark of 10.1%.
2018	13.7							
2017	7.4							
2016	10.5							
Deliver sustainable growth in EPRA earnings 	EPRA earnings per share p <table border="1"> <tr> <td>2018</td> <td>8.5</td> </tr> <tr> <td>2017</td> <td>8.2</td> </tr> <tr> <td>2016</td> <td>7.8</td> </tr> </table>	2018	8.5	2017	8.2	2016	7.8	EPRA earnings per share from core operational activities have grown by 3.7% over the last 12 months. Underlying earnings have grown by 15.9% to £59.1 million. The per share equivalent reflects last year's equity placing. In the five years post merger, EPRA earnings per share has grown by 117.9% from 3.9p to 8.5p per share.
2018	8.5							
2017	8.2							
2016	7.8							
Drive like for like income growth through management actions 	Like for like income growth % <table border="1"> <tr> <td>2018</td> <td>4.3</td> </tr> <tr> <td>2017</td> <td>4.6</td> </tr> <tr> <td>2016</td> <td>3.1</td> </tr> </table>	2018	4.3	2017	4.6	2016	3.1	The movement in the contracted rental income on properties owned through the period increased by 4.3%.
2018	4.3							
2017	4.6							
2016	3.1							
Maintain a higher than market benchmark weighted average unexpired lease term (WAULT) 	WAULT years <table border="1"> <tr> <td>2018</td> <td>12.4</td> </tr> <tr> <td>2017</td> <td>12.8</td> </tr> <tr> <td>2016</td> <td>12.8</td> </tr> </table>	2018	12.4	2017	12.8	2016	12.8	Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 12.4 years as at 31 March 2018.
2018	12.4							
2017	12.8							
2016	12.8							
Maintain strong occupier contentment 	EPRA vacancy % <table border="1"> <tr> <td>2018</td> <td>2.5</td> </tr> <tr> <td>2017</td> <td>0.4</td> </tr> <tr> <td>2016</td> <td>0.7</td> </tr> </table>	2018	2.5	2017	0.4	2016	0.7	Occupancy rate of investment portfolio at 31 March 2018 was 97.5%. We expect this to revert back to above 99% as the remainder of our recently completed distribution developments are let.
2018	2.5							
2017	0.4							
2016	0.7							

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

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Remuneration	2018/19 ambition
<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.</p> <p>The TSR component of the 2014 LTIP award vested in full in the year and the TSR component of the 2015 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 sector, excluding agencies and operators.</p>
<p>Under the Remuneration Policy 37.5% of LTIP awards granted since 2016 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 sector, excluding agencies and operators.</p>
<p>35% of annual bonus award is subject to TPR outperforming the IPD Quarterly Universe index.</p> <p>This year TPR outperformed the IPD benchmark delivering a 40% bonus payout.</p>	<p>One year TPR outperformance against IPO Quarterly Universe index.</p>
<p>35% of annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a full bonus payout.</p> <p>25% of LTIP awards vest after three years subject to an EPS growth target. The EPS component of the 2014 LTIP award vested in full in the year and 76% of the EPS component of the 2015 LTIP award is expected to vest this year.</p>	<p>Deliver and sustain EPRA earnings growth and dividend progression.</p>
<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>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>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>

Financial performance indicators

We monitor other financial performance indicators in respect of LTV, debt maturity and cost of borrowing.

These are discussed in the Finance review on pages 38 to 39.

Movements over the past five years are reflected in the charts on page 39.

[+ See Finance review on page 34](#)

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, strategic priorities and KPIs is reviewed in the Risk management section on pages 48 to 59.

[+ See Risk management on page 48](#)

Remuneration

The table on page 94 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.

[+ See Remuneration on page 88](#)

Property review

We invest in real estate that delivers repetitive, dependable and growing income and that offers the best prospects for superior total returns. Our actions aim to strengthen our portfolio's income metrics.



Mark Stirling
Asset Director

Average unexpired lease length

12.4 years

Strong portfolio metrics provide income security and growth

We continue to maintain strong income metrics through our activities.

Average lease lengths of 12.4 years (11.3 years to break) provide a high level of income security with only 6% of income expiring over three years and nearly 60% with lease lengths of greater than 10 years.

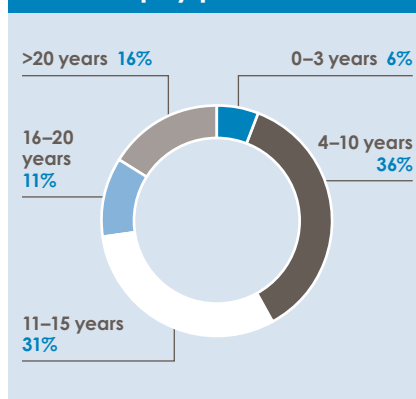
Occupancy remains high at 97.5% and will revert back to above 99% as we let the remainder of our recently completed distribution developments.

Gross to net income ratio of 98.7% compares very favourably against our peers and reflects the low operational requirements from owning single let assets.

50.3% of rental income benefits from fixed or inflation linked uplifts which provides certainty of income growth. Furthermore, through open market rental uplifts on distribution, we are delivering organic rental growth.

The strength of our occupiers is critical to the quality of our income. Our top five occupiers consist of Primark, Dixons Carphone, M&S, DHL and Argos and represent 35% of our income.

Lease expiry profile



Our portfolio is further aligned to structurally supported real estate

Acquisitions in the year totalled £384.9 million as we continue to invest into our preferred sectors of distribution, long income, convenience retail and leisure.

£306.4 million was invested into regional and urban distribution and further broadened our end to end logistics portfolio.

Whilst competition for assets in these preferred sectors is strong, our acquisitions were at an attractive yield of 6.0% and a WAULT of 10.6 years.



Valentine Beresford
Investment Director

Acquisitions

£384.9m

Investment activity by sub sector

	Acquisitions		Disposals	
	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Distribution ^{1,3}	306.4	5.9	88.2	5.3
Long Income ³	40.5	6.7	11.2	6.7
Convenience & Leisure ²	38.0	5.6	56.9	4.7
Retail Parks	–	–	18.1	7.1
Office	–	–	68.5	6.7
Residential	–	–	8.7	2.5
Total	384.9	6.0	251.6	5.7

¹ Includes costs relating to the site acquisition and full development of 680,000 sq ft at Bedford

² Includes convenience disposal of Loughborough and regional distribution sale at South Elmsall that exchanged in the year with deferred completion post year end

³ Includes the investment value from an increase in our share of the DFS Joint Venture from 30.5% to 45.0%



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As part of our disciplined portfolio management, we sold £156.3 million of assets within our preferred sectors at a yield of 5.2%. £88.2 million was in distribution where we monetised older assets that had a WAULT to first break of less than five years.

This investment activity delivered 80 bps of positive yield arbitrage and provides greater certainty of income and income growth with alignment to superior assets.

The remainder of our sales related to assets outside of our preferred sectors, namely our last office asset in Marlow, two retail parks and 19 residential flats at our only residential asset, Moore House, Chelsea. Including sales agreed or under offer since the year end, only 37 flats remain of the original 149 owned in a joint venture, where we have a 40% share.

As a result of our investment and development activity, distribution increased to 69% of our total portfolio, up from 62% in 2017, with urban logistics representing nearly a third of our distribution portfolio. Conversely, retail parks exposure has fallen further to 7%.

Our actions are delivering strong returns

We have been a significant beneficiary of our early move into distribution where strong demand/supply dynamics have pushed capital values and rents significantly higher.

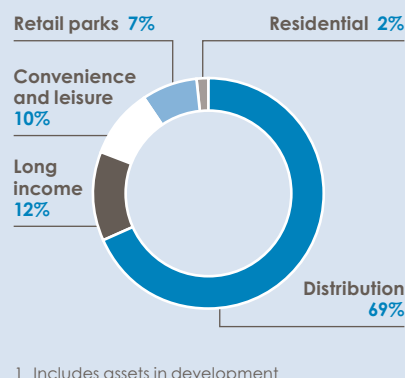
Over the year, the portfolio delivered a total property return of 13.7%, significantly outperforming IPD All Property which returned 10.1%. This return reflects the portfolio's sustainable and attractive income as well as a strong capital return.

The revaluation gain over the year was £121.6 million, reflecting a 7.1% increase. The second half gain was £68.8 million, helped by our development assets, particularly at our Bedford distribution development where we completed on the land acquisition.

The EPRA topped up net initial yield on the portfolio is now 4.9% and the equivalent yield is 5.3%, reflecting an equivalent yield compression of 28 bps over the year on a like for like basis.

Our actions accounted for approximately 50% of the valuation gains through our strong exposure to superior ERV growth, which averaged

Portfolio split¹



3.1% in the year, and successfully executed asset management and development initiatives, which generated like for like income growth of 4.3%.

Distribution generated a capital uplift of £74.4 million, representing a 6.4% increase. The best performing segment was urban logistics which saw a 10.9% capital uplift driven by strong ERV growth of 6.6%.

Retail and leisure saw a £40.0 million valuation increase representing an 8.1% uplift, helped by good ERV growth and our asset management activity. All subsectors performed well. Retail parks delivered a 4.0% uplift, convenience and leisure delivered an 8.5% capital uplift, and our long income portfolio delivered 10.4%.

At our last remaining residential property there was a £1.8 million fall in value, representing a 5.8% reduction.

As income becomes an increasingly important component of total returns, we believe that our strong income focused portfolio metrics will continue to generate superior future total returns.

Revaluation gain in the year

Distribution	6.4%
Long Income	10.4%
Convenience & Leisure	8.5%
Retail Parks	4.0%
Residential	-5.8%
Developments	26.1%
Total portfolio	7.1%

Distribution weighting

69%

Total property return

+13.7%

Urban logistics valuation uplift

+10.9%

Property review continued



Distribution

We invest in the subsectors of distribution that offer the most compelling returns.

Overview

The value of our end to end distribution portfolio, including developments, increased by 33% over the year to £1,262.5 million.

These are high quality single let assets with a WAULT of 12.1 years, offering an attractive mix of guaranteed rental uplifts on mega and regional distribution, and strong organic rental growth prospects on urban logistics.

Mega distribution continues to see strong investor demand and pricing remains highly competitive. Therefore, we have looked to increase our exposure to regional and urban logistics where we see more favourable pricing dynamics, greater income growth potential and more robust intrinsic value in the assets.

In the year, we invested £306.4 million at an attractive blended yield of 5.9% and with average lease lengths of 10.0 years.

Distribution portfolio

£1.3bn

Regional distribution

The investment market for regional distribution is also highly competitive as investors price in strong rental growth and leasing assumptions.

Whilst we remain disciplined, we acquired four regional warehouses for £83.4 million at a net initial yield of 5.6%. Three were acquired through the Cabot portfolio acquisition and the fourth was a warehouse let to Clipper Logistics.

We have supplemented these acquisitions by investing into our development pipeline where we continue to access product at yields significantly in excess of investment value.

At Bedford, we acquired a 40 acre development site and the majority of the site will be used to build two regional warehouses at a cost of £45.4 million representing a yield of 7.3%. The balance of the site will be used to build three urban logistics warehouses.

The strength of the market has prompted us to sell three regional assets for £88.2 million at a yield of 5.3%. These were older assets, let on short leases, with a WAULT to first break of 4.8 years, where we were uncertain on the prospects for future rental growth.

Urban logistics

Occupier demand for smaller distribution warehouses continues to grow as occupiers seek closer proximity to population centres to reduce their operational costs and delivery times. Urban logistics now represents 29% of our distribution portfolio, up from 17% in 2017. This has improved the balance of our end to end logistics platform significantly.

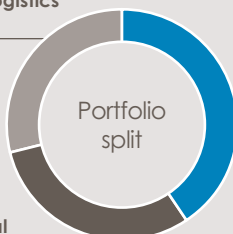
Over the year, we acquired 25 assets for £177.6 million, including three developments. The blended yield on the acquisitions was 5.7% with a WAULT of 9.3 years. These assets are let to strong occupiers in good locations and have attractive income growth potential.

We firmly believe in the outlook for urban logistics. Tight supply and significant occupier demand continue to drive material rental outperformance of urban logistics compared to regional or mega distribution. In addition, with over 70% of our urban assets in the south east and the Midlands, we benefit from the strong underlying land values from alternative uses.

Therefore, we are comfortable that our urban logistics portfolio has shorter average lease lengths and a lower level of contractual rental uplifts.

Distribution portfolio split

Urban logistics
29%



Mega
40%

Regional
31%

As at 31 March 2018

	Mega	Regional	Urban
Typical warehouse size	500,000+ sq ft	100–500,000 sq ft	Up to 100,000 sq ft
Value ¹	£501m	£395m	£367m
WAULT	13.2 years	14.2 years	8.5 years
Yield ²	4.7%	4.5%	4.7%
Contractual uplifts ³	74%	59%	28%

1 Including developments

2 Topped up Yield

3 Percentage of portfolio that benefits from contractual rental uplifts



Distribution

Investment activity

Overview
<p>Acquired</p> <p>£306.4m</p> <p>NIY: 5.9% WAULT: 10.0 years</p>
<p>Disposed</p> <p>£88.2m</p> <p>NIY: 5.3% WAULT: 5.8 years</p>
Post period end
<p>490,000 sq ft portfolio disposal</p> <p>Disposal of six warehouses and a plot of land for £36.0 million, reflecting a blended NIY of 5.9%. The properties are located in the Midlands and North of England, with a WAULT to break of 5.3 years. The disposal of three of the assets is conditional on the purchaser arranging suitable financing.</p>

Acquisitions	
<p>1,300,000 sq ft Cabot portfolio £116.6 million acquisition of 11 urban and 3 regional assets. Acquired at a NIY of 6.1% and with a WAULT of 5.6 years.</p> <p>680,000 sq ft in Bedford The development site was unconditionally acquired at an anticipated development cost of £65.5 million and yield of 7.0%.</p> <p>181,000 sq ft in Leyton, Weybridge, Peterborough, Cheltenham and Haverhill £25.6 million acquisition of five warehouses at a NIY of 5.0%, rising to 5.6% over five years, and with a WAULT of 16.0 years.</p> <p>364,000 sq ft in Ollerton £37.4 million acquisition of a warehouse let to Clipper Logistics at a reversionary yield of 5.5%, with a WAULT of 19.8 years.</p> <p>132,000 sq ft in Speke £10.2 million acquisition of a warehouse let to Gefco. Acquired with a WAULT of 14.8 years.</p>	<p>120,000 sq ft in Huyton £11.8 million acquisition of a forward funding development let to Antolin Interiors. Acquired at a yield of 6.1% and with a WAULT of 15.0 years.</p> <p>90,000 sq ft in Coventry £5.7 million acquisition of a warehouse let to DHL. Acquired at a NIY of 7.0% and with a WAULT of 10.0 years.</p> <p>57,000 sq ft in Crawley £6.9 million acquisition of six warehouses with a WAULT of 2.8 years. It is anticipated that the site will be redeveloped at a yield of c.6%.</p> <p>62,000 sq ft in Frimley Acquired a forward funding development for £13.1 million at an anticipated yield on cost of 5.3%.</p> <p>51,000 sq ft in Crawley £6.4 million acquisition of a warehouse let to TNT. Acquired at a NIY of 4.8% and a reversionary yield of 6.2%, with a WAULT of 6.4 years.</p> <p>42,000 sq ft in Warrington £4.4 million acquisition of a warehouse let to Hovis. Acquired at a NIY of 5.6% and with a WAULT of 9.7 years.</p>
Disposals	
<p>290,000 sq ft in South Elmsall The property let to Superdrug was sold for £15.0 million, reflecting a NIY of 6.2%. The disposal completed post year end and will be accounted for in the next financial year.</p> <p>274,000 sq ft in Bolton The property let to Tesco was sold for £24.4 million, reflecting a NIY of 5.4%.</p>	<p>LondonMetric acquired it as part of the Cabot acquisition off a blended NIY of 6.1%.</p> <p>272,500 sq ft in Daventry The property let to the Royal Mail was sold for £48.8 million reflecting a NIY of 5.0%.</p>

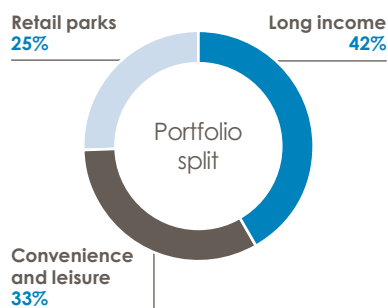
Property review continued



Retail and leisure

We focus on long income and convenience led assets in strong locations that generate long term, attractive and reliable income.

Retail & leisure split



Portfolio overview

Over recent years, we have significantly reduced our retail park exposure and shifted our retail exposure towards assets that have long leases, generate reliable income and/or are convenience-led.

Our retail and leisure portfolio is 100% let with average lease lengths of 12.9 years, let to strong retailers at affordable average rents of £18.50 psf. These assets are located in good geographies and valued at an attractive NIY of 5.5%.

Investment overview

Working in partnership with our occupiers, we acquired £78.5 million of long income, convenience and leisure retail in the year at a yield of 6.2% and with an average lease length of 12.1 years.

The investment market appetite for our retail and leisure assets is strong and we continue to see good liquidity. As a consequence, we disposed of £86.2 million in this sector.

Long income

Value¹

£229m

WAULT: 11.0 years
NIY²: 5.9%
Contractual uplifts³: 32%

Long income represents 12% of the total portfolio and consist of properties held within our DFS and MIPP joint ventures and several wholly owned properties. They have very limited operational requirements, are let on average for 11.0 years, typically to single tenants such as Dunelm, Wickes and DFS. A third of income has contractual uplifts.

During the year, we acquired £40.5 million of assets, principally one asset in New Malden. In addition, we sold two DFS stores and a B&Q unit for £11.2 million.

Convenience & Leisure

Value¹

£181m

WAULT: 17.2 years
NIY²: 4.9%
Contractual uplifts³: 73%

These assets represent 10% of the total portfolio, have an average lease length of 17.2 years and 73% of income is subject to contractual rental uplifts. They consist of 13 convenience-led stores let mainly to M&S, Aldi and LIDL, and five Odeon cinemas which were acquired as part of a portfolio of ten cinemas in November 2013, bought at an overall NIY of 7.2%.

During the year, we purchased £38.0 million of assets in Newport (Isle of Wight), Kendal, Weymouth and Ringwood at a NIY of 5.6%, and we sold two cinemas and two convenience assets for £56.9 million at a NIY of 4.7%.

We continue to find attractive convenience opportunities.

Retail Parks

Value¹

£140m

WAULT: 11.1 years
NIY²: 5.6%
Contractual uplifts³: 13%

Over the last three years our retail park exposure has reduced from 15 to five today, representing just 7% of the overall portfolio.

The five remaining assets are in good locations with strong occupier contentment and average lease lengths of 11.1 years. All have recently been asset managed.

During the year we sold two assets in less attractive geographies in Milford Haven and Newcastle-under-Lyme at values in line with our book.

We expect to further monetise our retail park exposure.

¹ Including developments
² Topped up Yield
³ Percentage of portfolio that benefits from contractual rental uplifts



Retail and leisure Investment activity

Overview

Acquired

£78.5m

NIY: 5.5%
WAULT: 12.1 years

Disposed

£86.2m

NIY: 5.5%
WAULT: 15.8 years

Post period end

£5.1m

acquired

Our MIPP JV acquired two assets for £10.3 million (Group share: £5.1 million) at a blended yield of 5.4% and with a WAULT of 17.2 years. Wickes account for 60% of the income.

Acquisitions

New Malden

£28.3 million acquisition of a 51,500 sq ft long income asset at a yield of 6.1% and with a WAULT of 14.4 years let to Currys PC World.

Newport (Isle of Wight) and Kendall

£24.6 million acquisition of two convenience assets let to M&S. Acquired at a blended NIY of 5.5% with a WAULT of 9.6 years.

DFS JV increase in equity share

An increase in our equity share of the DFS joint venture from 30.5% to 45.0%, represented £12.2 million of investment.

Ringwood

£8.5 million (Group share: £4.3 million) acquisition by our MIPP JV of a 35,000 sq ft leisure development pre-let to Premier Inn, at a yield of 5.0% and a WAULT of 25.0 years.

Weymouth

Acquired a convenience-led development site with an initial development cost of £9.1 million, reflecting an anticipated yield on cost of 6.3%.

Disposals

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 was agreed with Morrisons. The disposal completed post year end and will be accounted for in the next financial year.

Milford Haven

The 84,000 sq ft retail park was sold for £15.3 million at a NIY of 6.9% and a WAULT of 8.5 years.

Derby

The 37,000 sq ft Odeon Cinema was sold for £12.6 million at a NIY of 4.7%.

Birkenhead

The 32,000 sq ft Vue Cinema was sold for £5.8 million at a NIY of 7.2%.

Hull

Our MIPP JV sold the 71,000 sq ft B&Q store for £11.6 million (Group Share £5.8 million), reflecting a blended NIY of 6.0%.

Guisborough

The 26,000 sq ft convenience scheme let to Aldi and Iceland was sold for £6.0 million at a NIY of 5.0% and with a WAULT of 11.9 years.

Swansea and Swindon

Two assets were sold by our DFS JV for £13.9 million (Group share: £5.4 million) at a blended yield of 7.5%.

Newcastle-under-Lyme

The 22,000 sq ft retail asset was sold for £2.8 million at a NIY of 8.0% and a WAULT of 9.0 years.

Property review continued



Asset management

Our asset management activity is generating further income and capital growth and is enhancing our real estate.

Occupier transactions

58

Additional income

£3.1m

WAULT on lettings

15.2 years

27 rent reviews

+12.3%

above passing (on a 5 yearly equivalent basis)

We undertook 58 occupier transactions in the year and generated £3.1 million of additional income. Like for like income growth was 4.3%.

Lettings

31 lettings were undertaken at 22% above ERV and with a WAULT of 15.2 years. This delivered £2.2 million of additional income, 74% of which has contractual uplifts:

- £0.6 million related to lettings at our recently completed developments in Crawley and Ipswich with a WAULT of 13.6 years and at 15% above ERV
- £0.8 million arose from the full letting of our M&S anchored asset in Matlock and a 15.0 year re-gear at our new asset in New Malden
- £0.5 million related to 21 retail lettings. These were undertaken at 25% above ERV and with a WAULT of 11.6 years
- £0.3 million related to regears at two Odeons where we are contributing towards internal refurbishment works and where the WAULT is 20.0 years

One of the lettings was a 15 year regear on a 119,000 sq ft urban distribution asset purchased as part of the Cabot acquisition and where six years remained previously.

Post year end, including at our Frimley development, we have exchanged or agreed terms on five lettings across 0.3 million sq ft adding £1.1 million of income with an average lease length of 11.6 years. One of these lettings is an urban logistics regear where the rent has increased by 34% to £1.9 million and the term has been extended by 7.5 years.

Rent reviews

27 rent reviews were agreed across 3.0 million sq ft adding £0.9 million of income at 12.3% above passing on a five yearly equivalent basis and 6.3% above ERV:

- Nine distribution reviews at 9.5% above passing on a five yearly equivalent basis, four of which were urban logistics reviews where the average five yearly uplift was 10.5%
- 18 retail and leisure reviews at 5.8% above passing (16.6% on a five yearly equivalent basis), predominantly inflation linked reviews on cinema and convenience assets

Post year end, we have settled or agreed three rent reviews which adds £0.2 million of income at 18.8% above passing on a five yearly equivalent basis. One of these is an urban logistics asset where the uplift was 42%.

Martlesham Heath 47,800 sq ft Retail Park

3 leases were signed with Shoezone, Mountain Warehouse and Card Factory in the year, adding to previous lettings to M&S, Hobbycraft and Poundland.

The 47,800 sq ft park has been transformed, increasing income by 73% and the WAULT to 12 years. It has generated an ungeared return of 12% per annum since purchase in 2013.





Overview

Our strategy

Our marketplace

Our business model

Performance review

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Development

Short cycle developments improve the quality of our assets at attractive yields.

We completed five developments in the year across 578,000 sq ft at an anticipated yield on cost of 6.4%.

Developments under construction and in the pipeline at the year end totalled 1,031,000 sq ft and are expected to

generate a yield of 6.5% on total costs of £124 million, a third of which has already been spent.

Since the year end, we have completed our Dagenham, Ipswich and Frimley developments across 273,000 sq ft.

Scheme	Sector	Area sq ft '000	Additional Rent £m	Yield on cost %	Practical completion ²
Completed in the year					
Tonbridge	Retail	42	0.3	6.1	Q3 17
Huyton	Distribution	120	0.7	6.1	Q4 17
Stoke ³	Distribution	277	1.5	6.3	Q1 18
Crawley ³	Distribution	109	1.4	6.7	Q1 18
Launceston	Retail	30	0.3	6.2	Q4 17
		578	4.2	6.4	
Under construction and pipeline					
Dagenham ¹	Distribution	180	0.9	5.7	Q2 18
Ipswich ¹	Retail	31	0.7	6.9	Q2 18
Frimley ^{1,3}	Distribution	62	0.7	5.3	Q2 18
Bedford (Regional) ³	Distribution	500	3.3	7.3	2019
Bedford (Urban) ³	Distribution	180	1.3	6.4	2019
Ringwood	Leisure	35	0.2	5.0	Q4 18
Weymouth ³	Retail	27	0.6	6.3	2019
Derby ³	Retail	16	0.4	6.7	2019
		1,031	8.1	6.5	

1 Completed post year end

2 Based on calendar quarters and years

3 Anticipated yield on cost and rents

Developments under construction or in the pipeline

1.0m sq ft

at a 6.5% yield on cost

Stoke – the 277,000 sq ft development completed recently. 137,000 sq ft has been let to Michelin for 15 years and we are in advanced discussions on letting of the remaining unit.

Crawley – the 109,000 sq ft development completed recently and 32,000 sq ft is let to Boeing for 15 years. We are in advanced discussions on letting of the remainder.

Frimley – 38,000 sq ft of the 62,000 sq ft development has been pre-let to BAE Systems for 15 years and terms are agreed on the remaining unit.

Derby – we have pre-let the development to M&S, Starbucks and Nandos at a WAULT of 16 years. The site acquisition is expected to occur in July 2018 following receipt of planning consent.

Weymouth – we have pre-let 19,000 sq ft to Aldi and received offers on the letting of three small pods. The development is expected to have a WAULT of 18 years. The site has been purchased and planning consent is expected in Q4 2018.

Bedford – we acquired 40 acres of land in the year. The site is in an established distribution location where we also own an Argos warehouse. Planning consent has been received and we expect to commence construction of three smaller urban warehouses shortly. Construction of two larger regional warehouses is subject to pre-lets. Occupier interest is strong and detailed terms have been drawn up on pre-letting the largest warehouse of 350,000 sq ft.



Financial review

Our strong financial returns this year are testament to sound property and financing decisions. Our patient and disciplined investment strategy continues to focus on owning fit for purpose real estate that delivers sustainable and growing income.



Martin McGann
Finance Director

IFRS reported profit

£186.0m

2017: £63.0m

EPRA earnings per share

8.5p

2017: 8.2p

IFRS net assets

£1,149.5m

2017: £1,006.9m

EPRA net asset value per share

165.2p

2017: 149.8p

Net rental income (including JVs)

£90.6m

2017: £81.8m

Overview

Our property portfolio is well positioned to support the advancement of technology and migration of consumer spending online and has delivered strong earnings and net asset growth this year.

IFRS reported profit has increased by £123.0 million to £186.0 million, predicated on a significant revaluation gain of £121.6 million in the year. IFRS net assets are £1,149.5 million or 165.7p per share, an increase of 13.2% on a per share basis in the year.

EPRA earnings have increased by 15.9% to £59.1 million or 8.5p per share. On a per share basis earnings are up 0.3p or 3.7% from 8.2p last year, reflecting the impact of the equity placing of 62.8 million shares in March 2017. EPRA NAV is £1,146.6 million or 165.2p per share, an increase of 11.3% or 10.3% on a per share basis.

The growth in underlying EPRA earnings has enabled us to increase our dividend for the year by 5.3% to 7.9p per share. The dividend continues to be fully covered by EPRA earnings at 108%. Three quarterly dividend payments totalling 5.55p per share have been made to date and a further 2.35p is proposed for payment on 11 July 2018. A scrip alternative to a cash dividend payment was offered to shareholders and 4.8 million shares were issued in the year. It is our intention to continue to offer shareholders this choice.

In July, we refinanced our secured loan facility with Helaba and cancelled £128 million interest rate swaps. We re-coupled a further £190 million swaps in the second half of the year, reducing our average cost of debt to 2.8% at the year end (2017: 3.5%). We anticipate interest cost savings over the next 2.5 to 4.0 years which will pay back the total break cost of £19.0 million.

Our other financing metrics remain strong, with loan to value of 35% and average loan maturity, despite the passing of a year, of 4.8 years (2017: 5.2 years).

Presentation of financial information

The Group financial statements on pages 114 to 136 are prepared in accordance with IFRS where the Group's interests in joint ventures are shown as a single line item on the consolidated income statement and balance sheet and all subsidiaries are consolidated at 100%.

Management monitors 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 in the financial statements. These measures, presented on a proportionately consolidated basis, are alternative performance measures, as they are not defined under IFRS.

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

Alternative performance measures

The Group uses alternative performance measures based on the European Public Real Estate (EPRA) Best Practice Recommendations (BPR) to supplement IFRS as they highlight the underlying performance of the Group's property rental business.

The EPRA measures are widely recognised and used by public real estate companies and seek to improve transparency, comparability and relevance of published results in the sector. EPRA earnings is one of the Group's KPIs and supports the level of dividend payments. It is also one of the financial performance targets under the variable incentive arrangements for Executive Directors.

Further details, definitions and reconciliations between EPRA measures and the IFRS financial statements can be found in note 8 to the financial statements, Supplementary notes i to vii and in the Glossary on page 147.

