
REAL ESTATE FOR MODERN SHOPPING

Annual Report and Accounts 2019

LONDONMETRIC
PROPERTY PLC



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We have built up an 'all weather' portfolio of fit for purpose distribution and long income assets that can deliver reliable and growing income.

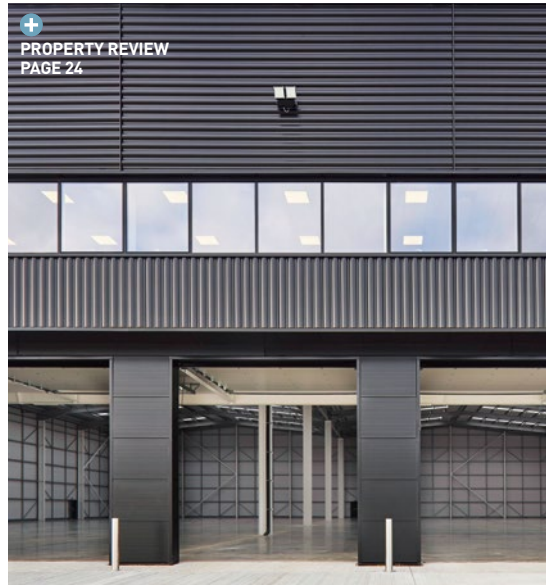
Andrew Jones
Chief Executive



+
HOW OUR PURPOSE WORKS
PAGE 02



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CHIEF EXECUTIVE'S REVIEW
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REVIEW PAGE 40

OUR PURPOSE

FINANCIAL PERFORMANCE

IFRS reported profit

£119.7m

2018: £186.0m

Total accounting return¹

10.7%

2018: 15.4%

EPRA EPS¹

8.8p

2018: 8.5p

Dividend per share

8.2p

2018: 7.9p

To own and manage desirable real estate that meets occupiers' demands, delivers reliable, repetitive and growing income-led returns and outperforms over the long term.

¹ 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. Definitions can be found in the Glossary on page 155.



READ MORE ABOUT HOW OUR PURPOSE WORKS OVER THE FOLLOWING PAGES

HOW OUR PURPOSE WORKS



+
SEE OUR BUSINESS MODEL TO FIND
OUT ABOUT HOW THIS CREATES VALUE
PAGE 20



OWN DESIRABLE REAL ESTATE

Our focus is on fit for purpose logistics, long income and convenience assets that can deliver reliable, repetitive and growing income.

PORTFOLIO ALIGNED TO STRUCTURALLY SUPPORTED SECTORS

Logistics and convenience sectors continue to perform strongly, supported by changes in consumer shopping habits. As retail sales have moved further online, we have responded by growing our distribution exposure to 72.5% of our portfolio. Our particular focus on supply constrained urban logistics has seen this segment grow to 27.3% of our portfolio, our largest sector weighting.

SEE MARKET REVIEW
PAGE 18

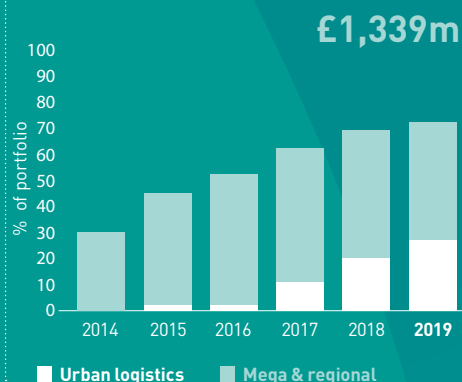
UK ONLINE RETAIL¹

23%
of non food retail sales today

+31%
growth in online non food spend over next 5 years

¹ Source: Global Data

GROWTH IN DISTRIBUTION ASSETS OVER FIVE YEARS



ASSET SELECTION INCREASINGLY CRUCIAL

We have continued to sell down our multi-let retail parks which now account for under 5% of the portfolio. We have also taken advantage of strong investor appetite to sell selective distribution assets, particularly larger and shorter let distribution warehousing located in weaker geographies where rental growth is less certain.

Our reinvestment has concentrated on urban logistics in superior geographies, as well as long income and convenience assets, where we see better rental growth prospects.

SEE PROPERTY REVIEW
PAGE 24

DISPOSALS

£238m
of disposals

9 years
WAULT

14%
with guaranteed rental uplifts

DISPOSAL OF 335,000 SQ FT DISTRIBUTION, SHEFFIELD



ACQUISITIONS

£163m
of acquisitions

14 years
WAULT

63%
with guaranteed rental uplifts

ACQUISITION OF ROYAL MAIL DISTRIBUTION, MILTON KEYNES





MANAGE & ENHANCE RESPONSIBLY

We constantly look to improve the quality and desirability of our assets. We work closely with our occupiers to deliver real estate solutions that will help their businesses thrive. Our asset management and short cycle developments are undertaken responsibly with both local communities and the environment in mind.

HIGHLIGHTS

50

occupier transactions

+5.7%

like for like income growth

11 years

average lease length on lettings

+11.7%

income growth from rent reviews (5 year equivalent basis)

67%

GRESB sustainability score (increased from 34% in 2014)

Distribution development

During the year, we built 188,000 sq ft at our Bedford distribution development.

Two of the three units have been let, representing 73% of anticipated income from phase 1.

The full development is expected to total just under 700,000 sq ft and deliver a yield on cost of 7.0%.

We have worked closely with the local community throughout the development.



Phase 1 development at our Bedford Link site



SEE FULL CASE STUDY
PAGES 32 – 33



Representation of our Aldi development at Weymouth

4 convenience store developments underway or in pipeline

Convenience food is performing well as internet penetration rates for food remain low and top-up food shopping gains in popularity.

Along with occupier-led acquisitions in the year, our convenience portfolio has grown to 22 assets let mainly to Aldi, Lidl, M&S and the Co-op on long leases.

Our convenience store developments are being built at attractive yields, most of which are BREEAM Very Good.



SEE PROPERTY REVIEW
PAGE 24



Our DPD warehouse at Frimley let during the year

Lettings across 1.9m sq ft

We signed 19 lettings with our occupiers in the year on long leases on average of between 10-15 years.

Distribution lettings added £1.6 million of income and achieved significant rental uplifts against previous passing rent. The WAULT on regeared assets increased from four years to 11 years.

On some of these lettings, we are working with our occupiers to improve the energy efficiency of our buildings.

BREEAM – 'Very Good'

75% of our developments completed in the year were certified BREEAM Very Good.



SEE RESPONSIBLE BUSINESS
REVIEW PAGE 40



EXPERTISE & RELATIONSHIPS

The key to the Company's success is our highly talented and motivated team. We promote a culture of empowerment, inclusion and collaboration across our teams. It is their skills and the relationships they build with both occupiers and our wider stakeholders that make us a partner of choice.

HIGHLIGHTS

28

highly skilled employees

98%

occupancy

+9.0%

total property return

9.0

out of 10 in the 2019 occupier contentment survey

SEE RESPONSIBLE BUSINESS REVIEW PAGE 40

OUR STAKEHOLDERS



OUR OCCUPIERS

Our occupier-led approach provides us with market knowledge to better understand future trends and make the right asset decisions.

Our high occupancy rate and customer satisfaction score demonstrate the strength and depth of these relationships. Extending existing relationships and developing new contacts continue to be a key area of focus for us.

In the year, our customer satisfaction score improved from 8.5 to 9.0 out of 10.0 based on how well we compared against other landlords.



“

LondonMetric has a track record of supporting us. They understand our needs and seek solutions that work for both of us and them. Their open and honest approach is refreshing.

Property Director
at a key occupier

LOCAL COMMUNITIES

We recognise the importance of supporting our local communities and engaging with all local stakeholders.

We aim to maximise the local benefits from our activities and work hard to develop relationships with local authorities, schools, charities, residents and businesses.



OUR CONTRACTORS & SUPPLIERS

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

We select high quality and robust contractors, work closely with them throughout the project, monitor their compliance with our requirements and promote a strong focus on developing good local community relationships.

“

Community engagement is a high priority for Winvic and we work hard to deliver projects in a considerate way. It was great to work with LondonMetric who share these values and who are equally committed to building relationships with the local community.



Sam Vickers
Project Manager,
Winvic Construction Ltd

OUR INVESTORS

We value our good relationships with investors and debt providers to ensure full access to capital markets.

Over the year, we saw over 230 equity investors and a number of debt investors at meetings, site visits and conferences. We also continue to enjoy strong relationships with our joint venture partners.



OUR PEOPLE

We have a highly skilled team of 28. Our future success is reliant on a diverse team with strong expertise and we continue to work to improve our approach to managing our people.

In the year, we undertook a significant refit of the office as well as other initiatives to improve the wellbeing of our employees.







GENERATE INCOME GROWTH

Income is central to our investment approach in a low return environment. 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.

PORTFOLIO DELIVERING DIVIDEND PROGRESSION

The extended period of low economic growth and low interest rates continues to create a strong demand for yield that is being intensified by the increase in numbers entering retirement age and improved life expectancy.

Some real estate sectors are ideally suited to meet this demand for yield. We believe strongly in the compounding attractions of sustainable, repetitive and growing income streams from real estate to deliver long term consistent outperformance.

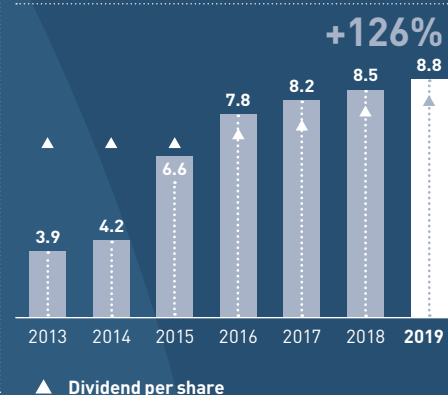
INCOME AS % OF UK REAL ESTATE TOTAL RETURNS ¹

130%

Average for UK property (next 5 years)

¹ Source: Capital Economics

EPRA EPS GROWTH OF 126% SINCE 2013, ALLOWING DIVIDEND PROGRESSION



SECURITY OF INCOME WITH INCOME GROWTH

We have sector leading portfolio metrics with 12.5 years average lease lengths, 98% occupancy and only 3.5% of income expiring over three years. The portfolio is focused on operationally light assets, mostly single let. This keeps our property costs very low with only 1.8% gross to net income leakage.

We have certainty of income growth with 63% of income subject to contractual uplifts.

We are also capturing strong open market rental uplifts across the portfolio. Our development and other asset management activities provide further income growth potential.

INCOME METRICS

63%

of portfolio with contractual uplifts

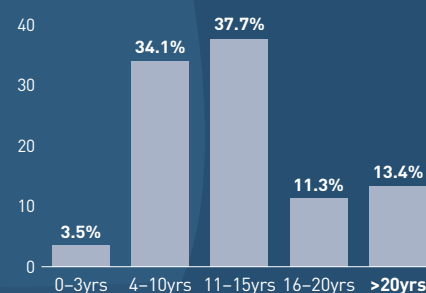
>4.5%

average like for like income growth over last 3 years

12.5 years

WAULT

LEASE EXPIRY PROFILE

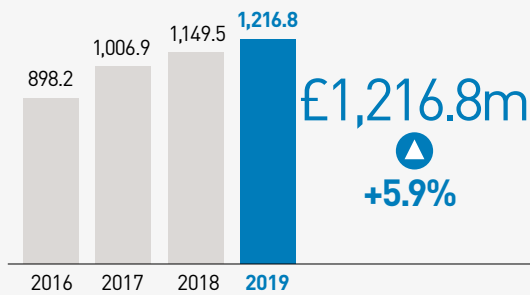


SEE OUR MARKETS
PAGE 18

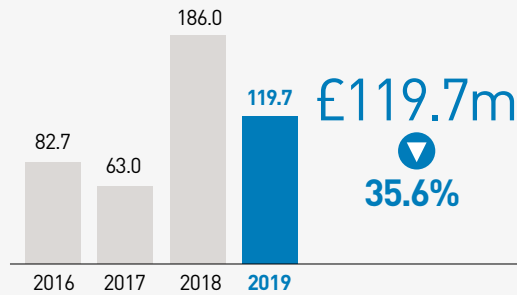
SEE PROPERTY REVIEW
PAGE 24

PERFORMANCE HIGHLIGHTS

IFRS net assets



IFRS reported profit



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%.

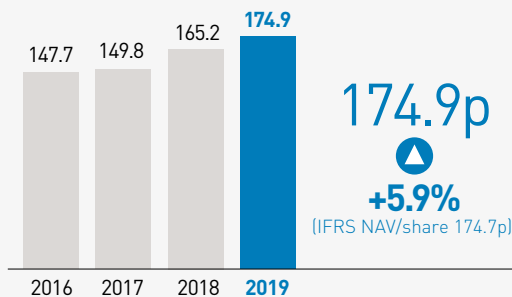
Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures on a line by line basis. The key financial performance indicators are also presented on this basis.

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.

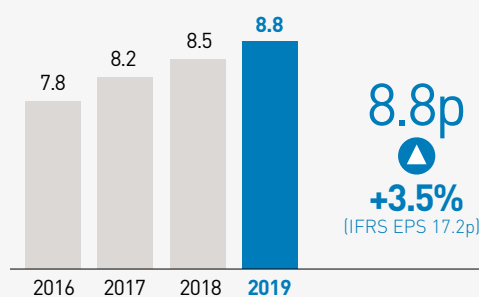
Therefore, unless specifically stated, the performance metrics and financial results reflected in the Strategic Report and on this page, reflect the Group's wholly owned assets and its share of joint venture assets and the EPRA BPR reporting framework.

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.

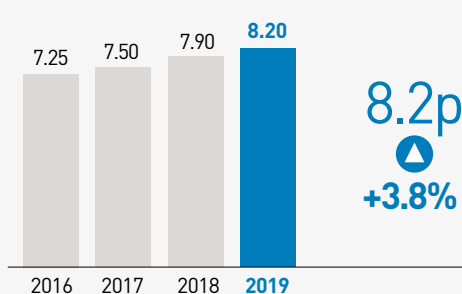
EPRA net asset value per share



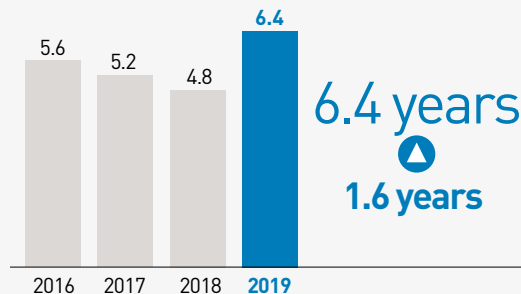
EPRA EPS



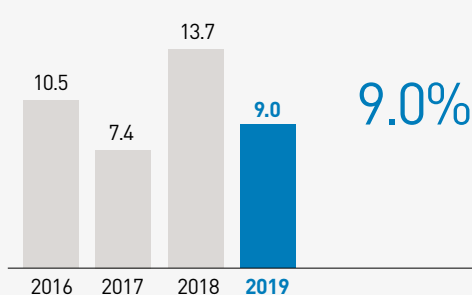
Dividend per share



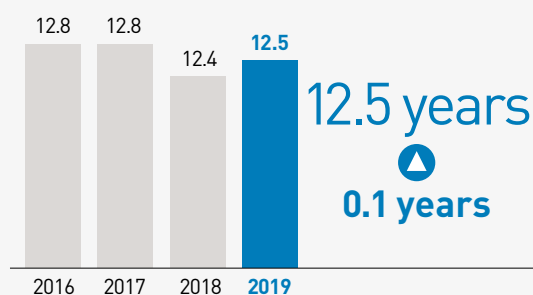
Debt maturity



Total property return



WAULT



THE DEFINITION OF EACH EPRA MEASURE CAN BE FOUND IN THE GLOSSARY ON PAGE 155

CHAIRMAN'S STATEMENT



The Company's actions and strong performance continue to reflect its focus on owning long let logistics and convenience assets that can deliver reliable and growing income.

Patrick Vaughan
Chairman

Total shareholder return over six years since merger

156%

Significantly outperformed FTSE 350 Real Estate Super Sector average of 57%

Dividend increase in the year

+4%

Fourth year of progression



It's now ten years since we emerged from the Global Financial Crisis and history would suggest that we are in late cycle territory and that a correction is overdue. But looking ahead to the next decade, mitigating factors point to an extension of the current cycle.

Firstly, annual growth rates over the last decade have been relatively constrained and markets have remained largely rational. Secondly, interest rates have barely moved from their unprecedented low levels and, with a relatively modest outlook for wage inflation and the global economy, are unlikely to change significantly in the medium term. Finally, we live in a world where technological and political disruption is challenging long established principles and an ageing population is creating an unprecedented demand for income.

This backdrop has wide ranging consequences for real estate. Whilst many continue to see property as a trading commodity and an opportunity to reposition and crystallise capital appreciation, we believe that the most attractive characteristic of property is its income compounding quality over the longer term. The ability to generate reliable, repetitive and growing income returns makes certain property sectors a perfect asset class in which to deploy capital in the current investment environment.

However, we are acutely aware that this doesn't apply to all property. History would suggest that downward repricing is caused by serious imbalances in supply and demand. The real estate market is not seeing such imbalances but some real estate sectors are facing disruption in demand from structural change that is material, permanent and unrelated to a property cycle downturn. In particular, the migration to online shopping is causing a serious downturn in traditional retail property and this disruption will continue to cause a downward trajectory in income and have a destructive impact on valuations.

The Company's actions and strong performance continue to reflect its focus on owning good assets, in structurally supported sectors of logistics and convenience-led retail, that are let to strong occupiers, on long leases and that can deliver reliable and growing income.

During the year, the Company increased EPRA earnings per share by 3.5% and dividends per share by 3.8%, a fourth year of progression. It significantly outperformed IPD All Property, increased EPRA NAV per share by 5.9% and reported a profit of £119.7 million. Further debt arrangements have also been put in place to lengthen our debt maturity and provide flexibility whilst maintaining a prudent level of gearing.

As a measure of our longer term progress and performance, over the six years since our merger, we have delivered a total shareholder return of 156% and significantly outperformed the FTSE 350 Real Estate Super Sector average of 57%. Despite much uncertainty, we look forward to building on this performance knowing that our decisions put us in a strong position to outperform and further progress the dividend.

We recognise that the success of the Company is reliant on our people and I would like to thank the Board and all of our employees for their continued hard work. We have reviewed the structure of the Board during the year in the light of changes to the Corporate Governance Code. As a consequence, Alec Pelmore and Philip Watson retired as Non Executive Directors at the end of the year. I thank them both for their dedication over nine years and I warmly welcome Robert Fowlds, who joined the Board on 31 January 2019.

To ensure a balance between Executive and Non Executive Directors, both Valentine Beresford and Mark Stirling will step down at the AGM in July, but will remain an integral part of the senior executive team in their respective roles as Investment Director and Asset Director.

I am also pleased that we have agreed a £414.7 million recommended offer to acquire A&J Mucklow Group plc. The combination of their assets, approximately 70% of which is in distribution and industrial property, is consistent with our strategy of increasing our urban logistics exposure. The combination has compelling strategic and portfolio rationale with strong operational and financial benefits. I am delighted to say that we think this deal will be immediately earnings enhancing for shareholders. There will be work to do, but we are excited by the reversionary and asset management potential of their assets which will underpin and further support our progressive dividend policy.

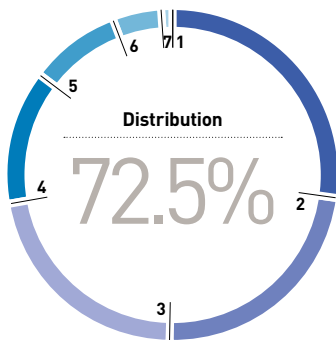
Patrick Vaughan
Chairman

23 May 2019

AT A GLANCE

We own real estate that has structural support from changing consumer shopping habits. Our distribution exposure has increased to 72.5% of the portfolio and the Company is delivering sustainable and growing income.

Our focus on distribution, long income & convenience-led retail¹

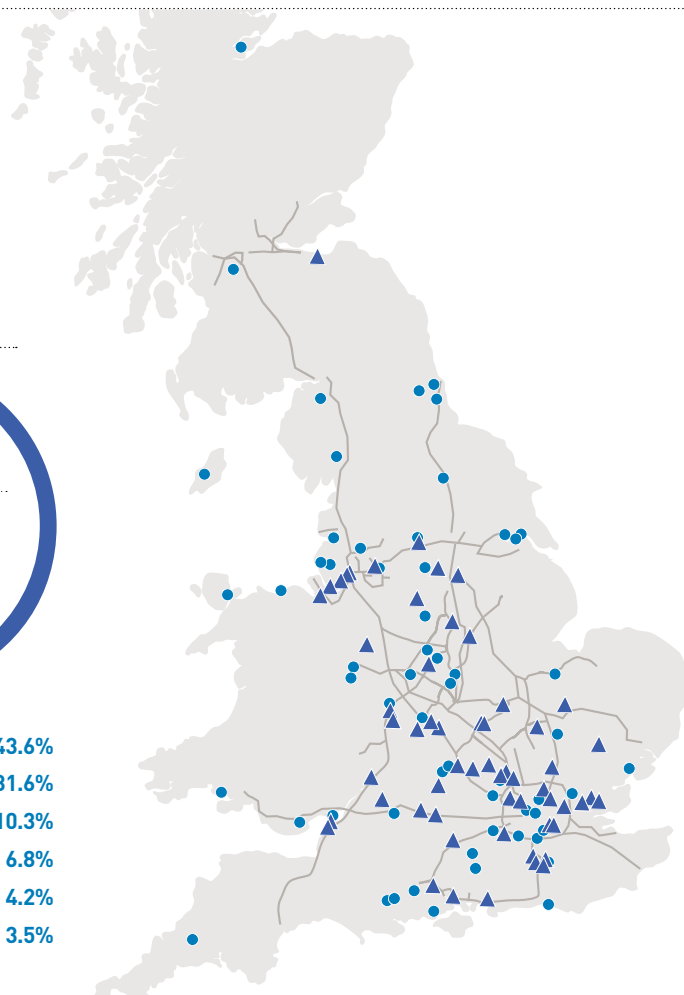


1 Urban Logistics	27.3%
2 Mega Distribution	23.1%
3 Regional Distribution	22.1%
4 Long Income	12.9%
5 Convenience & Leisure	9.0%
6 Retail Parks	4.7%
7 Residential	0.9%

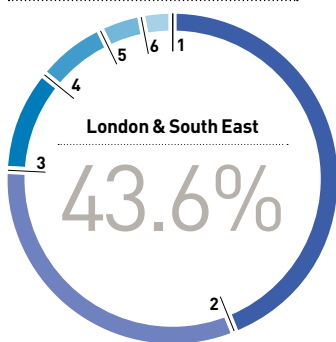
¹ Including developments, based on value

Where our assets are located

- ▲ Distribution
- Long Income & Convenience-led retail



Assets by geography¹



1 London & South East	43.6%
2 Midlands	31.6%
3 North East & Yorkshire	10.3%
4 North West	6.8%
5 South West	4.2%
6 Other	3.5%

Top occupiers by contracted income

PRIMARK*	10.9%
Dixons Carphone	8.8%
M&S <small>EST. 1884</small>	5.2%
Argos	4.7%
Eddie Stobart	4.6%
dfs	4.3%
DHL <small>EXPRESS</small>	3.5%
ODEON	3.3%
TESCO	2.8%
Clipper	2.6%
amazon	2.4%
Wickes	2.3%
next	2.1%

Our portfolio

MEGA & REGIONAL DISTRIBUTION

**Mega Distribution**

Large scale modern distribution units, greater than 500,000 sq ft and located close to major arterial routes.

Regional Distribution

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

17 ASSETS,
6.6M SQ FT

VALUE:
£835 MILLION

RENT:
£37.5M (£5.80 PSF)

WAULT:
15 YEARS

CONTRACTUAL UPLIFTS:
88%

Portfolio value

£1,846m

2018: £1,842m

Total property return

+9.0%

2018: +13.7%

WAULT

12.5 years

2018: 12.4 years

Occupancy

97.8%

2018: 97.5%

Contractual rental uplifts

63%

2018: 50%

URBAN DISTRIBUTION

**Urban Distribution**

Smaller logistics units, strategically located in or close to dense areas of population to meet increasing consumer demands for next and same day delivery.

55 ASSETS,
3.3M SQ FT

VALUE:
£504 MILLION

RENT:
£21.5M (£6.70 PSF)

WAULT:
10 YEARS

CONTRACTUAL UPLIFTS:
44%

LONG INCOME & CONVENIENCE-LED RETAIL

**Convenience & Leisure**

Convenience-led stores let to M&S, Aldi and Lidl and several Odeon cinemas.

Long Income

Properties held within our DFS and MIPP joint ventures and several wholly owned properties.

Retail Parks

Consists of three remaining multi-let retail parks.

63 ASSETS,
2.2M SQ FT

VALUE:
£490 MILLION

RENT:
£30.5M (£17.90 PSF)

WAULT:
12 YEARS

CONTRACTUAL UPLIFTS:
46%

OUR STRATEGIC PRIORITIES



Own desirable real estate

Own real estate that meets occupiers' needs

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

[+ READ MORE ON PAGE 03](#)



Manage & enhance responsibly

Manage & enhance our assets responsibly and help occupiers thrive

3. Improve the quality and sustainability of our assets
4. Add income and value from asset management and development actions

[+ READ MORE ON PAGE 04](#)



Experience & relationships

Maximise our expertise and build relationships to make us the partner of choice

5. Remain disciplined in our investment approach
6. Build on the team's expertise and relationships to maintain strong portfolio metrics and make better informed decisions

[+ READ MORE ON PAGE 06](#)



Generate income growth

Deliver reliable, repetitive and growing income-led total returns

7. Generate reliable income with income growth potential from financially secure occupiers
8. Minimise operational, financial and frictional costs of managing the portfolio

[+ READ MORE ON PAGE 09](#)

CHIEF EXECUTIVE'S REVIEW



We have built up an 'all weather' portfolio of fit for purpose distribution and long income assets that can deliver reliable and growing income.

Andrew Jones
Chief Executive

Record UK distribution take up in 2018

31.5m sq ft

Distribution rental growth over next 4 years

+2.1% per annum

Overview

The Company's purpose is to own and manage UK real estate that can deliver reliable, repetitive and growing income-led returns and that will outperform over the long term. In summary, we aim to behave as a true REIT.

We continue to operate within a market framed by political and economic uncertainty combined with ongoing structural changes and technological disruption. Whilst it's not always easy to predict outcomes, the direction of travel is clear so we continue to prepare and adapt.

The property market appears to be broadly in a state of equilibrium and this period of yield tranquillity is set to continue. As I commented at the half year, however, we continue to see a further polarisation across certain real estate subsectors as yields adjust further to more realistically reflect the anticipated trajectory, certainty and timing of future rental cashflows. 'Beds, sheds & meds' continue to be clear winners whilst operational shopping centres, department stores and retail parks have been the undeniable losers.

I also stated previously that I didn't think that the market was properly discriminating and that it was time to own not only the winning sectors but also the right assets in those sectors. Today, we believe these principles are more important than ever to delivering attractive long term returns.

It is this focus that frames our capital allocation and has created what we believe is an 'all weather' portfolio of fit for purpose distribution and long income assets where we can take a longer term investment view and collect, compound and grow our income.

Logistics continuing to benefit from online adoption

Despite the gloomy headlines for retail, it's not necessarily a case of consumers shopping less but more about how they are choosing to shop.

The internet continues to change consumer shopping patterns with sales continually moving away from physical stores towards online. The percentage of non-food retail sales that are now online has grown to an estimated 23% and is expected to increase further to 28% by 2023. Indeed we believe that these profound changes will be of greater significance over the next 5–10 years than what ultimately happens with the UK's relationship with the EU.

These shifts in consumer shopping patterns are causing significant challenges for many established retailer business models. Those retailers that adapt quickly enough will ultimately win, probably at the expense of those who cling to the old ways, who will likely fail and disappear. The survivors are already inheriting unprecedented pricing power on lease renewal negotiations which will further compound this advantage. This shift is firmly underway and it continues to influence our sectoral choices, asset selections and credit decisions.

It is clear that the ecommerce revolution is continuing to drive sustained demand for logistics and warehouse space with CBRE reporting record logistics take up in 2018 of 31.5 million sq ft, driven in particular by demand from online retailers. Whilst supply levels and speculative development has responded, vacancy rates continue to remain at historically low levels. Furthermore, after several years of consistent rental growth, JLL is still forecasting further rental growth in logistics of 2.1% per annum over the next four years, outperforming most other real estate subsectors.