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	2018 £m	Group £m	JV £m	2017 £m
Gross rental income	82.0	9.8	91.8	73.9	9.1	83.0
Property costs	(0.8)	(0.4)	(1.2)	(0.8)	(0.4)	(1.2)
Net rental income	81.2	9.4	90.6	73.1	8.7	81.8
Management fees	1.7	(0.8)	0.9	1.7	(0.7)	1.0
Administrative costs	(13.8)	(0.1)	(13.9)	(13.3)	(0.1)	(13.4)
Net finance costs	(16.5)	(2.0)	(18.5)	(16.3)	(2.1)	(18.4)
EPRA earnings	52.6	6.5	59.1	45.2	5.8	51.0

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

	£m	p
EPRA earnings 2017	51.0	8.2
Net rental income	8.8	1.3
Management fees	(0.1)	–
Administrative costs	(0.5)	(0.1)
Net finance costs	(0.1)	–
Other ¹	–	(0.9)
EPRA earnings 2018	59.1	8.5

¹ Opening earnings per share has been adjusted for the increased weighted average number of shares following the equity placing in March 2017

Net rental income

One of our key strategic priorities has been to grow sustainable income to support growth in EPRA earnings and a progressive dividend. This year we have increased net rental income by £8.8 million or 10.8% to £90.6 million, up from £81.8 million last year. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2017	81.8
Existing properties ¹	4.4
Developments ²	4.2
Net acquisitions in 2018	3.8
Net disposals in 2017	(3.6)
Net rental income 2018	90.6

¹ Properties held throughout 2017 and 2018
² Developments completed in 2017 and 2018

Like for like income from our existing portfolio generated additional income of £4.4 million from lettings, rent reviews and regears and completed developments delivered a further £4.2 million. Net acquisitions this year increased income by £3.8 million.

Our property cost leakage is minimal as vacancy levels are extremely low. Net income as a percentage of gross

rents has increased marginally this year to 98.7%.

Administrative costs

Administrative costs have increased by 3.7% to £13.9 million and are stated after capitalising staff costs of £1.8 million (2017: £1.8 million) in respect of time spent on development activity in the year.

Headcount is only slightly reduced and the cost increase is primarily due to the £0.6 million increase in the share based payment charge, reflecting additional awards granted to Directors since 2017.

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.

The ratio reflects total operating costs, including the cost of vacancy, as a percentage of gross rental income.

	2018 %	2017 %
EPRA cost ratio including direct vacancy costs	15	16
EPRA cost ratio excluding direct vacancy costs	15	15

The EPRA cost ratio for the year, including direct vacancy costs, has fallen 93 bps to 15.3% this year. The reduction is due to higher rents more than offsetting the increase in administrative expenses in the year.

The full calculation is shown in Supplementary note iv on page 143.

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

£18.5 million, a marginal increase of £0.1 million compared with last year.

This was due to decreases in interest receivable from forward funded developments that have completed and interest capitalised on developments of £1.3 million and £0.2 million respectively, offset by lower Group bank interest costs of £1.4 million. Group interest payable has fallen as a result of lower average rates following the cancellation of out of the money interest rate swaps in July and lower average debt balances this year. Further detail is provided in notes 5 and 10 to the financial statements.

Share of joint ventures

EPRA earnings from joint venture investments were £6.5 million, an increase of £0.7 million over last year as reflected in the table below.

For the year to 31 March	2018 £m	2017 £m
MIPP	3.7	3.4
Retail Warehouse (DFS)	2.7	2.2
Residential (Moore House)	0.1	0.2
	6.5	5.8

In September 2017 we increased our shareholding in the DFS joint venture by 14.5% to 45.0%. This resulted in a higher share of earnings in the second half of the year. At the same time, Atlantic Leaf Properties Limited acquired a 45.0% interest in the joint venture from LVSII Lux S.A.R.L.

Income from our MIPP joint venture also increased as a result of prior period acquisitions contributing for the full year.

In addition, the Group received net management fees of £0.9 million for acting as property advisor to each of its joint ventures (2017: £1.0 million).

Financial review continued

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 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 Company has continued to declare quarterly dividends and has offered shareholders a scrip alternative to cash payments. In the year to 31 March 2018 the Company paid the third and fourth quarterly dividends for 2017 and the first two quarterly dividends for 2018 at a total cost of £51.4 million or 7.6p per share as reflected in note 7 to the financial statements. The Company issued 4.8 million ordinary shares in the year under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £8.0 million to £43.4 million.

The first two quarterly payments for the current year of 1.85p per share were paid as Property Income Distributions (PIDs) in the year. The third quarterly payment of 1.85p was paid as a PID in April 2018 and the Company has proposed a fourth quarterly payment of 2.35p payable on 11 July 2018, of which 1.7p per share will be a PID, to shareholders on the register on the record date of 8 June 2018. The total dividend payable for 2018 has increased 5.3% to 7.9p, comprising a PID of 7.25p and an ordinary dividend of 0.65p.

IFRS reported profit

Management principally monitors the group's underlying EPRA earnings which reflect earnings from core operational activities and excludes property and derivative valuation movements, profits and losses on disposal of properties and financing break costs.

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.

The Group's reported profit for the year was £186.0 million compared with £63.0 million a year ago. The increase was driven by the property revaluation gain of £121.6 million compared with just £21.0 million last year.

Other movements in reported profit include a favourable movement in the fair value of derivatives of £26.4 million, which is offset by break costs of £19.1 million. The net favourable movement of £7.3 million compares with a loss of £3.3 million last year.

As part of the Helaba loan refinancing, we cancelled £128.4 million out of the money interest rate swaps at a cost of £6.3 million. In the second half of the year we recouped a further £190 million interest rate swaps hedging our unsecured RCF at an additional cost of £12.7 million. These transactions are earnings accretive with a payback period of 2.5 to 4.0 years.

For further details see the Financing section of this review on page 38.

The disposal of our non core office in Marlow contributed to the loss on sales in the year, generating a loss over book value of £3.6 million. This was partly mitigated by the retention of rent for the deferred completion period of £1.2 million. The corresponding profit over original cost was £4.5 million.

Profit on other retail and distribution sales reduced the overall loss to £2.0 million which compares to a loss of £5.5 million in 2017.

The total profit over original cost of sales in the period was £17.9 million or 9.8% (2017: £7.4 million or 3.8%).

Disposals are discussed in detail in the Property review section of the Strategic report on pages 26 to 33.

For the year to 31 March	Group £m	JV £m	2018 £m	Group £m	JV £m	2017 £m
EPRA earnings	52.6	6.5	59.1	45.2	5.8	51.0
Revaluation of investment property	114.7	6.9	121.6	22.2	(1.2)	21.0
Fair value of derivatives	26.2	0.2	26.4	0.2	0.1	0.3
Debt and hedging early close out costs	(19.0)	(0.1)	(19.1)	(3.5)	(0.1)	(3.6)
(Loss)/profit on disposal	(2.1)	0.1	(2.0)	(4.5)	(1.0)	(5.5)
Other items ¹	-	-	-	(0.2)	-	(0.2)
IFRS reported profit	172.4	13.6	186.0	59.4	3.6	63.0

¹ Other items in the prior year include amortisation of intangible assets

Balance sheet

IFRS reported net assets increased by £142.6 million or 14.2% in the year to £1,149.5 million.

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. EPRA net assets have increased £116.1 million or 11.3% in the year to £1,146.6 million. On a per share basis EPRA net assets increased by 15.4p, or 10.3% to 165.2p.

A reconciliation between EPRA net assets and IFRS reported net assets is provided in the table opposite and in note 8 to the financial statements.

The increase in both IFRS and EPRA net assets per share was principally due to the property revaluation of 17.6p. EPRA earnings of 8.5p covered the 7.6p dividend charge.

The movement in EPRA net assets, together with the dividend paid in the year net of the scrip issue of shares of £43.4 million, results in a total accounting return of 15.5%. The full calculation can be found in supplementary note viii on page 144.

Portfolio valuation

Our property portfolio, including the share of joint venture assets, grew 20.0% in the year to £1,842.0 million. This was a result of significant net property investment and a strong valuation performance.

It has been another busy year with significant investment into the distribution sector, particularly

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

As at 31 March	Group £m	JV £m	2018 £m	Group £m	JV £m	2017 £m
Investment property	1,677.6	164.4	1,842.0	1,373.4	160.4	1,533.8
Gross debt	(650.0)	(58.9)	(708.9)	(473.2)	(54.5)	(527.7)
Cash	26.2	13.1	39.3	42.9	3.2	46.1
Other net (liabilities)/assets	(24.8)	(1.0)	(25.8)	(20.4)	(1.3)	(21.7)
EPRA net assets	1,029.0	117.6	1,146.6	922.7	107.8	1,030.5
Derivatives	2.8	0.1	2.9	(23.4)	(0.2)	(23.6)
IFRS net assets	1,031.8	117.7	1,149.5	899.3	107.6	1,006.9

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



¹ Other movements include loss on sales (£2.0m), debt/hedging break costs (£19.1m), share based awards (£0.1m), offset by scrip share issues (£8.0m)

urban logistics assets, that have seen the highest levels of rental and valuation growth.

We have increased our distribution exposure (including distribution developments) to 69% from 62% last year.

Investment in development assets remains at modest levels as short cycle opportunities at Crawley, Stoke and

Huyton completed in the year and new development opportunities at Bedford and Weymouth were acquired.

The Group's commitment to development activity is demonstrated by the significant spend of £62.5 million in the year, which is reflected in the investment property movement table on page 38.

As at 31 March	2018		2017	
	£m	%	£m	%
Distribution	1,233.1	66.9	927.4	60.4
Convenience & leisure	174.7	9.5	156.2	10.2
Long income	220.8	12.0	166.6	10.8
Retail parks	139.8	7.6	145.2	9.5
Offices	–	–	70.0	4.6
Investment portfolio	1,768.4	96.0	1,465.4	95.5
Residential	30.1	1.6	41.1	2.7
Development ¹	43.5	2.4	27.3	1.8
Property value	1,842.0	100.0	1,533.8	100.0

¹ Represents distribution of £29.4 million (1.6%), long income of £8.2 million (0.5%) and convenience and leisure of £5.9 million (0.3%). Split in March 2017 was distribution of £22.8 million (1.5%) and retail parks of £4.5 million (0.3%)

Financial review continued

Revaluation gain

£121.6m

2017: £21.0m

Portfolio value

£1,842.0m

2017: £1,533.8m

Distribution

69%

2017: 62%

Dividend

7.9p

2017: 7.5p

Average debt cost

2.8%

2017: 3.5%

LTV

35%

2017: 30%

Average debt maturity

4.8 years

2017: 5.2 years

All amounts except for dividend per share include the Group's share of joint ventures

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

	Portfolio value ¹ £m
Opening valuation 2017	1,533.8
Acquisitions	289.7
Developments	62.5
Capital expenditure on completed properties	20.4
Disposals	(191.0)
Revaluation	121.6
Lease incentives	5.0
Closing valuation 2018	1,842.0

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 144

The Group spent £289.7 million in the year acquiring 25 distribution and 3 retail properties.

Non core assets including our last office in Marlow and 19 residential flats at Moore House generated proceeds of £77.2 million. A further 10 commercial property sales generated additional proceeds of £126.9 million and reduced the total carrying value of property by £191.0 million, as reflected in the table above.

We exchanged to sell two further assets in the period, a distribution unit in South Elmsall let to Superdrug for £15.0 million and a Morrisons store in Loughborough for £32.5 million. Both had deferred completions and will be reflected as disposals in the financial statements in 2019.

Property values have increased by £121.6 million, most significantly in our urban logistics and development sectors and the portfolio has delivered a total property return of 13.7% compared to the IPD All Property index of 10.1%.

At the year end, the Group had capital commitments of £47.5 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Frimley, Bedford and Weymouth.

Further detail on property acquisitions, sales, asset management and development can be found in the Property review on pages 26 to 33.

Financing

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

As at 31 March	2018 £m	2017 £m
Gross debt	708.9	527.7
Cash	39.3	46.1
Net debt	669.6	481.6
Loan to value ¹	35%	30%
Cost of debt ²	2.8%	3.5%
Undrawn facilities	65.8	299.7
Average debt maturity	4.8 years	5.2 years
Hedging ³	73%	87%

¹ LTV at 31 March 2018 includes £47.5 million of deferred consideration receivable on sales at Loughborough and South Elmsall and excludes their £47.5 million property valuation (2017: £14.3 million)

² Cost of debt is based on gross debt and includes amortised costs but excludes commitment fees

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

The Group and joint venture split is shown in Supplementary note iii on page 142.

In July 2017 we refinanced our secured debt facility with Helaba and repaid £66.2 million by drawing additional unsecured debt. We extended the term by 2.7 years and reduced the average cost of debt. As part of the refinancing we cancelled £128.4 million interest rate swaps at a cost of £6.3 million.

In the second half of the year, we recouped a further £190 million interest rate swaps which hedge our unsecured RCF at a cost of £12.7 million.

Our MIPP joint venture increased and extended its debt facility with Deutsche Pfandbriefbank in September by £18.2 million and for a further three years to match the debt maturity to the duration of the joint venture agreement.

As reflected in the balance sheet on page 37, the Group's share of joint venture gross debt has increased by £4.4 million due to its additional investment in the DFS Retail Warehouse joint venture, which increased our share of debt by £7.4 million. This was offset by debt repaid following sales of £3.0 million.

These financing transactions have strengthened our key financial ratios with average debt cost falling to 2.8% (2017: 3.5%) and average debt maturity of 4.8 years (2017: 5.2 years).

We deployed our available undrawn facilities, partly generated following the equity placing in March 2017, to acquire assets in our preferred sectors and progress committed developments, reducing undrawn facilities at the year end to £65.8 million.

Loan to value, net of cash resources and deferred consideration on sales which complete and will be recognised next year, was 35% (2017: 30%).

We intend to keep LTV below 40% to provide sufficient flexibility to execute transactions and take advantage of investment opportunities whilst maintaining sufficient headroom under our gearing covenants.

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 2018, the Group's gearing ratio as defined within these funding arrangements was 56% compared with the maximum limit of 125% and interest cover ratio was 5.0 times compared with the minimum level of 1.5 times.

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 2018, 73% of our exposure to interest rate fluctuations was hedged by way of swaps and caps assuming existing debt facilities are fully drawn (2017: 87%). This has fallen as a result of the cancellation of £128 million interest rate swaps in the year.

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

Cash flow

During the year, the Group's cash balances decreased by £16.8 million as reflected in the table below.

As at 31 March	2018 £m	2017 £m
Cash flows from operations	69.5	63.7
Changes in working capital	(1.1)	10.6
Finance costs and taxation	(16.4)	(17.2)
Cash flows from operating activities	52.0	57.1
Cash flows from investing activities	(178.1)	7.5
Cash flows from financing activities	109.3	(64.3)
Net (decrease)/ increase in cash	(16.8)	0.3

Cash inflows from operations were £5.8 million higher this year reflecting increases in net rental income.

Cash flows from operating activities have decreased by £5.1 million compared to last year due to changes in net working capital requirements.

Cash flows from investing activities reflect property acquisitions, including those classified as forward funded developments, of £306.2 million and capital expenditure and incentives of £59.3 million.

These outflows were offset by net proceeds from disposals of £183.8 million and net distributions from joint ventures of £3.6 million.

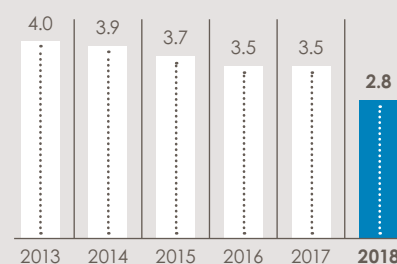
Cash flows from financing activities reflect net new borrowings of £176.8 million, cash dividend payments of £43.4 million (which reflect the £8.0 million scrip saving), financing costs of £21.6 million and share purchases of £2.5 million.

New borrowings of £176.8 million and the cancellation of secured debt of £66.2 million reduced our available facilities in the year.

Further detail is provided in the Group cash flow statement on page 117.

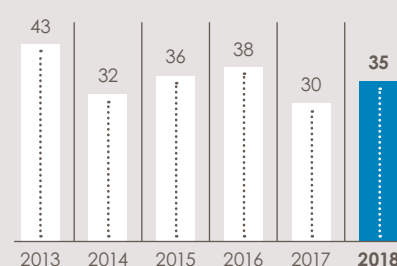
Cost of debt

2.8%



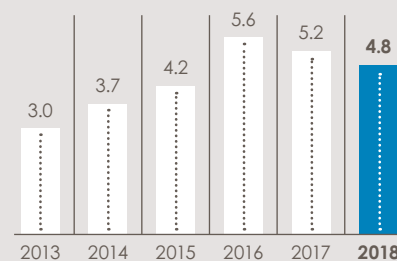
Loan to value ratio

35%



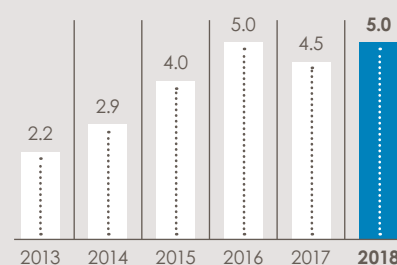
Debt maturity

4.8 years



Interest cover ratio

5.0x



Responsible Business

Responsible Business addresses three key areas of environment, people and our other stakeholders. It is embedded into our investment, asset management, development and corporate activities.



We continue to build on our Responsible Business foundations and ensure that appropriate targets are set and aligned with our Responsible Business objectives.”

Marfin McGann
Finance Director

Overview

We are committed to improving our Responsible Business disclosure, mitigating sustainability risks and capturing environmental and stakeholder related opportunities.

Every year we set targets to meet our Responsible Business objectives.

Progress is monitored at Working Group meetings held several times a year and attended by key business representatives, one Board member and JLL, our external real estate sustainability advisor. Overall performance is reported to the Board at regular intervals.

A changing business

LondonMetric has changed significantly, moving away from offices and multi-let retail parks into single let and modern distribution. Consequently, our carbon footprint has fallen significantly, as has the portfolio's operational requirements and our employee numbers.

Therefore, combined with our responsible activities, risks from Responsible Business have been reduced significantly. However, we continue to monitor and address all potential risks and look at all opportunities that can benefit our stakeholders and the Company.

New targets for 2019 have been set and are detailed in the full Responsible Business report for 2018.

Our approach is delivering Responsible Business benefits

Our Key Responsible Business risks and potential impact

Environment

- Quality, desirability and environmental standards of our assets deteriorate, leading to higher voids, loss of income and reduced liquidity for our assets

Stakeholders

- Management of our supply chain is insufficient leading to business interruption, accidents, reputational risk or breach of law
- Reliance on a few employees, insufficient employee development and diversity reduces our competitive advantage
- Poor external stakeholder relations impact negatively on our reputation and ability to undertake business activities
- Poor Responsible Business focus reduces our access to capital and debt markets

Our Responsible Business objectives

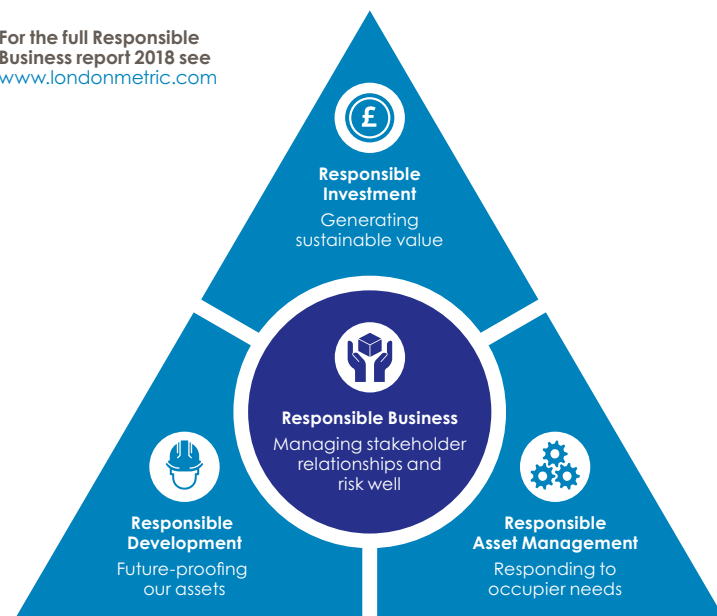
Minimise the **environmental impact** of our business and maximise the efficiencies of our assets in conjunction with occupiers

Empower, develop and increase wellbeing and diversity of our **people**

Enhance our external **stakeholder relationships**, including those with occupiers, supply chains, investors and local communities

Responsible Business embedded in our activities

 For the full Responsible Business report 2018 see www.londonmetric.com



Key achievements and further recognition of our progress

Our Responsible Business activities have delivered further improvements and have increased our GRESB score which we continue to view as our most applicable sustainability benchmark.

Awards

GRESB Green Star and maintained EPRA sBPR Gold award

Targets 2016 to 2018

94% targets achieved or progressed.
New targets set for 2019

EPC rating of 'E' or above on assets for MEES purposes

100%

See page 42 for further details

BREEAM Very Good certification on completed developments

0.5m sq ft

Annual carbon footprint

-53% absolute

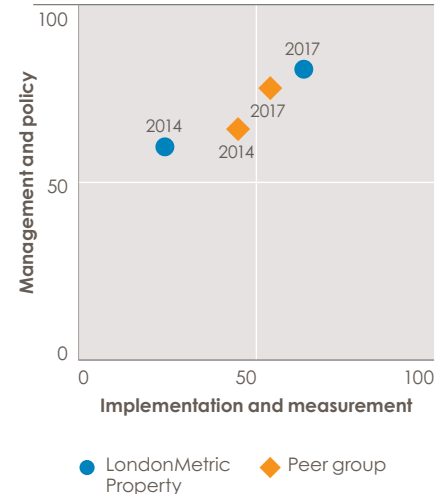
-17% like for like

Global Real Estate Sustainability Benchmark (GRESB)

- Achieved 69% score in the 2017 survey and maintained our green star status. This is up from 34% in 2014, 50% in 2015 and 66% in 2016
- In 2017, we achieved further improvements particularly around management and monitoring
- Further actions undertaken to maintain status in the upcoming 2018 survey, particularly on stakeholder engagement and construction



Performance in 2017 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 improvements made
- In 2017, we were one of only ten listed UK companies to receive a Gold award



FTSE4Good

- Assessment for inclusion in the FTSE4Good Index
- In 2017, our most recent assessment, we scored 2.7 out of 5.0
- This is a significant improvement on the 2015 score of 1.4

Future reporting

As investor scrutiny of our Responsible Business activities and reporting grows further, we are expanding our reporting to external benchmarks.

ISS launched their first environmental and social survey this year and we responded recently to their questions.

Furthermore, we are reviewing the framework introduced by the Task Force on Climate-related Financial

Disclosures (TCFD), established by the Financial Stability Board.

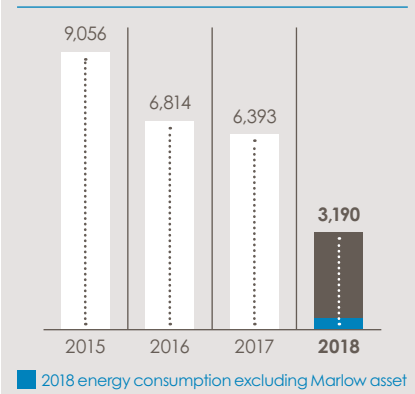
While voluntary, it is designed to help companies report decision-useful climate-related information. We intend to further align our reporting with TCFD guidance and report on the resilience of our business and portfolio to climate-related risks.

Environment

Through our investment, asset management and development activities we look to minimise the environmental impact of our business and maximise the efficiencies of our assets.

The environmental performance of our portfolio has significantly reduced our energy consumption and greenhouse gas emissions. Our landlord controlled energy consumption for last year, excluding the contribution from our sold Marlow office asset, was 357,890 kWh. This equates to the consumption of around 20 mid-sized homes and compares against an equivalent of 722 homes in 2015. Only 8% of the portfolio by area has landlord controlled energy supply and this limits our ability to further reduce our energy consumption. However, we continue to look at ways of reducing our consumption and the efficiency of our assets to reduce the energy consumption of our occupiers.

Energy consumption reduction (MWh)



Investing

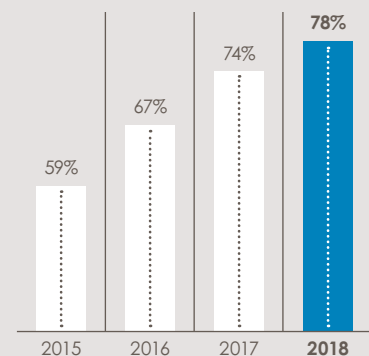


Our investment process involves the careful assessment of environmental risks. Our activities have shifted the portfolio into less operationally intensive, single let, newer and higher quality assets.

100% of assets are rated 'E' or above and, as shown opposite, assets with an EPC of 'A'-'C' have risen to 78% of the portfolio up from 59% in 2015.

One asset representing 0.4% of the portfolio is rated 'F' and is related to a recent purchase where there is a clear near term action plan in place with the occupier for significant energy improvements.

% of portfolio with EPC rating of A-C



Asset Managing



We are delivering energy efficiencies and sourcing cleaner energy through various asset management initiatives:

- Car park lighting:** We upgraded LED lighting at two further retail assets in the year. Together with previous installations, this is helping our like for like energy reductions
- Occupier Energy Audits:** We have undertaken audits on six of our distribution assets which has so far resulted in five of our occupiers self funding internal LED lighting upgrades. A further four audits are planned or underway and we will look at further audits on a priority basis
- Renewable energy:** Following ongoing engagement with our tenants and feasibility studies, 1.9 MW of solar PV capacity has been installed across 20% of our assets. We continue to engage on progressing further installations with our occupiers and will also look at generating renewable landlord supply
- Recharge points:** We have installed electric vehicle recharge points on four assets and will add further installations in 2018
- Smart metering and Green sourcing:** For landlord consumption, we are investigating remote metering to improve the tracking of our energy usage. We will also increase the proportion of supply that has a green tariff. During the year, we put in place a green tariff at our office in Marlow, an asset that we have now sold
- Tenant Energy Data:** We continue to collect data on our occupiers' energy consumption and have increased our energy data capture to cover 34% of our portfolio

Developing



Development is a significant activity for us and we carry out our development work responsibly and give proper consideration to environmental, sustainable and social matters. We continued to integrate a range of sustainable features into our developments including solar PVs, roof lights, electric vehicle recharge points, water conservation and ecology.

BREEAM rating

The majority of our developments have a minimum certification standard of BREEAM Very Good. In the year, we completed five developments totalling 0.6m sq ft, 88% of which were BREEAM Very Good or better. The proportion of the portfolio rated at least BREEAM Very Good is now 28%.

Percentage of portfolio rated
BREEAM Very Good

28%

Up from 10% in 2015



First BREEAM Excellent
Development in Crawley

109,000 sq ft
development

Our contractor requirements

We have worked hard to implement robust processes to ensure that our contractors uphold our high standards and minimise the environmental impact from developments.

All of our contractors adhere to our Responsible Development Requirements checklist, which sets minimum requirements for our developments on areas including:

- Health & Safety management
- Compliance with the Considerate Constructors Scheme
- Environmental impact monitoring
- Management and reporting of progress

- Promoting local employment opportunities
- Fair remuneration for workers

We continue to monitor compliance and look at ways of improving our contractors' performance. Next year, in addition to our four project health & safety audits per annum, we intend to fully review one project with a particular focus on local sourcing, modern slavery and minimum wage.

Contractor achievements on projects completed in year

Silver award

from Considerate Constructors at our Ipswich development

100% compliance
with our Checklist

Zero reportable accidents
or incidents on 245,000 worked hours

93% of all waste diverted
from landfill

100% on time and on budget
for development

Solar PV installation in Dagenham

250 kw

See page 07
for the full case study



Environmental performance highlights for 2018

In 2015, we established a baseline and benchmarks for measurement of our portfolio's environmental performance. Since then, we have significantly reduced our energy consumption and GHG emissions, enabling us to save over £0.5 million in energy costs and materially reduce our CRC costs.



Energy consumption

3,190 MWh

Down **50%** on an absolute basis

This large reduction is due to the sale of our Marlow asset in the year and a reduction in like for like landlord controlled energy consumption¹ (electricity and natural gas) by 7% compared to 2017.

We have met our annual target to reduce the portfolio's energy consumption by 4% on a like for like basis, and therefore, continue to make good progress towards our longer term target to reduce energy intensity by 20% against a 2015 baseline, by 31 March 2022.



Greenhouse gas (GHG) emissions

1,032 tCO₂e

Down **53%** on an absolute basis

The sale of our office in Marlow has helped to reduce our absolute emissions by 53%. As a result, our CRC Energy Efficiency Scheme liabilities are estimated to have reduced by c.50% from last year's cost of £38,748.

On a like for like basis¹, GHG emissions were down by 17% as a result of energy consumption reductions on the portfolio and ongoing decarbonisation of the National Grid. We have exceeded our annual target to reduce our like for like GHG emissions by 4%. Therefore, we continue to make good progress towards our longer term target to reduce GHG emissions intensity by 20% against a 2015 baseline, by 31 March 2022.

¹ Like for like percentages exclude energy consumption of the office asset in Marlow which was sold in the year

Mandatory GHG emissions reporting

		2017/18	2016/17
Direct greenhouse gas emissions in tonnes of CO ₂ e (combustion of fuel and operation facilities)	Scope 1	195	432
Indirect greenhouse gas emissions in tonnes of CO ₂ e (purchased electricity, heat, steam and cooling)	Scope 2 – location-based	811	1,687
	Scope 2 – market-based	881	1,937
Total carbon footprint in tonnes of CO ₂ e	Total scope 1 & 2	1,006	2,119
Scope 1 and 2 intensity (tonnes of CO ₂ e per £m net income after administration costs)	Scope 1 and 2 intensity	15	34

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. These include the emissions associated with the energy used by our corporate head office and the landlord-controlled energy from our entire investment portfolio.

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 (2017).

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 2017 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.



For full environmental performance reporting see the Responsible Business 2018 report at www.londonmetric.com

Stakeholders

Overview

Our strategy

Our marketplace

Our business model

Performance review

Responsible Business

Risk

Governance

Financial statements

We recognise the importance of retaining and attracting a diverse and knowledgeable group of employees.



Our people

Our employees

The Company is highly focused with 25 employees, four Executive Directors and seven Non Executive directors. Since merger in 2013, employee and Director numbers have fallen by 28% despite a 51% increase in the value of our assets. This reflects improved efficiencies and lower operational requirements of our portfolio.

Culture and approach

We have successfully attracted and retained a talented, hard working and loyal team, something which we recognise as vital to the business. This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger. We believe this success is a result of our:

- Culture of empowerment, inclusion, openness and teamwork
- Fair and performance based remuneration
- Small number of staff, which allows a flexible and individual approach to addressing staffing needs

How we are improving

As a Company with a small number of employees, some policies and procedures that are applicable to larger organisations might not be appropriate for us. However, as the way people work continues to change, we recognise the importance of continually improving our approach to managing our people and attracting new people.