Interestingly rental growth is expected to vary significantly by region. One of the top performing regions over the next five years is expected to be London and the South East, with JLL forecasting growth of 4.6% per annum. Other regions that are expected by Gerald Eve to outperform include the North West and the West Midlands. Urban logistics 'last mile' is expected to benefit in particular with this subsector witnessing ever reducing levels of supply as urbanisation leads to stronger competition from more valuable alternative land uses.

Own desirable real estate



Experience & relationships



Urban logistics acquisitions

£106.6m

Mega & regional distribution disposals

£115.6m

Our portfolio is aligned to distribution assets that will outperform

Our exposure to distribution has grown over the year to represent 72.5% of our portfolio. Whilst we look to grow our logistics exposure further, our overwhelming focus is to own the right assets that can provide reliable, repetitive and growing income.

The positive momentum in logistics is clear and we expect it to continue to outperform other real estate sectors as investors remain attracted by the sector's strong fundamentals, as well as a need to further re-weight real estate allocations away from legacy sectors, primarily retail. However, one of the consequences of elevated levels of investor demand is that we quite often see too much optimism factored into pricing as investors exuberantly extrapolate the sector's strong fundamentals. We have seen this particularly in larger box distribution and shorter let assets located in weaker geographies.

As a result, we are increasingly rejecting many new opportunities that come across our desks and have taken advantage of market strength to sell our weaker assets for good prices. Over the year, we sold £155.1 million of distribution assets, of which £115.6 million was mega and regional distribution warehouses. Two thirds of the sales were in Yorkshire and half were non income producing, the majority of which related to the sale of a 527,000 sq ft warehouse formerly let to Poundworld and a 335,000 sq ft warehouse let to Marks & Spencer but sold on a vacant basis. The WAULT to first break on the remaining assets sold was just four years.

Our reinvestment has continued to focus on urban logistics where we see superior rental growth prospects. In the year, we acquired £106.6 million of urban assets which, together with further expenditure on developments, has helped to increase our urban logistics platform over the year from £366.5 million to £503.9 million, representing 38% of our total distribution portfolio. Our focus on long income and strong locations, has increased the WAULT on our urban logistics to 10 years and its London and South East weighting to 64%.

Long income and convenience-led retail continues to deliver

There are still many weak parts of the retail property market where assets are materially over-rented, let to distressed occupiers, in increasingly marginal locations, with impending capex liabilities and shortening lease lengths. Whilst the operational-led retail real estate market has already seen material valuation falls, we expect values to weaken further.

We have continued to divest our multi-let operational retail parks and disposed of two parks, both at book value. Three retail parks remain and they account for less than 5% of our portfolio, down from 20% four years ago. Whilst they are modern fit for purpose assets, 98.8% let on an average lease length of 10 years, across the board price reductions by valuers, who are increasingly sentiment driven, resulted in these parks delivering a total property return over the year of -3.2% and these assets are now valued at a blended NIY of 6.3%. However, despite these falls, our shareholders have still made good profits compared to historic cost.

Despite the well publicised challenges, we do not think that all retail assets are heading into history and that some of the pessimism is overdone. Indeed our long let assets continue to successfully navigate the retail disruption and, whilst not immune from the challenges, delivered a total property return over the year of 4.8%. In particular, convenience food is performing well as internet penetration rates for food remain low and top up shopping continues to grow in popularity.

We spotted this trend a number of years ago when we acquired our first standalone Aldi store and have grown this to 22 convenience stores let to occupiers such as Aldi, Lidl, M&S and the Co-op. We have been able to acquire and build these assets at attractive prices, often in conjunction with our occupiers, well before the market fully appreciates their true intrinsic values.

In the year, we selectively acquired £56.7 million of further long let income opportunities, with average lease lengths of 18 years and 67% of the income benefiting from contractual rental uplifts. As well as convenience stores, some of these acquisitions related to service-led opportunities and roadside assets.

Overall, our retail and leisure portfolio is well located and has strong income characteristics with 99.8% occupancy, a WAULT of 12 years let to good occupiers at sustainable rents, with low operational requirements and average lot sizes of under £10 million.

Generate income growth



We have highlighted on previous occasions our view that income and income growth would be the defining characteristics of the next decade's investment environment.

Growth rates across the world continue to moderate and 10 year government bond yields have returned to historically low levels. This benign economic environment coincides with the impending demographic explosion in the number of retirees across the globe. In the UK, the old age dependency ratio (pensioners per 1,000 people of working age) is expected to rise from 280 to 364 in 20 years' time, a 30% increase.

Therefore, we believe that well located property, that is let on long leases to strong credits, delivering a return that is 400-500 bps higher than government bonds, is increasingly attractive. If you overlay an inflation hedge then the margin over bond yields becomes even more attractive.

Our portfolio's income metrics remain strong

Income and income growth remain a key priority, which allows us to be a little less obsessed about predicting exact market movements or timing of cycles.

Our portfolio's income metrics remain strong with 98% occupancy, long leases averaging 12.5 years and only 3.5% of income expiring within three years. Our focus on single let properties with very limited defensive capex requirements, something we refer to as 'Triple net income', continues to contain our gross to net income leakage at under 2%.

Average lease lengths

12.5 years

Manage & enhance responsibly



We are strongly of the view that delivering income growth will be crucial for future outperformance. Therefore, our portfolio has consciously been constructed to deliver this growth in three ways:

1. Contractual uplifts in the form of RPI, CPI or fixed increases – 63% of our rental income benefits from some form of contractual uplift (up from 50% 12 months ago) and this dominates our mega and regional logistics assets as well as our convenience and leisure assets;
2. Organic growth through the five yearly rent review cycles – this predominantly relates to our urban logistics portfolio, where we are settling material uplifts on open market rent reviews; and
3. Asset management and development initiatives – historically this was focused across our retail park assets but now is increasingly being undertaken within our urban logistics portfolio where we look to invest alongside our occupiers to deliver fit for purpose real estate.

During the year, our lettings and rent reviews helped to deliver £3.2 million of additional income. We signed 11 distribution lettings and regears across 1.9 million sq ft which significantly increased rents and extended the lease lengths on regearred properties from four years to 11 years. Rent reviews were settled at 11.7% ahead of passing on a five yearly equivalent basis. These deals helped to grow like for like income by 5.7% over the year.

Percentage of portfolio with contractual income uplifts

63%



Income and income growth remain a key priority and our metrics are strong. Our asset management and development activity continues to improve the quality of our income.

OUTLOOK

The decision to pivot the portfolio a number of years ago to align with the structural changes in shopping habits continues to bear fruit and we expect further outperformance as real estate assets continue to polarise. Our strategic repositioning since 2013 means that we increasingly like what we own and expect it to deliver strong income and income growth.

We have exited assets and sectors that we regard as less attractive and have invested in stronger assets within the winning sectors. We can't always predict, but we can prepare, and so we will continue to evolve to ensure that our portfolio remains fit for purpose. If we avoid the losers, the winners will look after themselves.

We will stay rational, unemotional and above all patient. We will move forward using our experience and expertise to help guide us and accepting that, amongst uncertainty, we cannot be so optimistic that we want to bid on everything, but neither are we so bearish that we want to sell everything; remembering that when the dust settles and all the uncertainty has disappeared, there will be no bargains left.

Our long term 'all weather' approach, combined with our belief in the merits of behaving as a 'true REIT' and full shareholder alignment, will ensure that we continue to progress the dividend and deliver compounding returns.

OUR MARKETS

Real estate remains an attractive investment class supported by an economic backdrop of low interest rates and an increasing need for real income returns. However, there has been a significant polarisation in performances across the commercial subsectors and real estate has to be fit for purpose to navigate a rapidly evolving environment.

ECONOMIC BACKGROUND REMAINS SUPPORTIVE OF REAL ESTATE

The UK economy remains relatively robust. GDP growth remains resilient and is forecast to be around c.2% per annum over the next few years. Interest rates remain at historic lows and inflation is set to average c.3% per annum over the next year. With evidence of real wage inflation and continued low unemployment, consumer spending is picking up.

UK real estate remains attractive in this environment, delivering a positive yield arbitrage and positive real returns. Whilst the sector has delivered strong returns, property returns over the next five years are expected to average c.4% per annum of which income is expected to represent 130% of total returns.

UK GDP growth¹

+2%_{pa}

GDP growth remains resilient over next few years

UK property returns²

+4%_{pa}

look forward returns expected over next 5 years

Income contribution²

130%

of total property returns generated by income over next 5 years

¹ Bank of England
² Capital Economics

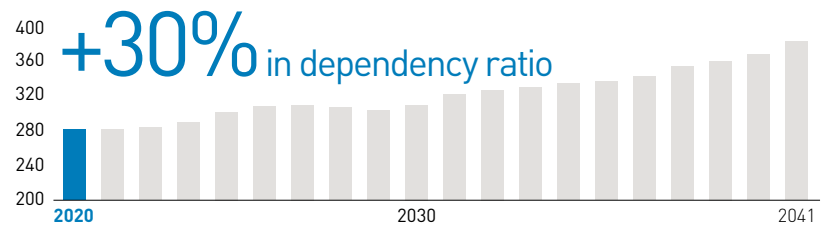
INCREASING NEED FOR RELIABLE, REPETITIVE AND GROWING INCOME

As growth rates across the world continue to moderate, this benign economic environment is coinciding with an impending demographic tsunami where a significant increase in the number of retirees is expected.

In the UK, the old age dependency ratio is expected to rise from 280 in 2020 to 364 in 2040, a 30% increase. These demographic shifts and greater

longevity of life are having a profound impact on the search for income. Pensions freedoms together with reduction in annuity rates have led many to seek alternative sources of income. Real estate that is let on long leases to strong credits, delivering a return that is 400-500 bps higher than government bonds is increasingly attractive, particularly where there are income growth prospects.

Old age dependency ratio (per 1,000 people of working age)



Source: ONS

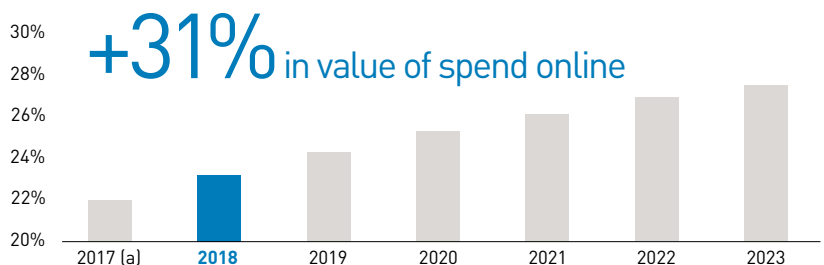
MODERN SHOPPING HABITS AND TECHNOLOGY DRIVING ECOMMERCE AT THE EXPENSE OF TRADITIONAL RETAIL

The internet continues to change consumer shopping patterns with sales continually moving away from physical stores towards online. The percentage of non food retail sales online has grown to an estimated 23% and is expected to increase further to 28% by 2023, a 31% growth.

The growth in ecommerce has caused significant disruption for traditional retail property particularly shopping centres,

retail parks, high street shops and large format food stores where there remains over-supply, tenant defaults, falling rents and a thin investment market. Retailers are actively reducing their retail property footprint and this trend shows no signs of slowing down with store closures, CVAs and insolvencies continuing. Conversely, logistics and industrial property has benefited as companies seek to improve their distribution infrastructure.

UK Online Retail (percentage of non food spend online)



Source: Global Data

STRONG OCCUPATIONAL DEMAND FOR LOGISTICS & CONVENIENCE-LED RETAIL

Modern and efficient logistics and fulfilment space is required to deliver to the consumer seamlessly through both the store network and home delivery. CBRE estimates that 31.5 million sq ft of distribution space was taken up in 2018, compared to a five year average of c.23.6 million sq ft.

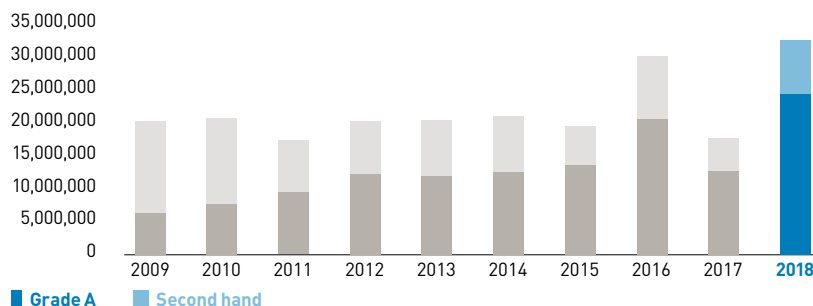
CBRE expects the ecommerce revolution will continue to drive sustained occupier demand for logistics and industrial space. Whilst supply levels and speculative development have responded to increased demand, vacancy rates continue to remain at low levels. Furthermore, after several years of sustained rental growth, JLL forecasts further rental growth in logistics of 2.1% per annum over the next four years, outperforming most other real estate subsectors.

Urban logistics

Increased parcel deliveries and rising retailer promises to deliver to your home or place of work 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 seeing highly restricted and ever reducing levels of supply as urbanisation leads to stronger competition from more valuable land uses such as residential, self-storage and student accommodation. This is particularly the case around major conurbations which is leading to strong rental growth in these areas. Over the next five years, according to JLL, rental growth is expected to be the strongest in London & the South East at 4.6% per annum.

Record logistics take up of 31.5m sq ft



Source: CBRE

Convenience Retail and long income

Changes in shopping habits have also seen consumers shift away from the weekly shop to more frequent top up shopping. Convenience is set to be one of the fastest growing channels in the UK food and grocery market and is predicted to grow to £47 billion by 2023. Aldi and Lidl have grown their combined food market share significantly over the last four years from 8% to 14%.

Similarly there is strong consumer appeal for propositions that offer experiences, are service-led or leisure related such as cinemas and hotels. Property that caters for these markets is increasingly in demand and is being bought by 'long income' type investors.

Rental growth for logistics

Overall

+2%_{pa}

over next four years

London & South East

+5%_{pa}

over next five years

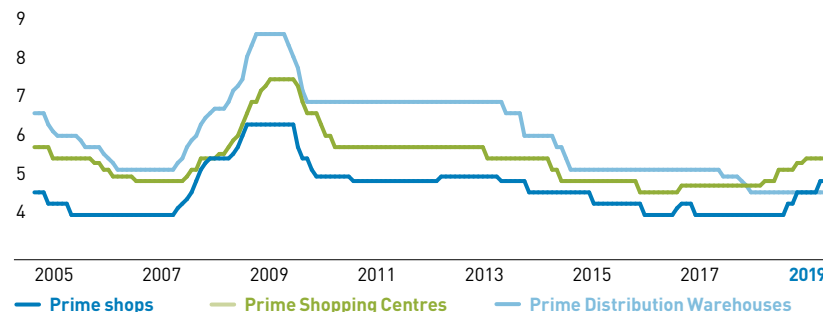
Source: JLL

INVESTORS REALLOCATING REAL ESTATE WEIGHTINGS TO DISTRIBUTION AND LONG INCOME ASSETS

The supportive occupational market has meant that the investment market for logistics in 2018 was strong with JLL estimating £7.6 billion of investment activity, 45% ahead of the ten year average. Investor demand continues to be underpinned by strong occupational fundamentals, positive investor sentiment towards the sector and the need for investors to further re-weight their real estate allocations to logistics.

However, after a number of strong years, investors are becoming increasingly selective with greater focus on longer-dated secure income or assets located around London, the South East and other major cities.

Prime retail yields v prime distribution yields (%)



Source: CBRE

OUR BUSINESS MODEL

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 management initiatives on time, on budget and in adherence with our standards is a 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
PAGES 40 – 49

THE VALUE WE CREATE

Total shareholder return (6 years since merger)

+156%

Dividend growth

+3.8%

Total accounting return

+10.7%

Sustainable improvements

25%

of portfolio BREEAM Very Good or Excellent

EPRA EPS growth

+3.5%

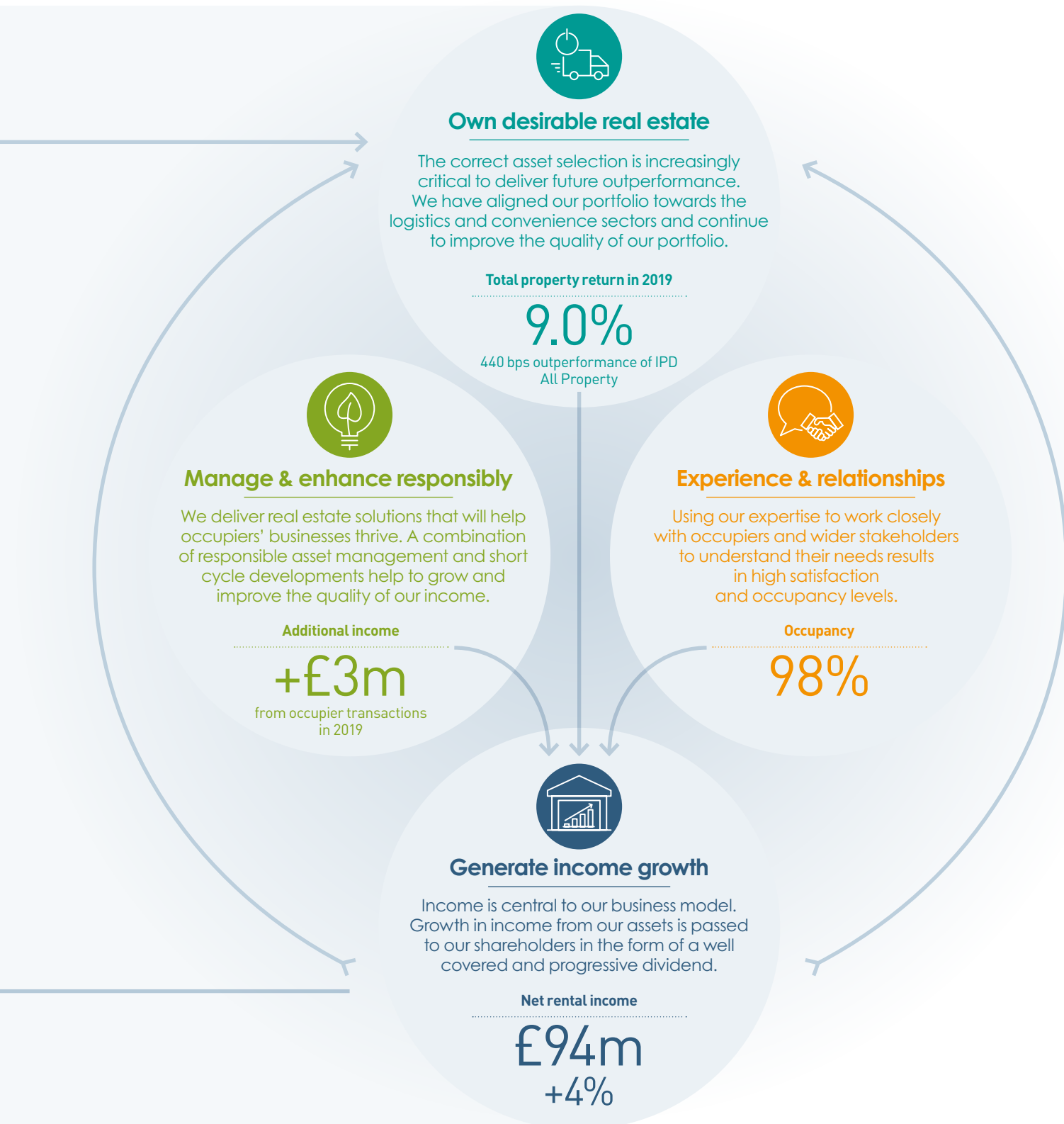
Community benefits

900+

permanent jobs expected to be created by occupiers at our developments completed in the year or underway



OUR PURPOSE DRIVES OUR ABILITY TO CREATE SUSTAINABLE INCOME, DRIVE INCOME GROWTH AND CREATE VALUE



KEY PERFORMANCE INDICATORS

We continue to track seven key performance indicators ('KPIs') to monitor the performance of the business, which includes 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>2019</td><td>17.0</td></tr> <tr><td>2018</td><td>16.6</td></tr> <tr><td>2017</td><td>4.4</td></tr> </table>	2019	17.0	2018	16.6	2017	4.4	<p>Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the six years post merger was 156%, more than double the FTSE 350 Real Estate Super Sector index movement of 57%.</p> <p>12 month TSR delivered 17.0% compared to the FTSE 350 Real Estate Super Sector return of -0.3%.</p>
2019	17.0							
2018	16.6							
2017	4.4							
Maximise long term total accounting return 	Total accounting return (%) <table border="1"> <tr><td>2019</td><td>10.7</td></tr> <tr><td>2018</td><td>15.5</td></tr> <tr><td>2017</td><td>6.4</td></tr> </table>	2019	10.7	2018	15.5	2017	6.4	<p>Total Accounting Return ('TAR') of EPRA NAV movement together with dividend paid in the year. 12 month TAR delivered a return of 10.7%.</p> <p>The full calculation can be found in Supplementary note viii on page 152.</p>
2019	10.7							
2018	15.5							
2017	6.4							
Maximise property portfolio returns 	Total property return (%) <table border="1"> <tr><td>2019</td><td>9.0</td></tr> <tr><td>2018</td><td>13.7</td></tr> <tr><td>2017</td><td>7.4</td></tr> </table>	2019	9.0	2018	13.7	2017	7.4	<p>Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD.</p> <p>12 months TPR delivered a return of 9.0% compared to the IPD All Property benchmark of 4.6%.</p>
2019	9.0							
2018	13.7							
2017	7.4							
Deliver sustainable growth in EPRA earnings 	EPRA earnings per share (p) <table border="1"> <tr><td>2019</td><td>8.8</td></tr> <tr><td>2018</td><td>8.5</td></tr> <tr><td>2017</td><td>8.2</td></tr> </table>	2019	8.8	2018	8.5	2017	8.2	<p>EPRA earnings per share from operational activities have grown by 3.5% over the last 12 months.</p> <p>In the six years post merger, EPRA earnings per share has grown by 126% from 3.9p to 8.8p per share.</p>
2019	8.8							
2018	8.5							
2017	8.2							
Drive like for like income growth through management actions 	Like for like income growth (%) <table border="1"> <tr><td>2019</td><td>5.7</td></tr> <tr><td>2018</td><td>4.3</td></tr> <tr><td>2017</td><td>4.6</td></tr> </table>	2019	5.7	2018	4.3	2017	4.6	<p>The movement in the contracted rental income on properties owned through the period increased by 5.7%.</p> <p>Additional income was generated from asset management activity following lettings, regears and rent reviews of £3.2 million per annum.</p>
2019	5.7							
2018	4.3							
2017	4.6							
Maintain a higher than market benchmark weighted average unexpired lease term (WAULT) 	WAULT (years) <table border="1"> <tr><td>2019</td><td>12.5</td></tr> <tr><td>2018</td><td>12.4</td></tr> <tr><td>2017</td><td>12.8</td></tr> </table>	2019	12.5	2018	12.4	2017	12.8	<p>Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 12.5 years as at 31 March 2019.</p>
2019	12.5							
2018	12.4							
2017	12.8							
Maintain strong occupier contentment 	EPRA vacancy (%) <table border="1"> <tr><td>2019</td><td>2.2</td></tr> <tr><td>2018</td><td>2.5</td></tr> <tr><td>2017</td><td>0.4</td></tr> </table>	2019	2.2	2018	2.5	2017	0.4	<p>Occupancy rate of investment portfolio at 31 March 2019 was 97.8%, an increase of 0.3% over the year.</p>
2019	2.2							
2018	2.5							
2017	0.4							

Our strategic priorities



Own desirable
real estate



Manage
& enhance



Experience
& relationships



Generate
income growth

REMUNERATION

Under the Remuneration Policy 37.5% of LTIP awards are subject to TSR growth compared with the FTSE 350 Real Estate Super Sector excluding agencies and operators.

The TSR component of the 2015 LTIP award vested in full in the year and the TSR component of the 2016 LTIP award is expected to vest in full.

Under the Remuneration Policy 37.5% of LTIP awards granted since 2016 are subject to TAR growth compared with the FTSE 350 Real Estate Super Sector excluding agencies and operators.

The TAR component of the 2016 LTIP award is expected to vest in full.

35% of the annual bonus award is subject to TPR outperforming the IPD Quarterly Universe index.

This year TPR outperformed the IPD benchmark delivering a 100% bonus payout.

35% of the annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a 72% bonus payout.

25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 76% of the EPRA EPS component of the 2015 LTIP award vested in the year and 34% of the EPRA EPS component of the 2016 LTIP award is expected to vest.

Forms part of EPRA earnings per share, which as noted above, is a key financial performance measure for the Company's variable incentive arrangements.

Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.

Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.

2019/20 AMBITION

Three year TSR performance to be in the upper quartile of the FTSE 350 Real Estate Super Sector, excluding agencies and operators.

Three year total accounting return to be in the upper quartile of FTSE 350 Real Estate Super Sector, excluding agencies and operators.

One year TPR outperformance against IPD Quarterly Universe index.

Deliver and sustain EPRA earnings per share growth and dividend progression.

Deliver like for like income growth ahead of inflation plus 1.5%.

Maintain high weighted average unexpired lease term targeting >12 years.

Maintain high occupancy across the investment portfolio, targeting in excess of 95% or ahead of IPD.

Financial performance indicators

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



SEE FINANCIAL REVIEW
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.



SEE RISK MANAGEMENT
PAGE 50

Remuneration

The table on page 99 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.



SEE REMUNERATION COMMITTEE REPORT
PAGE 93

PROPERTY REVIEW

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

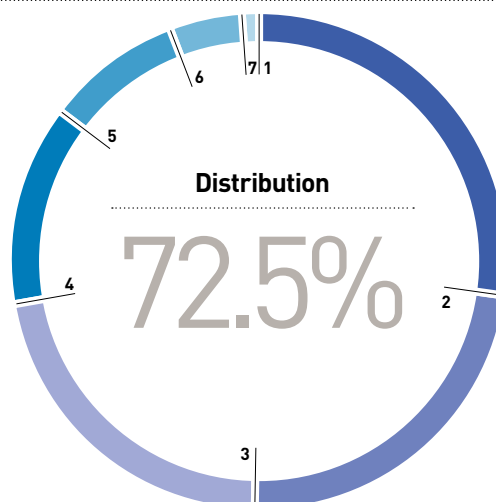
Continued focus on aligning our portfolio to logistics and convenience-led assets

Acquisitions in the year were £163.3 million and consisted mainly of urban logistics, long income and convenience assets. These assets had an average lease length of 14 years with 63% of the income subject to contractual uplifts and 45% located in London and the South East. Consequently, together with reversionary potential, the blended acquisition NIY of 4.6% is expected to increase to 5.3% over the next five years.

As part of our disciplined portfolio management, we sold £238.2 million of assets at a NIY of 3.7% (including vacant properties) and with a WAULT of nine years. Approximately half of the disposals were larger distribution warehousing, the majority of which were vacant and located predominantly in Yorkshire. The balance of the disposals was split between assets outside our preferred sectors, namely two retail parks and 18 residential flats, and selective urban logistics, convenience and leisure assets where we reacted to strong offers for our assets.

Activity over the year significantly increased our urban logistics exposure to over £500 million, representing 27% of the overall portfolio. Despite net disposal activity, our total distribution exposure increased further from 68.5% to 72.5%. Long income increased to 13% whilst convenience and leisure reduced slightly to 9%. Directly owned retail parks now represent less than 5%, down from 7% at the start of the year, and residential fell to less than 1% with 33 flats at Moore House remaining to sell of the original 149 owned.

Portfolio split¹



- 1 Urban Logistics 27.3%
- 2 Mega Distribution 23.1%
- 3 Regional Distribution 22.1%
- 4 Long Income 12.9%
- 5 Convenience & Leisure 9.0%
- 6 Retail Parks 4.7%
- 7 Residential 0.9%

1 Including developments



Investment activity

£402m

Urban logistics portfolio value

£504m



Our investment activity in the year focused on the urban logistics sector where we see superior rental growth prospects. Urban logistics has now grown to represent our largest sector weighting.

Valentine Beresford
Investment Director

Investment activity in the year by subsector

	Acquisitions		Disposals ^{1,2,3}	
	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Mega & Regional Distribution	-	-	115.6	2.0
Urban Logistics	106.6	4.5	39.5	5.7
Long Income, Convenience & Leisure	56.7	4.9	28.8	4.8
Retail Parks	-	-	43.9	5.4
Residential	-	-	10.4	3.5
Total	163.3	4.6	238.2	3.7

1 NIY includes vacant distribution property disposals totalling £74.5 million, where there was no income

2 Excludes proceeds from disposals in Loughborough and South Elmsall totalling £47.5 million that exchanged last year but completed in the year and, as such, are reflected in the full year financial statements

3 Includes a £10.5 million regional disposal in Wakefield that exchanged in the year but completed post year end and will be reflected in next year's financial statements

Portfolio metrics strengthened over the year

As a result of our management and investment activity, the portfolio's average lease length increased over the year to 12.5 years (11.6 years to first break). This provides a high level of income security with only 3.5% of income expiring over three years and 37.6% over 10 years. Occupancy increased over the year from 97.5% to 97.8% and our gross to net income ratio of 98.2% continues to compare very favourably against our peers and reflect the low operational requirements of our assets.