Over the year, we have introduced various initiatives to focus on how we can provide more flexible working, improve diversity and general wellbeing. The table opposite highlights key arrangements in place for our employees and the improvements that we have made and plan to make.

Inclusion & communicate	We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in committee meetings. There is strong collaboration across teams which enables good sharing of information and ideas. There are regular strategy and performance updates to employees from Executive Directors.
Modern working practices	During the year, we implemented more flexible working arrangements covering dress code, holiday buy back, improved systems to enable home working and a core hours policy.
Fair remuneration	Employee remuneration is aligned to personal and company performance with longer term incentivisation plans in place that replicate arrangements for Executive Directors. All employees receive a pension contribution of 10% of salary and access to advice on pensions, free medical insurance and advice, childcare and cycle to work vouchers.
Diversity and equal opportunity	We promote diversity across knowledge, experience, gender, age and ethnicity. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. With only one female board member we were pleased to appoint Suzanne Avery as a Non-Executive Director in the year, increasing our female board representation to 18%. Furthermore, and recognising the significant diversity imbalance in the real estate sector, we joined the Real Estate Balance group to further our promotion of diversity both internally and externally. We intend to publish a diversity and inclusion policy.
Employee development	An annual appraisal process is undertaken where training needs and requests are discussed. We actively encourage training and, over the year, our staff undertook 758 hours of training, some of which related to a senior employee's MBA programme. We also undertook Responsible Business training across all of our employees and encourage participation in Young Property Professionals groups. We continued to offer secondment and work placement opportunities and, over the year, 7 people participated in this programme.
Health & Safety	In 2016, we formalised a policy to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, operational processes and safe systems of work. During the year, we undertook workplace assessments and an external review of our office and four developments.
Wellbeing	During the year, we reviewed our office arrangements and have decided to reduce our office space and undertake a major refurbishment to improve employee facilities and wellbeing. As part of the refurbishment plans, a wellbeing study has been undertaken and we carried out a wider employee survey to identify other improvements as well as to gauge overall employee satisfaction. Once these works are complete, we will undertake another employee survey to measure improvements.

Employee gender diversity



Stakeholders

External relationships across all of our activities are critical to the success of our business.

Occupiers



LondonMetric are very proactive, looking to support our business. They are reactive to our needs and commercial in thinking, which sets them apart.”

Property Director
A key LondonMetric occupier

Developing our occupier relationships is a key focus for us.

We engage with occupiers across all of our activities to provide real estate solutions that deliver mutually beneficial outcomes. These relationships are more important than ever and, whilst occupancy of 98% suggests strong levels of occupier contentment, we continue to engage regularly through events, meetings and surveys to ensure we keep close to our customers.

Customer satisfaction survey

In February 2018, we undertook our biennial survey across key occupiers. We received a response from nearly 70%, representing half of our income, which was a significantly higher response than in 2016. We scored an average of 8/10 for satisfaction with our properties and 8.5/10 for how well we compared against other landlords.

Whilst scoring methodology was different to our 2016 survey, the results suggested a broadly similar overall scoring with a good level of satisfaction.

We engaged with several occupiers to discuss their feedback and have met face to face with one of those occupiers.

Future plans

We expect to increase the frequency of our customer survey and will look to further enhance our customer relationship management and monitoring processes. Recognising that all survey responses noted a desire to work on sustainable property solutions, we will continue to engage with occupiers on energy efficiency and renewable solutions.

Contractors & Suppliers



LondonMetric has a collaborative approach with its supply chain and we were pleased to have assisted them on reviewing one of their key contractors.”

Duncan Berry
RPS Group

Delivering developments and asset services on time, on budget and in adherence with our high standards is a key priority.

Our procurement policy

In 2015, we implemented a policy to ensure appropriate supply chain and procurement standards on areas such as labour; human rights; health and safety; resource; pollution risk and community. Our contractors are required to adhere to our Responsible Development Requirements (as detailed on page 43) and, for suppliers of asset services, through our Managing Agents' policies.

Modern Slavery

Our exposure to human rights risks – including modern slavery and human trafficking – is deemed limited given our UK only activities. Our procurement policy requires our supply chain to adhere to numerous standards including: paying a fair wage, complying with Human Rights and Labour Rights Legislation, and investigating their supply chains. For developments, contractors are expected to demonstrate adherence to these requirements. Our Modern Slavery Act Statement is available on our website and no human rights concerns arose within the year.

Contractors

In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors who have a proven track record. We regularly review the financial robustness of these contractors and their performance on our projects.

Our development team monitors progress of developments and tracks all elements of the projects including sub contracted works. We stay close to our contractors and, for example, during the year we visited one of our main contractors to undertake a more detailed review of their systems and processes.

Suppliers

Whilst spend on asset services is small, we monitor the compliance of our suppliers against our Managing Agents' policies. During the year, we undertook a high level review of our top five suppliers and were satisfied that they were compliant.

Local communities



Permanent jobs created

345

by occupiers on our recent developments

Community donations

£110k

Charitable donations and local community spend in 2018



Community day at our asset in Leeds

We recognise the importance of supporting our local communities and engaging with all local stakeholders. Over the last few years, we have established a Communities Policy and a Charity and Communities Working Group. We aim to maximise the local benefits that our activities bring through:

- **Investment** into the infrastructure of those communities, typically involving the regeneration of land and derelict sites
- **Creation of construction and fit out jobs** during our developments. We typically use local contractors
- **Creation of modern buildings** and facilities fit for the future needs of shopping
- **Long term commitments** from our occupiers, who typically sign leases for periods of 10-15 years
- **Creation of permanent jobs** by our occupiers, most of which are local
- **Our ongoing involvement** at our properties by funding of local events and facilities. For example, we arranged several community days in Leeds during the year
- **Charitable giving**, where we support a number of local causes. We also support other organisations such as LandAid, and match employee charity giving and events. In the year, charitable donations totalled £25,170

[+ See case study on page 07 for local community involvement at our Dagenham development](#)

Local community stakeholders

Authorities: We work hard to develop our local authority relationships. For example, we have worked in partnership with Bedford Council for over three years on our Bedford development which is estimated to create 1,000 permanent jobs.

Residents: As necessary, and as carried out recently at our Aldi development in Weymouth, we undertake public consultations to inform local residents of our plans.

Throughout our developments, we communicate project progress through contractor newsletters and we task our contractors to minimise local disruption.

Post development, we maintain active dialogue with residents to address any of their concerns.

Businesses: We actively engage with local business and look to support events in conjunction with local authorities.

For example, we presented at a recent event held at our new distribution warehouse in Stoke. The "Make it" event was organised by the local authority where they presented to businesses on their Local Plan for the area's long term growth. Over 90 people attended the event.

Investors and joint ventures



Investors seen

209

Investor survey on Responsible Business

Good standard

We value our good relationships with investors and debt providers to ensure full access to capital markets. Over the year, as covered in detail on pages 72 to 73, we met with over 200 investors.

As shareholder expectations on corporate governance and sustainability increase, we undertook our first Responsible Business survey of investors and met with members of the 30% Club Investor Group on diversity matters. We have incorporated feedback from the survey into setting of our 2019 sustainability targets. We will also look at green financing solutions.

In addition, we enjoy strong relationships with our JV partners, principally at our MIPP and DFS Joint Ventures, and continue to work closely with our partners.

2018 Responsible Business investor survey

- Undertaken across half of our share holders with feedback received from 20% of the register
- Responsible Business disclosure, targets and activities were considered good and of an appropriate standard
- Recognition that CSR expectations for a company of our size are lower than is expected of larger corporates
- There was particular emphasis on ensuring that we have good supply chain monitoring, continue to perform well against GRESB and that we continue to value and improve our human capital and develop a diverse group of employees

Risk management

Our risk management procedures reduce the negative impact of risk on the business. They are critical to maintaining our sustainable, progressive earnings and long term capital growth whilst operating in a socially responsible manner. Although risk cannot be eliminated completely the Board's risk tolerance is low where it prejudices these objectives.

Risk management structure and processes

The table below illustrates our risk management structure.



The Board recognises its overall responsibility for undertaking a robust risk assessment and the extent to which it is willing to accept some level of risk in achieving its strategy. It considers risk at a high level at each meeting via a risk dashboard which enables material issues to be monitored so that key risks can be managed and emerging risks identified early with appropriate action taken to remove or reduce their likelihood and any potential negative impact.

The responsibility for detailed assurance on the risk management process has been delegated by the Board to the Audit Committee. The Audit Committee reviews the Company's risk register and internal controls in detail to consider the effectiveness of risk management and internal control processes and reports its findings to the Board. The Audit

Committee last considered the register at its March 2018 meeting following a comprehensive review of the register.

The Executive Committee is responsible for the ongoing identification of risk and the design, implementation and maintenance of robust internal control systems assisted by senior management. Appropriate mitigation plans are developed based on an assessment of the impact and likelihood of a risk occurring. Executive Committee members are closely involved in day to day matters. The Company has a small number of employees and operates from one office. This and the relatively flat management structure enable risks to be swiftly identified so appropriate responses can be put in place.

Within the risk register, specific risks are identified and their probability rated by management as having either a high, medium or low impact. A 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. Risk specific safeguards are identified, detailed in the register and rated as strong, medium or weak. The stronger the safeguard, the greater the weighting applied. The gross risk rating and strength of the 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 necessary. Finally, every risk is allocated an owner and details of how the safeguards are evidenced is noted. The risk register is comprehensively reviewed at least once a year.

Our three risk areas

We consider risks under three main headings but recognise that they are often inextricably interlinked.

Corporate risks	These relate to the Group as a whole	Strategy, market, systems, employees, wider stakeholders, regulatory, social and environmental responsibilities
Property risks	These focus on the Group's core business	Portfolio composition and management, developments, valuation and occupiers
Financing risk	These focus on how the business operations are funded	Investors, joint ventures, debt and cash management

Principal risks

Principal risks and uncertainties are those that affect our business with the potential to cause material harm, impact our ability to execute our strategic priorities or exceed the Board's risk appetite. They are identified and reported on in pages 50 to 59.

No new principal risks have been identified and at a corporate level there has been no significant increase or decrease in any principal risk during the year.

Corporate governance and reporting bodies are increasing their focus on environmental, social and governance ("ESG") issues and how companies take into account wider stakeholder interests. These priorities have been broadly repeated in recent public statements from large institutional investors. To provide greater clarity and acknowledge that ESG concerns have become more mainstream we have split out non compliance with responsible business practices from non compliance with legal and regulatory obligations. We do not however consider that the overall risk has changed materially.

The chart below illustrates the probability and post mitigation residual risk level of the principal risks which have been identified. They are categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting.

Post mitigation residual risk

Corporate risks

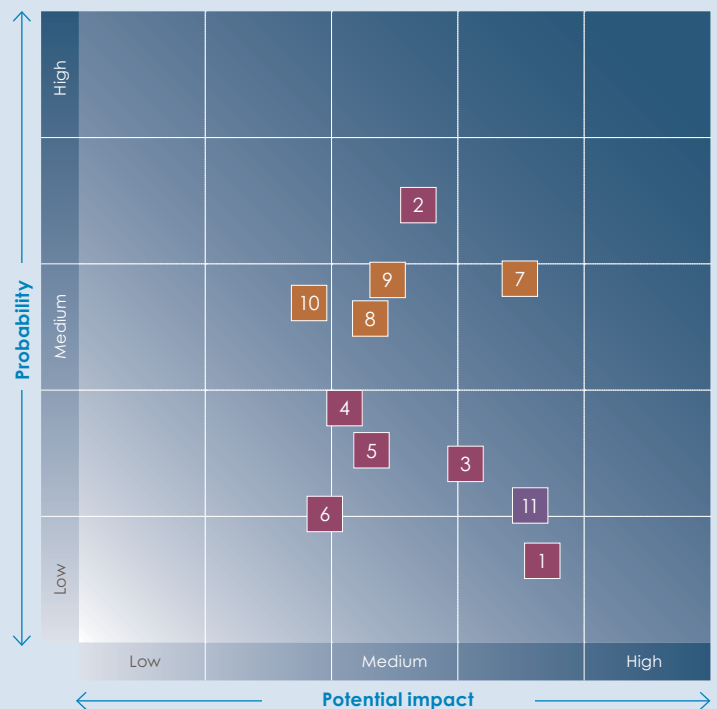
- 1 Strategy
- 2 Economic and political factors
- 3 Human resources
- 4 Regulatory and tax framework
- 5 Responsible Business approach
- 6 Systems, processes and financial management

Property risks

- 7 Investment risk
- 8 Development risk
- 9 Valuation risk
- 10 Transaction and tenant risk

Financing risk

- 11 Capital and finance risk



Risk management continued

Corporate risks

1 Strategy

Risk

Our strategic objectives may be:

- Inappropriate for the current economic climate or market cycle
- Not achieved due to poor implementation

Appetite

The Board view the Company's strategic priorities as fundamental to its business and reputation.

Impact

- Suboptimal returns for shareholders
- Missed opportunities
- Ineffective threat management
- Wrong balance of skills and resources for ongoing success

Impact on strategy



Mitigation

- Our strategy and objectives are regularly reviewed by the Board to adapt to change
- We commission retail and logistics related research to assist strategic decision making
- Senior management have extensive financial and real estate experience with strong, longstanding retailer relationships
- We have a UK only portfolio in a world leading online shopping market
- We undertake regular and rigorous portfolio reviews which take into account considerations such as sector weightings, tenant and geographical concentrations, perceived threats and market changes, balance of income to non-income producing assets and asset management opportunities
- Our three year forecast is regularly flexed and reported
- The Executive Directors are closely involved in day to day management and a relatively flat organisational structure operating from one office makes it easier to identify market changes and monitor operations
- Management's interests are aligned with external shareholders through their substantial shareholdings

2 Economic and political factors

Risk

Economic and political factors may lead to a market downturn or specific sector turbulence.

Appetite

Market conditions are outside of the Company's control.

Impact


- Suboptimal returns for shareholders
- Occupier demand and solvency may be impacted
- Asset liquidity may reduce
- Debt markets may be impacted

Impact on strategy




Mitigation

- We commission economic and market research and monitor market volatility
- We have limited exposure to the London market
- The majority of our portfolio is in resilient asset classes
- We maintain a high weighted average unexpired lease term reducing re-letting risk
- We have a low vacancy rate due to our strict investment and development criteria
- Our occupier base is diverse. Acquisition due diligence considers tenant covenant strength, which is then monitored on an ongoing basis. Strong retailer relationships help to provide market intelligence
- We have limited exposure to speculative development which is only undertaken where a researched supply/demand imbalance exists
- We have medium term, flexible funding with significant headroom in covenant levels

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

Commentary

- 91% of the portfolio is now in our preferred sectors of distribution, long income and convenience retail. These sectors have proved to be resilient and have real prospects for rental and capital growth driven by structural changes in consumer shopping habits. Logistics space is still heavily undersupplied. Having successfully anticipated the migration of consumer spending online, our sector choices have resulted in like for like rental growth of 4.3% this year
- Executive Directors hold 10.7 million shares and comfortably meet the Company's high shareholding targets

Change

 **No significant change in risk**

There has been no significant change in this risk during the year.

Read more

- + See Our Story on pages 01 to 09
- + See Chief Executive's review on pages 15 to 19
- + See Remuneration on page 102

Commentary

- Our portfolio metrics continue to be strong. Our average unexpired lease length is 12.4 years and occupancy 97.5%, both high within the industry. Only 6% of our income expires within three years
- We have further diversified our tenant base this year. Our top five tenants, which account for 35% of rent, are financially strong
- Our exposure to the stagnated London residential market through our 40% interest in Moore House has reduced. As at today's date only 37 units remain unsold
- We exited our last remaining, non core office asset at Marlow during the year
- Although our portfolio is UK only, we acknowledge that Brexit uncertainty could impact occupier near term decision making

Change

 **No significant change in risk**

While there has been no significant change in this risk at a corporate level during the year, a finely balanced UK General Election result and lack of clarity on Brexit arrangements mean continuing political and economic uncertainty. The Board has limited controls over such external factors but will continue to monitor them. Our strategy to closely align our portfolio to rapidly changing consumer shopping habits mean structural drivers in demand for our assets continue to outweigh these uncertainties at present.

Read more

- + See Chief Executive's review on pages 15 to 19
- + See Property review on pages 26 to 33

Risk management continued

Corporate risks (continued)

3 Human resources

Risk

There may be an inability to attract, motivate and retain high calibre employees.

Appetite

The Board believes it is vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change.

Impact

The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.

Impact on strategy



Mitigation

- We maintain an organisational structure with clear responsibilities and reporting lines
- Our remuneration structure and incentive arrangements are aligned with long term performance targets for the business
- Senior management have significant shareholdings in the business
- Annual appraisals identify training requirements and assess performance
- Specialist support is contracted where appropriate
- Our staffing plan focuses on experience and expertise necessary to deliver strategy
- There is a phased refreshment plan for Non Executive Directors

4 Regulatory and tax framework

Risk

Non compliance with legal or regulatory obligations.

Appetite

The Board has no appetite where non compliance risks injury or damage to its broad range of stakeholders, assets and reputation.

Impact


- Reputational damage
- Potential loss of REIT status
- Increased costs
- Reduced access to debt and capital markets
- Fines, penalties, sanctions

Impact on strategy




Mitigation

- We monitor regulatory changes that impact our business with support from specialist consultants, on issues such as health and safety, employment, data protection and anti-corruption related legislation
- We have allocated responsibility for specific obligations to individuals with Executive Committee oversight
- Our health and safety handbook is regularly updated and health and safety audits are carried out on developments
- Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk and community
- Staff training is provided on wide ranging issues such as those identified above
- We use external tax specialists to provide advice
- Our REIT compliance is monitored
- We consider the impact of legislative changes on strategy

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

Commentary

- During the year the Board undertook an externally facilitated performance evaluation; its findings were extremely positive
- The Chairman's letter of appointment has been extended for a further three years with a mutual six month rolling break option
- We have diversified the Board's skill base through the appointment of Suzanne Avery who has extensive financial, banking and real estate experience. Succession planning and diversity remain high on the Board's agenda for 2019
- A number of flexible working initiatives have been introduced to improve employee wellbeing
- The Executive Directors have significant unvested share awards in the Company to incentivise performance and retention providing stability to the management structure
- Senior managers are incentivised in a similar way to the Executive Directors

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017.

Read more

- + See Responsible Business on page 45
- + See Remuneration report on pages 88 to 103
- + See Nomination Committee report on pages 74 to 79

Commentary

- During the year a fire risk assessment was undertaken on our entire portfolio. This included a cladding review. All properties were rated as low risk
- In response to the introduction of new legislation against the criminal facilitation of tax evasion and GDPR we have undertaken detailed mapping and risk assessment exercises, made changes to some of our policies and processes with assistance from Jones Day, our legal advisors

Change

 **No significant change in risk**

The Board considers this risk to have remained broadly similar during the year. There has however been an increase in management time diverted to new regulations and evolving best practice due to the flow of recent changes which impact the business.

Read more

- + See Financial review on page 36
- + See Responsible Business on pages 45 and 46

Risk management continued

Corporate risks (continued)

5 Responsible Business approach

Risk

Non compliance with responsible business practices.

Appetite

The Board has a low tolerance for non compliance with risks which impact reputation and stakeholder sentiment towards the Company.

Impact

- Reputational damage.
- Suboptimal returns for shareholders
- Asset liquidity may be impacted
- Reduced access to debt and capital markets

Impact on strategy



Mitigation

- We monitor changes in law, stakeholder sentiment and best practice in relation to responsible business practices such as sustainability, environmental matters and our societal impact and receive advice and support from specialist consultants
- We consider the impact of changes on strategy
- We give proper consideration to the needs of our occupiers and shareholders by maintaining a high degree of engagement and also consider our impact on the environment and local communities
- Responsibility for specific obligations has been allocated to individuals and is overseen by the Executive Committee. A Responsible Business Working Group meets at least three times a year and reports to the Board
- Staff training is provided
- EPC rating benchmarks are set to ensure compliance with Minimum Energy Efficiency Standards (MEES) that could otherwise impact the quality and desirability of our assets leading to higher voids, lost income and reduced liquidity
- Sustainability targets are set, monitored and reported
- Contractors are required to conform to our responsible development requirements

6 Systems, processes and financial management

Risk

Controls for safeguarding assets and supporting strategy may be weak.

Appetite

The Board's appetite for such risk is low and management continually strives to monitor and improve processes.

Impact


- Compromised asset security
- Suboptimal returns for shareholders
- Decisions made on inaccurate information

Impact on strategy




Mitigation

- The Company has a strong control culture
- We have IT security systems in place with back up supported and tested by a specialist advisor
- Our property assets are safeguarded by appropriate insurance
- We have safety and security arrangements in place on our developments, multi-let and vacant properties
- Appropriate data capture procedures ensure the accuracy of the property database and financial reporting systems
- We maintain appropriate segregation of duties with controls over financial systems
- Management receive timely financial information for approval and decision making
- Cost control procedures ensure expenditure is valid, properly authorised and monitored

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

Commentary

- During the year we met with over 200 investors and carried out an investor survey targeting 50% of our register on responsible business matters. Feedback was positive and will be incorporated into our 2019 sustainability targets
- We met with the 30% Club Investor Group and joined Real Estate Balance which aims to promote greater gender diversity within the industry
- The appointment of Suzanne Avery will add a fresh perspective to the Board on responsible business matters. Suzanne was formerly Managing Director of Real Estate Finance Group and Sustainability at RBS and is a co-founder of Real Estate Balance with keen interests in governance, responsible business practices and a number of societal issues
- We supplemented direct meetings with our tenants with our biennial customer satisfaction survey of key occupiers. Tenant responses representing half our income scored us 8.5/10. Feedback has been discussed with several occupiers. We propose to increase the frequency of the survey to further improve processes
- We have increased the green credentials of our portfolio over recent years through development and modernisation. 28% of our portfolio is now rated BREEAM Very Good, our GRESB score has improved to 69% and we have maintained our green star rating. 78% of our portfolio has an EPC of C or above
- During the year we undertook numerous green initiatives. At Newark, for example we completed the UK's largest landlord funded distribution solar panel installation to provide a proportion of the tenants power requirements from renewable sources
- Our Communities Policy and Charity and Communities Working Group aim to maximise the local benefits of our activities, for example urban regeneration and employment

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017, however focus on how companies take into account wider stakeholder interests has increased.

Read more

 [See Responsible Business on pages 40 to 47](#)

Commentary

- During the course of the year we have improved our IT security and back up systems
- We have also made improvements to our financial reporting processes and have further integrated our property database and our accounting system

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017.

Read more

 [See Audit Committee report on pages 82 to 83](#)

Risk management continued

Property risks

7 Investment risk

Risk

We may be unable to source affordable investment opportunities.

Appetite

The Board aims to keep this risk to a minimum but matters outside of its control may have a negative impact. The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise.

Impact

Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.

Impact on strategy



Mitigation

- Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities.

8 Development risk

Risk

- Excessive capital may be allocated to activities with development risk
- Developments may fail to deliver expected returns due to inconsistent timing with the economic and market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption

Appetite

The Board is willing to take some speculative development and planning risk if it represents a relatively small proportion of the total property portfolio and is supported by robust research in respect of demand and a high likelihood of planning approval.

Impact

- Poorer than expected performance
- Reputational damage

Impact on strategy



Mitigation

- We only undertake short cycle and relatively uncomplicated developments on a pre-let basis or where there is high occupier demand
- Development exposure as a percentage of our total portfolio is limited with larger projects phased
- Development sites are acquired with planning consent where possible
- Management have significant experience of complex development
- We use standardised appraisals and cost budgets and monitor expenditure against budget to highlight potential overruns early
- External project managers are appointed
- Our procurement processes include tendering and the use of highly regarded firms with proven track records
- We review and monitor contractor covenant strength

9 Valuation risk

Risk

Investments may fall in value.

Appetite

There is no certainty that property values will be realised. This is an inherent risk in the industry.

Impact


Pressure on NAV growth and potentially loan covenants.

Impact on strategy




Mitigation

- Our core portfolio is pivoted to structural changes in shopping patterns with a significant supply imbalance in available distribution space
- Our focus is on sustainable income with lettings to high quality tenants within a diversified portfolio of well located assets with a high weighted average unexpired lease term reducing the risk of negative movements in a downturn
- The property cycle is continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions
- Property portfolio performance is regularly reviewed and benchmarked on an asset by asset basis
- We monitor tenant covenants and trading performance

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

Commentary

- We used our strong occupier and developer relationships to acquire over £300 million of distribution assets and deployed all the equity we raised in March 2017
- Distribution assets now represent 69% of the portfolio, up from 62% last year
- We made a strong valuation gain of £74.4 million on our distribution assets alone

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017.

Read more

[+ See Property review on pages 26 to 27](#)

Commentary

- Developments represent 2.4% of the portfolio at the year end. No developments completed in the year were late or over budget
- Development activity this year has added rent of £4.2 million per annum. Of this 43% was built speculatively. We are in advanced discussions on the remaining unlet space
- Assets under construction and in our development pipeline of 1.0 million sq ft, predominantly at our Bedford site, are expected to add a further £8.1 million of rental income. The Bedford development will be phased with the first phase commencing this year

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017.

Read more

[+ See Property review on page 33](#)
[+ See Responsible Business review on page 43](#)

Commentary

- 50.3% of our income has contractually fixed or index linked uplifts
- Our valuation gain this year was £121.6 million, with the largest increase in our urban logistics distribution and development sectors
- A high average WAULT of 12.4 years was maintained
- We have substantial headroom under our financial loan covenants

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017. Technological advances continue to cause significant disruption in the retail landscape. The Company's preferred asset classes are however aligned to modern shopping habits where the prospects for valuation preservation and growth are significantly better than traditional retail.

Read more

[+ See Property review on pages 26 to 27](#)
[+ See Financial review on page 39](#)
[+ See Audit Committee report on pages 84 to 85](#)

Risk management continued

Property risks (continued)

10 Transaction and tenant risk

Risk

- Property purchases and asset management initiatives may be inconsistent with strategy
- Due diligence may fail to highlight risks
- Lettings may be made to inappropriate tenants
- Tenant failure risk

Appetite

The Board's appetite to risks arising out of poor due diligence processes on acquisitions, disposals and lettings is low. The Board is willing to accept a higher degree of risk in relation to tenant covenant strength and unexpired lease term on urban logistics assets where there is high occupational demand, redevelopment opportunity or alternative site use.

Impact

Pressure on NAV, earnings and potentially loan covenants.

Impact on strategy



Mitigation

- We undertake thorough due diligence on all acquisitions including legal and property, tenant covenant strength and trading performance
- Tenant concentration within the portfolio is considered for all acquisitions and leasing transactions. We have a diversified tenant base and limited exposure to individual occupiers in bespoke properties
- Asset management initiatives undergo cost-benefit analysis prior to implementation
- We use external advisors to benchmark lease transactions and advise on acquisition due diligence
- Our experienced asset management team work closely with tenants to offer them real estate solutions that meet their business objectives. This proactive management approach helps to reduce vacancy risk
- We monitor rent collection closely to identify potential issues

Financing risk

11 Capital and finance risk

Risk

The Company may have insufficient funds and available credit.

Appetite

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines.

It accepts a low degree of market standard inflexibility in return for the availability of credit.

The Board has some appetite for interest rate risk, loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.

Impact


Strategy implementation is at risk.

Impact on strategy




Mitigation

- We maintain a disciplined investment approach with competition for capital. Assets which have achieved target returns and strategic asset plans are sold
- Cash flow forecasts are closely monitored
- 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 Company's long term strategy
- Loan facilities incorporate covenant headroom, appropriate cure provisions and flexibility
- Headroom and non-financial covenants are monitored
- We maintain a modest level of gearing
- The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process
- Interest rate derivatives are used to fix or cap exposure to rising rates. A specialist hedging advisor is used

 Our portfolio is aligned to modern shopping habits

 We focus on sustainable and growing income

 We manage, enhance and create property in a responsible way

 Our expertise and relationships shape our decision making

Commentary

- Our tenant default rate within the industry is very low and we have no significant arrears. The impact of recent retailer collapses and CVAs has had a negligible impact on earnings
- We maintain a high occupancy level within the industry despite a number of smaller speculative developments completing recently. Our EPRA vacancy rate at the year end was 2.5%

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017 despite a number of high profile retail casualties and more retailers looking to restructure their physical store portfolios through a CVA process. Retail occupiers continue to invest heavily in distribution and logistics and convenience retail fulfils a top up function for online shoppers.

Read more

- [+ See Chief Executive's review on pages 15 to 19](#)
- [+ See Property review on page 32](#)

Commentary

- The majority of our debt is diversified, unsecured and extremely flexible. Headroom on our revolving credit facility and proceeds from forecast capital recycling are sufficient to fund our forecast investment programme
- During the year we reduced our secured loan with Helaba but extended its term to seven years and incorporated greater flexibility
- We recouped £190 million of swaps and cancelled £128 million in excess of our requirements. The cost of doing this has a 2.5 to 4.0 year payback period
- 73% of facilities are hedged by way of interest rate swaps and caps

Change

 **No significant change in risk**

There has been no significant change in perceived risk from 2017.

Read more

- [+ See Financial review on pages 38 to 39](#)

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board has assessed the future viability and prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provision.

The Directors conducted this review taking account of the Group's current position, longer term strategy, principal risks and future plans.

Assessment of review period

The viability review was conducted over a three year period of assessment as in previous years, which the Board considered appropriate for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period
- It reflects the short cycle nature of the Group's developments and asset management initiatives. The average time taken from commitment of funds to practical completion of the five developments that completed in the year at Huyton, Stoke, Crawley, Tonbridge and Launceston was 15 months
- 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 2018 was 4.8 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

Assessment of prospects

The Group's business model consists of a rolling three year profit and cash flow forecast, with both a base case scenario, which only includes deals under offer, and also an assumed case which factors in reinvestment and development. The business model considers investment plans, capital commitments, dividend cover, loan covenants and REIT compliance metrics.

The Executive Committee provides regular strategic input to the financial forecasts covering investment, divestment and development plans, capital allocation and hedging.

Executive Directors and senior managers receive regular presentations from external advisors on the macroeconomic outlook and retail market which assist with the development of strategy and forecasts.

Forecasts are updated at least quarterly, reviewed against actual performance and reported to the Board. At least one Board meeting each year focuses on strategy and presentations are given by senior managers.