During the year, we undertook 50 occupier transactions which generated £3.2 million of additional income. Like for like income growth was 5.7% or 2.9% excluding one off gains.

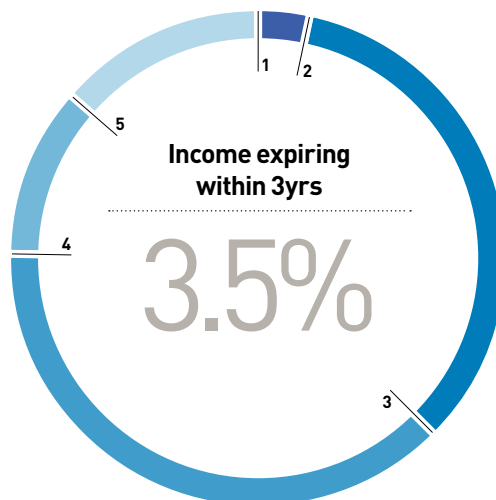
Urban & regional logistics continues to perform

Over the year, the portfolio delivered a total property return of 9.0%, significantly outperforming the IPD All Property return of 4.6%. Distribution delivered a total return of 12.2%, long income, convenience and leisure delivered 4.8% whilst retail parks delivered a -3.2% total return.

The portfolio revaluation gain over the year was £64.4 million, reflecting a 3.6% increase. This was driven by an equivalent yield compression of 10bps on a like for like basis and ERV growth of 0.9%. ERV growth was highest in urban logistics, which saw a 5.0% increase, whilst mega distribution increased by 0.8%.

Distribution delivered an £82.5 million revaluation gain, a 7% increase, with urban and regional logistics again outperforming. Developments delivered a 19% increase equating to a £9.7 million uplift. Retail and leisure values fell by 5% overall, where the valuation uplift on convenience and leisure was offset by falls at our retail parks. Residential saw a £1.8 million decline. The investment portfolio's EPRA topped up net initial yield is 4.7% and the equivalent yield is 5.1%.

Lease expiry profile



1 0-3 years	3.5%
2 4-10 years	34.1%
3 11-15 years	37.7%
4 16-20 years	11.3%
5 > 20 years	13.4%



Average unexpired lease length (years)

12.5

Occupancy

97.8%



We continue to strengthen our portfolio metrics through our activities and our property returns once again significantly outperformed the wider UK property market.

Mark Stirling
Asset Director

OUR 454,000 SQ FT REGIONAL LOGISTICS ASSET IN DAGENHAM

Dagenham is one of our highest valued assets and, during the year, we completed the 180,000 sq ft extension. It is let for 24 years at a rent of £4.1 million, has contractual rental uplifts and is very well located with strong transport links and just ten miles from central London.



DISTRIBUTION

We invest across the distribution subsectors and in assets that we believe have the best return prospects.

Our distribution assets are spread across the urban, regional and mega subsectors. Including developments, their value increased over the year from £1,263 million to £1,339 million, representing 72.5% of the portfolio. The average WAULT is 13 years, up from 12 years, whilst occupancy increased to 97%. 72% of income from our distribution assets is now subject to contractual rental uplifts.

As at 31 March 2019	Mega	Regional	Urban
Typical warehouse size	500,000+ sq ft	100–500,000 sq ft	Up to 100,000 sq ft
Value ¹	£427m	£408m	£504m
WAULT	15 years	14 years	10 years
Average Rent (psf)	£5.70	£6.20	£6.70
Topped up NIY	4.4%	4.1%	4.3%
ERV growth	+0.8%	+2.6%	+5.0%
Contractual uplifts ²	100%	73%	44%
Total Property Return in 2019	+8.0%	+12.4%	+15.7%

1 Including developments

2 Percentage of portfolio that benefits from contractual rental uplifts

Increasing our urban logistics exposure to over £500m

We have been increasingly attracted to urban logistics where we perceive investment returns are greatest and where, over the last three years, we have selectively increased our exposure from £37 million to £504 million. Urban logistics is now the largest component of both our distribution exposure and the wider portfolio.

The restricted supply in urban logistics and strong occupier demand continues to generate highly favourable market dynamics, which are driving attractive rental growth and returns. This is reflected in our urban logistics average ERV which, at £7.70 psf, is 15% higher than passing rent of £6.70 psf.

Our recent distribution investments have been exclusively in urban logistics. During the year, we acquired £106.6 million of urban logistics at a NIY of 4.5%, which is expected to increase to 5.3% over five years as a result of organic reversion and contractual uplifts. These acquisitions had a WAULT of 12 years with 60% of the income subject to contractual uplifts. These assets were also located mainly in the South and helped to increase our urban portfolio's London and the South East weighting to 64%.

Focusing on the right assets within logistics

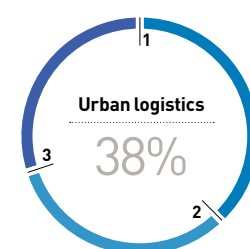
Whilst we remain focused on growing our logistics exposure, we are more conscious than ever that asset selection will be crucial to deliver consistent, reliable and growing income returns.

Therefore, to ensure that our portfolio remains fit for purpose, we sold 15 distribution assets in the year for £155.1 million. We took advantage of the strong market to sell three non income producing assets totalling £74.5 million. Of the remainder, the WAULT to first break was four years and these assets were sold at a blended NIY of 5.7%.

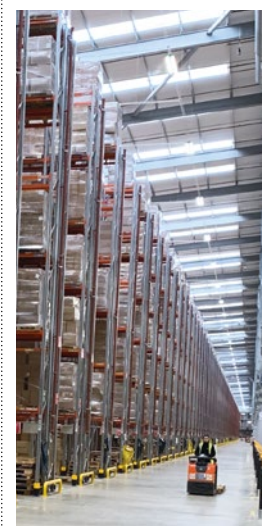
Reflecting our conscious move away from larger distribution, where we believe rental growth prospects are weaker, 75% of disposals were mega and regional assets. As a consequence, mega distribution exposure has fallen from 27% to 23% of the portfolio and all of these assets now have contractual rental uplifts.

Our greater geographic focus saw us sell a number of assets in what we consider are less favourable locations. Two thirds of our disposals were located in Yorkshire, a region where we have consciously sought to reduce our exposure, and this helped to reduce our Yorkshire distribution exposure from 17% to 9%.

Portfolio split



- 1 Urban..... 38%
- 2 Mega 32%
- 3 Regional 30%



ACQUISITIONS (ALL URBAN)

340,000 sq ft portfolio

Acquired for £49.1 million let to occupiers including CEVA Logistics, DSV and Jewson for a further eight years.

112,000 sq ft in Milton Keynes

Acquired for £12.0 million let to Royal Mail for a further 10 years.

80,000 sq ft in Cambridgeshire

Acquired for £10.0 million let to Cambridge Commodities for a further 20 years.

78,000 sq ft in Thorne

Acquired for £7.9 million let to Omega Plc for 20 years.

48,000 sq ft in Avonmouth

Acquired for £13.5 million let to Chep for a further nine years.

34,000 sq ft in Basildon

Acquired for £6.3 million let to WCM for 20 years.

25,000 sq ft in Orpington

Acquired for £7.8 million let to Selco for 15 years.

**Acquisition of 340,000 sq ft urban logistics portfolio**

The modern warehouses were acquired at a reversionary yield of 5.3%, let for eight years. The assets are in established locations with c.50% in London & South East, two of which are located in Park Royal and Greenford.

DISPOSALS

527,000 sq ft in Wakefield

Disposed for £43.5 million, formerly let to Poundworld but sold on a vacant basis.

492,000 sq ft portfolio

Disposed for £36.0 million let to occupiers including Encon, NNR & Hillary's Blinds for a further six years.

335,000 in Sheffield

Disposed for £23.5 million let to Marks & Spencer until end of March 2019 and sold on a vacant basis.

137,000 sq ft in Doncaster

Disposed for £9.9 million let to Howdens for a further two years.

128,000 sq ft in Ashby-de-la-Zouche

Disposed for £12.1 million let to United Biscuits for a further nine years (four years to first break).

121,000 sq ft in Wakefield

Disposed for £10.5 million let to One Stop Stores for a further four years.

103,000 sq ft in Wakefield

Disposed for £7.5 million let to Menzies for a further seven years (two years to first break).

97,000 sq ft in Leicester

Disposed for £7.5 million, sold on a vacant basis.

54,000 sq ft in Wakefield

Disposed for £4.8 million let to Macfarlane for a further six years.

**Disposal of a 492,000 sq ft portfolio**

Six warehouses were sold at a NIY of 5.9% with a WAULT to first break of five years. They were amongst the oldest within our portfolio, located in the Midlands & North and generated an ungeared IRR of 15% per annum.

Acquired

£106.6m

NIY: 4.5% rising to 5.3%
WAULT: 11.6 years

Disposed

£155.1m

NIY: 3.0%¹
WAULT: 5.5 years²

¹ 5.7% excluding vacant sales
² 4.1 years to first break

Post year end

Acquired two assets for £9.9 million:

- 35,000 sq ft urban logistics warehouse in Dunstable for £5.7 million let to Mega Marble for 15 years
- 26,000 sq ft urban logistics warehouse in Croydon, London for £4.2 million let to Harrow Green for 17 years

LONG INCOME & CONVENIENCE-LED RETAIL

We focus on long income and convenience-led retail that can generate reliable and growing income.

Our long income and convenience-led portfolio is 100% let with a WAULT of 12 years, let to strong occupiers at affordable average rents of £17.90 psf and valued at an attractive NIY of 5.8%. The average lot size is less than £10 million with 46% of income subject to contractual uplifts.

Attracted by these strong characteristics, these assets continue to see strong investment demand from low energy pension fund investors, as evidenced by our £72.7 million of disposals at a NIY of 5.1%. Our disposals were broadly offset by £56.7 million of acquisitions which we acquired at a NIY of 4.9% and, with contractual uplifts on 67% of this income, this is expected to rise to 5.3% over five years. Reflecting our long income focus, the average WAULT on acquisitions was 18 years.

As at 31 March 2019	Long Income	Convenience & Leisure	Retail Parks
Value ¹	£237m	£165m	£87m
WAULT	11 years	15 years	10 years
Average Rent (psf)	£19.00	£15.80	£18.50
Topped up NIY	6.2%	4.8%	6.3%
Contractual uplifts ²	34%	84%	23%
Total Property Return in 2019	+1.2%	+8.7%	-3.2%

¹ Including developments

² Percentage of portfolio that benefits from contractual rental uplifts

Long income

Long income represents 13% of the portfolio and consists of properties held predominantly within our MIPP and DFS joint ventures. These assets have very limited operational requirements, are let on average for 11 years, typically to single tenants such as Dunelm, Wickes and DFS. A third of income has contractual uplifts.

Convenience & leisure

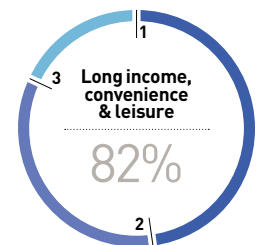
These assets represent 9% of the portfolio, have an average lease length of 15 years and 84% of income is subject to contractual rental uplifts. They consist of convenience-led stores let mainly to M&S, Aldi, Co-op and Lidl, and five Odeon cinemas, mostly acquired as part of a portfolio of ten cinemas in 2013.

Retail parks

Over the last four years, our direct retail park exposure has significantly reduced from 16 assets to three today. During the year, we sold a 70,000 sq ft retail park in Launceston for £21.9 million at a NIY of 5.6% and our Martlesham Heath Retail Park for £22.0 million at a NIY of 5.2%. These disposals were sold at book value.

Retail Parks now represent under 5% of the total portfolio and consist of assets in Tonbridge, Coventry and Leeds that have all been recently repositioned, are 98.8% let at sustainable rents, on average for a further 10 years, and valued at a NIY of 6.3%.

Portfolio split



- 1 Long income 48%
- 2 Convenience & leisure... 34%
- 3 Retail parks..... 18%



Acquired**£56.7m**NIY: 4.9% rising to 5.3%
WAULT: 18.4 years**Disposed****£72.7m**NIY: 5.1%
WAULT: 13.8 years**Post year end**

Increased our equity holding in the DFS Joint Venture from 45% to 82% for £18.6 million. The opportunistic acquisition gives LondonMetric full operational control, allows it to accelerate various asset management initiatives and also pay down expensive secured bank facilities which were due to expire imminently.

Acquired two convenience stores in Worthing and Bournemouth for £6.1 million let to the Co-op for 20 years.

ACQUISITIONS**MIPP Joint Venture**

Acquired four assets in Aldershot, Beverley, Newmarket and Telford for £21.4 million (Group Share: £10.7 million) let predominantly to Wickes and the Range. Other occupiers include Burger King, KFC and Costa.

Derby

Acquired a 34,000 sq ft long income asset let to Wickes for £5.9 million.

Durham

Acquired a 58,000 sq ft forward funded convenience development for £13.6 million pre-let to Lidl and the Range.

Roadside Portfolio

Acquired a portfolio of eight roadside convenience assets for £12.1 million let to Euro Garages under franchise agreements with Starbucks, Burger King, Greggs and Subway. The assets occupy prominent roadside locations, with the largest two in Bicester.

Hull

Acquired a 35,000 sq ft Odeon Cinema for £4.3 million.

London

Acquired two convenience assets let to the Co-op for £10.2 million.

**Acquisition of a 35,000 sq ft cinema let to Odeon**

We reinvested the proceeds of an Odeon cinema sale in Warrington at a NIY of 4.8% into an Odeon cinema in Hull at a NIY of 5.5% let for 20 years with inflation linked uplifts. Subsequently, Odeon invested significant capital into upgrading the Cinema.

DISPOSALS**Roadside Portfolio**

Disposed of two assets let to Euro Garages for £2.2 million.

Penrith & Cowes

Disposed of two M&S convenience stores for £10.7 million.

Warrington

Disposed of a 36,000 sq ft Odeon Cinema for £13.7 million.

Launceston

Disposed of a 70,000 sq ft retail park for £21.9 million.

Martlesham Heath, Ipswich

Disposed of a 48,000 sq ft retail park for £22.0 million.

Oldham

Our MIPP JV sold a 25,000 sq ft asset let to Wickes for a further 15 years for £4.5 million (Group Share: £2.3 million).

**Disposal of 48,000 sq ft Martlesham Heath retail park, Ipswich**

The retail park was sold at a NIY of 5.2% having been significantly asset managed. The property generated a profit on cost of 35% and an ungeared return of 13% per annum since acquisition in 2013.

ASSET MANAGEMENT

Our asset management activity continues to improve the quality of our real estate as well as grow our income. We undertook 50 occupier transactions in the year, generating £3.2 million of additional income and reducing our vacancy rate to 2%. Like for like income growth in the year was 5.7%, 2.9% excluding one off gains. Contracted income at the year end was £89.7 million.

Distribution lettings

Distribution lettings and regears in the year were signed across 1.9 million sq ft, adding £1.6 million of income with an average lease length of 11 years and tenant incentives equivalent to c.10 months rent free. On regears, lease lengths were increased from four to 11 years.

Three regears were signed on mega and regional assets:

- Bedford, we signed a 15 year regear with Argos across 656,000 sq ft, increased from four years
- Swindon, we exchanged contracts with Oak Furniture to extend its 302,000 sq ft distribution warehouse by 55,000 sq ft. The lease runs for a further nine years following removal of the break
- Sheffield, a five year regear on 291,000 sq ft was signed with M&S

Eight urban logistics lettings and regears were signed with rents on regears increasing by 17% against previous passing. Material lettings and regears included:

- Croydon, a 10 year regear was signed with Tesco
- Frimley, a new 10 year lease was signed with DPD at our recently completed development
- Warrington, a new 15 year lease was signed with Bonfiglioli
- Solihull, a 10 year regear was signed with DHL
- Basildon, a 15 year regear was signed with Geodis Wilson
- Havant, a 10 year regear was signed with Wartsila

Post year end, we exchanged on two lettings at our Bedford development. 15 year leases were signed with a major US automation and technology business, and Workstories on 107,000 sq ft and 31,000 sq ft respectively. At our developments in Stoke and Crawley, which completed last year, detailed discussions on letting the remaining space are ongoing.

Distribution rent reviews

During the year, we settled 11 distribution rent reviews across 3.8 million sq ft adding £1.0 million of income at 10% above passing rent on a five yearly equivalent basis.

In urban logistics, we settled four reviews, including two open market reviews in Leyton and Crawley, at an average of 28% above previous rent on a five yearly equivalent basis, generating £0.3 million of additional income. There is good potential for further organic income growth from our urban logistics assets where average ERV is 15% higher than average passing rent.

This contrasts with the more muted rental growth that bigger box logistics is experiencing generally and where we settled seven rent reviews at 8% above passing on a five yearly equivalent basis, split 7% for mega and 11% for regional. These reviews generated an uplift of £0.7 million.

Long income and convenience-led retail lettings and reviews

20 rent reviews were signed which generated an uplift of £0.2 million at 18% above previous passing on a five yearly equivalent basis. These reviews were almost exclusively on convenience and leisure assets with RPI or fixed uplifts. Eight lettings were signed which generated an uplift of £0.4 million. The lettings had a WAULT of 14 years with contractual uplifts on 37% of the income and average incentive packages equivalent to eight months.

Occupier transactions

50

Additional income per annum

£3.2m

REGEAR AT BEDFORD

At our distribution warehouse in Bedford, we extended the lease with Argos by a further 11 years. The warehouse generates a rent of £4.1 million per annum with inflation linked uplifts. An open market rent review had been settled shortly prior to regear.



DEVELOPMENTS

During the year, we completed 0.3 million sq ft of developments, generating £2.6 million of additional contracted rent at a yield of 5.8%, 89% of which was pre-let prior to construction commencing. Developments under construction or in the pipeline total 0.9 million sq ft and are expected to generate an additional £7.1 million of rent at a yield of 6.7%.

	Sector	% Pre-let prior to construction	Area sq ft '000	Additional rent £m	Yield on cost %	Practical completion ¹
Completed in the year						
Dagenham	Distribution	100%	180	0.9	5.7	Completed
Frimley	Distribution	59%	62	0.7	5.6	Completed
Ringwood	Long income	100%	33	0.2	5.0	Completed
Ipswich	Long income	100%	39	0.7	6.9	Completed
Telford	Long income	100%	8	0.1	5.7	Completed
			322	2.6	5.8	
Under construction and pipeline at year end						
Bedford (Regional) ²	Distribution	N/A	500	3.3	7.3	2020/21
Bedford (Urban) ²	Distribution	0%	188	1.3	6.4	Q2 2019
Durham	Convenience	100%	58	0.8	5.4	Q3 2019
New Malden	Long income	100%	57	0.4	5.6	2020
Swindon	Distribution	100%	55	0.3	7.8	Q4 2019
Weymouth ²	Convenience	100%	27	0.6	6.3	2020
Derby ²	Convenience	N/A	16	0.4	6.7	2020
			901	7.1	6.7	

¹ Based on calendar quarters and years

² Anticipated yield on cost and rents

Bedford

At our 40 acre site, we have built three urban logistics warehouses. 73% of the 188,000 sq ft development has been let. We continue to see good interest from occupiers for the last remaining warehouse and will look to commence construction of the second phase totalling 500,000 sq ft upon commitment from new occupiers.

Durham

The forward funded development is expected to complete in July. The development is pre-let to Lidl and The Range with a WAULT of 20 years.

Derby

The development has been revised for planning and detailed discussions are ongoing with a convenience operator. Acquisition of the development is subject to planning.

Weymouth

19,000 sq ft has been pre-let to Aldi and offers have been received on the letting of three small pods. The development is expected to have a WAULT of 18 years. The site has been purchased and construction of the Aldi unit is expected to commence shortly with completion expected in January 2020.

Swindon

See the asset management review for more information.

New Malden

Extension to and modification of an existing asset to accommodate three new convenience related occupiers. On completion, the asset will be let for c.17 years to occupiers including Dixons, an existing tenant who are expected to occupy 38,000 sq ft, and Lidl, a new occupier who has agreed a pre-let for 25 years on 11,000 sq ft. Planning consent is expected in June 2019.

DEVELOPMENTS

Completed in the year

0.3m sq ft

Under construction and in pipeline

0.9m sq ft

OUR RESPONSIBLE DEVELOPMENT AT BEDFORD

Our objective is to responsibly develop a high quality sustainable logistics park, let to strong and growing businesses that will generate employment and opportunity for Bedford.



40 ACRE DEVELOPMENT SITE

LondonMetric in conjunction with Graftongate was selected as the local authority's preferred development partner in 2013 and subsequently agreed to acquire the site in November 2014. The site was purchased unconditionally once planning was approved in November 2017.

PHASE 1 TOTTALLING 188,000 sq ft

Construction of three smaller warehouses commenced in June 2018 on a speculative basis. 73% of the development was pre-let ahead of construction works completing.

PHASE 2 POTENTIAL OF c.500,000 sq ft

Construction of two larger warehouses is planned upon occupier commitment.



BEDFORD AS AN ATTRACTIVE DISTRIBUTION LOCATION

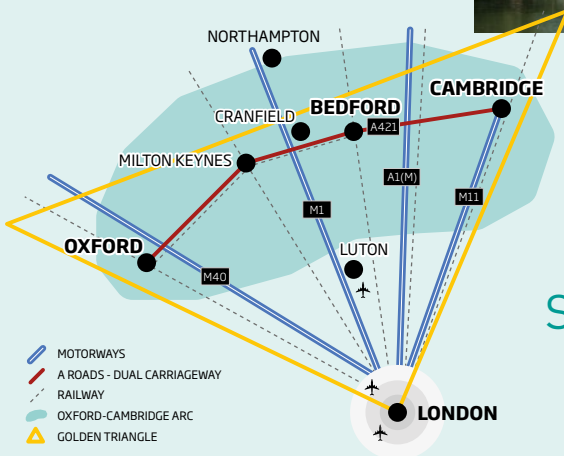


LondonMetric recognised the potential of Bedford early on and, in 2013, acquired the Argos distribution centre in Marsh Leys, adjacent to the BedfordLink site.

Bedford is an attractive distribution hub for occupiers, providing them with quick access to London in under an hour. It also provides business resilience from its equidistant location along the A421, an important and recently upgraded link road that connects the M1 and A1 and is at the heart of the Oxford to Cambridge growth corridor.

Whilst Bedford is only 10 miles away from Milton Keynes, arguably the most prestigious distribution location in the UK, rents are materially cheaper in Bedford and there is a better and more cost effective availability of labour. The town centre is just 20 minutes by bicycle and bus, which is highly attractive to prospective employees.

Consequently, blue chip companies such as Sainsbury's, Argos, Asda, Aldi, B&M and XPO have established a significant distribution presence in the area and there was a particularly strong take up of warehousing recorded in and around Bedford during 2018.



STRATEGICALLY LINKED

Growing location for distribution and a premium workplace

WORKING CLOSELY WITH THE LOCAL AUTHORITY TO BENEFIT THE LOCAL AREA

Bedford council has been closely involved in the project reflecting the importance of BedfordLink to the local area. We have formed a strong relationship with them to ensure that we meet their objectives of attracting local investment, creating local jobs and providing a balanced approach to growth for Bedford.

Once completed, LondonMetric is expected to have invested £66 million in the development, significantly upscaled the infrastructure of the area as well as created a number of local construction jobs. As occupiers take occupation, they will also spend significant amounts fitting out their warehouses, typically representing 0.5-2.0x the build cost.

The development is expected to create 1,000 permanent jobs across a range of careers with occupiers signing long term leases on the warehouses, typically 10-15 years. It is also expected to generate £2.3m per annum in business rates.

£66m

Investment by LondonMetric

1,000

Permanent jobs expected to be created

£2m

Business rates expected to be generated annually

THE FUTURE IS BRIGHT
THE FUTURE IS BEDFORD



1,750 new homes to be built yearly in Bedfordshire



74 state schools and 10 private

BEDFORD RATED A GREAT PLACE TO LIVE

THE SUNDAY TIMES APRIL, 2018



Population growth of 8% over 5 years



Bedford has over 2,350 areas of green space



This welcome investment is further recognition of Bedford Borough's status as a strategic location for business. There was a lot of interest in this site which demonstrates its attractiveness and its very favourable location. I look forward to the completion of the construction work and the many jobs that will be created for local people.

Dave Hodgson

The Mayor of Bedford, commenting on the ceremony to mark the start of construction on site

DEVELOPING RESPONSIBLY TO MEET THE NEEDS OF OUR OCCUPIERS, THEIR WORKFORCE AND THE LOCAL COMMUNITY

We spent three years working up the development to design and agree a scheme that would meet the requirements of occupiers, local residents and planners.



MODERN, EFFICIENT WORKSPACE

The development has been designed by UMC Architects to provide varied warehousing space by size and type to generate a softer logistics environment with a contemporary and campus feel, respectful of the local community.

The buildings have been designed with the following characteristics:

- BREEM Very Good
- EPC rating of A
- Eaves heights of between 12m to 18m
- C.10% rooflights
- Roofs designed for solar installation
- Provision of electric vehicle charge points

Following site acquisition in 2017, six months of enabling works were undertaken. This consisted of a balanced cut and fill of the site, construction of a new dedicated entrance and installation of first phase infrastructure, principally on site drainage, attenuation and off site power.

The contractor, Winvic, was then appointed to deliver Phase 1 of the project totalling 188,000 sq ft of warehousing. Winvic have performed well throughout the project and we worked closely with them to ensure that they met our high standards.



ATTRACTING LOCAL EMPLOYEES

Employee wellbeing is of critical consideration for occupiers to attract workers. The site has been designed to provide an open and landscaped space with water features, integrated pedestrian and cycle routes surrounding each building.

Ease of access to work is particularly critical and, with the majority of employees at nearby warehouses travelling to work by bicycle, provision of cycle routes was essential. LondonMetric published a Health & Wellbeing pack for occupiers to help them in their considerations.



CONSIDERING THE LOCAL COMMUNITY

From the outset, there has been significant consultation with residents. During development, Winvic were praised by Considerate Constructors for exceptional community engagement, citing:

- Neighbourhood letter drops and satisfaction survey, with no negative feedback
- Daily logistics meetings to minimise disruption as well as a behaviour programme for workers to promote courtesy
- Support of local charities and schools, including a site visit and assistance to improve school facilities e.g. cycle shelter
- That 75% of workers were from the local area
- Following completion of Phase 1, LondonMetric are continuing this good engagement

FINANCIAL REVIEW

IFRS reported profit

£119.7m

2018: £186.0m

IFRS net assets

£1,216.8m

2018: £1,149.5m

EPRA earnings per share

8.8p

2018: 8.5p

IFRS earnings per share

17.2p

2018: 26.9p

EPRA net asset value per share

174.9p

2018: 165.2p

IFRS net asset value per share

174.7p

2018: 165.7p



We continue to invest carefully in those property sectors that can deliver reliable and progressive income returns for our shareholders.

Martin McGann
Finance Director

Our strong financial performance this year is a result of making the right strategic decisions in the past. Our portfolio is well positioned to benefit from the migration of shoppers to online platforms and withstand Brexit disruption in the short term.

Overview

IFRS reported profit for the year of £119.7 million was predicated on EPRA earnings of £61.0 million and a revaluation gain of £64.4 million including our share of joint ventures. IFRS net assets increased 5.9% to £1,216.8 million.

EPRA earnings per share has grown by 3.5% to 8.8p, allowing us to increase our dividend for the year by 3.8% to 8.2p per share. The dividend is 1.07 times covered by EPRA earnings and can be taken as a cash payment or scrip share alternative. EPRA NAV per share increased by 5.9% to 174.9p.

We entered into two new debt arrangements in the year to improve our capital structure and lengthen our debt maturity.

In July, we entered into a new £75 million unsecured debt facility with Wells Fargo, of which £50 million has been drawn on a seven year term. In December, we entered into a £150 million private placement at a blended fixed rate coupon of 3.5% and an average maturity of 12 years. As a result, our average debt maturity has increased to 6.4 years from 4.8 years last year and available undrawn facilities have increased to £373.5 million.

These financing transactions provide flexibility to execute our property strategy and underpin our strong financing metrics.

Following sales at the year end, our loan to value is 32% (2018: 35%) and our average cost of debt is 3.1% (2018: 2.8%). Proceeds from sales will be used to fund our investment plans.