Assessment of viability

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

- 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
- Changes in property market conditions impacting disposal and reinvestment assumptions

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 the ability to finance forecast transactions, 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 40% and rental income fall by 59% to breach the loan to value and interest cover covenants under the existing debt facilities.

The Directors have taken into account the strong financial position at 31 March 2018, available cash and undrawn debt facilities, headroom under existing loan facilities and the Group's ability to raise new finance.

The Directors also noted that in the event of a severe threat to liquidity, other options existed to maintain viability including deferring non committed expenditure and selling assets.

Conclusion

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.

Governance

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Introduction from the Chairman



At LondonMetric we recognise that maintaining the high standards of corporate governance we have developed over the years is critical to the successful delivery of our strategy.”

Patrick Vaughan
Chairman

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’).

Good governance is embedded into our day to day business operations and underpins the way we manage our business. It guides our ability to operate in a way that is both legally compliant and also responsible and supports the successful delivery of our strategy. We strive to operate in a transparent and responsible way and foster a culture of appropriate decision making at all levels in the organisation.

Through the close involvement of the Executive Directors, our culture permeates through the wider organisation, promoting good governance practices beyond the boardroom.

Performance evaluation

I am pleased to report the findings of the external board performance evaluation that was undertaken by Independent Audit this year. The Board was praised for its exceptional cohesion and culture of openness. The mutual respect and confidence of individual members and the strong and supportive relationships formed over many years working together were noted as particular strengths and I thank my colleagues for engaging in open and constructive conversations. However, in seeking continued improvement to our performance, we welcome suggestions for improvements to Board processes to enhance boardroom debate and challenge, including varying the pace of discussion and agenda, by involving other managers and staff and occasionally changing the format and location of meetings.

Diversity

The Board believes in the benefits of diversity and strives to operate in a working environment of equal opportunity. This year we met

members of the 30% Club Investor group to consider and share our diversity aspirations and to discuss the challenges we face. We support initiatives to promote gender diversity in the real estate sector and have recently become a member of the Real Estate Balance group whose objective is to improve gender diversity by promoting and supporting the development of a female talent pipeline. Low staff turnover at senior levels signifies a loyal, content and motivated workforce and something we are proud of. However it also constrains the pace of change as opportunities are dependent upon staff vacancies arising.

To the extent that we have the opportunity and as evidenced by our most recent Board appointment, we will seek to improve our gender diversity throughout the Company.

Succession planning

Succession planning and developing talent continues to be a key area of focus for the Nomination Committee to support the Company’s long term plans. Two years ago we instigated a phased refreshment of the Non Executive Board in light of members’ tenure and the best practice recommendations of the Code.

This year we are delighted to welcome Suzanne Avery to the Board and as a member of the Audit Committee. Suzanne brings a fresh perspective and wealth of complementary financial, banking, sustainability and real estate experience and expertise to the Board as former Managing Director of Real Estate Finance Group and Sustainability at RBS.

Stakeholders

Our 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.

We have a comprehensive investor relations programme and 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 we commissioned our first investor Responsible Business survey and were reassured by the positive results. The Executive Directors met with over 200 shareholders, fund managers, private wealth investors and other interested parties during the year to discuss the Company's performance and plans.

The Board is aware of its responsibility to other stakeholders when making business decisions and actively engages with and welcomes feedback from suppliers, tenants and employees. During the year we undertook our biennial customer satisfaction survey and our first employee satisfaction survey to better understand our key stakeholders' views. In addition we have introduced flexible working practices for staff to help improve employees' work/life balance. The success of the Company is dependent upon the hard work and dedication of a small team here at LondonMetric and on behalf of the Board I would like to thank each and every employee for their contribution and commitment.

Accountability

The Audit Committee continues to play a key oversight and assurance role, assisting the Board and ensuring shareholder and other stakeholder interests are protected by monitoring the processes that support financial reporting and control.

The Committee has undertaken its annual comprehensive review of principal risks and the internal control framework and no significant weaknesses were identified. The risk dashboard continues to be a standing

agenda item at each Board meeting, highlighting changes in the Group's exposure to risks and prompting further debate.

We are mindful of the need to ensure that evolving risks are considered which this year included cyber risk and the impact of Brexit.

The Audit Committee has 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 followed by management to ensure that the financial statements are fair, balanced and understandable and has scrutinised and challenged the significant accounting judgements made by management, including those concerning the valuation of property. The Committee also considered the likely impact of adopting new accounting standards on revenue, financial instruments and leasing that become mandatory over the next two years.

This year we welcomed a new lead audit partner, Georgina Robb, to replace the previous partner who retired by rotation and was no longer considered independent, given her prior role as audit partner to Metric. Given that 2019 will be Deloitte's sixth consecutive year in office, we will consider whether to re-tender the audit during the next two financial years.

The Company received a letter from the Financial Reporting Council (FRC) concerning its review of its 2017 Annual Report. I am very pleased to report that no questions or queries were raised. A few improvements to disclosures were noted and have been taken into consideration in the preparation and review of this year's Annual Report.

Remuneration

The Board remains committed to attracting and retaining talented individuals to deliver outstanding results. The Remuneration Committee continues to promote a fair reward structure that adequately incentivises and retains the executive team to deliver long term growth and success and is advised by PwC. This year the Committee reviewed the variable elements of remuneration and has recommended annual bonuses for the Executive Directors at 71% to 79% of their maximum levels.

As advised to the market on 9 November 2017, Valentine Beresford, Investment Director, has taken a leave of absence from the Company following an operation. He continues to make a good recovery and we expect him to return to the office towards the end of the summer.

Whilst Valentine's day to day responsibilities have been covered by other members of the Company's executive team and senior colleagues, he has remained in close contact with the Company and we have been able to benefit from his wide skills and experience.

Looking ahead

We look forward to another busy and rewarding year ahead whilst remaining mindful of the ever changing economic and political challenges. We will seek to ensure the business remains resilient to such challenges and adapts to regulatory and legislative changes including the impact of Brexit and implementation of the EU Withdrawal Bill as well as the proposed revised UK Corporate Governance Code.

Succession planning and diversity remain high on the Board's agenda for 2019 and we will endeavour to implement the recommendations from this year's external performance evaluation.



Patrick Vaughan
Chairman
30 May 2018

Statement of Compliance

The Board has considered the Company's compliance with the provisions of the UK Corporate Governance Code (the 'Code') published by the Financial Reporting Council in 2016, publicly available at www.frc.org.uk.

The Board considers that the Company has complied with the main provisions 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

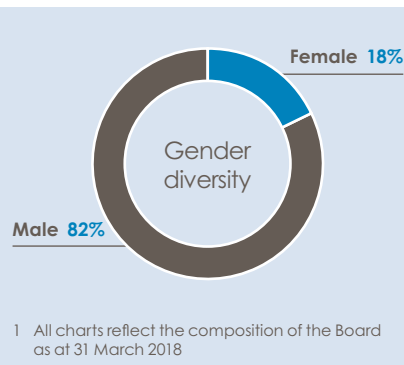
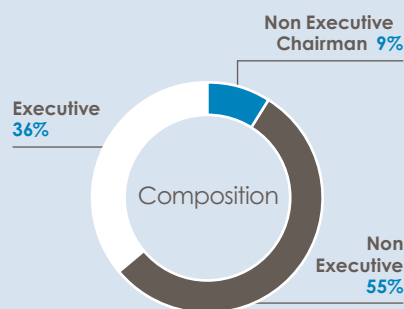
Appointed 13 January 2010

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

A balanced board



1 All charts reflect the composition of the Board as at 31 March 2018



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



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



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 Academy Bromley.

Board Committees Audit Committee (Chairman) 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) and Nomination 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



Suzanne Avery
Independent Director

Appointed 22 March 2018

Skills and experience Suzanne was appointed to the Board of LondonMetric in March 2018. Suzanne has 25 years' experience in corporate banking, holding various Managing Director roles at RBS, including Managing Director of Real Estate Finance Group & Sustainability, where she was responsible for REITs, Funds and London based private property companies.

Other appointments Church Commissioner, senior advisor to Centrus Advisors, Non Executive Director of Richmond Housing Partnership Limited, trustee of LandAid and co-founder of Real Estate Balance.

Board Committees Audit Committee



Andrew Livingston
Independent Director

Appointed 31 May 2016

Skills and experience Andrew was appointed to the Board on 31 May 2016. On 2 April 2018, Andrew was appointed Chief Executive of Howden Joinery Group Plc, having been the Chief Executive of Screwfix since 2013 and previously the Commercial and Ecommerce Director from 2009 to 2013. Before joining Screwfix, Andrew was Commercial Director at Wyevalle 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 Howden Joinery Group Plc and Director of Vedoneire Limited

Board Committees Audit Committee and Remuneration Committee

Governance at work

Your Board remains committed to maintaining the high standards of corporate governance that are embedded in the culture and day to day running of our business and which drive the achievement of strategy and long term success of the Company.

Corporate governance code

Leadership



The Board provides leadership and direction to the business as a whole, having due regard to the views of its stakeholders and the environment within which it operates.

[+ See pages 67 to 73](#)

- Role of the Board and its Committees
- Division of responsibilities
- Non Executive Directors
- Purpose and culture

Effectiveness



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

[+ See pages 74 to 79](#)

- Nomination Committee report
- Composition and independence
- Diversity
- Board appointments and succession planning
- Board induction, development and time commitments
- This year's external Board evaluation

Accountability



The Board establishes and maintains the Group's system of risk management and internal controls and ensures the integrity of financial reporting.

[+ See pages 80 to 87](#)

- Audit Committee report
- Financial reporting and significant judgements
- Oversees external audit process
- Assessment of principle and emerging risks, risk management and internal control
- Viability statement and going concern
- Ensuring a 'fair, balanced and understandable' Annual Report

Engagement with shareholders and stakeholders



The Chief Executive and Executive Directors prioritise an open dialogue with shareholders.

[+ See pages 72 to 73](#)

- Engagement with shareholders – 209 meetings and presentations in the year
- Portfolio tours arranged for investors and advisors
- AGM is attended by the whole Board

Remuneration



The Remuneration Committee determines and implements a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives whilst maintaining stability in the management of its long term business.

[+ See pages 88 to 103](#)

- Remuneration Committee report
- Remuneration Policy
- Annual bonus and LTIP achievement against targets

Leadership



Overview

Our strategy

Our marketplace

Our business model

Performance review

Responsible Business

Risk

Governance

Financial statements

The Board



Chairman: Patrick Vaughan

Comprises: 4 Executive and 6 Non Executive Directors

- Responsible for leading, directing and controlling the Company and the overall success of the business
- Establishes culture and ethics of the organisation
- Fosters wider stakeholder relationships
- Sets and implements long term strategy
- Manages human resources and succession planning
- Sets risk appetite and determines principle risks
- Corporate governance

Board Committees

Audit Committee

Chairman: Rosalyn Wilton

Comprises: 4 Non Executive Directors

- Oversees financial and narrative reporting
- Scrutinises significant judgements made by management
- Monitors effectiveness of risk management systems and internal control
- Evaluates the external audit process

+ Audit Committee report see page 80

Remuneration Committee

Chairman: James Dean

Comprises: 4 Non Executive Directors

- Determines and implements Remuneration Policy
- Sets Executive Directors remuneration packages and incentives
- Approves bonus and LTIP targets and outcomes

+ Remuneration Committee report see page 88

Nomination Committee

Chairman: Patrick Vaughan

Comprises: 4 Non Executive Directors

- Recommends Board appointments
- Succession planning and Board & Committee composition
- Diversity
- Performance evaluation

+ Nomination Committee report see page 74

Management Committees

Executive Committee

Chairman: Andrew Jones

Comprises: 4 Executive Directors; 1 Senior Executive

- Implementation of strategy
- Sets budgets and manages operational and financial performance
- Day to day management of the business and its principle risks
- Succession planning below Board, people development
- Employee remuneration and wellbeing
- Manages allocation of capital

Investment Committee

Chairman: Valentine Beresford

Comprises: 4 Executive Directors and senior management

- Reviews investment and divestment opportunities and allocation of capital

Asset Management Committee

Chairman: Mark Stirling

Comprises: 4 Executive Directors and senior management

- Reviews value enhancing operational activities and development opportunities

Finance Committee

Chairman: Martin McGann

Comprises: 4 Executive Directors and senior management

- Reviews budgets and forecasts, achievement of targets, funding requirements and liquidity

The framework reflects the composition of the Board as at 31 March 2018

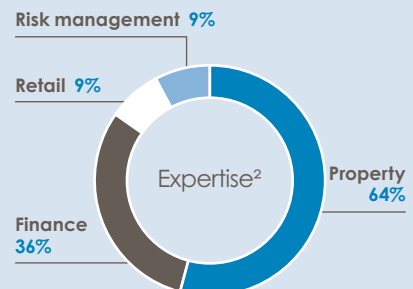
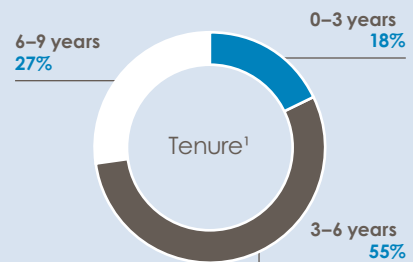
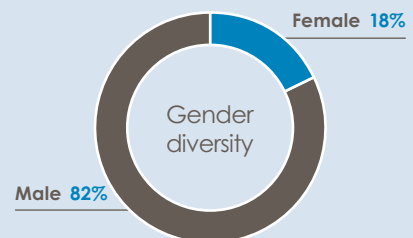
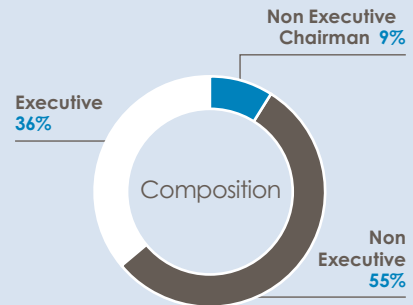
Leadership continued

Division of responsibilities

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 culture, style and tone of discussions to promote boardroom debate and openness Promotes Company purpose, values and ethics 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 key stakeholders and relays 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 Suzanne Avery James Dean Andrew Livingston Alec Pelmore 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 recommended by the Executive Directors and approve decisions reserved for the Board as a whole 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 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 Identify, assess and quantify risks in operating the business and implement risk mitigation processes 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



1 Tenure has been reflected from the date of appointment to the LondonMetric Board
 2 Some Directors are represented in more than one category in terms of their expertise
 3 All charts reflect the composition of the Board as at 31 March 2018



Board activities in 2018

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

- Strategy presentation from senior managers to the whole Board with continued focus on sustainable income and portfolio repositioning into urban logistics and divestment of non core assets
- Debated the property and retail market outlook, shopping patterns and competitor activity
- Considered the economic, legislative and political landscape including the impact of Brexit
- Approved all property acquisitions and disposals in excess of £10 million including a portfolio acquisition of 14 logistics assets and the sale of the last remaining office in Marlow
- Approved major capital expenditure and development projects including at Stoke, Crawley, Dagenham and Bedford
- Executive Directors and senior managers attended quarterly economic and market update presentations from external advisors

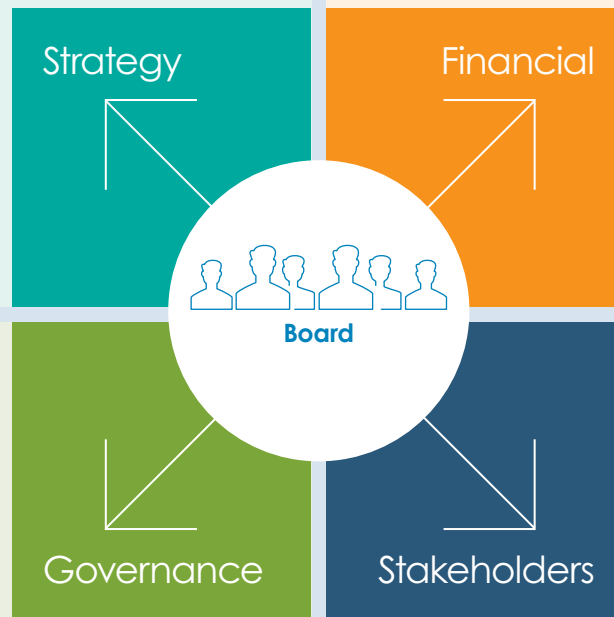
- Approved the interim and annual financial statements and results presentations
- Reviewed the three year financial forecasts
- Scrutinised the interim and annual property valuations
- Discussed financing arrangements, available debt facilities, LTV and financial covenants
- Received reports from the Finance Director on debt refinancing and hedging and approved the cancellation and recoupen of interest rate swaps
- Considered dividend policy, quarterly scrip dividend payments and annual PID
- Executive Directors and senior managers received presentations from tax advisors and external auditors following legislative changes

- Considered impact of new accounting standards on revenue, financial instruments and leases

- Met with members of the 30% Club Investor group to discuss diversity in the organisation
- Joined the Real Estate Balance group to promote and foster diversity in the sector and Company at all levels
- Risk register and dashboard update, including debate of significant and emerging risks
- Reviewed the effectiveness of the internal control framework to manage risks
- Received briefings from the Finance Director and external auditors on regulatory and governance issues including consideration of S172 Companies Act compliance
- External Board and Committee performance evaluation review
- Viability statement and going concern review and approval of statements thereon

- Appointed new Non Executive Director, Suzanne Avery
- Reviewed Executive Directors' remuneration and performance against targets
- Succession planning and tenure and extended Chairman's letter of appointment for a further three years

- Reviewed and began implementation of flexible working practices for staff
- Participated in Hampton Alexander review
- Received Responsible Business update from senior management including a fire risk and cladding assessment following the Grenfell Tower tragedy
- Extended commitment to joint ventures and partners, extending commitment to MIPP and increasing stake in DFS JV
- Considered shareholder relations, liaison and feedback from roadshows and results presentations
- Staff received a presentation on the auto enrolment pension scheme implemented in the year



Leadership continued

Membership and attendance

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

Title	Date appointed	Tenure ⁵ (years)	Independent	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman							
Patrick Vaughan	13/1/2010	8	n/a ¹	6 (6)			3 (3)
Executive Directors							
Andrew Jones	25/1/2013	5	No	6 (6)			
Martin McGann	13/1/2010	8	No	6 (6)			
Valentine Beresford ⁴	3/6/2014	4	No	4 (6)			
Mark Stirling	3/6/2014	4	No	6 (6)			
Non Executive Directors							
Suzanne Avery	22/3/2018	0	Yes	1 (1)	0 (0)		
James Dean	29/7/2010	8	Yes	6 (6)		4 (4)	3 (3)
Andrew Livingston	31/5/2016	2	Yes	6 (6)	5 (5)	1 (2)	
Alec Pelmore	25/1/2013	5	Yes	6 (6)	5 (5)		3 (3)
Andrew Varley ³	25/1/2013	n/a	n/a	3 (3)	2 (2)	2 (2)	
Philip Watson	25/1/2013	5	Yes	6 (6)		4 (4)	3 (3)
Rosalyn Wilton	25/3/2014	4	Yes	6 (6)	5 (5)	4 (4)	
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 2018

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

3 Resigned with effect from 30 September 2017

4 Valentine Beresford was unable to attend two Board meetings due to a leave of absence to undergo and recuperate from an operation

5 Tenure is measured from the date of appointment to the LondonMetric Board and as at 31 March 2018, rounded to the nearest whole year

The role of the Board

The Board is collectively responsible to the members of the Company for the long term success of the business, having due regard to the views and interests of all stakeholders.

It operates in an open and transparent way, engaging and fostering relationships with shareholders, customers, suppliers, employees and the communities within which it operates.

The Board establishes the culture, values and ethics of the organisation, sets and implements strategy and provides leadership and direction within a sound framework of risk management and internal controls.

The Board's collective experience and skill set covers a range of relevant sectors including property, finance, banking and retail as reflected in the chart on page 68 and as described in their individual biographies on pages 64 and 65.

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 three years to 31 March 2021, with a six month mutual break option.

As reported in the table above, 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.

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. It would still meet this requirement under the current new Code proposals to include the Chairman within the calculation.

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



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Board meetings

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.

Whilst strategy is considered at every Board meeting encompassing topics such as market conditions and outlook, investment opportunities, capital allocation and emerging risks, one meeting each year is dedicated to this topic.

In September 2017 two senior managers were invited to present to the Board on the Company's longer term strategy in light of market and economic conditions including Brexit, changes in technology and consumer shopping patterns and investment opportunities. The session considered implications for resources and skills, financing and liquidity.

The Executive Committee has 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 the retail and investment market, investment opportunities and the wider macroeconomic environment.

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 and apologies for absence are provided to the Board prior to the meeting.

Board changes

Andrew Varley retired from the Board and its Committees in September 2017 as announced last year. Andrew Livingston was appointed as a member of the Remuneration Committee in July 2017 replacing Andrew Varley.

Following a review led by the Nomination Committee of the Board size and structure, Suzanne Avery was appointed as a new Non Executive Director and member of the Audit Committee in March 2018. The Nomination Committee report includes details of the recruitment process, selection procedure and induction programme for the appointment on page 77.

Board culture and values

The Chairman sets and fosters the culture and values of the Board and wider organisation, broadly defined as a balanced approach to business and a willingness to take considered risks to achieve strategic goals within an open, inclusive and respectful 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. Individual Directors and senior managers have formed strong relationships over several years of working together and 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.

Non Executive Directors

The Non Executive Directors are a diverse group with a wide range of business experience encompassing property, finance, fund management, banking, risk management, sustainability and retailing.

They provide a valued role by independently challenging and scrutinising aspects of executive decisions and monitoring the delivery of the agreed strategy, adding insight from their varied commercial backgrounds.

Many either currently or have previously served on other listed Boards, bringing different views and perspectives to Board operations and debates.

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.

Leadership continued

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 led by the Nomination Committee.

The Board is satisfied that each of the Non Executive Directors devoted sufficient time to the Company's business during the year and has capacity to continue to do so.

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.

Information flow

The Chairman, supported by the Company Secretary, ensures that the Directors receive clear and timely information on all relevant matters.

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 discussion and 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 and high standards maintained. 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.

Investor relations

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.

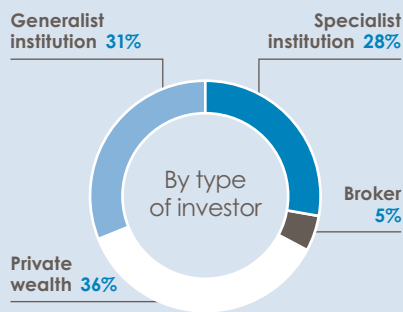
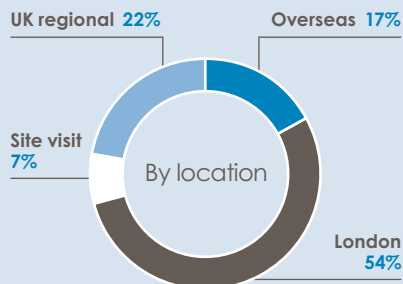
The Company places considerable emphasis on maintaining an open dialogue with investors, in particular institutions and private wealth managers and brokers through a comprehensive investor relations programme.

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 and responses to ad hoc requests for meetings.

Investor meetings



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 occupiers, strength of the Company's income, debt structure and the real estate market in general.

Investor site visits

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

- Dagenham, occupied by Eddie Stobart
- Crawley and Croydon, where four sites were visited in total, three of which are occupied by TNT, Barker & Stonehouse and Tesco



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Investor activity

During the financial year, the Company met with over 200 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 over 50% 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 Leeds, Birmingham, Edinburgh, Liverpool, Southampton, Chichester 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.

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

The Company also presented at a number of conferences during the year including participating on panel discussions organised by various brokers including Green Street, Wells Fargo, Kempen and Societe Generale.

In addition, the Company met with a number of corporate governance representatives from approximately ten of its main shareholders to update them on corporate governance developments of the Company.

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.

As part of its ongoing shareholder engagement, the Company conducted its first biennial investor Responsible Business survey during the year. The survey was sent to the Company's top shareholders covering half of the register. Further detail on the survey is contained on page 47.

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, half year results 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 148 to 151.

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 2017 results presentation
- Investor full year roadshow held post results
- Site visit to Dagenham
- Regional investor meetings in Edinburgh and Leeds

Q2



- Annual General Meeting of Shareholders
- US investor roadshow
- Investor meetings in Liverpool
- Site visit to Crawley and Croydon

Q3



- Half year results presentation
- Half year investor roadshow post results
- Investor roadshow in London, Toronto, Edinburgh and Amsterdam
- Investor meeting on corporate governance developments at the Company

Q4



- Investor meetings in London, Birmingham, Leeds, Chichester, Southampton, Manchester and New York
- Investor Responsible Business survey sent to major shareholders

Effectiveness

Nomination Committee report



Patrick Vaughan
Chairman,
Nomination Committee



I am pleased to present the Nomination Committee's report for the year to 31 March 2018.

This year the Committee's main focus has been the composition and diversity of the Board and succession planning for the Non Executive Directors which led to the appointment in March 2018 of Suzanne Avery as a Non Executive Director and member of the Audit Committee."

Membership & Attendance

Member	Date appointed	Tenure (years)	Meetings attended
Patrick Vaughan	1/11/2012	5	3 (3)
Alec Pelmore	25/1/2013	5	3 (3)
Philip Watson	25/1/2013	5	3 (3)
James Dean	14/7/2016	2	3 (3)

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 2018, rounded to the nearest whole year.

Highlights this year

- Considered Board composition, succession and diversity
- Led the appointment process for a new Non Executive Director and recommended Suzanne Avery to the Board and Audit Committee
- Recommended the extension of the Chairman's appointment for a further three years, with a six month mutual break option
- Led external Board and Committee performance evaluation
- Recommended the election and re-election of Directors to the Board at the AGM

Responsibilities of the Committee

The principal responsibilities of the Committee are to:

- Review and evaluate the size, structure and composition of the Board and its Committees, including the diversity and balance of skills, knowledge and experience of each
- Make recommendations to the Board regarding Board and Committee membership changes
- Consider succession planning for Directors and other senior executives
- Lead the process for new Board and Committee appointments to fill Board vacancies
- Promote the Company's policy on diversity at Board level and in the wider organisation
- Lead the Board and Committee performance evaluation exercise
- Assess the time commitment required from Non Executive Directors
- Consider the annual election and re-election of Directors to the Board



Chairman's Introduction

It has been another busy year for the Committee, whose main focus has been the composition and diversity of the Board.

In March 2018, following a rigorous recruitment process, we were delighted to welcome Suzanne Avery to the Board and Audit Committee. The appointment improves the balance of Board skills and gender diversity.

Suzanne brings complementary and relevant financial, banking, sustainability and real estate skills as former Managing Director of Real Estate Finance Group and Sustainability at RBS.

The appointment and induction process for Suzanne are discussed in detail on page 77.

The Committee also led the Company's three yearly externally facilitated evaluation of Board and Committee performance in the year.

The Committee concluded following the review that the Board continued to operate as an effective and cohesive team, led by knowledgeable and respected Executive Directors who created an inclusive and collegiate atmosphere of transparency and trust.

Further details of the Board evaluation findings and recommendations can be found on pages 78 to 79.

Composition of the Committee

Throughout the year the Committee comprised of four Non Executive Directors and was chaired by Patrick Vaughan as set out in the table on page 74.

Role of the Committee

The Committee's 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, having due regard to the interest of its shareholders and other key stakeholders and to the benefits of diversity.

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

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.

Meetings and activities

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

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

Succession planning

The Committee continues to focus on succession planning and talent development at Board and senior management levels to ensure there is a pipeline of experienced and suitable people in the organisation to support the Company's longer term plans.

It ensures that the ongoing refreshment of Board members is properly planned and managed to maintain stability in its operations and avoid business disruption.

In reviewing succession planning for both Executive and Non Executive Directors, the Committee considers the leadership needs of the Company and the balance and diversity of Board skills and experience. It is mindful of the Code requirements that a rigorous review of any Non Executive appointment whose term exceeds six years be undertaken.

During the year the Committee continued its review of Board composition and succession in light of Non Executive Directors' tenure and diversity aspirations.

This led to the appointment in March 2018 of Suzanne Avery as a Non Executive Director of the Board and member of the Audit Committee.

The remaining balance of independent Non Executive Directors continues to meet the requirements of the Code and proposed changes recommended by the FRC and has the correct balance of skills and knowledge to lead the Company going forward.

The Committee also reappointed Patrick Vaughan for a further three year term with a six month mutual break option, as they value his leadership, contribution and commitment to the business.

The Board is committed to a phased refreshment of the Non Executive Directors and this will be considered further next year by the Committee as the length of service of some members and Committee chairs approaches the best practice limit.

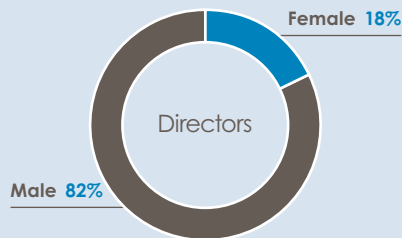
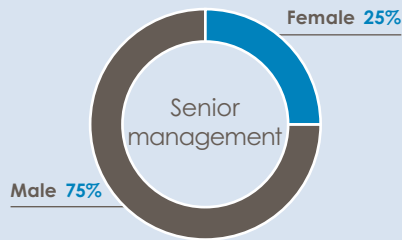
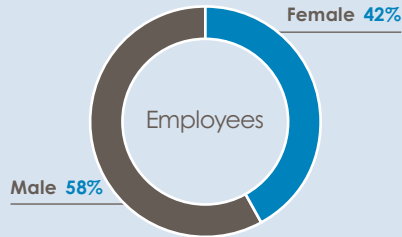
The Executive Directors consider succession planning below Board level and are committed to nurturing, developing and retaining high performing individuals to ensure a clear talent pipeline of future leaders exists for Board and senior management positions.

Staff appraisals are undertaken on an annual basis and provide a forum to discuss targets, progress and future prospects.

Although there are no immediate vacancies at Board level and execution of the Company's strategy is not dependent on any one individual, we recognise the need to develop our internal talent and for contingency plans for unforeseen absences.

Effectiveness continued

Gender Diversity



All charts reflect the composition of the Company and Board as at 31 March 2018

Diversity

The Board recognises the importance of a diverse and balanced Board and the benefits this brings to the organisation in terms of skills, knowledge and experience.

The Board strives to operate in a working environment of equal opportunity and promotes a culture of mutual respect and inclusion throughout the organisation.

Diversity on the Board, and in senior teams, brings wider perspectives and enables more effective discussions and better decision-making.

During the year, we appointed one female Non Executive Director and two members of staff, one male and one female reinforcing our commitment.

Diversity is promoted at every level of recruitment and across a range of criteria including skills, knowledge, experience, gender, age, disability, sexual orientation, educational background and ethnicity. However, over the last five years staff numbers have fallen by nearly 30% which, along with high retention rates in key roles, has reduced our ability to shift the diversity balance. We are proud of our low level of staff turnover which signifies a loyal and content workforce, but recognise that this constrains the pace of change.

During the year the Chairman, Finance Director and senior managers met with members of the 30% Club Investor group to discuss the importance of diversity considerations for Board and executive appointments and succession planning.

The Chairman confirmed the Board's support for greater female representation on listed company boards and the aspirational targets of the Hampton Alexander review and supports the 30% Club which aims to achieve a minimum of 30% of women on boards and senior leadership teams by 2020.

Although it does not deem quotas appropriate given the size of the Company and has not set targets, there is an ongoing commitment to strengthen female representation at Board level and within the senior management team. We will continue to monitor carefully our diversity going forward.

Ultimately, all appointments to the Board and senior management team are based on merit as an appointment on any other basis would not be in the best long term interests of the Company.

The Board acknowledges the challenges faced by the real estate sector in improving gender diversity as recruitment is dependent on the availability of suitable candidates and there continues to be fewer female applications to join the sector.

The Board supports initiatives to promote gender diversity in the real estate sector and during the year has become a member of the Real Estate Balance group whose objective is to improve gender diversity at Board and senior management level by promoting and supporting the development of a female talent pipeline.

Gender diversity at Board, senior management and in the Company as a whole is reflected in the charts opposite. At the date of this report, female representation at Board level was 18%, up from 9% last year.

The Board is also mindful of the Parker Review regarding ethnic and cultural diversity on UK boards and its recommendation that each FTSE 250 board should have at least one director from an ethnic minority background by 2024.

The Committee will take this into consideration when making future appointments.

Further information on the Company's commitment to developing and supporting employees and to promoting diversity and inclusion at LondonMetric is contained on page 45.



Board appointment

Following the review of Board composition and refreshment, and with particular focus on diversity, the Committee began the search for a new Non Executive Director. In the past, the Company has employed search agencies to assist with Board appointments, however having identified the required skills and attributes, it decided to explore internal recommendations which had the right cultural fit in the first instance and to only approach a search firm to facilitate the search if no candidates could be identified. Estimated cost savings of £50,000 were made by not using a third party search agency.

All Directors were asked to nominate candidates, with a strong preference for a female candidate and with financial experience to improve the gender diversity and relevant skills of the Board. However it was acknowledged that ultimately the search should be for the best candidate irrespective of gender.

A shortlist of four candidates was created and reviewed by the Nomination Committee. Suzanne Avery was chosen following an extensive interview process including the Chairman, Executive and Non Executive Directors, as the preferred appointee given her personal attributes, values, skills and experience.

Suzanne brings complementary and relevant financial, banking, sustainability and real estate skills as former Managing Director of Real Estate Finance Group and Sustainability at RBS.

Board induction

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

Details of the Induction Programme for Suzanne Avery is given in the case study above.

Induction Programme



Suzanne Avery
Non Executive Director and member of the Audit Committee

A comprehensive induction programme was arranged for Suzanne Avery, who joined as a new Non Executive Director in the year.

Key induction events included the following:

- One to one meetings with the Executive Committee, Company Secretary and senior managers from property and finance to understand the day to day operations of the business, risk appetite and culture
- Provision of past Board and Committee papers, minutes and finance reports
- Guidance and information on annual Board timetables, governance processes and regulatory procedures including share dealing
- One to one meeting with the Company's external audit partner
- Property tours to be arranged

Professional development

Oversight of the training needs of individual Directors is the responsibility of the Nomination Committee Chairman. However, Directors are also expected to identify and develop their own individual training needs, skills and knowledge and ensure they are adequately informed about the Group's strategy, business and responsibilities. They are encouraged to attend relevant seminars and conferences and receive technical update material from advisors and are offered training and guidance at the Company's expense.

During the year, training and information updates were provided through presentations at Board and Committee meetings by senior management and the external auditors. Specific briefing papers were provided on the Group's hedging strategy and interest rate swap recoupon, refinancing of the Helaba and unsecured debt facilities, fire risk assessments, Responsible Business update, stakeholder engagement and the likely impact of new accounting standards on revenue, financial instruments and leases.

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 and site visits.

Staff are encouraged to develop and broaden their experience and skills and to engage with Board members by way of presentations, property tours or one to one discussions on specific issues.

Further details of employee development including sponsorship of MBAs and participation in Young Property Professionals groups can be found in the People section of the Responsible Business review on page 45.

Time commitment

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 and fulfil their duties.

Executive Directors are required to devote almost all their working time to their executive role at LondonMetric although certain external appointments are permitted. All Directors are expected to attend all meetings of the Board and of the Committees on which they serve and the Annual General Meeting.

Effectiveness continued

Board performance and evaluation

The Board committed to undertaking an external review of its performance and that of its Committees.

The Nomination Committee appointed Independent Audit Limited (IAL) in December to undertake this review following a tender process in which three firms were shortlisted. IAL has no connection with the Company.

The process involved a comprehensive review of Board, Committee and other financial documents and reports followed by a series of one to one meetings with the Directors, Executive Committee and Company Secretary and the observation of a full Board meeting.

A detailed report of IAL's findings was sent to the Chairman and presented at the Board meeting in March 2018. IAL discussed their findings, proposals and implementation plans with the Board.

Overall the results were extremely positive. The review concluded that the Board has many strengths and continues to operate to a high standard.

The Chairman was praised for creating an inclusive and collegiate atmosphere and for his experience, business acumen and judgement.

The Directors agreed that the Chairman and Chief Executive had a very strong, supportive and respectful working relationship and promoted a culture of transparency and trust.

Notwithstanding these strengths, the review guarded against complacency and recommended that the Directors continued to improve its processes.

The Board welcomed IAL's recommendations for continued development to its practices and procedures and will continue the implementation of those recommendations.

Outcome of 2018 externally facilitated performance evaluation

The key findings and recommendations from the 2018 external Board evaluation review are listed below. The Board discussed and agreed the recommendations and progress will be reported at future meetings.

Key findings

- Most Board members have worked together, in various guises, for a number of years and Directors are engaged and passionate about the business
- The Board benefits from a knowledgeable group of Non Executive Directors who provide relevant and complementary skills in property, investment, finance and retail
- There is a high calibre and motivated executive team, led by a respected Chief Executive who has the confidence of the Non Executive Directors
- The Non Executive Chairman is greatly respected and praised by his colleagues for his skill in running meetings, creating an inclusive and collegiate atmosphere and for his extensive experience and business acumen
- The relationship between the Chairman and Chief Executive is particularly strong, supportive and mutually respectful. Together they promote a culture of trust and openness and are not afraid to bring both good and bad news to the Board. Non Executive Directors show a high degree of confidence in the Executive Directors
- There is notably frequent interaction between all Directors outside of the boardroom, maintaining a culture of ongoing dialogue
- The Executive Directors keep the Non Executives informed of developments and the Non Executives provide frequent input and challenge in one to one meetings

Recommendations

- To facilitate a more balanced debate in the boardroom, variations to the format, agenda, seating arrangements, attendees and location of meetings could be explored. The Board is encouraged to foster more debate in the boardroom to complement the extensive debate among individuals
- Consider holding one off site meeting each year, ensuring the length, format and location are conducive to good discussions
- Encourage Non Executive Directors to stay in touch with the wider organisation by arranging more meetings with senior managers and mentoring those senior managers identified as having high potential
- Consider if more could be done to help the Non Executive Directors have contact with a range of stakeholders, for instance by attending more site visits to customers



Progress against 2017 targets

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

Recommendation	Progress
Consideration of Board size, skills and experience given changes to Code	<ul style="list-style-type: none"> Review of Board composition undertaken in the year leading to the appointment of a second female Non Executive Director with financial, banking, sustainability and real estate experience to complement the existing skill set After consideration and debate, it was decided not to reduce the complement of Non Executive Directors at present as all members of the Board continue to make a valuable individual contribution, bringing complementary skills and knowledge
Continued focus on Board refreshment and diversity to complement culture	<ul style="list-style-type: none"> Recruitment of Suzanne Avery as a Non Executive Director recognised the benefits of diversity and complementary skill sets
Continue to promote diversity at all levels	<ul style="list-style-type: none"> 18% of Board members are female (up from 9% last year) 25% of senior management positions are filled by women
Succession planning for the Chairman	<ul style="list-style-type: none"> The Chairman's letter of appointment has been extended for a further three years to 31 March 2021 with a six month mutual break option
More time devoted to strategy debate	<ul style="list-style-type: none"> One Board meeting in the year devoted to strategy with presentations from two senior managers

The review of individual Directors was outside the scope of the external review.

The Chairman will undertake one to one meetings with each of the Directors and the Senior Independent Director will lead a review of the Chairman's performance in the coming year.

The Company is committed to undertaking a further external review in three years' time with internal reviews in the intervening years.

Re-election of Directors

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

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

Patrick Vaughan
Chairman of the Nomination Committee
30 May 2018

Accountability

Audit Committee report



Rosalyn Wilton
Chairman,
Audit Committee



I am pleased to present the Audit Committee's report for the year to 31 March 2018.

The Committee continues to play a key oversight and assurance role, assisting the Board and ensuring shareholder and other stakeholder interests are protected by monitoring the processes that support financial reporting and control."

Membership & Attendance

Member	Date appointed	Tenure (years)	Meetings attended
Rosalyn Wilton	25/3/2014	4	5 (5)
Andrew Livingston	31/5/2016	2	5 (5)
Andrew Varley (retired 30 September 2017)	25/1/2013	n/a	2 (2)
Alec Pelmore	25/1/2013	5	5 (5)
Suzanne Avery	22/3/2018	0	0 (0)

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 2018, rounded to the nearest whole year.

Highlights this year

- Review of significant issues, accounting judgements and estimates including six monthly property valuations
- Ongoing review of risk management and internal control processes including consideration of Brexit and cyber risk
- Review of going concern, viability and longer term prospects of the Company
- Considered likely impact of adopting new IFRSs on revenue, financial instruments and leasing
- Assessed the Directors' duty under S172 Companies Act 2016 to promote the success of the Company for the benefit of its members as a whole whilst having regard to wider stakeholders
- Oversight of the effectiveness of the audit process
- External evaluation of its own performance and review of its terms of reference

Responsibilities of the Committee

- Monitors the integrity of the financial reporting process and scrutinises the full and half year financial statements
- Considers and challenges the key financial judgements made by management
- Reviews the risk management framework and ensures risks are carefully identified, assessed and mitigated
- Reviews the performance, independence and effectiveness of the external auditor and audit process
- Reviews the viability statement and going concern basis of preparation
- Considers whether the Annual Report is 'fair, balanced and understandable'



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 external audit process.

This year we welcomed Suzanne Avery to the Committee. Suzanne has extensive financial, banking and property experience, serving previously as Managing Director of Real Estate Finance Group and Sustainability at RBS, and brings diversity and a fresh approach.

The Committee has continued to focus on risk management and has undertaken its annual comprehensive review of principal risks and the internal control framework as discussed on page 82. We are mindful of the need to ensure that emerging and evolving risks are considered. This year we considered specific risks relating to cyber security, political uncertainty and the impact of Brexit on the Company. I can confirm that no significant weaknesses in the control processes were identified this year.

This year, we considered the Directors' duty to its wider stakeholders under S172 Companies Act 2016 having received a report from the Finance Director. The Company has undertaken its first investor Responsible Business and employee satisfaction surveys along with its biennial tenant satisfaction survey. It has introduced flexible working arrangements for staff, increasing its focus and commitment to its wider stakeholders.

The Committee challenged the significant financial judgements made by management, including those concerning the largest balance sheet item being the valuation of investment property. Our review is described on pages 83 to 85.

We received a report from the Finance Director on the potential impact of new accounting standards on revenue, financial instruments and leasing and are satisfied that management are fully prepared to comply with the new standards.

We have also considered the independence and effectiveness of the external audit process and have recommended that Deloitte be reappointed at the AGM in July. This year we welcome a new lead audit partner, Georgina Robb, to replace the

previous partner who was no longer considered independent and retired.

The Committee has considered the provisions of the Code concerning going concern and longer term viability and has advised the Board on the statements made in the Report of the Directors on page 106 and in the Risk management section of this report on page 60.

We have also scrutinised the processes in place to ensure that, taken as a whole, the Annual Report is fair, balanced and understandable and have advised the Board to make its statement on page 107. Our review process is described on page 87.

During the year the Company received a letter from the Financial Reporting Council (FRC) concerning its review of the 2017 Annual Report. The object of the FRC's review was not to verify that the information in the Annual Report was correct but rather to consider compliance with reporting requirements. I am very pleased to report that no questions or queries were raised. However a few improvements to disclosures on alternative performance measures and IFRS 13 fair value measurements were noted and have been taken into consideration in the preparation and review of this year's Annual Report.

All Committee members will be attending this year's Annual General Meeting and engagement with and feedback from investors is welcomed and encouraged.

Membership

During the year the Committee comprised of four Non Executive Directors until Andrew Varley retired on 30 September 2017, as previously announced. For the remainder of the year until March 2018 it comprised the remaining three Non Executive Directors, chaired by Rosalyn Wilton. Suzanne Avery was appointed to the Board and Committee on 22 March 2018. Members have no day to day involvement with the Company or links with the external auditor.

Biographies of the Committee members which set out the relevant skills, knowledge and sector experience they bring can be found on pages 64 and 65.

The Board is satisfied that Rosalyn Wilton brings recent and relevant

financial experience as a former Chairman of the Risk Committee at AXA UK Limited. It considers that the Committee as a whole has the relevant property and financial competence to enable it to discharge its duties and the appointment of Suzanne Avery brings complementary financial, banking, sustainability and real estate experience through the senior positions she has held.

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 and Finance Director. This is considered more helpful and effective than waiting for the scheduled meetings.

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

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

The Committee is satisfied that it receives sufficient, reliable and timely information and support from management and the Company's external auditor to allow it to fulfil its obligations.

Accountability continued

Activities during 2018

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

Financial reporting 	Risk management 	External audit 
<ul style="list-style-type: none"> 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 Developments in new accounting standards on revenue, financial instruments and leasing Processes undertaken to ensure that the financial statements are fair, balanced and understandable Directors' duty under S172 Companies Act 2016 Audit Committee report 	<ul style="list-style-type: none"> Annual assessment of the Group's principal risks including Brexit and cyber risk and comprehensive review of the risk register Risk appetite and dashboard reviewed at each Board meeting 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 and longer term forecast 	<ul style="list-style-type: none"> Scope of the external audit plan The independence and objectivity 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 External audit tenure Review of non audit services and ratio of fees
Property valuation 	Other 	
<ul style="list-style-type: none"> The property valuation process and the appropriateness of the interim and year end individual valuations The independence and competence of the external valuers 	<ul style="list-style-type: none"> Committee's composition and member changes Annual review of Committee's own terms of reference and constitution External performance evaluation Annual review of the need for an internal audit function The Group's whistle blowing arrangements and anti-bribery and corruption policies 	

Risk management and internal controls

The Company has a culture of risk awareness and management embedded into its decision making processes.

The Board is ultimately responsible for establishing and maintaining the Company's framework of risk management and internal control and for determining the nature and extent of the principal risks which may affect 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 Company.

The risk framework and ongoing 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 48 to 59.

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 Company'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, including those that could threaten the business model, future performance, solvency and liquidity. It has adopted a risk dashboard as a standing agenda item which highlights changes in the Company'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 March 2018 and presented to the Audit Committee at their planning meeting.

Risk register

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 are 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 including all material, financial, operational and compliance controls.

It receives an annual internal control evaluation questionnaire which is completed by senior management and other reports provided by the external auditor.

Based on its review and assessment, the Audit Committee is satisfied that there are no significant 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 as necessary.

Significant financial 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 on pages 84 to 85.

Further details can be found in note 1 to the financial statements.

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

These included judgements concerning the recoverability of financial assets, the valuation of derivative instruments, the disclosure of alternative performance measures and compliance with REIT legislation.

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 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.

The significant matters considered by the Committee during the year are set out in the table on pages 84 to 85 should be read in conjunction with the Independent Auditor's report on pages 109 to 113 and the significant accounting policies disclosed in note 1 to the financial statements on page 118.

Internal control framework

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 risk dashboard highlighting movements in principal and emerging risks and mitigation strategies
- A formal whistle blowing policy

Accountability continued

Significant financial judgements

Property valuations



Area of focus

The property valuation is a significant part of the Group's reported performance being the largest line item on the balance sheet at £1,842.0 million including share of joint ventures.

It is a key determinant of the Group's profitability, net asset value, total property return, and drives an element of variable remuneration and is therefore a key area of focus.

It is an ongoing business risk, as reflected within Risk management on pages 56 to 57 of this report.

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



Reporting Issue

Property valuations are inherently subjective as they are based on assumptions and judgements made by the external valuers which are underpinned by recent market transactions and may not prove to be accurate.

These include future rental growth and yield assumptions, committed expenditure on developments, letting and vacancy assumptions, rent free periods and lease incentives.



The Committee's role

All of the Group's investment properties and those held in joint ventures are externally valued by two independent property valuers, CBRE and Savills.

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.

The key judgements applied to each property valuation and any issues raised 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.

Revenue recognition



Area of focus

Total revenue for the year, which primarily consists of rental income generated from the investment property portfolio, was £92.7 million including share of joint ventures.

Certain transactions are non standard in nature and include unusual or complex terms requiring management to make judgements as to whether, and to what extent, revenue should be recognised in the year.



Reporting Issue

There is a risk of overstatement or deferral of income in order to meet performance and remuneration targets or expectations.

Complex items include the accounting for rent free periods and capital incentives, which vary between lease contracts and are considered when property is acquired, sold or as developments complete as well as when existing leases are regeared.



The Committee's role

The Committee received reports from management and the external auditor on the timing of revenue recognition for property and lease transactions completing in the year, lease incentives and surrender payments. Consistency of accounting treatment with previous years was considered, including in relation to the following:

Significant transactions



Area of focus

During the year, the Group transacted on £636.5 million of property acquisitions and sales, as discussed in detail in the Property review on pages 26 to 33.



Reporting Issue

Some transactions were large and/or complex in nature and required management to make judgements when considering the appropriate accounting treatment including how and when a transaction should be recognised and the fair value of the consideration.

Complexities considered this year included corporate acquisitions and sales, rental top up payments, conditionality and deferred completion arrangements.



The Committee's role

Significant property acquisitions and disposals were reviewed by the Committee to the extent that there were unusual terms and conditions or judgement in relation to timing. The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to:



Conclusion

Supporting market evidence was provided to enable the Committee to benchmark assets and conclude that the assumptions applied were appropriate. This year the Committee probed and debated any valuations which required a greater level of judgement or particular issues with the valuers, including property under development and valuation movements that were not broadly in line with the IPD benchmark.

The Committee challenged yield and ERV assumptions and discussed the impact on values of committed expenditure on developments, letting assumptions, vacant space, rent free periods and lease incentives.

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.

The Committee confirmed to the Board that the external property valuation included within the financial statements had been carried out appropriately, independently and in accordance with industry valuation standards.



Conclusion

- The timing of recognising rental income arising on developments at Stoke, Crawley, Huyton, Tonbridge and Launceston that completed in the year
- The accounting for rent free periods and lease inducements including at Speke, Coventry and Launceston

- The accounting for surrender premium received at Leicester

The Committee considered the options available, challenged the judgements made and were satisfied that revenue had been appropriately recognised in the financial statements.



Conclusion

- The corporate acquisition of 14 distribution assets for £117 million
- The corporate disposals of a retail park in Milford Haven and an office in Marlow for £84 million

All transactions were considered in substance to be property acquisitions and disposals and not business combinations under IFRS 3

- The timing of recognition of acquisitions and disposals based on the transfer of risks and rewards of ownership, including the disposal of the Morrisons store at Loughborough which exchanged before the year end with a deferred completion

The Committee concurred with the approach adopted by management in each case.

Accountability continued

External audit

Deloitte LLP was appointed as external auditor following a formal tender process in 2013. Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every 20 years.

A new lead partner, Georgina Robb, was appointed following the conclusion of last year's audit during which she shadowed the team and former partner.

Oversight

Deloitte presented their audit plan for the year at the planning meeting in March. The key audit risks and area of judgement were highlighted and the level of audit materiality agreed.

Deloitte presented detailed reports of their findings to the Committee before the interim and full year results. The Committee questioned and challenged the work undertaken and the key assumptions made in reaching their conclusions.

Effectiveness

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 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 on the audit process, focusing on the early identification and resolution of issues and judgements and the quality and timely provision of audit clearance reports 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.

Independence

The Committee recognises the importance of auditor objectivity and independence and understands that this could be compromised by the provision of non audit services.

All taxation services and remuneration advice is provided separately by PwC and corporate due diligence is undertaken by BDO LLP. This year BDO LLP has also been appointed to undertake the external audit of a number of the Group's subsidiary company accounts.

However, 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.

The table below sets out the fees payable to Deloitte for each of the past three years. The three year average ratio of non audit fees (including the cost of the interim review) to audit fees is less than 20%, 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.

Non audit services

The Company's policy on non audit services stipulates that they are assessed on a case by case basis 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

Having undertaken its review, in the opinion of the Audit Committee, the 2018 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.

Audit and non audit fees to Deloitte

Year to 31 March	2018 £000	2017 £000	2016 £000
Audit fees	115	153	153
Review of interim results	27	26	26
Other non audit fees	2	–	–
Total	144	179	179
Ratio of non audit fees (including interim review) to audit fees	25%	17%	17%

Audit fees paid to the external auditor in respect of joint ventures totalled £47,000 at share (2017: £17,000 at share).



Auditor reappointment

The external audit was last tendered in 2013 and in accordance with the current regulation the Company is required to re-tender the audit at least every 10 years. The Committee believes Deloitte remains effective in its role and has recommended to the Board that they be appointed for another year. A resolution to this effect will be proposed at the AGM in July.

There are no immediate plans to re-tender the audit. However, given that 2019 will be Deloitte's sixth consecutive year in office, the Committee will consider whether to re-tender the audit over the next two financial years.

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.

Internal audit

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 relatively simple structure of the Group, the close day to day involvement of the Executive Directors and the internal control procedures in place. This is kept under regular review.

Going concern and viability

Although the statements on going concern and viability are a matter for the whole Board, the Audit Committee reviewed the appropriateness of preparing the financial statements on a going concern basis and whether the business was viable in accordance with the Code.

Its assessment included a review of the principal risks and risk appetite, the chosen period of assessment, headroom under loan covenants, undrawn debt facilities and the level of stress testing of financial forecasts undertaken.

Particular attention was paid to the time horizon chosen to assess the Company's viability and its longer term prospects.

Following their review, the Committee was satisfied that the going concern basis of preparation remained appropriate and recommended the Viability statement be approved by the Board.

The Board's confirmation on going concern is set out on page 106 and its Viability Statement is set out on page 60.

Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether the 2018 Annual Report 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.

In reaching this decision the Committee received a report from the Finance Director on the procedures in place and adopted by management in the preparation of the Annual Report, which, as in previous years, 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 2018
- 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 and consistency throughout the report
- 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

- The report was written in straightforward language and without unnecessary repetition
- The use of any alternative performance measures had been adequately explained and reconciled to the financial statements and had not been given more prominence than a corresponding measure under IFRS

The Audit Committee is satisfied that the Annual Report met this requirement.

Committee effectiveness

During the year the Board, led by the Nomination Committee, carried out an externally facilitated evaluation of its performance and that of its Committees.

The Directors felt the Audit Committee continued to run smoothly, at a high standard and was very well supported by the Finance Director, senior finance team and the external auditors.

The Chairman was commended for her ability to probe and provide the appropriate level of challenge and scrutiny.

Terms of reference

The Committee considers its own terms of reference on an annual basis taking into account changes to legislation.

They were last reviewed and updated in March 2018 and can be found on the Company's website.

Rosalyn Wilton

Rosalyn Wilton
Chairman of the Audit Committee
30 May 2018

Remuneration

Remuneration Committee report



I am pleased to present the Remuneration Committee's report on Directors' remuneration for the year to 31 March 2018.

Our Remuneration Policy was approved for a further three years at the 2017 AGM with 98.9% of votes in favour. The policy is designed to align executive pay and incentives with the Company's goals and encourage and reward exceptional overall and individual performance."

James Dean
Chairman,
Remuneration Committee

Membership & Attendance

Member	Date appointed	Tenure (years)	Meetings attended
James Dean	1/10/2010	8	4 (4)
Philip Watson	25/1/2013	5	4 (4)
Andrew Varley (retired 30 September 2017)	30/5/2013	n/a	2 (2)
Rosalyn Wilton	14/7/2016	2	4 (4)
Andrew Livingston	11/7/2017	1	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 2018, rounded to the nearest whole year.

Highlights this year

- Appointment of Andrew Livingston following the AGM in July replacing Andrew Varley who retired from the Board and Committee on 30 September 2017
- Reviewed and approved the extension to the Chairman's letter of appointment for three years, with a six month mutual break option, and fees of £230,000 for the year to 31 March 2019, reducing to £215,000 and £200,000 for the following two years respectively
- Considered a Remuneration Benchmarking report and Corporate Governance update from PwC
- Set challenging targets for the annual bonus and LTIP

Responsibilities of the Committee

- 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

This report is structured as follows:

Chairman's introduction	page 89
Directors' Remuneration at a glance	page 90
Directors' Remuneration Policy	page 94
Annual Report on Remuneration	page 96



Chairman's introduction

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

Our Annual Report on Remuneration contains details of our payouts during the financial year being reported on and how we intend to implement the Remuneration Policy for the year ending 31 March 2019. This part of the report is subject to an advisory vote at the forthcoming AGM.

Remuneration aligned to strategy

The performance metrics which underpin the variable elements of remuneration are EPRA earnings per share (EPS), total property return (TPR), total accounting return (TAR) and total shareholder return (TSR). Three of these are KPIs used to monitor performance of the business against strategic priorities as reflected on pages 24 to 25.

Performance during the year

The Company has delivered another very strong set of results this year. Its successful deployment of the proceeds generated from the equity placing in March 17 into the logistics sector and the disposal of non core assets, including the last remaining office in Marlow, has secured both earnings and NAV growth.

We continue to reposition the portfolio towards the logistics market to reflect the change in consumer shopping patterns and have increased our exposure in this sector to 69%. This is supported by a profitable development programme that has delivered property completions at Huyton, Stoke and Crawley to schedule and within budget.

Our strategy has delivered strong financial performance, underpinned by robust portfolio metrics, supporting the commitment to a progressive and well covered dividend. This year the Directors have increased the dividend by 5.3% to 7.9p.

EPRA earnings per share has increased by 3.7% to 8.5p and EPRA net assets per share by 10.3% to 165.2p. Like for like income grew by 4.3% and the Group's total property return of 13.71% outperformed the IPD Quarterly Universe Index for the Group's portfolio of assets of 12.95% by 76 bps. Total accounting return for the year was 15.5%.

Given the strength of the Company's performance and the returns enjoyed by its shareholders, the Committee considers it appropriate to reward the Executive Directors with the variable elements of remuneration calculated this year. It has also considered pay increases, bonuses and LTIP awards of the wider workforce when determining Executive Directors' pay.

Annual bonus

The Executive Directors have delivered successfully against a large number of operational and strategic objectives including income quality and growth, portfolio repositioning, optimising the funding structure, the development pipeline and relationships with 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 71 – 79% of their respective maximum levels. This year the Directors have decided to opt out of the annual bonus deferral provision in accordance with the Remuneration Policy, as they have met the minimum shareholding requirement of 700% of salary. Their annual bonuses will be paid in full in cash in June 2018.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2015 is dependent on Company performance over the three year period to 31 March 2018.

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 8.5p and TSR performance of 30.4%, 94% of awards granted are expected to vest in June 2018, subject to continued service.

The Committee is satisfied that the level of payout under the variable incentive plans is appropriate and no discretion was exercised by the Committee in relation to these outcomes.

LTIP awards

Delivery of long term growth in shareholder value is rewarded through the Group's LTIP arrangements. Awards over 1,661,282 shares were granted to the Executive Directors in the year. LTIP and deferred bonus shares amounting to 2,333,997 shares vested in the year. The Directors disposed of 1,178,416 shares to settle tax liabilities and retained the remaining 1,155,581 shares.

Salary increases

The Committee approved salary increases of 2.5% for the Executive Directors, effective from 1 June 2018 which are lower than the increases for employees generally of 4.8%.

Looking forward

Following an extensive Policy review and update last year, the Committee believes the current remuneration arrangements are fair and fit for purpose.

However we are mindful of the changing economic and political landscape and of the proposed legislative changes to the UK Corporate Governance Code extending the remit of Remuneration Committees, strengthening the employee voice and reporting the pay ratio between the CEO and the average UK workforce. We have committed to publishing the pay ratio once there is clarity over the appropriate calculation methodology.

As such, we will continue to review the policy to ensure it meets our objective of incentivising and motivating management to deliver the Company's strategy.