Presentation of financial information

The Group financial statements on pages 122 to 143 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 Association ('EPRA') Best Practice Recommendations ('BPR') to supplement IFRS.

EPRA earnings per share 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.

The EPRA measures are widely recognised and used in our sector and seek to improve transparency, comparability and relevance of published results, as they highlight the underlying performance of the Group's property rental business.

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 155.

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	2019 £m	Group £m	JV £m	2018 £m
Gross rental income	85.1	10.4	95.5	82.0	9.8	91.8
Property costs	(1.2)	(0.5)	(1.7)	(0.8)	(0.4)	(1.2)
Net rental income	83.9	9.9	93.8	81.2	9.4	90.6
Management fees	1.7	(0.8)	0.9	1.7	(0.8)	0.9
Administrative costs	(13.7)	–	(13.7)	(13.8)	(0.1)	(13.9)
Net finance costs	(18.1)	(2.1)	(20.2)	(16.5)	(2.0)	(18.5)
Other ¹	0.2	–	0.2	–	–	–
EPRA earnings	54.0	7.0	61.0	52.6	6.5	59.1

1 Other items include taxation

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

	£m	p
EPRA earnings 2018	59.1	8.5
Net rental income	3.2	0.5
Administrative costs	0.2	–
Net finance costs	(1.7)	(0.2)
Other ¹	0.2	–
EPRA earnings 2019	61.0	8.8

1 Other items include taxation

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, net rental income increased by 3.5% to £93.8 million. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2018	90.6
Existing properties ¹	4.2
Developments ²	2.6
Acquisitions ³	10.9
Disposals ³	(14.0)
Property costs	(0.5)
Net rental income 2019	93.8

1 Properties held throughout 2018 and 2019

2 Developments completed in 2018 and 2019

3 Acquisitions and disposals in 2018 and 2019

Income from lettings, rent reviews and regears of our existing portfolio generated additional income of £4.2 million, which included lease surrender premiums of £2.5 million compared with £1.5 million last year.

Completed developments delivered a further £2.6 million of additional income and net disposals reduced income by £3.1 million.

Property costs have increased by £0.5 million due to increased costs of vacant units, however our property cost leakage continues to be minimal at less than 2%.

Administrative costs

Administrative costs have reduced by £0.2 million to £13.7 million and are stated after capitalising staff costs of £1.9 million (2018: £1.8 million) in respect of time spent on development projects in progress, in accordance with our accounting policy. Average headcount is slightly lower at 28 employees compared with 31 last year.

EPRA cost ratio

The EPRA cost ratio continues to be a key measure of our effective cost management and at 15.0% is one of the lowest in the sector. The ratio, which reflects total operating costs as a percentage of gross rental income, has fallen by 28 bps over the year. The full calculation is shown in Supplementary note iv on page 151.

	2019 %	2018 %
EPRA cost ratio including direct vacancy costs	15	15
EPRA cost ratio excluding direct vacancy costs	14	15

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 £20.2 million, an increase of £1.7 million over last year.

Although net debt decreased over the year, average borrowings were actually higher in 2019 compared with 2018, which together with higher average rates, resulted in increased bank interest costs of £0.8 million. Alongside this, interest capitalised on developments fell by £0.6 million and we incurred additional fees and interest on new Group facilities and joint venture debt of £0.3 million. Further detail is provided in notes 5 and 10 to the financial statements.

Share of joint ventures

EPRA earnings from joint venture investments were £7.0 million, an increase of £0.5 million over last year as reflected in the table below.

For the year to 31 March	2019 £m	2018 £m
MIPP	4.6	3.7
Retail Warehouse (DFS)	2.4	2.7
Residential (Moore House)	–	0.1
EPRA earnings	7.0	6.5

Our MIPP joint venture received surrender income net of associated costs of £0.7 million in the year and additional net rent from acquisitions and completed developments of £0.2 million. Income from our 45% holding in the DFS joint venture fell by £0.3 million this year as a result of two disposals in the previous year. In addition, the Group received net management fees of £0.9 million for acting as property advisor to each of its joint ventures (2018: £0.9 million).

FINANCIAL REVIEW
CONTINUED

IFRS reported profit

For the year to 31 March	Group £m	JV £m	2019 £m	Group £m	JV £m	2018 £m
EPRA earnings	54.0	7.0	61.0	52.6	6.5	59.1
Revaluation of investment property	75.9	(11.5)	64.4	114.7	6.9	121.6
Fair value of derivatives	(4.4)	(0.3)	(4.7)	26.2	0.2	26.4
Debt and hedging early close out costs	-	-	-	(19.0)	(0.1)	(19.1)
Profit/(loss) on disposal	0.6	(1.6)	(1.0)	(2.1)	0.1	(2.0)
IFRS reported profit	126.1	(6.4)	119.7	172.4	13.6	186.0

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 above.

The Group's reported profit for the year was £119.7 million compared with £186.0 million last year. The £66.3 million reduction was primarily due to a £57.2 million lower property revaluation gain and £12.0 million adverse derivative movement net of break costs this year.

Sales of 17 flats at Moore House generated a loss on sale of £1.6 million. Other Group sales generated a profit over book value of £0.6 million, resulting in an overall loss of £1.0 million compared with a loss of £2.0 million last year. The total profit over original cost of all sales in the period was £40.6 million, representing a return of 17.3%.

Including one further flat sale at Moore House post year end, we have 33 remaining flats of the original 149 owned.

Disposals are discussed in detail in the Property review on pages 24 to 31.

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, principally management fees and interest receivable, is subject to UK tax in the normal way.

The tax credit in the period reflects a land remediation receipt of £0.4 million net of a tax provision of £0.2 million on income that does not qualify as property income within the REIT regulations.

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

Our strategy, which has been approved by the Board, can be found on our website at www.londonmetric.com.

Our responsible approach seeks to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We maintain an open dialogue with HMRC to identify and resolve any issues as they arise.

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.

In accordance with REIT regulations, £5.4 million was withheld on property income distributions and paid directly to HMRC in the year.

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 2019, the Company paid the third and fourth quarterly dividends for 2018 and the first two quarterly dividends for 2019 at a total cost of £55.6 million or 8.0p per share as reflected in note 7 to the financial statements.

The Company issued 2.8 million ordinary shares in the year under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.0 million to £50.6 million.

The first two quarterly payments for the current year of 1.9p per share were paid as Property Income Distributions ('PIDs') in the year. The third quarterly payment of 1.9p was paid as a PID in April 2019 and the Company has proposed a fourth quarterly payment of 2.5p payable on 11 July 2019, of which 0.75p per share will be a PID, to shareholders on the register at the record date of 7 June 2019.

The total dividend payable for 2019 has increased 3.8% to 8.2p, comprising a PID of 6.45p and an ordinary dividend of 1.75p.

The Board took the following into account when considering its dividend payments:

- Its REIT obligations to distribute 90% of property rental business profits
- Its desire to pay a sustainable and progressive level of dividend
- Its EPRA earnings for 2019 and outlook

At the year end the Company had distributable reserves of £748.4 million, providing substantial cover for the dividend payable for the year.

When required and at least six monthly, the Company receives dividends from its subsidiaries which increase distributable reserves.

Balance sheet

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

As at 31 March	Group £m	JV £m	2019 £m	Group £m	JV £m	2018 £m
Investment property	1,688.0	158.2	1,846.2	1,677.6	164.4	1,842.0
Gross debt	(565.0)	(61.2)	(626.2)	(650.0)	(58.9)	(708.9)
Cash	20.6	3.5	24.1	26.2	13.1	39.3
Other net liabilities	(24.1)	(1.3)	(25.4)	(24.8)	(1.0)	(25.8)
EPRA net assets	1,119.5	99.2	1,218.7	1,029.0	117.6	1,146.6
Derivatives	(1.6)	(0.3)	(1.9)	2.8	0.1	2.9
IFRS net assets	1,117.9	98.9	1,216.8	1,031.8	117.7	1,149.5

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

IFRS reported net assets increased by £67.3 million or 5.9% in the year to £1,216.8 million.

EPRA net assets have increased £72.1 million or 6.3% in the year to £1,218.7 million. On a per share basis, EPRA net assets increased by 9.7p to 174.9p. The table below summarises the movement in the year.

	£m	p
EPRA NAV at 1 April 2018	1,146.6	165.2
EPRA earnings	61.0	8.8
Property revaluation	64.4	9.3
Dividends	(55.6)	(8.0)
Other movements ^{1,2}	2.3	(0.4)
EPRA NAV at 31 March 2019	1,218.7	174.9

1 Other movements include scrip share issue savings (£5.0 million), offset by loss on sales (£1.0 million) and share based awards (£1.7 million)

2 Other movements in EPRA NAV per share reflect the impact of share movements in the year

The increase in both IFRS and EPRA net assets per share was principally due to the property revaluation gain of 9.3p. EPRA earnings per share of 8.8p covered the 8.0p dividend paid in the year.

Total accounting return is another important measure of our performance as it reflects EPRA net asset value growth plus dividends paid in the year. Our strong return this year of 17.7p per share, or 10.7%, although lower than last year, compares favourably with many of our peers. The full calculation can be found in supplementary note viii on page 152.

Portfolio valuation

We have continued to invest in urban logistics assets that have once again delivered

high levels of rental and valuation growth. Our distribution exposure has increased to 72.5% including distribution developments, up from 68.5% last year. Further sales of retail parks have reduced our exposure in this sector to less than 5%.

Developments in progress at the year end included our 40 acre scheme in Bedford, a retail development pre-let to Aldi in Weymouth and a forward funded pre-let scheme in Durham. Projects at Dagenham, Frimley, Ipswich, Ringwood and Telford completed in the year and our investment in development assets remains at modest levels.

A breakdown of the property portfolio by sector is reflected in the table below.

As at 31 March	2019		2018	
	£m	%	£m	%
Distribution	1,292.6	70.0	1,233.1	66.9
Convenience & leisure	152.1	8.3	174.7	9.5
Long income	237.4	12.9	220.8	12.0
Retail parks	87.0	4.7	139.8	7.6
Investment portfolio	1,769.1	95.9	1,768.4	96.0
Residential	17.3	0.9	30.1	1.6
Development ¹	59.8	3.2	43.5	2.4
Property value	1,846.2	100.0	1,842.0	100.0

1 Represents distribution of £46.5 million (2.5%) and convenience and leisure of £13.3 million (0.7%). Split in March 2018 was 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%)

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

	Portfolio value ¹ £m	Portfolio value £m
As at 31 March	2019	2018
Opening valuation	1,842.0	1,533.8
Acquisitions	156.3	289.7
Developments	34.3	62.5
Capital expenditure on completed properties	15.0	20.4
Disposals	(258.8)	(191.0)
Revaluation	64.4	121.6
Lease incentives ²	(7.0)	5.0
Closing valuation	1,846.2	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 152

2 Comprises incentives and rent frees of £9.2 million (2018: £13.5 million) less amounts written off on disposal of £16.2 million (2018: £8.5 million)

Property values have increased by £64.4 million in the year, most significantly in the distribution and development sectors and the portfolio has delivered a total property return of 9.0% compared to the IPD All Property index of 4.6%.

The Group spent £156.3 million in the year acquiring £112.5 million urban logistics, £15.6 million long income and £28.2 million convenience and leisure assets.

We completed 23 commercial property and 17 residential flat sales in the year generating net proceeds of £274.0 million and reducing the book value of property by £275.0 million (including the cost of lease incentives written off of £16.2 million). We exchanged to sell our distribution centre in Wakefield let to One Stop for £10.5 million in the year. The sale completed in April 2019 and will be accounted for next year.

At the year end, the Group had capital commitments of £19.7 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Durham and Bedford.

Further detail on property acquisitions, sales, asset management and development can be found in the Property review on pages 24 to 31.

Financing

The performance indicators used to monitor the Group's debt and liquidity position are shown in the table below. The Group and joint venture split is shown in Supplementary note iii on page 150.

As at 31 March	2019 £m	2018 £m
Gross debt	626.2	708.9
Cash	24.1	39.3
Net debt	602.1	669.6
Loan to value ¹	32%	35%
Cost of debt ²	3.1%	2.8%
Undrawn facilities	373.5	65.8
Average debt maturity	6.4 years	4.8 years
Hedging ³	73%	73%

1 LTV at 31 March 2019 includes £10.5 million of deferred consideration receivable on sales (2018: £47.5 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

Net debt has fallen over the year by £67.5 million to £602.1 million.

We entered into new debt arrangements to lengthen our debt maturity and increase our firepower in order to provide further operational flexibility.

In July 2018 we entered into a new unsecured debt facility with Wells Fargo for £75 million, of which £50 million was immediately drawn on a seven year term. The undrawn balance of £25 million is on a five year term and can be extended by up to two years.

In December 2018, we entered into a £150 million private placement with five institutional investors, at a blended fixed rate coupon of 3.5% and an average maturity of 12 years. Funds were drawn in March 2019 and were used to repay part of the unsecured credit facility, which remains available to redraw in full.

Post year end, we increased our equity holding in the DFS joint venture to 82% and repaid its secured debt facility which was due to expire.

Our average debt maturity has increased to 6.4 years from 4.8 years last year and available undrawn facilities have increased to £373.5 million.

After deducting contracted capital commitments at the year end of £19.7 million, our headroom which can be used to fund our investment plans is £353.8 million.

Our other financing metrics remain strong, with average cost of debt of 3.1% (2018: 2.8%) and loan to value of 32% (2018: 35%) following sales at the year end.

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 facilities and private placement loan notes contain gearing and interest cover financial covenants. At 31 March 2019, the Group's gearing ratio as defined within these funding arrangements was 46% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.7 times, comfortably higher than the minimum level of 1.5 times.

The Group's policy is to substantially de-risk and limit exposure to volatility in interest rates by entering into hedging arrangements.

At 31 March 2019, 73% of our exposure to interest rate fluctuations was hedged by way of swaps and caps assuming existing debt facilities are fully drawn (2018: 73%).

As a result of the hedging in place, if interest rates had been on average 1% higher in the year, net finance costs would be approximately £2.3 million higher, reducing EPRA earnings by 3.8%.

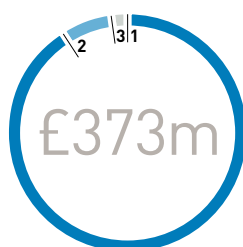
We are advised by JCRA and continue to monitor our hedging profile in light of forecast interest rate movements.