James Dean

James Dean
Chairman of the Remuneration Committee
30 May 2018

Remuneration continued

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 2018 £000	Total 2017 £000	Illustrative change in value of shares owned and outstanding share awards ¹ £000
Andrew Jones	520	24	78	679	1,023	2,324	2,506	574
Martin McGann	342	25	51	378	537	1,333	1,415	362
Valentine Beresford	360	24	54	360	566	1,364	1,488	410
Mark Stirling	360	25	54	398	566	1,403	1,488	360

¹ Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 188.40p and the lowest closing price was 155.65p. The number of shares and share awards was calculated based on the year end total

Actual total remuneration compared to the 2018 potential

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

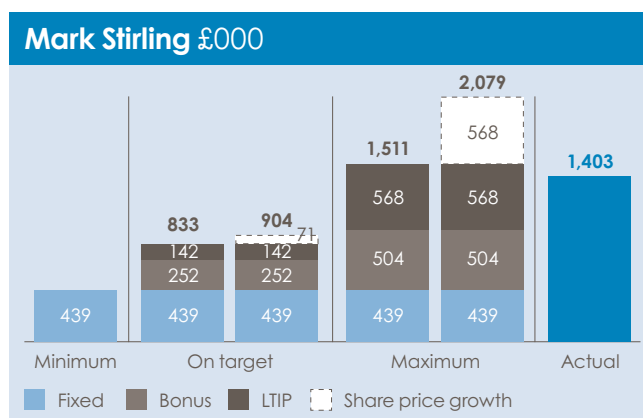
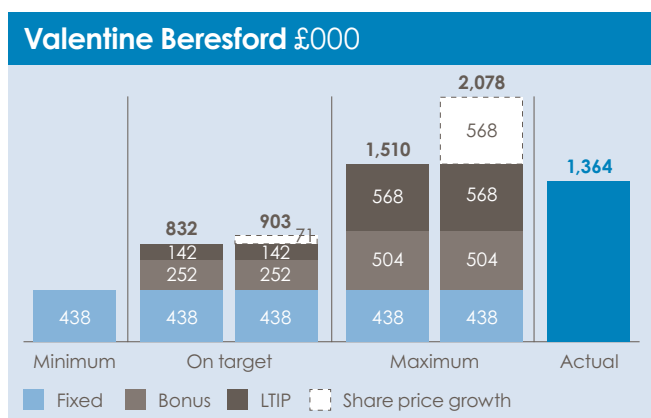
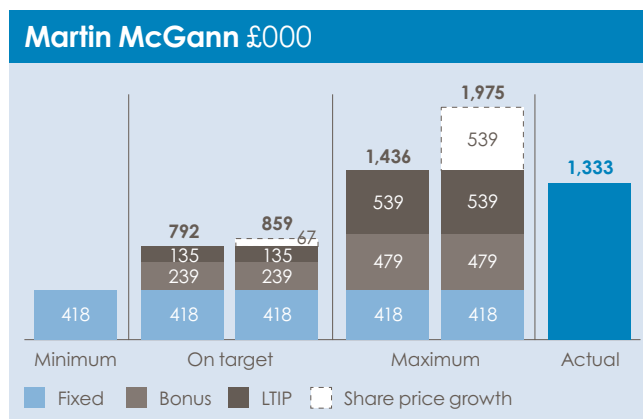
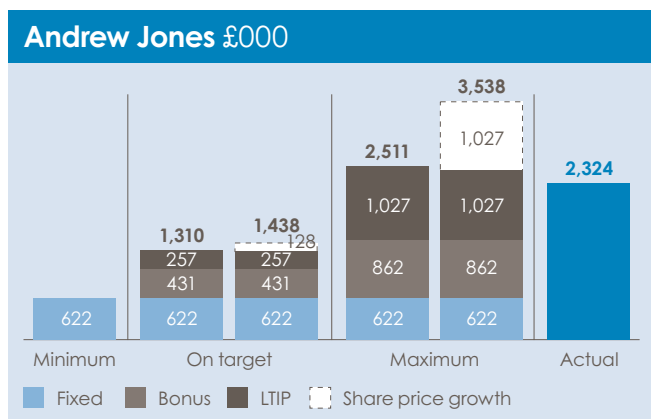
The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus (including Deferred Bonus); and (iii) LTIP.

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 2018.

In line with the expected changes to the regulations on policy scenarios, we have also included additional reference points to show indicative share price growth scenarios at target (50% growth over three years) and maximum (100% growth over three years) levels.

Actual remuneration is between the on target and maximum scenarios reflecting the strong performance in the year.





Annual bonus plan – targets and outcomes

Performance measure	Payout target			Actual	% awarded	Combining these outcomes with the personal objectives gives the following payouts:	£000	% of maximum
	25%	50%	100%					
EPRA EPS	7.93p	8.07p	8.50p	8.54p	100%	Andrew Jones	679	79
TPR	12.95%	14.24%	15.54%	13.71%	40%	Martin McGann	378	79
						Valentine Beresford	360	71
						Mark Stirling	398	79

2015 LTIPs vesting in the year – targets and outcomes

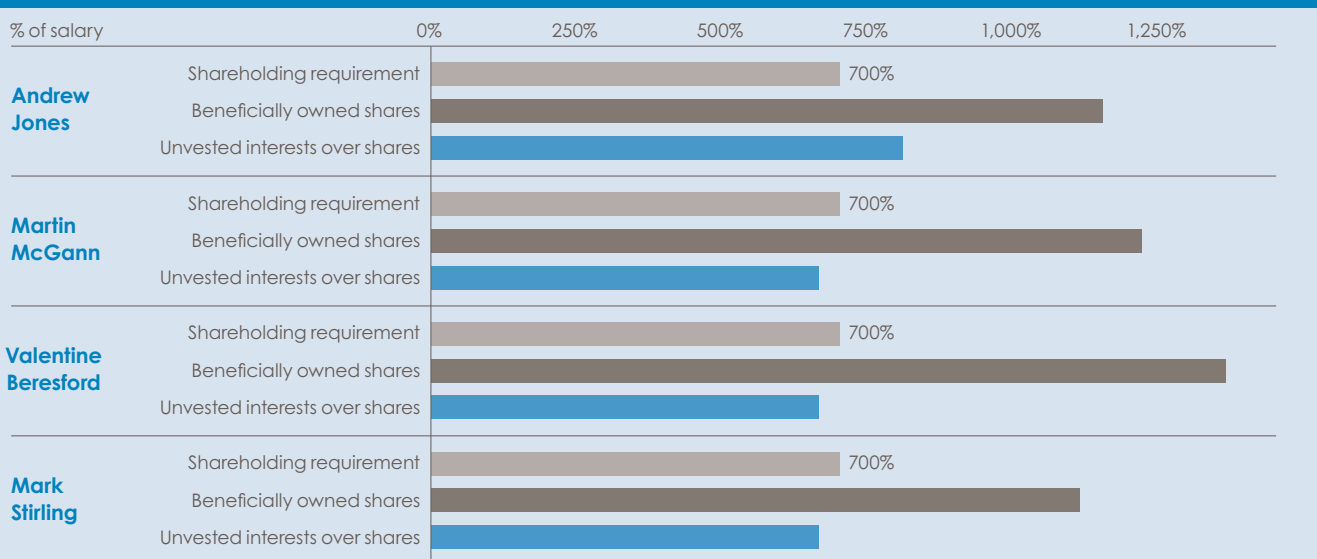
Performance measure	Payout target		Actual	% awarded	The estimated number of shares vesting are as follows:	Number
	25%	100%				
TSR	1.7%	2.6%	30.4%	100%	Andrew Jones	574,189
EPRA EPS	8.29p	8.66p	8.54p	76%	Martin McGann	301,450
					Valentine Beresford	317,438
					Mark Stirling	317,438

The level of LTIP vesting in 2018 demonstrates the successful performance of the Company over the longer term performance period with strong absolute earnings growth and a resulting comparative return performance in excess of the Company's direct competitors.

LTIPs granted in the year

	Basis of award (% of salary)	Date of grant	Share awards number	Face value per share	Face value of award £000
Andrew Jones	200%	16 June 2017	619,500	168.6p	1,044
Martin McGann	165%	16 June 2017	335,402	168.6p	565
Valentine Beresford	165%	16 June 2017	353,190	168.6p	595
Mark Stirling	165%	16 June 2017	353,190	168.6p	595

Shareholding of the Executive Directors



Remuneration continued

Summary of Policy and operation next year

Elements and operation

Base salary

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.

When determining an appropriate level of salary, the Committee considers multiple factors including pay increases to other employees, remuneration within comparable property companies, and the general performance of the Company and individual.

Implementation in the year to 31 March 2019

The Committee decided to increase base salaries for the Executive Directors by 2.5%. The average increase across the Group was 4.8%.

Executive Director	Base salary from 1 June 2018	Base salary from 1 June 2017
Andrew Jones	535,167	522,115
Martin McGann	351,204	342,638
Valentine Beresford	369,831	360,811
Mark Stirling	369,831	360,811

Pension

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.

Executive Directors will receive the 15% of salary supplement in lieu of pension this year.

Benefits

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.

In line with the Policy, each Executive Director receives:

- Car allowance
- Private medical insurance
- Life insurance
- Permanent health insurance

Annual bonus

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.

The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum.

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.

The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% of salary for the other Executive Directors. The performance conditions and their weightings for the annual bonus are as follows:

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

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.



Summary of Policy and operation next year (continued)

Elements and operation

Implementation in the year to 31 March 2019

Long Term Incentive Plan

Annual awards of up to 200% of salary for the Chief Executive and 165% of salary for the other Executive Directors.

Awards for the year to 31 March 2019 will be made in line with these levels.

Awards will normally vest at the end of a three year period subject to:

- The Executive Director's continued employment at the date of vesting
- Satisfaction of the performance conditions

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.

The Committee may award dividend equivalents on awards that vest.

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 0% over three years	RPI plus 4% over three years

¹ Straight line interpolation between threshold and maximum

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.

The Committee has determined to reduce the EPRA EPS growth target range from RPI plus 3% and RPI plus 8% to RPI plus 0% and RPI plus 4%. The rationale for this change was as follows:

- The Company has now substantially completed its repositioning of the portfolio to logistics; therefore the opportunity to increase EPS over the next period, as a result of the yield arbitrage on disposals of non core assets, has been materially reduced
- The majority of the Group's leases contain fixed or RPI linked rent review clauses which limit the ability of the Executive Directors to grow earnings materially ahead of the index
- The Company has had a long run of very strong EPS performance as it repositioned itself which has resulted in a high base point from which to generate future growth in an increasingly challenging external market

Shareholding requirement

Executive Directors are encouraged to build up and hold a shareholding equivalent to a percentage of base salary.

Executive Directors will be required to retain at least 50% of the post tax amount of vested shares from incentive plans until this requirement is met and maintained.

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.

The shareholding requirement for 2019 is:

- Chief Executive – 700% of salary
- Other Executive Directors – 700% of salary
- Newly appointed Executive Directors – 400% of salary

Key elements and time period

Year ending March	2019	2020	2021	2022	2023
Base salary	■				
Pension	■				
Benefits	■				
Annual bonus	■				
Cash	■				
Deferred shares	■				
LTIP	■				
Non Executive Directors' fees	■				

Key: Performance period: ■ Vesting period: ■ Holding period: ■

Remuneration continued

Directors' Remuneration Policy

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

The Remuneration Policy for the Group was approved by shareholders at the 2017 AGM on 11 July 2017 for a period of three years.

The following section is an extract from the full Remuneration Policy which can be found on the Company's website at www.londonmetric.com.

Overview of our 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 Policy ensure that Executive Directors' remuneration:

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

Strategy Link to Remuneration Policy

The Committee's remuneration decisions are heavily steered by the Group's strategic direction and corporate objectives. It is important 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 incentive elements of the Remuneration Policy align with these objectives.

The following table demonstrates how the Company's strategic objectives and key performance indicators (KPIs) are aligned to its variable incentive arrangements of the annual bonus and LTIP. Further details of these KPIs can be found on pages 24 to 25 of this Annual Report.

Strategic objective and key performance indicator	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 a higher than market benchmark WAULT WAULT	✓	✓	
Maintain strong occupier contentment EPRA vacancy	✓	✓	
Key remuneration objective Encourage the build-up and retention of shares		✓	✓

The table on pages 92 to 93 provides a summary of the core elements of the Directors' Remuneration Policy, as well as its implementation in the coming year.



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

There is 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.

Non Executive Directors' fees

The fees for Non Executive Directors and the Chairman are broadly set at a competitive level against the comparator group.

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.

The current fees for the Non Executive Director roles are:

Chairman	£230,000
Base Non Executive Director fee	£48,500
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

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 £46,130 in the year to 31 March 2018.

The other Executive Directors did not hold external appointments during the year.

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.

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 2018.

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.

Employee considerations

Element of pay	Participation		
	Chief Executive	Other Executive Directors	Senior Management
LTIP	200% of salary	165% of salary	40% to 125% of salary
Annual bonus	165% of salary	140% of salary	50% to 100% of salary
Pension	15% of salary	15% of salary	10% to 15% of salary
Salary	£522,115	£342,638 to £360,811	£100,000 to £200,000

Remuneration continued

Annual Report on Remuneration

Set out below is the Annual Report on Remuneration for the year ending 31 March 2018 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 2019. 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 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. Total fees paid to PwC in respect of remuneration advice to the Committee were £98,500 calculated on both hourly and fixed fee bases.

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:

- Set a base EPS target for the 2017 LTIP awards and annual bonus for the year to 31 March 2018
- Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2017
- Approved the Deferred Bonus Shares vesting in the year for Executive Directors
- Assessed the performance of Executive Directors against targets set at the beginning of the year and determined annual bonuses for the year
- Reviewed and approved annual salary increases effective from 1 June 2018 and reviewed against pay increases within the wider workplace
- Reviewed and approved the Chairman's annual fee to be fixed at £230,000 per annum until 31 March 2019, reducing to £215,000 and £200,000 for the following two years respectively
- External evaluation of its own performance and review of its terms of reference
- 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	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Executive												
Andrew Jones	520	510	24	24	78	77	679	751	1,023	1,144	2,324	2,506
Martin McGann	342	335	25	25	51	50	378	418	537	587	1,333	1,415
Valentine Beresford ⁵	360	353	24	25	54	53	360	441	566	616	1,364	1,488
Mark Stirling	360	353	25	25	54	53	398	441	566	616	1,403	1,488
Non Executive												
Patrick Vaughan ⁶	250	320	9	9	–	–	–	–	–	–	259	329
Charles Cayzer	–	31	–	–	–	–	–	–	–	–	–	31
James Dean	63	62	–	–	–	–	–	–	–	–	63	62
Andrew Livingston	56	43	–	–	–	–	–	–	–	–	56	43
Alec Pelmore	53	52	–	–	–	–	–	–	–	–	53	52
Andrew Varley	29	57	–	–	–	–	–	–	–	–	29	57
Philip Watson	58	55	–	–	–	–	–	–	–	–	58	55
Rosalyn Wilton	68	65	–	–	–	–	–	–	–	–	68	65
Suzanne Avery	–	–	–	–	–	–	–	–	–	–	–	–

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 2018 paid fully in cash as minimum shareholding requirements met

4 2015 LTIP awards expected to vest in June 2018 for the performance period to 31 March 2018. 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 2018.

The estimated figures disclosed in the previous Annual Report for 2017 vesting has been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used was 152.0p and the actual share price on vesting was 171.65p. The differences in value were: Andrew Jones £144,000, Martin McGann £74,000, Valentine Beresford £76,000 and Mark Stirling £76,000.

5 The bonus payable to Valentine Beresford has been adjusted to take account of his leave of absence

6 Private Medical Insurance benefit has continued at the discretion of the Remuneration Committee since becoming a Non Executive Chairman

The Committee believes it is important to take a holistic view of the Executive Directors' total wealth when considering the single figure of remuneration. The Executive Directors have very large shareholdings in the Company and are exposed to relatively small changes in the share price significantly affecting their overall wealth. In the Committee's opinion, the impact of share price movements on the total wealth of the Director is more important than the single figure. The significant shareholding encourages Directors to take a long term view of the sustainable performance of the Company, which is critical in a cyclical business. The Directors' significant exposure to share price movements is a key facet of the Company's Remuneration Policy.

Annual bonus outcome for the year ended 31 March 2018

The annual bonus performance targets set for the year to 31 March 2018 and the assessment of actual performance achieved is set out in the table 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 for the Group's portfolio of assets. 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 2018 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	49%	30%	79%	130%	679
Martin McGann	49%	30%	79%	110%	378
Valentine Beresford	49%	22%	71%	100%	360
Mark Stirling	49%	30%	79%	110%	398

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 7.80p	7.93p	8.07p	8.50p	8.54p	100%
Total property return (TPR)	35%	Growth in TPR against IPD Quarterly Universe index	Positive growth	TPR matches index 12.95%	TPR is 1.1 times index 14.24%	TPR is 1.2 times index 15.54%	13.71%	40%

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 achieved

their individual personal objectives and approved a full payout for all Directors except Valentine Beresford who was awarded a 75% payout of the maximum level, which was adjusted to take account of his leave of absence.

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 2018.

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 assets Focus on income quality to deliver growth in sustainable earnings Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers (PCM), occupiers and analysts Continue to review the team in line with our evolving portfolio strategy Reinforce the position of the company as leading investor/partner of choice in logistics 	<ul style="list-style-type: none"> Increase in EPRA EPS of 3.7% from 8.2p to 8.5p, providing cover for a 5.3% increase in dividend in the year Strong increase in EPRA NAV per share of 10.3% from 149.8p to 165.2p Investment in preferred sectors increased to 91% of the overall portfolio from 83% last year, with distribution at 69% of the portfolio Growth in earnings in the year and projected 5.3% increase in dividend WAULT maintained at 12.4 years (2017: 12.8 years) despite a year passing Like for like income growth at 4.3% 209 investor meetings in the year and strong share price performance Continuing focus on PCMs which now account for 40% of the register Continuation of strong portfolio metrics Occupancy remains in excess of 97% (retail portfolio 100%) and strong like for like growth Strengthened relationships with top tenants, including Amazon Focused programme in support of key analysts. Strong feedback from FTI analyst survey ahead of results announcement Further team realignment and headcount reduction ensures continuing focus on right team with right skills Reinforcement of 'end to end' logistics is well received in the market. Increased emphasis on urban logistics well received by stakeholders
<p>Martin McGann</p> <ul style="list-style-type: none"> Optimising the funding structure to support the real estate strategy Deliver risk management/corporate governance agenda to increasing satisfaction of stakeholders Focus on income quality to deliver growth in our sustainable earnings Improve our ranking in the EPRA/GRESB sustainability rankings Improve EPRA cost ratio Maintain LTV at less than 40% 	<ul style="list-style-type: none"> Modification to Helaba facility to reduce quantum and extend maturity to 7 years Focus on building relationships with future potential PP investors Focus on Board diversity leading to appointment of Suzanne Avery to the Board Continued focus on risk dashboard/register at Board/Audit Committee Growth in earnings in the year and projected 5.3% increase in dividend WAULT maintained at 12.4 years (2017: 12.8 years) despite a year passing Like for like income growth at 4.3% (2017: 4.6%) Enhanced ranking in sustainability benchmark GRESB Green Star, EPRA sustainability Gold Award All responsible business targets met Improved cost ratio of 15.3% (2017: 16.3%) LTV at 35% (2017: 30%)
<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 parks bias to 10% in the year Sell down non-core, ex-growth and underperforming assets Continue to strengthen team and integrate whole Investment team into broader Company business Promote Company as 'partner of choice' with developers, vendors and agents 	<ul style="list-style-type: none"> Logistics portfolio now 69% (2017: 62%) and the retail park portfolio reduced to 7% (2017: 9.5%) Sale of last office at Marlow in the year Residential portfolio reduced to 51 units at the year end Continued strong performance and fine tuning of team to ensure right people with right skills Evidence of 'off market' opportunities testament to strong reputation amongst developers and agents
<p>Mark Stirling</p> <ul style="list-style-type: none"> Portfolio focus to deliver both income and capital growth Continuing focus on asset management to lengthen and strengthen our rent roll Continuing to increase and improve our development pipeline through new opportunities and new planning consents Maintain our high occupancy Retain our position as partner of choice amongst key retailers 	<ul style="list-style-type: none"> Strong portfolio metrics with like for like growth at 4.3% and total property return exceeding the IPD benchmark Asset management activity delivered 58 deals in the year. 31 lettings achieved as ERV uplift of 22%. Average lease lengths on new lettings over 15 years Additional development schemes at Bedford, Weymouth, Huyton and Frimley in the year Continued focus on funding and development opportunities Occupancy remains in excess of 97% (Retail portfolio at 100%) Continued focus on real estate needs of retailers leading to 73% of the logistics portfolio being let to retailers



Deferred Bonus Plan

For previous years up to and including last year's bonus award, 50% of the annual bonuses of the Executive Directors were deferred and payable by way of shares in three equal instalments over three years, subject only to continued employment. The Remuneration Policy approved in July 2017 allows the Directors to opt out of bonus deferral if the minimum shareholding requirement is met.

At the date of this report, each Executive Director's shareholding exceeds the minimum requirement.

Dividend equivalents accrue on deferred 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, 11 June 2015 and 8 June 2016 and held at 31 March 2017, vested on 19 June 2017.

Further shares representing one third of the June 2015, June 2016 and June 2017 awards are expected to vest in June 2018.

Deferred shares are held in an Employee Benefit Trust which at 31 March 2018 held 3,323,482 shares.

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

		Entitlement to Ordinary shares					
	Date of grant	Face value on grant ¹ £000	At 1 April 2017	Awarded in the year	Notional dividend shares	Released in the year	At 31 March 2018
Andrew Jones	19 June 2014	360	101,423	–	171	(101,594)	–
	11 June 2015	290	128,446	–	3,744	(65,037)	67,153
	8 June 2016	291	187,804	–	6,506	(63,395)	130,915
	16 June 2017	376	–	222,852	7,250	–	230,102
Martin McGann	19 June 2014	166	46,778	–	78	(46,856)	–
	11 June 2015	158	70,243	–	2,048	(35,567)	36,724
	8 June 2016	159	102,706	–	3,558	(34,669)	71,595
	16 June 2017	209	–	124,088	4,037	–	128,125
Valentine Beresford	19 June 2014	197	55,466	–	93	(55,559)	–
	11 June 2015	167	73,969	–	2,157	(37,454)	38,672
	8 June 2016	168	108,152	–	3,750	(36,508)	75,394
	16 June 2017	220	–	130,670	4,251	–	134,921
Mark Stirling	19 June 2014	197	55,466	–	93	(55,559)	–
	11 June 2015	167	73,969	–	2,157	(37,454)	38,672
	8 June 2016	168	108,152	–	3,750	(36,508)	75,394
	16 June 2017	220	–	130,670	4,251	–	134,921

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 and for 2017 this was 168.6p

Long Term Incentive Plan

Awards granted in the year to 31 March 2018 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%	16 June 2017	619,500	168.6p	1,044
Martin McGann	165%	16 June 2017	335,402	168.6p	565
Valentine Beresford	165%	16 June 2017	353,190	168.6p	595
Mark Stirling	165%	16 June 2017	353,190	168.6p	595

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 2015, 1 April 2016 and 1 April 2017 has been set at 7.45p, 7.77p and 8.16p 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 the year to 31 March 2019 in relation to the three year performance period commencing 1 April 2015 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	<1.7%	1.7%	2.6%	30.4%	100%
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<8.29p	8.29p	8.66p	8.54p	76%

Director	LTIP % of maximum	Estimated number of shares	Estimated face value of award ¹ £000
Andrew Jones	94%	574,189	1,023
Martin McGann	94%	301,450	537
Valentine Beresford	94%	317,438	566
Mark Stirling	94%	317,438	566

¹ The face value is based on the average share price for the three months to 31 March 2018 of 178.3p



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

Director	Date of grant	Face value on grant	At 1 April 2017	Granted in year	Notional dividend shares	Vested in year	Number of shares under award ¹	
							At 31 March 2018	Performance Period
Andrew Jones	19.6.2014	136.9p	658,138	–	8,345	(666,483)	–	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	584,186	–	26,653	–	610,839	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	659,957	–	30,111	–	690,068	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	–	619,500	20,153	–	639,653	1.4.2017 to 31.3.2020
Martin McGann	19.6.2014	136.9p	337,422	–	4,281	(341,703)	–	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	306,698	–	13,993	–	320,691	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	357,306	–	16,302	–	373,608	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	–	335,402	10,912	–	346,314	1.4.2017 to 31.3.2020
Valentine Beresford	19.6.2014	136.9p	355,320	–	4,506	(359,826)	–	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	322,964	–	14,735	–	337,699	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	376,256	–	17,166	–	393,422	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	–	353,190	11,490	–	364,680	1.4.2017 to 31.3.2020
Mark Stirling	19.6.2014	136.9p	355,320	–	4,506	(359,826)	–	1.4.2014 to 31.3.2017
	11.6.2015	168.2p	322,964	–	14,735	–	337,699	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	376,256	–	17,166	–	393,422	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	–	353,190	11,490	–	364,680	1.4.2017 to 31.3.2020

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 102.

There were no movements in Directors' shareholdings between 31 March 2018 and the date of this report.

The shareholding guidelines recommend Executive Directors build up a shareholding in the Company at least equal to seven times salary. All Executive Directors complied with this requirement at 31 March 2018 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.

The Executive Directors have 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 102.

Remuneration continued

	Overall beneficial Interest 31 March 2018 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2017 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	Total interests as at 31 March 2018	Share ownership as % of salary ¹	Shareholding guideline met	Number of shares pledged as at 31 March 2018
Executive Directors								
Andrew Jones	3,371,802	2,897,922	1,940,560	428,170	5,740,532	1151%	Yes	3,026,802
Martin McGann	2,341,585	2,603,148	1,040,613	236,444	3,618,642	1218%	Yes	2,341,585
Valentine Beresford	2,757,059	2,498,400	1,095,801	248,987	4,101,847	1362%	Yes	2,343,183
Mark Stirling	2,250,721	1,992,062	1,095,801	248,987	3,595,509	1112%	Yes	1,782,017
Non Executive Directors								
Patrick Vaughan ²	12,854,000	13,277,500						
Suzanne Avery	2,750	–						
James Dean	20,000	20,000						
Andrew Livingston	68,898	68,898						
Alec Pelmore	145,500	145,500						
Philip Watson	264,000	264,000						
Rosalyn Wilton	50,000	50,000						

¹ Based on the Company's share price at 31 March 2018 of 178.2p and the beneficial interests of the Directors

² Beneficial interest includes shares held in a family trust (123,000) and by spouse (15,500)

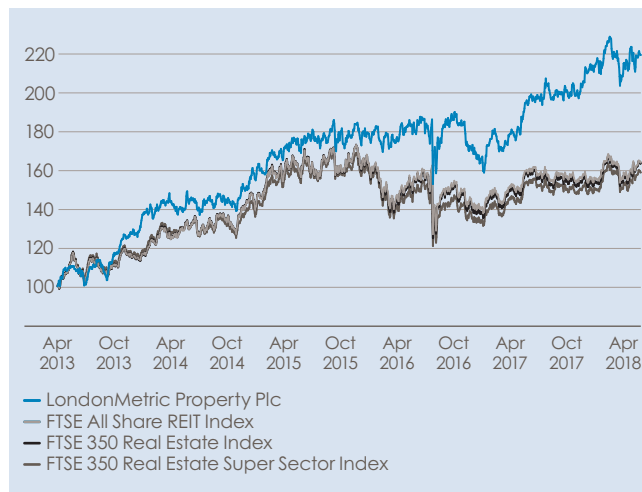
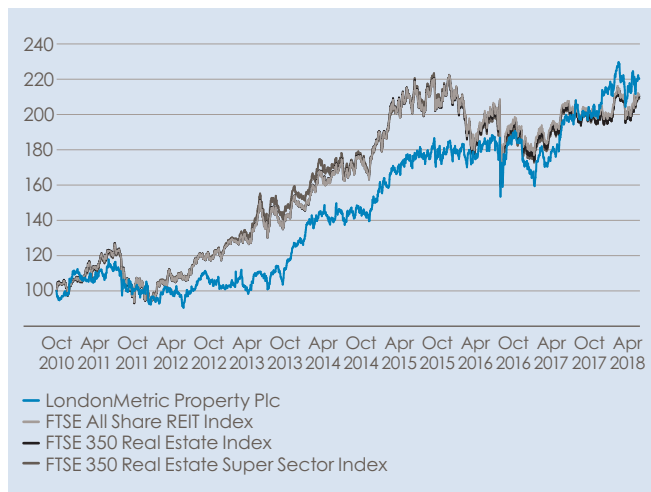
Performance graph

The first graph below 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 2018, 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 second graph below.





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 2018.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2018	2,324	79	94
2017	2,506	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	2.5%	0.2%	-9.6%
Other employees (excluding Chief Executive)	4.8%	0.6%	-4.9%

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.

	2018 £000	2017 £000	% change
Employee costs ¹	9,425	9,716	-3.0%
Dividends ²	51,372	45,904	+11.9%

¹ Figures taken from note 4 Administration expenses on page 124 and are stated before any amounts capitalised and exclude share scheme costs

² Figures taken from note 7 Dividends on page 126

Statement of voting at AGM

At the AGM on 11 July 2017, the Annual Report on Remuneration was approved with votes from shareholders representing 71% of the issued share capital of the Company.

The Directors' Remuneration Policy was approved with votes from shareholders representing 71% of the issued share capital at the time. The details of these outcomes are below.

	2017 Annual Report on Remuneration		2017 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	490,941,362	97.60	492,623,371	98.92
Against	12,049,738	2.40	5,370,453	1.08
Withheld	56,157		5,053,433	
Total	503,047,257		503,047,257	

On the basis of strong shareholder support for the Policy, no changes were made this year.

Statement of implementation of Remuneration Policy for the year ending 31 March 2019

The table on pages 92 to 93 illustrates how we intend to implement our policy over the next financial year and gives details of remuneration payments and targets.

I am always available to shareholders to discuss the Remuneration Policy and its implementation and can be contacted through the Company Secretary.

I look forward to the support of shareholders for this year's Annual Report on Remuneration.

James Dean

James Dean
Chairman of the Remuneration Committee
30 May 2018

Report of the Directors

Report of the Directors



Martin McGann
Finance Director



I am pleased to present the Report of the Directors together with the audited financial statements for the year ended 31 March 2018.

The Corporate Governance report on pages 62 to 103 forms part of this report.”

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 2018.

The Notice of Meeting on pages 148 to 151 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 24,126,315 shares representing approximately 3.5% of the existing issued ordinary share capital of the Company as at 29 May 2018.

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2016 and Listing Rule 9.8.4R can be found on the following pages:

Review of business and future developments	Throughout the Strategic report on pages 01 to 60
Principle risks	Risk management section of Strategic report on pages 48 to 59
Viability statement	Page 60
Directors' details	Directors' biographies on pages 64 and 65
Directors' interests	Remuneration report on page 102
Employee involvement and engagement	Responsible Business report on page 45
Greenhouse gas emissions	Responsible Business report on page 44
Financial instruments	Note 14 on page 134
Financial risk management policies	Note 14 and Risk management on pages 132 to 133
Interest capitalised	Note 5 on page 125
Details of long term incentive schemes	Remuneration report on pages 99 to 101 and on page 93
Shareholder waivers of dividends	Report of the Directors on page 105
Related party transactions	Note 19 on page 136
Post balance sheet events	Note 20 on page 136

All other subsections of LR 9.8.4R are not applicable.

Company status and branches

LondonMetric Property Plc is a Real Estate Investment Trust ('REIT') and the holding company of the Group, which has no branches. It is listed on the London Stock Exchange with a premium listing.

Principal activities and business review

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

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, strategy and its approach to responsible business is contained in the Strategic report on pages 01 to 60 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 risk and uncertainty because they relate to future events and circumstances which 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 £186.0 million (2017: £63.0 million). The first two quarterly dividends for 2018 totalling 3.7p per share were paid in the year as Property Income Distributions (PIDs).

The third quarterly dividend of 1.85p was paid following the year end on 19 April 2018 as a PID. The Directors have approved a fourth quarterly dividend of 2.35p per share payable on 11 July 2018 to shareholders on the register at the close of business on 8 June 2018, of which 1.7p will be paid as a PID.

The total dividend charge for the year to 31 March 2018 was 7.9p per share, an increase of 0.4p or 5.3% over the previous year.

Of the total dividend for 2018 of 7.9p, 7.25p was payable as a PID as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 0.65p was payable as an ordinary dividend which is not subject to withholding tax.

Investment properties

A valuation of the Group's investment properties at 31 March 2018 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £1,842.0 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 2018, there were 697,216,196 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 4,833,765 ordinary shares under the terms of its Scrip Dividend Scheme in the year. Since the year end the Company issued a further 218,858 ordinary shares in relation to the third quarterly dividend scrip alternative.

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 opposite.

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 2017 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.

Shares held in the Employee Benefit Trust

The Trustees of the LondonMetric Long Term Incentive Plan hold 3,323,482 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.

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	%
BlackRock Inc	52,983,154	7.60
Rathbones	48,754,039	6.99
Troy Asset Management	34,654,720	4.97
Standard Life Aberdeen	33,109,728	4.75
Cohen & Steers Inc	31,064,082	4.45
Ameriprise Financial Inc	25,676,634	3.68
The Vanguard Group Inc	24,900,197	3.57
Woodford Investment Management	22,481,579	3.22

Directors

The present membership of the Board and biographical details of Directors are set out on pages 64 and 65.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 102.

The Board appointed Suzanne Avery as a Director on 22 March 2018. In accordance with the UK Corporate Governance Code and in line with previous years, all of the Directors will offer themselves for election and re-election by the shareholders at the forthcoming AGM on 11 July 2018.

The powers of Directors are described in their Terms of Reference, which are available on request.

Report of the Directors continued

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 2018 the Group had 36 employees including all Directors. The Company promotes 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 periodic updates by the Chief Executive. The Group's interim and annual results are presented to all staff by the Executive Directors. Staff receive regular briefings, presentations and email communication on other relevant matters affecting them as employees, including this year's pension auto enrolment, flexible working practices, responsible business activities and 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 and training of staff who become disabled.

The Company encourages the continuous development and training of its staff. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company provides retirement benefits for its employees excluding Non Executive Directors and complied on 1 October 2017 with its auto enrolment obligations.

Further information relating to employees can be found on page 45 of the Strategic report.

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 40 to 47 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.

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 44.

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 2018 was 15 days (2017: 15 days).

Charitable and political contributions

During the year, the Group made charitable donations of £25,170 (2017: £35,695). No political donations were made during the year (2017: £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.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, except for the provisions within the Company's share schemes as noted above.

Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are on pages 48 to 59.

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 pages 38 to 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 2018.

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 2018.

On behalf of the Board



Martin McGann
Finance Director
30 May 2018

Directors' responsibility statement

Overview

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Financial statements

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 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 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

Martin McGann
Finance Director
30 May 2018

Andrew Jones

Andrew Jones
Chief Executive
30 May 2018

Financial statements

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Independent Auditor's report to the members of LondonMetric Property Plc

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Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 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 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

We have audited the financial statements of LondonMetric Property Plc (the 'Company') and its subsidiaries (the 'Group') which comprise:

- the Group income statement
- the Group and Company balance sheets
- the Group and Company statements of changes in equity
- the Group cash flow statement
- the Statement of accounting policies and the related notes 1 to 20 for the Group notes and 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 Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Valuation of investment property
- Property transaction accounting
- Revenue recognition

Materiality

The materiality that we used for the Group financial statements was £22.9 million which was determined on the basis of 2% of equity. For testing balances that impacted EPRA earnings we used a lower materiality of £3.0 million, which is 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 determined, our identified key audit matters or our approach in scoping the audit from the prior year.

Independent Auditor's report to the members of LondonMetric Property Plc continued

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed 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 and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 49 to 59 that describe the principal risks and explain how they are being managed or mitigated
- the Directors' confirmation on page 48 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 Directors' explanation on page 60 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 are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement

(whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Property transaction accounting

Key audit matter description

In the period the Group has undertaken a large number of property acquisitions for a total consideration of £306.6 million (2017: £141.9 million) and disposals for a total of £172.0 million (£2017: 175.6 million).

Our key audit matter is focused on transactions which include complexities such as conditionality, deferred completion arrangements and joint venture contractual obligations, which require judgement as to the appropriate accounting to be applied. There is therefore a potential fraud risk in the assessment of when the transfer of risks and rewards of ownerships are met.

Refer to page 84 (Audit Committee report), page 118 (accounting policy) and note 9 on pages 128 to 129 (financial disclosures).

How the scope of our audit responded to the key audit matter

- For all significant transactions and a sample of non significant transactions, 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

Key observations

We concluded that all material property transactions had been appropriately accounted for.

Valuation of Investment Property

Key audit matter description

The Group owns a portfolio of largely retail and distribution property assets, which is valued at £1,677.6 million (2017: £1,373.4 million) as at 31 March 2018. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions including capitalisation yields, future lease income and with reference to development properties, costs to complete.

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.

The valuation exercise also relies on the accuracy of the underlying lease and financial information provided to the valuers by management. Therefore, due to this and the high level of judgement in the assumptions, we have determined that there is a potential fraud risk in the balance.

Refer to page 84 (Audit Committee report), page 118 (accounting policy) and note 9 on pages 128 to 129 (financial disclosures).

How the scope of our audit responded to the key audit matter

- 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 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 met with the external valuers of the portfolio to discuss the results of their work. For a sample of properties of audit interest we further challenged the assumptions and valuation with the valuers
- 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 challenging the assumptions or agreeing to supporting documentation such as construction contracts

Key observations

We concluded that the assumptions applied in arriving at the fair value of the Group's property portfolio by the external valuers were appropriate.

Revenue Recognition

Key audit matter description

ISA 240 (UK) states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

Revenue for the Group primarily consists of rental income earned on its investment property portfolio. Total gross rental income for the year to 31 March 2018 was £82.0 million (2017: £73.9 million). 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, for example deferred completion dates. Our key audit matter is focused on the identification of the point where the risks and rewards of ownership of the property transfers, and the related cut-off of recognition of rental income on these assets. This includes the recognition or write off of any related lease incentives.

Refer to page 84 (Audit Committee report), page 118 (accounting policy) and note 3 on page 124 (financial disclosures).

How the scope of our audit responded to the key audit matter

- 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

Key observations

We concluded that revenue was appropriately accounted for.

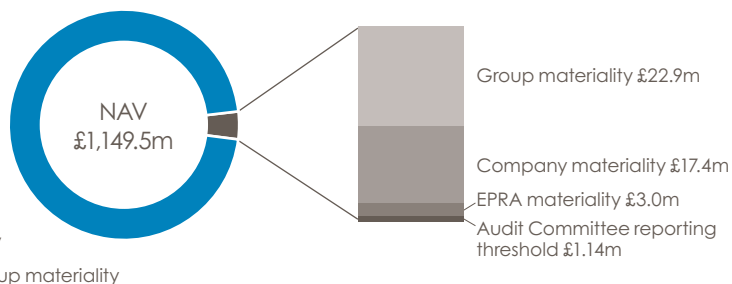
Independent Auditor's report to the members of LondonMetric Property Plc continued

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	We determined materiality for the Group to be £22.9 million (2017: £20.1 million). We consider EPRA Earnings as a critical performance measure for the group and we applied a lower threshold of £3.0 million (2017: £2.6 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.	We determine Company materiality to be £17.4 million (2017: £16.7 million).
Basis for determining materiality	Materiality for the Group is based on 2% (2017: 2%) of shareholders' equity. For EPRA Earnings the basis used is 5% (2017: 5%) of that measure.	Materiality for the Company is based on 2% of net assets (2017: 2%).
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.	The Company has a significant number of investments in subsidiaries which are property companies. These companies have a focus on generating long term capital value. 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 £1.1 million (2017: £1.0 million) for the Group, 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% (2017: 100%) of the Group's net assets, 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, joint ventures and certain subsidiaries. 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.

The Company is located in London, UK and audited directly by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial

statements are prepared is consistent with the financial statements

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

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 Company, or returns adequate for our audit have not been received from branches not visited by us
- the 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' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of LondonMetric Property Plc on 19 September 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 March 2014 to 31 March 2018.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Georgina Robb, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

30 May 2018

Group income statement

For the year ended 31 March

	Note	2018 £000	2017 £000
Gross revenue	3	83,709	75,618
Gross rental income		81,988	73,905
Property operating expenses		(828)	(814)
Net rental income		81,160	73,091
Property advisory fee income		1,721	1,713
Net income		82,881	74,804
Administrative costs	4	(13,800)	(13,268)
Amortisation of intangible asset		–	(182)
Total administrative costs		(13,800)	(13,450)
Profit on revaluation of investment properties	9	114,723	22,200
Loss on sale of investment properties		(2,139)	(4,503)
Share of profits of joint ventures	10	13,655	3,560
Operating profit		195,320	82,611
Finance income		415	1,740
Finance costs	5	(9,685)	(21,340)
Profit before tax		186,050	63,011
Taxation	6	(32)	(13)
Profit for the year and total comprehensive income		186,018	62,998
Earnings per share			
Basic and diluted	8	26.9p	10.1p
EPRA	8	8.5p	8.2p

All amounts relate to continuing activities.

The notes on pages 118 to 136 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2018 £000	2017 £000
Non current assets			
Investment properties	9	1,677,555	1,373,400
Investment in equity accounted joint ventures	10	117,646	107,567
Derivative financial instruments	14	2,836	–
Other tangible assets		73	310
		1,798,110	1,481,277
Current assets			
Trade and other receivables	11	2,344	18,758
Cash and cash equivalents	12	26,162	42,944
		28,506	61,702
Total assets		1,826,616	1,542,979
Current liabilities			
Trade and other payables	13	33,576	46,395
		33,576	46,395
Non current liabilities			
Borrowings	14	643,551	466,319
Derivative financial instruments	14	–	23,350
		643,551	489,669
Total liabilities		677,127	536,064
Net assets		1,149,489	1,006,915
Equity			
Called up share capital	16	69,722	69,238
Share premium		96,079	88,548
Capital redemption reserve		9,636	9,636
Other reserve		222,502	221,374
Retained earnings		751,550	618,119
Equity shareholders' funds		1,149,489	1,006,915
Net asset value per share	8	165.7p	146.4p
EPRA net asset value per share	8	165.2p	149.8p

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2018 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 118 to 136 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 2017		69,238	88,548	9,636	221,374	618,119	1,006,915
Profit for the year and total comprehensive income		–	–	–	–	186,018	186,018
Purchase of shares held in trust		–	–	–	(2,783)	–	(2,783)
Vesting of shares held in trust		–	–	–	3,911	(3,635)	276
Share based awards		–	–	–	–	2,420	2,420
Dividends	7	484	7,531	–	–	(51,372)	(43,357)
At 31 March 2018		69,722	96,079	9,636	222,502	751,550	1,149,489

	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

The notes on pages 118 to 136 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	2018 £000	2017 £000
Cash flows from operating activities		
Profit before tax	186,050	63,011
Adjustments for non cash items:		
Profit on revaluation of investment properties	(114,723)	(22,200)
Loss on sale of investment properties	2,139	4,503
Share of post tax profit of joint ventures	(13,655)	(3,560)
Movement in lease incentives	(1,975)	293
Share based payment	2,420	1,833
Amortisation of intangible asset	–	182
Net finance costs	9,270	19,600
Cash flows from operations before changes in working capital	69,526	63,662
Change in trade and other receivables	1,730	902
Change in trade and other payables	(2,859)	9,686
Cash flows from operations	68,397	74,250
Interest received	52	64
Interest paid	(16,409)	(17,149)
Tax paid	(17)	(34)
Cash flows from operating activities	52,023	57,131
Investing activities		
Purchase of investment properties	(306,245)	(147,348)
Capital expenditure on investment properties	(56,199)	(19,387)
Lease incentives paid	(3,049)	(6,495)
Sale of investment properties	183,780	165,035
Investments in joint ventures	(12,662)	(450)
Distributions from joint ventures	16,238	16,109
Cash flows from investing activities	(178,137)	7,464
Financing activities		
Dividends paid	(43,357)	(43,694)
Proceeds from issue of ordinary shares	–	92,772
Purchase of shares held in trust	(2,783)	(5,195)
Vesting of shares held in trust	276	4
New borrowings and amounts drawdown	397,237	226,181
Repayment of loan facilities	(220,407)	(328,000)
Financial arrangement fees and break costs	(21,634)	(6,340)
Cash flows from financing activities	109,332	(64,272)
Net (decrease)/increase in cash and cash equivalents	(16,782)	323
Opening cash and cash equivalents	42,944	42,621
Closing cash and cash equivalents	26,162	42,944

The notes on pages 118 to 136 form part of these financial statements.

Overview

Our strategy

Our marketplace

Our business model

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Risk

Governance

Financial statements

Notes forming part of the Group financial statements

For the year ended 31 March 2018

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 152. 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 01 to 60.

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 106.

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, key assumptions and 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 considered by the Audit Committee on pages 83 to 85 and are as follows:

Significant areas of estimation uncertainty

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 areas of judgement

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.

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.

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
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

1 Significant accounting policies (continued)

Standards and interpretations in issue not yet adopted
The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that are mandatory for later accounting periods and which have not been adopted early:

Name	Description
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
IAS 40 (amendments)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 1 and IAS 28
IFRIC 22	Foreign Currency Transactions and Advance Considerations

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. Certain standards which might have an impact are discussed below.

IFRS 9 Financial Instruments

Nature of change IFRS 9 addresses the classification and measurement of financial assets and liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

Impact The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

i. Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit and loss ('FVTPL') and fair value through other comprehensive income ('FVTOCI').

The Group's financial assets at 31 March 2018 consist primarily of trade receivables which will continue to be reflected at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

ii. Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39.

The main area of potential impact to the Group is considered to be impairment provisioning of trade receivables.

IFRS 9 Financial Instruments (continued)

Impact Gross trade receivables held at 31 March 2018 were £776,000 with an impairment provision recognised under IAS 39 of £2,200. The credit risk associated with unpaid rent is deemed to be low.

We have performed an assessment of the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 March 2018 through estimating the ECLs based on actual credit loss experienced over the past three years. Based on this assessment, the impact of impairment losses recognised under IFRS 9 is estimated to be immaterial.

The Company holds loans and receivable balances with the subsidiaries of the Group as disclosed in note iv to the Company financial statements. Management do not estimate there to be a material impact on the Company financial statements from the recognition of impairment provisions for the loans and receivables under IFRS 9.

Changes to debt modification rules for non substantial modifications may result in a gain or loss being recognised in the profit and loss equal to the difference in the present value of cash flows under the original and modified terms of the debt, discounted at the effective interest rate. We have reviewed debt modifications made in the year as a result of refinancing our secured facility with Helaba and have concluded that there is no material impact on the financial statements at transition.

iii. Hedge accounting

As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not adopt hedge accounting and therefore there is no impact of this change.

iv. Disclosures

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures for financial instruments particularly in the year of adoption.

Date of adoption by Group The Group intends to adopt the standard for financial years commencing on or after 1 April 2018. Comparatives for 2018 are not expected to be restated.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

1 Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

Nature of change The IASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact Management has assessed the effects of applying the new standard on the Group's Financial Statements.

i. Revenue recognition

IFRS 15 does not apply to rental income which, at 31 March 2018 accounted for 98% of total gross revenue of the Group, but does apply to management fees and surrender premiums receivable. It also affects the timing of recognising property transactions at the point of completion rather than on unconditional exchange of contracts and when significant risks and rewards of ownership have passed.

Management has assessed the recognition of management fee income and does not expect IFRS 15 to have an impact. Surrender premiums received will be considered on a case by case basis. The standard will affect the timing of recognising property transactions and the Group's accounting policy will change to recognising transactions upon completion.

ii. Disclosures

The new standard also introduces expanded disclosure requirements. These will change the nature and extent of the Group's revenue disclosures.

Date of adoption by Group The Group intends to adopt the standard for financial years commencing on or after 1 April 2018. Comparatives for 2018 are not expected to be restated.

IFRS 16 Leases

Nature of change IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.

Impact The standard does not impact the accounting for the rental income earned by the Group as lessor as it scopes out leases of investment properties.

At present, as a lessee the Group holds a limited number of operating leases as reflected in note 15, the most significant being the lease of its head office in London. Management has performed an assessment of the impact of bringing operating leases on balance sheet based on leases held at 31 March 2018. IFRS 16 is estimated to have an immaterial impact to the Group.

Date of adoption by Group Mandatory for the first time in the financial year commencing 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

1 Significant accounting policies (continued)

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.

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.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

1 Significant accounting policies (continued)

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.

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.

As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

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	2018			2017		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Property value						
Distribution	1,223,505	9,576	1,233,081	921,165	6,172	927,337
Convenience & leisure	174,700	–	174,700	156,270	–	156,270
Long income	95,250	125,580	220,830	51,825	114,800	166,625
Retail parks	139,775	–	139,775	145,170	–	145,170
Office	–	–	–	70,000	–	70,000
Residential	1,765	28,374	30,139	1,655	39,456	41,111
Development	42,560	925	43,485	27,315	–	27,315
	1,677,555	164,455	1,842,010	1,373,400	160,428	1,533,828
For the year to 31 March						
Gross rental income						
Distribution	57,737	513	58,250	46,144	411	46,555
Convenience & leisure	10,281	–	10,281	8,634	–	8,634
Long income	4,769	8,664	13,433	3,481	7,747	11,228
Retail parks	7,044	–	7,044	11,557	–	11,557
Office	2,007	–	2,007	3,941	–	3,941
Residential	58	617	675	68	953	1,021
Development	92	–	92	80	–	80
	81,988	9,794	91,782	73,905	9,111	83,016
For the year to 31 March						
Net rental income						
Distribution	57,656	513	58,169	46,200	412	46,612
Convenience & leisure	10,108	–	10,108	8,500	–	8,500
Long income	4,696	8,561	13,257	3,387	7,683	11,070
Retail parks	6,653	–	6,653	11,211	–	11,211
Office	1,904	–	1,904	3,678	–	3,678
Residential	57	319	376	32	603	635
Development	86	–	86	83	–	83
	81,160	9,393	90,553	73,091	8,698	81,789

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.

We have reclassified the operating segments this year to reflect the current portfolio mix and investment strategy. The retail segment has been split into three categories of convenience and leisure, long income and retail parks and the comparatives have been updated accordingly.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

3 Gross revenue

	2018 £000	2017 £000
For the year to 31 March		
Gross rental income	81,988	73,905
Property advisory fee income	1,721	1,713
	83,709	75,618

For the year to 31 March 2018, 12% of the Group's gross rental income was receivable from one tenant. For the comparative period, 14% of the Group's gross rental income was receivable from one tenant.

4 Administration expenses

a) Total administration expenses

	2018 £000	2017 £000
For the year to 31 March		
Staff costs	10,008	9,787
Auditor's remuneration	180	184
Depreciation	263	105
Other administrative expenses	3,340	3,192
	13,791	13,268

b) Staff costs

	2018 £000	2017 £000
For the year to 31 March		
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	8,422	8,720
Less staff costs capitalised	(1,835)	(1,762)
	6,587	6,958
Social security costs	702	720
Pension costs	301	276
Share based payment	2,418	1,833
	10,008	9,787

The emoluments and pension benefits of the Directors are set out in detail within the Remuneration Committee report on page 97.

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 £2.4 million (2017: £1.8 million).

The Company awarded 2,163,274 LTIP shares during the year, 1,661,282 of which were awarded to Executive Directors as shown in the Remuneration Committee report on page 101. The cost of acquiring the shares expected to vest under the LTIP of £2.8 million has been charged to reserves this year (2017: £5.2 million).

Employee costs of £1.8 million (2017: £1.8 million) have been capitalised in respect of time spent on development projects.

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2018 Number	2017 Number
Head office and property management	31	33

4 Administration expenses (continued)

d) Auditor's remuneration

For the year to 31 March	2018 £000	2017 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	111	74
Audit of subsidiary financial statements, pursuant to legislation	4	79
Other fees:		
Audit related assurance services	27	26
Other advisory services	2	–
Total fees for audit and other services	144	179

In addition to the above audit fees, £47,000 (2017: £31,000) was due to the Group's auditor in respect of its joint venture operations. This year, BDO LLP will be responsible for the audit of other subsidiary entities at a cost to the Group of £30,950.

5 Finance costs

For the year to 31 March	2018 £000	2017 £000
Interest payable on bank loans and related derivatives	15,530	16,916
Debt and hedging early close out costs	18,981	3,516
Amortisation of loan issue costs	1,350	1,409
Commitment fees and other finance costs	1,705	1,643
Total borrowing costs	37,566	23,484
Less amounts capitalised on the development of properties	(1,695)	(1,924)
Net borrowing costs	35,871	21,560
Fair value gain on derivative financial instruments	(26,186)	(220)
Total finance costs	9,685	21,340

During the year, the Group cancelled £128 million interest rate swaps and recouped a further £190 million at a total cost of £19.0 million. Debt and hedging break costs in the Cash flow statement on page 117 have been classified within financing activities this year. Prior year comparatives have been amended.

6 Taxation

For the year to 31 March	2018 £000	2017 £000
Current tax		
UK tax charge on profit	32	13

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	2018 £000	2017 £000
Profit before tax	186,050	63,011
Tax at the standard rate of corporation tax in the UK of 19% (2017: 20%)	35,350	12,602
Effects of:		
Expenses not deductible for tax purposes	–	36
Tax effect of income not subject to tax	(32,724)	(11,913)
Share of post tax profit of joint ventures	(2,594)	(712)
UK tax charge on profit	32	13

The current tax charge relates to income tax charged to non resident landlords on property rental income in the Isle of Man. As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

7 Dividends

For the year to 31 March	2018 £000	2017 £000
Ordinary dividends paid		
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
2017 Third quarterly interim dividend: 1.8p per share	11,269	–
2017 Fourth quarterly interim dividend: 2.1p per share	14,457	–
2018 First quarterly interim dividend: 1.85p per share	12,817	–
2018 Second quarterly interim dividend: 1.85p per share	12,829	–
	51,372	45,904
Quarterly dividend payable in 2019		
2018 Third quarterly interim dividend: 1.85p per share	12,837	
2018 Fourth quarterly interim dividend: 2.35p per share	16,311	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.85p per share, wholly as a Property Income Distribution ('PID'), on 19 April 2018 to ordinary shareholders on the register at the close of business on 16 March 2018.

The fourth quarterly interim dividend for 2018 of 2.35p per share, of which 1.7p is payable as a PID, will be payable on 11 July 2018 to shareholders on the register at the close of business on 8 June 2018. 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 2019.

During the year the Company issued 4,833,765 ordinary shares in relation to the last two quarterly dividend payments for 2017 and the first two quarterly dividend payments for 2018, which reduced the cash dividend payment by £8.0 million to £43.4 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 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	2018 £000	Group £000	JV £000	2017 £000
Gross rental income	81,988	9,794	91,782	73,905	9,111	83,016
Property costs	(828)	(401)	(1,229)	(814)	(413)	(1,227)
Net rental income	81,160	9,393	90,553	73,091	8,698	81,789
Management fees	1,721	(763)	958	1,713	(732)	981
Administrative costs	(13,800)	(106)	(13,906)	(13,268)	(85)	(13,353)
Net finance costs ¹	(16,475)	(1,982)	(18,457)	(16,304)	(2,094)	(18,398)
Other	(32)	–	(32)	(13)	–	(13)
EPRA earnings	52,574	6,542	59,116	45,219	5,787	51,006

¹ Group net finance costs reflect net borrowing costs of £35,871,000 (note 5) less early close out costs of £18,981,000 (note 5) and finance income of £415,000

8 Earnings and net assets per share (continued)

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

	Group £000	JV £000	2018 £000	Group £000	JV £000	2017 £000
For the year to 31 March						
EPRA earnings	52,574	6,542	59,116	45,219	5,787	51,006
Revaluation of investment property	114,723	6,842	121,565	22,200	(1,227)	20,973
Fair value of derivatives	26,186	234	26,420	220	108	328
Debt and hedging early close out costs	(18,981)	(76)	(19,057)	(3,516)	(126)	(3,642)
(Loss)/profit on disposal	(2,139)	113	(2,026)	(4,503)	(982)	(5,485)
Amortisation of intangible assets	–	–	–	(182)	–	(182)
IFRS reported profit	172,363	13,655	186,018	59,438	3,560	62,998

b) Earnings per ordinary share

	2018 £000	2017 £000
For the year to 31 March		
Basic and diluted earnings	186,018	62,998
EPRA adjustments ¹	(126,902)	(11,992)
EPRA earnings	59,116	51,006

¹ Adjustments shown in table reconciling EPRA earnings with IFRS reported profit

	2018 Number of shares £000	2017 Number of shares £000
For the year to 31 March		
Weighted average number of ordinary shares¹	692,138	625,457

¹ Excludes shares held in the LondonMetric Property Plc Employee Benefit Trust

Basic and diluted earnings per share	26.9p	10.1p
EPRA earnings per share	8.5p	8.2p

c) Net assets per share

	2018 £000	2017 £000
As at 31 March		
Equity shareholders' funds	1,149,489	1,006,915
Fair value of derivatives	(2,836)	23,350
Fair value of joint ventures' derivatives	(43)	229
EPRA net asset value	1,146,610	1,030,494

	2018 Number of shares £000	2017 Number of shares £000
As at 31 March		
Ordinary share capital	697,216	692,383
Number of shares held in employee trust	(3,323)	(4,502)
Number of ordinary shares	693,893	687,881
Basic net asset value per share	165.7p	146.4p
EPRA net asset value per share	165.2p	149.8p

Further EPRA performance measures are reflected in the Supplementary notes on pages 142 to 146.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

9 Investment properties

a) Investment properties

As at 31 March	2018			2017		
	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
Opening balance	1,346,085	27,315	1,373,400	1,289,560	56,550	1,346,110
Acquisitions	274,562	32,064	306,626	81,043	60,840	141,883
Other capital expenditure	20,236	29,584	49,820	18,055	7,901	25,956
Disposals	(172,038)	–	(172,038)	(174,965)	(650)	(175,615)
Property transfers	60,366	(60,366)	–	103,976	(103,976)	–
Revaluation movement	101,353	13,370	114,723	15,615	6,585	22,200
Movement in tenant incentives and rent free uplifts	4,431	593	5,024	12,801	65	12,866
	1,634,995	42,560	1,677,555	1,346,085	27,315	1,373,400

Investment properties are held at fair value as at 31 March 2018 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 2018 was £89.9 million (2017: £40.9 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 £101.4 million (2017: £102.0 million). All other properties are freehold.

Included within the investment property valuation is £70.3 million (2017: £65.3 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 2018 was £1,328.8 million (2017: £1,135.5 million).

Capital commitments have been entered into amounting to £47.5 million (2017: £57.8 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.8 million (2017: £1.8 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £9.8 million (2017: £52.7 million) have been classified within investment property as acquisitions.

b) Valuation technique and quantitative information

Asset type	Fair value 2018 £000	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	1,223,505	Yield capitalisation	5.95	3.36-16.02	4.57	0-6.78	4.98	3.92-7.36
Convenience and leisure	174,700	Yield capitalisation	15.37	9.01-27.00	4.88	3.99-7.30	4.48	3.36-7.00
Long income	95,250	Yield capitalisation	21.21	16.33-36.86	5.6	4.52-7.21	4.96	4.60-6.21
Retail parks	139,775	Yield capitalisation	19.18	14.13-25.86	5.49	5.02-5.88	5.56	4.93-6.32
Development – distribution	29,385	Residual	7.35	6.97-11.56	6.69	5.29-6.98	6.52	4.92-6.90
Development – convenience and leisure	5,015	Residual	16.00	16.00	6.27	6.27	5.00	5.00
Development – long income	8,160	Residual	18.47	18.47	6.92	6.92	5.33	5.33
Residential	1,765	Comparison	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 2018. The fair value at 31 March 2018 represents the highest and best use.

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 2018, the following principal property interests, being jointly-controlled entities, have been equity accounted for in these financial statements:

	Country of incorporation or registration ¹	Property sectors	Group share
Metric Income Plus Partnership	England	Long income & leisure	50.0%
LMP Retail Warehouse JV PUT	Guernsey	Long income & distribution	45.0%
LSP London Residential Investments Ltd	Guernsey	Residential	40.0%

¹ The registered address for entities incorporated in England is One Curzon Street, London, W1J 5HB. The registered address for entities incorporated in Guernsey is Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP.

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 a development site in Ringwood for £8.5 million (Group share: £4.3 million) and sold a B&Q warehouse in Hull for £11.6 million (Group share: £5.8 million) in the year. The partnership agreement was extended to June 2023 and its debt facility with Deutsche Pfandbriefbank was increased by £18.2 million and extended for a further three years to April 2023.

The Group increased its investment in the LMP Retail Warehouse joint venture in September 2017 to 45.0% at a cost of £7.9 million. The joint venture, which holds a portfolio of DFS assets, disposed of two assets in Swansea and Swindon in the year for £13.9 million (Group share: £5.4 million).

The Group also disposed of 19 residential flats for £21.6 million (Group share: £8.7 million) through its 40% interest in LSP London Residential Investments Limited in the year.

At 31 March 2018, 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 2018 was £21.9 million (Group share: £8.8 million), (2017: £1.6 million and Group share £0.7 million).

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

10 Investment in joint ventures (continued)

The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2018 £000	2017 £000
Opening balance	107,567	119,666
Additions at cost	12,662	450
Share of profit in the year	13,655	3,560
Disposals	(3,964)	(5,384)
Profit distributions received	(12,274)	(10,725)
	117,646	107,567

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 2018 £000	Group share 2018 £000
Summarised income statement					
Gross rental income	11,066	9,466	1,543	22,075	9,794
Property costs	(129)	(86)	(746)	(961)	(401)
Net rental income	10,937	9,380	797	21,114	9,393
Administration expenses	(75)	(82)	(85)	(242)	(106)
Management fees	(910)	(329)	(460)	(1,699)	(763)
Revaluation	16,775	904	(4,879)	12,800	6,842
Finance income	21	–	2	23	12
Finance cost	(2,626)	(1,979)	(8)	(4,613)	(2,070)
Derivative movement	473	(6)	–	467	234
Profit/(loss) on disposal	1,275	580	(2,000)	(145)	113
Profit/(loss) after tax	25,870	8,468	(6,633)	27,705	13,655
Group share of profit/(loss) after tax	12,935	3,373	(2,653)	13,655	
EPRA adjustments:					
Revaluation	(16,775)	(904)	4,879	(12,800)	(6,842)
Derivative movement	(473)	6	–	(467)	(234)
(Profit)/loss on disposal	(1,275)	(580)	2,000	145	(113)
Debt and hedging early close out costs	11	185	9	205	76
EPRA earnings	7,358	7,175	255	14,788	6,542
Group share of EPRA earnings	3,679	2,761	102	6,542	
Summarised balance sheet					
Investment properties	183,355	98,630	70,935	352,920	164,455
Other current assets	351	37	208	596	272
Cash	21,682	1,142	4,434	27,258	13,128
Current liabilities	(3,002)	(950)	(290)	(4,242)	(2,043)
Bank debt	(75,900)	(46,619)	–	(122,519)	(58,938)
Unamortised finance costs	1,169	321	–	1,490	729
Derivative financial instruments	85	–	–	85	43
Net assets	127,740	52,561	75,287	255,588	117,646
Group share of net assets	63,870	23,661	30,115	117,646	

10 Investment in joint ventures (continued)

	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)
Derivative movement	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
Group share of profit/(loss) after tax	5,964	1,781	(4,185)	3,560	
EPRA adjustments:					
Revaluation	(5,123)	2,035	7,921	4,833	1,227
Derivative movement	(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	

11 Trade and other receivables

As at 31 March	2018 £000	2017 £000
Trade receivables	776	280
Amounts receivable from property sales	10	14,931
Prepayments and accrued income	1,443	3,455
Other receivables	115	92
	2,344	18,758

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 2018, trade receivables of £2,200 were overdue and considered at risk (2017: none).

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

12 Cash and cash equivalents

Cash and cash equivalents include £5.3 million (2017: £5.3 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	2018 £000	2017 £000
Trade payables	2,582	9,118
Amounts payable on property acquisitions and disposals	1,173	1,832
Rent received in advance	15,973	13,724
Accrued interest	785	1,664
Other payables	4,139	3,102
Other accruals and deferred income	8,924	16,955
	33,576	46,395

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	2018 £000	2017 £000
Secured bank loans	130,000	196,170
Unsecured bank loans	520,000	277,000
Unamortised finance costs	(6,449)	(6,851)
	643,551	466,319

Certain bank loans at 31 March 2018 are secured by fixed charges over Group investment properties with a carrying value of £357.7 million (2017: £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.

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 £26.2 million (2017: £42.9 million) and available and undrawn bank loan facilities at 31 March 2018 of £53.8 million (2017: £296.8 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 2018					
Bank loans	16,047	16,091	426,590	270,587	729,315
Derivative financial instruments	1,000	1,244	2,439	–	4,683
	17,047	17,335	429,029	270,587	733,998
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

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 2018, 73% 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 (2017: 87%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2018 including the cost of amortising finance arrangement fees, was 2.8% (2017: 3.5%). A 1% increase or decrease in interest rates would decrease or increase the Group's annual profit before tax by £2.3 million or £1.6 million respectively.

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.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

14 Borrowings and financial instruments (continued)

c) Financial instruments

i) Categories of financial instruments

	Measured at amortised cost		Measured at fair value	
	2018 £000	2017 £000	2018 £000	2017 £000
As at 31 March				
Non current assets				
Derivative financial instruments (see 14c(iii))	–	–	2,836	–
Current assets				
Cash and cash equivalents (note 12)	26,162	42,944	–	–
Trade receivables (note 11)	776	280	–	–
Other receivables (note 11)	115	92	–	–
	27,053	43,316	2,836	–
Non current liabilities				
Derivative financial instruments (see 14c(iii))	–	–	–	23,350
Borrowings (note 14a)	643,551	466,319	–	–
Current liabilities				
Trade payables (note 13)	2,582	9,118	–	–
Accrued interest (note 13)	785	1,664	–	–
Other accruals (note 13)	8,924	16,955	–	–
Other payables (note 13)	4,139	3,102	–	–
	659,981	497,158	–	23,350

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 2018.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2018 are provided below:

	Average rate		Notional amount		Fair value	
	2018 %	2017 %	2018 £000	2017 £000	2018 £000	2017 £000
As at 31 March						
Interest rate caps – expiry						
Less than one year	2.0	2.0	100,000	16,313	–	–
One to two years	3.0	2.0	10,000	100,000	–	1
Two to five years	2.0	2.3	19,620	29,620	74	121
	2.1	2.1	129,620	145,933	74	122
As at 31 March						
Interest rate swaps – expiry						
Less than one year	0.6	–	50,000	–	18	–
One to two years	2.0	0.6	10,000	50,000	(122)	(134)
Two to five years	1.3	2.0	425,000	166,960	2,866	(6,187)
More than five years	–	2.1	–	425,000	–	(17,151)
	1.3	1.9	485,000	641,960	2,762	(23,472)
Total fair value					2,836	(23,350)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2018 by J C Rathbone Associates Limited.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

15 Commitments under operating leases

The Group's minimum lease rentals receivable under non cancellable operating leases, excluding joint ventures, are as follows:

As at 31 March	2018 £000	2017 £000
Less than one year	83,087	78,420
Between one and five years	323,519	304,595
Between six and ten years	313,920	292,985
Between 11 and 15 years	213,107	192,168
Between 16 and 20 years	96,093	92,599
Over 20 years	47,380	59,872
	1,077,106	1,020,639

The Group's minimum lease payments under non cancellable operating leases, excluding joint ventures, are as follows:

As at 31 March	2018 £000	2017 £000
Less than one year	337	810
Between one and five years	–	337
	337	1,147

16 Share capital

As at 31 March	2018 Number	2018 £000	2017 Number	2017 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	697,216,196	69,722	692,382,431	69,238

In June 2017, the Company granted options over 2,163,274 ordinary shares under its Long Term Incentive Plan and 608,280 ordinary shares under the Director's Deferred Bonus Plan.

In addition, 2,212,076 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2014 vested along with 606,160 ordinary shares in the Director's Deferred Bonus Plan. The share price on vesting was 171.65p.

The Company issued 4,833,765 shares under the terms of its Scrip Dividend Scheme in the year.

No disclosures have been made in accordance with IFRS 2 for share based payments to employees other than those in the Remuneration Committee report on pages 99 to 101 on the basis of materiality.

17 Reserves

The Group statement of changes in equity is shown on page 116.

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.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2018

18 Analysis of movement in net debt

	2018			2017		
	Cash and cash equivalents £000	Borrowings £000	Net debt £000	Cash and cash equivalents £000	Borrowings £000	Net debt £000
As at 31 March						
Opening balance	42,944	466,319	423,375	42,621	567,910	525,289
Cash movement	(16,782)	176,830	193,612	323	(101,819)	(102,142)
Loan issue costs paid	–	(948)	(948)	–	(1,181)	(1,181)
Amortisation of loan issue costs	–	1,350	1,350	–	1,409	1,409
Closing balance	26,162	643,551	617,389	42,944	466,319	423,375

19 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	
		2018 £000	2017 £000	2018 £000	2017 £000
LSP Green Park Property Trust	31.4%	–	–	–	10
LSP London Residential Investments	40.0%	384	475	5,303	5,120
Metric Income Plus Partnership	50.0%	1,008	854	3,750	3,434
LMP Retail Warehouse JV Property Unit Trust	45.0%	329	384	3,221	2,161
		1,721	1,713	12,274	10,725

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

20 Events after the balance sheet date

On 11 April 2018 the Group conditionally exchanged to sell four distribution and two industrial warehouses for £36.0 million.

The Group completed the disposal of the Superdrug Distribution Centre in South Elmsall for £15.0 million on 26 April 2018.

On 27 April 2018 the Group's residential joint venture exchanged on a bulk sale of 10 flats at Moore House, London for £17.0 million.

On 7 May 2018 the Group completed the disposal of the Morrisons store at Loughborough for £32.5 million

On 8 May 2018 the Group's Metric Income Plus partnership completed the acquisition of a forward funded development in Telford for £4.0 million (Group share: £2.0 million)

On 10 May 2018 the Group's Metric Income Plus partnership completed the acquisition of a Wickes store in Newmarket for £6.3 million (Group share: £3.1 million).

Company balance sheet

As at 31 March

	Note	2018 £000	2017 £000
Fixed assets			
Investment in subsidiaries	iii	893,822	785,413
Other tangible assets		73	310
Derivative financial instruments	vi	2,762	–
		896,657	785,723
Current assets			
Trade and other receivables	iv	455,112	312,732
Cash at bank		17,574	37,103
		472,686	349,835
Total assets		1,369,343	1,135,558
Current liabilities			
Trade and other payables	v	11,050	10,849
		11,050	10,849
Non current liabilities			
Borrowings	vi	516,362	272,505
Derivative financial instruments	vi	–	17,600
		516,362	290,105
Total liabilities		527,412	300,954
Net assets		841,931	834,604
Equity			
Called up share capital		69,722	69,238
Share premium		96,079	88,548
Capital redemption reserve		9,636	9,636
Other reserve		39,694	69,101
Retained earnings		626,800	598,081
Equity shareholders' funds		841,931	834,604

The Company reported a profit for the financial year to 31 March 2018 of £50.8 million (2017: £93.5 million).

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2018 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 139 to 141 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 2017	69,238	88,548	9,636	69,101	598,081	834,604
Profit for the year	–	–	–	–	50,771	50,771
Purchase of shares held in trust	–	–	–	(2,783)	–	(2,783)
Vesting of shares held in trust	–	–	–	3,911	(3,635)	276
Share based awards	–	–	–	–	2,420	2,420
Reserve transfer of impairment in subsidiary	–	–	–	(30,535)	30,535	–
Dividends paid	484	7,531	–	–	(51,372)	(43,357)
At 31 March 2018	69,722	96,079	9,636	39,694	626,800	841,931

	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

The notes on pages 139 to 141 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2018

Overview

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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 £50.8 million (2017: £93.5 million).

Audit fees in relation to the Company only were £110,500 in the year (2017: £75,480).

iii Fixed asset investments

	Subsidiary undertakings £000
At 1 April 2017	785,413
Additions	319,914
Disposals	(180,970)
Impairment of investment	(30,535)
At 31 March 2018	893,822

The carrying value of the Company's investments was impaired by £30.5 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
LMP Retail Warehouse JV Holdings Limited ¹	Guernsey	81.88%	Intermediate holding 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
Metric LP Income Plus Limited ¹	England	100%	Intermediate holding company
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
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

Notes forming part of the Company financial statements continued

For the year ended 31 March 2018

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 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 Kirkstall Limited ¹	England	100%	Property investment
Metric Property Kings Lynn Limited ¹	England	100%	Property investment
LondonMetric Logistics Limited	England	100%	Property investment
L&S Business Space Limited ^{1,2}	Guernsey	100%	Property investment
L&S Highbury 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
LMP GB1B01 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1B02 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1B04-B05 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W01 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W02 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W03-W04 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W05 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W06 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB1W07-W08 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB2M01 LLC ^{1,2}	Delaware	100%	Property investment
LMP GB3B01 LLC ^{1,2}	Delaware	100%	Property investment

1 Undertakings held indirectly by the Company

2 Exempt from the requirement to file audited accounts

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, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP. The registered address for companies incorporated in Delaware is The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801

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	2018 £000	2017 £000
Prepayments and accrued income	915	514
Other receivables	32	933
Amounts due from subsidiary undertakings	454,165	311,285
	455,112	312,732

All amounts under receivables fall due for payment in less than one year.

v Trade and other payables

As at 31 March	2018 £000	2017 £000
Trade payables	530	797
Other accruals and deferred income	7,646	7,627
Other payables	2,874	2,425
	11,050	10,849

vi Borrowings and financial instruments

Non current financial liabilities

As at 31 March	2018 £000	2017 £000
Secured bank loan	520,000	277,000
Unamortised finance costs	(3,638)	(4,495)
	516,362	272,505

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	2018 £000	2017 £000
Less than one year	12,843	1,000	13,843	11,494
One to five years	429,856	3,683	433,539	87,657
More than five years	136,364	–	136,364	251,688
	579,063	4,683	583,746	350,839

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		2018 £000	Notional 2017 £000	Fair value	
	2018 %	2017 %			2018 £000	2017 £000
Interest rate caps – expiry						
Less than one year	2.0	2.0	70,000	16,313	–	–
One to two years	3.0	2.0	10,000	70,000	–	1
Two to five years	–	3.0	–	10,000	–	1
	2.1	2.1	80,000	96,313	–	2

As at 31 March	Average rate		2018 £000	Notional 2017 £000	Fair value	
	2018 %	2017 %			2018 £000	2017 £000
Interest rate swaps – expiry						
Less than one year	0.6	–	50,000	–	18	–
One to two years	2.0	0.6	10,000	50,000	(122)	(134)
Two to five years	1.3	2.0	425,000	10,000	2,866	(318)
Greater than five years	–	2.1	–	425,000	–	(17,150)
	1.3	1.9	485,000	485,000	2,762	(17,602)
Total fair value					2,762	(17,600)

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 19 to the Group financial statements.

Supplementary information (not audited)

i EPRA summary table

	2018	2017
EPRA earnings per share	8.5p	8.2p
EPRA net asset value per share	165.2p	149.8p
EPRA triple net asset value per share	165.7p	146.4p
EPRA vacancy rate	2.5%	0.4%
EPRA cost ratio (including vacant property costs)	15%	16%
EPRA cost ratio (excluding vacant property costs)	15%	15%
EPRA net initial yield	4.5%	4.5%
EPRA 'topped up' net initial yield	4.9%	5.4%

The definition of these measures can be found in the Glossary on page 147.

ii EPRA proportionally consolidated income statement

For the year to 31 March	Group £000	JV £000	2018 £000	Group £000	JV £000	2017 £000
Gross rental income	81,988	9,794	91,782	73,905	9,111	83,016
Property costs	(828)	(401)	(1,229)	(814)	(413)	(1,227)
Net rental income	81,160	9,393	90,553	73,091	8,698	81,789
Management fees	1,721	(763)	958	1,713	(732)	981
Administrative costs	(13,800)	(106)	(13,906)	(13,268)	(85)	(13,353)
Net finance costs	(16,475)	(1,982)	(18,457)	(16,304)	(2,094)	(18,398)
Other	(32)	–	(32)	(13)	–	(13)
EPRA earnings	52,574	6,542	59,116	45,219	5,787	51,006

iii EPRA proportionally consolidated balance sheet

As at 31 March	Group £000	JV £000	2018 £000	Group £000	JV £000	2017 £000
Investment property	1,677,555	164,455	1,842,010	1,373,400	160,428	1,533,828
Gross debt	(650,000)	(58,938)	(708,938)	(473,170)	(54,563)	(527,733)
Cash	26,162	13,128	39,290	42,944	3,200	46,144
Other net (liabilities)/assets	(24,710)	(1,042)	(25,752)	(20,476)	(1,269)	(21,745)
EPRA net assets	1,029,007	117,603	1,146,610	922,698	107,796	1,030,494
Loan to value	35%	28%	35%	30%	32%	30%
Cost of debt	2.7%	3.4%	2.8%	3.6%	3.4%	3.5%
Undrawn facilities	53,750	12,050	65,800	296,750	2,938	299,688

iv EPRA cost ratio

	2018 £000	2017 £000
For the year to 31 March		
Property operating expenses	828	814
Administration expenses	13,800	13,268
Share of joint venture property operating, administration expenses and management fees	1,270	1,230
Less:		
Joint venture property management fee income	(1,721)	(1,713)
Ground rents	(127)	(121)
Total costs including vacant property costs (A)	14,050	13,478
Group vacant property costs	(253)	(548)
Share of joint venture vacant property costs	(204)	(236)
Total costs excluding vacant property costs (B)	13,593	12,694
Gross rental income	81,988	73,905
Share of joint venture gross rental income	9,794	9,111
	91,782	83,016
Less:		
Ground rents	(127)	(121)
Total gross rental income (C)	91,655	82,895
Total EPRA cost ratio (including vacant property costs) (A)/(C)	15%	16%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	15%	15%

v EPRA net initial yield and 'topped up' net initial yield

	2018 £000	2017 £000
As at 31 March		
Investment property – wholly owned	1,677,555	1,373,400
Investment property – share of joint ventures	164,455	160,428
Less development properties	(43,485)	(27,315)
Less residential properties	(30,139)	(41,111)
Completed property portfolio	1,768,386	1,465,402
Allowance for:		
Estimated purchasers' costs	120,250	99,647
Estimated costs to complete	30,848	39,309
EPRA property portfolio valuation (A)	1,919,484	1,604,358
Annualised passing rental income	78,378	65,169
Share of joint ventures	9,263	8,814
Less development properties	(1,198)	(1,243)
Less residential properties	(352)	(526)
Annualised net rents (B)	86,091	72,214
Contractual rental increases for rent free periods	6,247	10,558
Contractual rental increases for stepped rental uplifts	1,685	3,151
'Topped up' net annualised rent (C)	94,023	85,923
EPRA net initial yield (B/A)	4.5%	4.5%
EPRA 'topped up' net initial yield (C/A)	4.9%	5.4%

vi EPRA Vacancy rate

	2018 £000	2017 £000
As at 31 March		
Annualised estimated rental value of vacant premises	2,407	384
Portfolio estimated rental value ¹	95,808	86,228
EPRA vacancy rate	2.5%	0.4%

¹ Excludes residential and development properties

Supplementary information (not audited) continued

vii EPRA capital expenditure analysis

As at 31 March	Group 2018 £000	JV 2018 £000	Total 2018 £000	Group 2017 £000	JV 2017 £000	Total 2017 £000
Opening valuation	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851
Acquisitions	274,562	15,180	289,742	81,043	9,146	90,189
Developments ¹	61,648	848	62,496	68,741	–	68,741
Capital expenditure ²	20,236	125	20,361	18,055	561	18,616
Disposals	(172,038)	(18,937)	(190,975)	(175,615)	(22,631)	(198,246)
Revaluation	114,723	6,842	121,565	22,200	(1,227)	20,973
Lease incentives	5,024	(31)	4,993	12,866	(162)	12,704
Closing valuation	1,677,555	164,455	1,842,010	1,373,400	160,428	1,533,828

1 Includes capitalised interest of £1.7 million (2017: £1.9 million) and capitalised staff costs of £1.8 million (2017: £1.8 million)

2 Capital expenditure on completed properties

viii Total accounting return

For the year to 31 March	2018 £000	2017 £000
EPRA net asset value		
– at end of year	1,146,610	1,030,494
– at start of year	1,030,494	922,105
Increase	116,116	108,389
Dividend paid	43,357	43,694
Equity placing	–	(92,772)
Net increase	159,473	59,311
Total accounting return	15.5%	6.4%

ix Portfolio split and valuation

As at 31 March	2018 £m	2018 %	2017 £m	2017 %
Mega distribution	500.8	27.2	477.8	31.1
Regional distribution	379.0	20.6	303.4	19.8
Urban logistics	353.3	19.1	146.2	9.5
Distribution	1,233.1	66.9	927.4	60.4
Convenience & leisure	174.7	9.5	156.2	10.2
Long income	220.8	12.0	166.6	10.8
Retail parks	139.8	7.6	145.2	9.5
Office	–	–	70.0	4.6
Investment portfolio	1,768.4	96.0	1,465.4	95.5
Development – distribution ¹	29.4	1.6	22.8	1.5
Development – retail ²	14.1	0.8	4.5	0.3
Residential	30.1	1.6	41.1	2.7
Total portfolio	1,842.0	100.0	1,533.8	100.0

1 Represents regional distribution of £16.2 million (0.9%) and urban logistics of £13.2 million (0.7%) at 31 March 2018

2 Represents long income of £8.2 million (0.5%) and convenience and leisure of £5.9 million (0.3%) at 31 March 2018

x Investment portfolio yields

	2018			2017		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
As at 31 March						
Distribution	4.3	4.6	5.3	4.1	5.0	5.5
Convenience & leisure	4.7	4.9	5.3	5.1	5.2	6.0
Long income	5.6	5.9	5.5	6.2	6.5	6.0
Retail parks	4.5	5.6	5.6	3.8	5.7	5.9
Office	–	–	–	5.8	6.5	7.4
Investment portfolio	4.5	4.9	5.3	4.5	5.4	5.8

xi Investment portfolio – Key statistics

	Area £000 sq ft	WAVLT to expiry years	WAVLT to first break years	Occupancy %	Average rent £ per sq ft
As at 31 March 2018					
Distribution	11,333	12.1	11.2	96.2	5.60
Convenience & leisure	563	17.2	17.0	100.0	16.70
Long income	1,192	11.0	9.3	100.0	19.70
Retail parks	443	11.1	9.3	100.0	18.90
Investment portfolio	13,531	12.4	11.3	97.5	7.40
Distribution development ¹	62				
Retail development ¹	69				
Commercial portfolio	13,662				

¹ Excludes development sites at Bedford, Weymouth and Derby

xii Total property returns

	All property 2018 %	All property 2017 %
For the year to 31 March		
Capital return	7.9	1.7
Income return	5.5	5.6
Total return	13.7	7.4

xiii Contracted rental income

	2018 £m	2017 £m
As at 31 March		
Distribution	61.1	50.9
Convenience & leisure	9.4	8.8
Long income	13.9	11.5
Retail parks	8.4	9.4
Office	–	4.9
Investment portfolio	92.8	85.5
Development – distribution	0.4	0.8
Development – retail	0.8	0.5
Commercial portfolio	94.0	86.8
Residential	0.4	0.5
Total portfolio	94.4	87.3

xiv Rent subject to expiry

	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
As at 31 March 2018						
Distribution	7.5	15.8	44.0	72.8	84.0	100.0
Convenience & leisure	3.7	3.7	22.4	27.6	44.5	100.0
Long income	0.6	10.1	41.1	88.6	97.6	100.0
Retail parks	5.6	5.6	45.6	89.7	100.0	100.0
Commercial portfolio	5.9	12.8	41.5	72.2	83.5	100.0

Supplementary information (not audited) continued

xv Contracted rent subject to RPI or fixed uplifts for investment portfolio

As at 31 March	2018 £m	2018 %	2017 £m	2017 %
Distribution	34.6	56.2	29.9	57.8
Convenience & leisure	6.9	73.4	7.7	87.5
Long income	4.7	32.2	3.4	29.6
Retail parks	1.1	12.5	1.4	14.1
Office	–	–	3.0	60.9
Commercial portfolio	47.3	50.3	45.4	52.4

xvi Top ten assets (by value)

As at 31 March 2018	Area £000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.5	100.0	22.5	22.5
Eddie Stobart, Dagenham	454	4.1	100.0	25.5	25.5
Primark, Thrapston	783	4.2	100.0	14.5	14.5
Dixons Carphone, Newark	726	4.4	100.0	15.3	15.3
Argos, Bedford	658	3.8	100.0	4.7	4.7
Amazon, Omega South, Warrington	357	2.1	100.0	13.7	13.7
Poundworld, Wakefield	527	2.6	100.0	13.5	13.5
M&S, Sheffield	626	2.6	100.0	5.7	3.3
Kirkstall Bridge, Leeds	120	2.5	100.0	10.4	7.9
Airport Retail Park, Coventry	138	2.0	100.0	9.5	8.9

xvii Top ten occupiers

As at 31 March 2018	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.7	21.4	10.2
Dixons Carphone	7.8	2.4	8.3
M&S	7.0	4.6	7.4
DHL ¹	4.1	39.0	4.3
Argos ¹	4.1	6.9	4.3
Eddie Stobart	4.1	0.5	4.3
DFS	3.6	0.5	3.9
Odeon ¹	3.3	2.1	3.5
Poundworld	2.7	n/a	2.9
Clipper Logistics	2.2	0.4	2.4
Top ten	48.6		51.5
Other commercial	45.4		48.1
Total commercial	94.0		99.6
Residential	0.4		0.4
Total Group	94.4		100.0

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

Commercial portfolio

The Group's property portfolio excluding residential properties

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 NNAV per Share

EPRA NAV per share adjusted to include the fair value of financial instruments, debt and deferred taxes at the balance sheet date

EPRA net initial yield

Annualised rental income based on cash rents passing at the balance sheet date, less non recoverable property operating expenses, expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

EPRA topped up net initial yield

EPRA net initial yield adjusted for expiration of rent free periods or other

lease incentives such as discounted rent periods and stepped rents

EPRA Vacancy

The Estimated Rental Value (ERV) of immediately available vacant space 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, adjusted for deferred completions on sales

Logistics

The organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption

Net Debt

The Group's bank loans net of cash balances at the period end

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 2018 at 10.00 am.

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and resolutions 17 to 20 (inclusive) will be proposed as special resolutions.

1. That the Annual Report and Audited Financial Statements for the year ended 31 March 2018 be considered and approved.
2. 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 2018 be approved.
3. That Deloitte LLP be reappointed as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
4. That the Directors be authorised to determine the remuneration of the auditor.
5. That Patrick Vaughan be re-elected as a Director.
6. That Andrew Jones be re-elected as a Director.
7. That Martin McGann be re-elected as a Director.
8. That Valentine Beresford be re-elected as a Director.
9. That Mark Stirling be re-elected as a Director.
10. That James Dean be re-elected as a Director.
11. That Alec Pelmore be re-elected as a Director.
12. That Philip Watson be re-elected as a Director.
13. That Rosalyn Wilton be re-elected as a Director.
14. That Andrew Livingston be re-elected as a Director.
15. That Suzanne Avery be elected as a Director.
16. 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 £23,247,835 (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 16b below in excess of £23,247,835); 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 £46,495,670 (such amount to be reduced by any Relevant Securities allotted or granted under paragraph 16a 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 16a and 16b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting), except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted (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.
17. 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 16 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, 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 16b of resolution 16 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 17a above) up to an aggregate nominal amount of £3,487,175,

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 this 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.

18. That the Directors be and are empowered, in addition to any authority granted under resolution 17, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 16 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 £3,487,175; 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 this 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.

19. 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 69,743,505;
- 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.

20. 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

30 May 2018

Notice of Annual General Meeting continued

Notes to the Notice of the Annual General Meeting:

- (i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend, speak and vote on their behalf, provided that each proxy is appointed to exercise the rights attaching to the different shares held by him or her.
- (ii) Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form.
- (iii) Any person to whom this notice is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 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 notarially certified copy thereof) must be completed and signed and received by Link 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 10.00 am on 9 July 2018. 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 Link 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 9 July 2018. 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 10.00 am on 9 July 2018. 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 2018 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 697,435,054 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:
- 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
 - 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 2018 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 2018.

Resolution 2 – Annual Report on Remuneration

Resolution 2 is an ordinary resolution to approve the Annual Report on Remuneration relating to the implementation of the Company's existing Remuneration Policy, which was approved at last year's Annual General Meeting. 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 3 and 4 – Reappointment of auditors

Resolution 3 relates to the reappointment of Deloitte LLP as the Company's auditor to hold office until the next Annual General Meeting of the Company and Resolution 4 authorises the Directors to set their remuneration.

Resolutions 5 to 15 – Re-election and election of Directors

Resolutions 5 to 15 deal with re-election and election of the Directors (as applicable). Biographies of each of the Directors seeking re-election and election can be found on pages 64 and 65 of the Annual Report and Accounts. The Board has confirmed, following a performance review, that all Directors standing for re-election or election continue to perform effectively and demonstrate commitment to their role.

Resolution 16 – 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 £23,247,835 (representing approximately one third of the Company's issued ordinary share capital as at 30 May 2018) during the period up to the conclusion of the next Annual General Meeting of the Company. Such authority is sought in paragraph 16a of Resolution 16.

In accordance with the guidelines issued by the Investment Association, paragraph 16b of Resolution 16 will allow Directors to allot, including the shares referred to in paragraph 16a of Resolution 16, 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 £46,495,670, representing approximately two thirds of the issued ordinary share capital of the Company as at 30 May 2018.

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 17 and 18 – 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 last year's Annual General Meeting).

The passing of Resolutions 17 and 18 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 17 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 £3,487,175 (representing 34,871,753 shares). This aggregate

nominal amount represents 5% of the issued ordinary share capital of the Company as at 30 May 2018.

Taking into account the template resolutions published by the UK Pre-Emption Group in May 2016, the authority set out in Resolution 18 is limited to allotments or sales of up to an aggregate nominal amount of £3,487,175 (representing 34,871,753 shares) in addition to the authority set out in Resolution 17 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 approximately an additional 5% of the issued ordinary share capital of the Company as at 30 May 2018.

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 19 – Authority to purchase own shares

Resolution 19 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 69,743,505 (representing approximately 10% of the Company's issued ordinary share capital as at 30 May 2018) 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 19 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 2018 (the latest practicable date before publication of this Notice), there were share awards over 7,874,111 ordinary shares in the capital of the Company representing approximately 1.13% 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 approximately 1.13% of the Company's issued ordinary share capital.

Resolution 20 – Notice period for general meetings

It is proposed in Resolution 20 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	30 May 2018
Annual General Meeting	11 July 2018

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
London EC4M 7HP

Savills Advisory Services Limited
33 Margaret Street
London W1G 0JD

Tax Advisors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors to the Company

Jones Day
21 Tudor Street
London EC4Y 0DJ

CMS Cameron McKenna Nabarro Olswang LLP
78 Cannon Place
Cannon Street
London EC4N 6AF

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Mourant Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey
Channel Islands GY1 4HP

Registrar

Link Asset Services
34 Beckenham Road
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 Link Asset Services. Tax vouchers will continue to be sent to the shareholder's registered address.

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Paper

The cover is printed on Revive 100 Silk which is 100% recycled waste. The report text is printed on Revive 100 Silk which is 100% recycled waste, Revive 100 Offset which is 100% recycled waste.



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