Average debt maturity



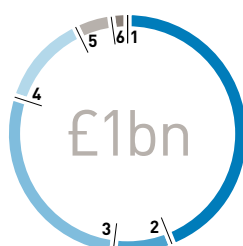
1 Debt expiring within 0–5 years	37%
2 Debt expiring within 6–10 years	47%
3 Debt expiring within 11–15 years	16%

Undrawn facilities



1 Unsecured RCF	91%
2 Unsecured Wells Fargo facility	7%
3 MIPP joint venture	2%

Total facilities



1 Unsecured RCF	44%
2 Unsecured Wells Fargo facility	8%
3 Private placement	28%
4 Secured term loan	13%
5 MIPP joint venture	5%
6 DFS joint venture	2%

Cash flow

During the year, the Group's cash balances decreased by £5.6 million as reflected in the table below.

As at 31 March	2019 £m	2018 £m
Cash flows from operations	69.6	61.0
Changes in working capital	0.4	(1.1)
Finance costs and taxation	(15.8)	(16.4)
Cash flows from operating activities	54.2	43.5
Cash flows from investing activities	83.2	(169.6)
Cash flows from financing activities	(143.0)	109.3
Net decrease in cash	(5.6)	(16.8)

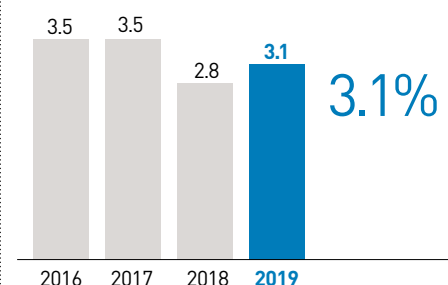
Cash inflows from operating activities increased by £10.7 million to £54.2 million, driven by increases in net rental income and the expiry of rent free periods.

The Group received net cash proceeds of £83.2 million during the year from its investment activities. This included £261.0 million from property disposals and £12.4 million from joint ventures. The Group spent £159.0 million acquiring property and £31.2 million on capital expenditure for asset management and development activities.

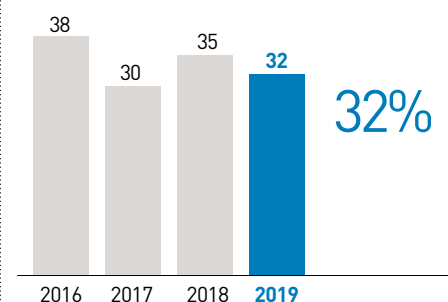
Cash outflows from the Group's financing activities reflect net debt repayments of £85.0 million, cash dividend payments of £50.6 million, financing costs of £2.9 million and share purchases of £4.5 million.

Further detail is provided in the Group cash flow statement on page 125.

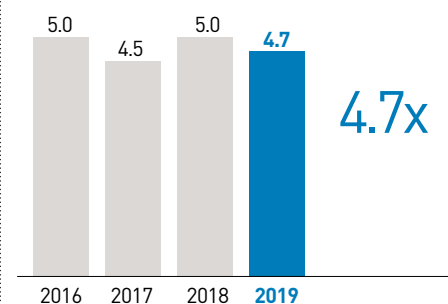
Cost of debt



Loan to value ratio



Interest cover ratio



RESPONSIBLE BUSINESS

Responsible Business addresses the three key areas of **environment, people and stakeholders**. It is embedded into all of our corporate activities.



We recognise the ever increasing importance of managing climate change and environmental risks as well as developing strong stakeholder relationships.

Martin McGann
Finance Director

Overview

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

However, we are committed to improving our Responsible Business disclosure, mitigating climate change and sustainability risks and capturing environmental and stakeholder related opportunities through our investment, asset management, development and corporate activities.

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.

Performance against our 2019 targets is detailed in the full Responsible Business report for 2019. Our targets for 2020 have been set and are available on our website.

OUR KEY RESPONSIBLE BUSINESS RISKS AND POTENTIAL IMPACT

Environment

- Quality, desirability and environmental standards of our assets deteriorate, leading to higher voids and loss of income
- Physical climate change risks and wider risks from transitioning to a low carbon economy are not successfully mitigated which leads to a reduction in the Company's appeal to investors
- Investor expectations for environmentally efficient, socially beneficial and financially productive assets are not met which reduces liquidity for our assets

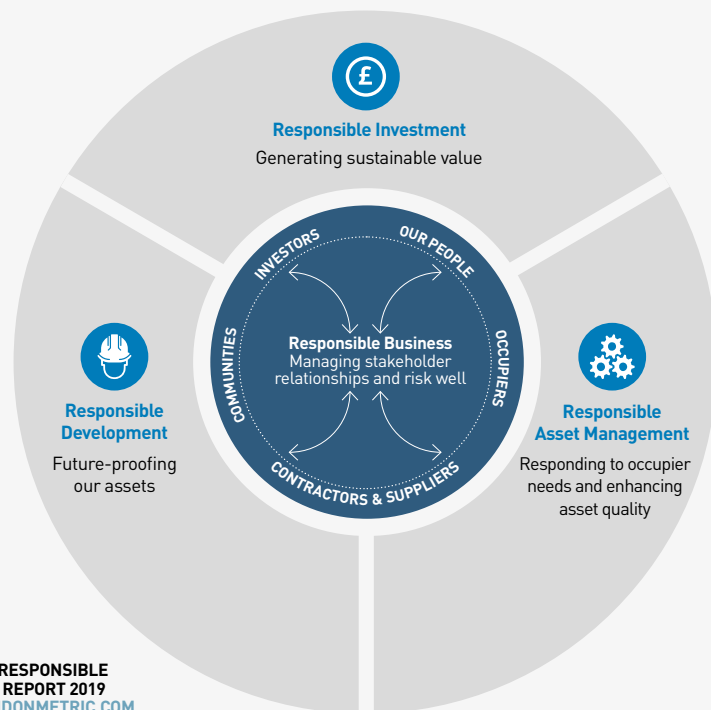
Stakeholders & Our People

- Management of our supply chain is weak, 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
- Ensure full understanding of environmental and climate change risks relating to our assets, taking appropriate action
- 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



SEE FULL RESPONSIBLE BUSINESS REPORT 2019
WWW.LONDONMETRIC.COM

KEY ACHIEVEMENTS AND FURTHER RECOGNITION OF OUR PROGRESS

Our Responsible Business activities have delivered further improvements and we have maintained our Green Star status in the latest GRESB assessment, which we continue to view as our most applicable sustainability benchmark.

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK ('GRESB')

- Achieved 67% score in the 2018 survey and maintained our Green Star status. This score is up from 34% in 2014
- We continue to score above our peer average which, for 2018, was 60%
- Further actions have been undertaken to maintain status in the upcoming 2019 survey, particularly on stakeholder engagement and construction



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 2018, we maintained our Gold Award



Awards

GRESB Green Star and EPRA sBPR Gold Award maintained

Targets to 2019

88%

targets achieved or in progress

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

100%

+ FURTHER DETAILS PAGE 42

BREEAM Very Good certification on completed developments in the year

75%

of developments

Annual carbon footprint reduction in the year

-68%

absolute

-29%

like for like



SEE FULL RESPONSIBLE BUSINESS REPORT 2019
WWW.LONDONMETRIC.COM

FTSE4GOOD

- Assessment for inclusion in the FTSE4Good Index
- In 2018, our most recent assessment, we met the required rating threshold of 3.1 out of 5.0 and, for the first time, we were included in the index



FTSE4Good

NEW ISS REPORTING

- Our investor Responsible Business survey last year identified ISS as an important ESG benchmark
- We responded for the first time last year and have improved our score to above that of our peer group
- Further improvements in our score are expected over the next year



TCFD REPORTING

We have reviewed the framework introduced by the Task Force on Climate-related Financial Disclosures ('TCFD'), established by the Financial Stability Board. It is designed to help companies report decision-useful climate-related information and, while voluntary, it is a clear sign of the increasing market expectations around carbon and climate risk reporting.

During the year, as part of our initial TCFD considerations, we started to assess the impact of climate change on our assets, both in terms of the risk of transitioning to a low carbon economy and also the physical risks resulting from climate change.

Whilst we believe that we own resilient assets, we are in the process of undertaking an enhanced and updated review of our material assets. This is being undertaken in conjunction with WSP, our environmental due diligence advisor, and JLL, our Responsible Business advisor.

We will analyse the results of this review and look to broaden this analysis across our asset base, as well as provide further disclosure in accordance with TCFD guidance and report on the resilience of our business and portfolio to climate-related risks in greater detail.

MANAGING ENVIRONMENTAL RISKS AND OPPORTUNITIES

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

OUR ENVIRONMENTAL PERFORMANCE

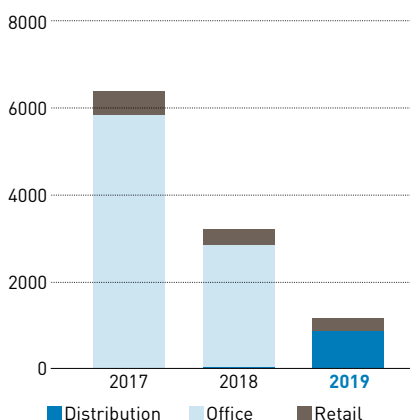
Our portfolio has seen significantly reduced levels of energy consumption and greenhouse gas emissions.

Our landlord controlled energy consumption for last year was 1,134 MWh compared to 9,056 MWh in 2015. Excluding void distribution assets, consumption was 279 MWh, which equates to the consumption of around 16 mid sized homes.

Due to vacancies, our distribution assets registered material landlord energy consumption for the first time. However, this is expected to reduce significantly following the sale and letting of several warehouses in the year.

Only c.10% 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, improving the efficiency of our assets and engaging with our occupiers to support them in reducing their energy consumption.

Energy consumption (MWh)



ESOS COMPLIANCE

In line with our regulatory compliance, we expect to complete our planned energy audits well ahead of the December 2019 deadline.

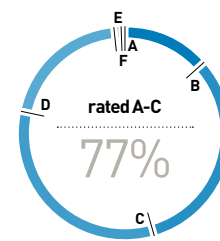
INVESTING

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

In respect of the Minimum Energy Efficiency Standard (MEES), 100% of assets are rated 'E' or above and assets rated 'A'-'C' have risen to 77% of the portfolio, up from 59% in 2015. One asset representing 0.4% of the portfolio was rated 'F' last year and related to a purchase in that year. In conjunction with the occupier, significant energy improvements have raised this to a 'B' rated asset.

As climate change risk increases, we are reviewing our approach to environmental due diligence and looking to, in conjunction with our advisor, enhance our environmental risk assessment on new acquisitions.

EPC Rating of Portfolio (by ERV)*



	2019	2015
A	17.1%	0.0%
B	29.8%	25.5%
C	30.1%	33.6%
D	21.3%	11.7%
E	1.7%	17.7%
Below E or unknown	0.0%	11.5%

*for MEES purposes

ASSET MANAGING

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

Occupier Energy Audits and LED upgrades:

We continue to undertake audits on our distribution assets and over the last two years this has prompted six of our occupiers to fund internal LED lighting upgrades. Further audits are planned or underway and we are discussing further LED upgrades with occupiers.

Renewable energy: Following ongoing engagement with our tenants and feasibility studies, 1.8 MW of solar PV capacity is installed across our assets.

We continue to engage on progressing further solar installations and look at ways we can generate renewable landlord supply.

Recharge points: Electric vehicle recharge points are installed on a growing number of our assets and we continue to look to add further installations.

Smart metering and Green sourcing:

During the year we increased the percentage of landlord controlled energy supply from low carbon sources from 0% to 85% of managed assets.

Tenant Energy Data: We continue to collect data on our occupiers' energy consumption and have increased our energy data capture to cover 38% of our portfolio.

DEVELOPING

Development is an important activity for us and we carry out our development work responsibly and give proper consideration to environmental, sustainable and social matters.

We continue to integrate a range of sustainable features into our developments including solar PVs, roof lights, electric vehicle recharge points, water conservation and ecology.

For all large developments, we target BREEAM Very Good as standard and our development team ensures that, in conjunction with our external project managers, we select high quality and robust contractors who have a proven track record and that can meet our high construction and supply chain standards.

SEE PAGES 32 – 33 FOR FURTHER INFORMATION ON OUR BEDFORD DEVELOPMENT

RESPONSIBLE ASSET MANAGEMENT AND DEVELOPMENT IN ACTION



RESPONSIBLE ASSET MANAGEMENT ACTIVITY IN THE YEAR

Distribution warehousing represents 72% of our portfolio and our asset management activities are predominantly focused on this sector.

For each distribution asset, we actively look to incorporate environmental improvements into leasing and regear opportunities. Not only does this reduce occupational costs for our tenants but it also improves the quality of our buildings and their future resilience.

During the year, environmental initiatives commenced or were planned on 10 assets.

Most of these are improvements to lighting, heating systems and warehouse roofing as well as solar PV installations. We continue to engage with our occupiers on a number of further opportunities.

HAVANT CASE STUDY

As part of a 10 year lease regear, we agreed to undertake building works to significantly improve the energy efficiency of the building and the working environment.

The works included new high security windows, installation of LED lighting throughout the building and new A+ rated air conditioning equipment to provide a controllable temperature range.



DEVELOPMENT ACTIVITY IN THE YEAR

Our developments completed in the year totalled 322,000 sq ft. Our urban logistics development at Frimley completed in May 2018 and was certified as BREEAM Very Good. The warehousing is let to BAE and DPD on long leases.

BREEAM Very Good Development in Frimley

62,000 sq ft

Urban logistics



CONTRACTOR ACHIEVEMENTS ON PROJECTS IN YEAR

Bronze award from Considerate Constructors at our Ipswich development

100% compliance with our Responsible Business requirements

Excellent Considerate Constructors site score at our Bedford development

c.80% of all waste was diverted from landfill



TENANT ENERGY DATA

Energy data collected across

4,305,018 sq ft
representing 38% of the portfolio

Amounting to

40,174,493 kWh
of electricity

24,578,343 kWh
of gas



SOLAR POWER INSTALLED

Installed capacity

1.8 MW of solar PV
across portfolio



GREEN SUPPLY & AUTOMATED METERS

Proportion of landlord supply

85% on green tariff

69% with automated metering



BREEAM VERY GOOD

Percentage of portfolio rated BREEAM Very Good or Excellent

25%

Up from 10% in 2015

STAKEHOLDERS OUR PEOPLE

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

Our employees

The Company is highly focused with 24 employees, four Executive Directors and six Non Executive Directors. Since merger in 2013, employee and director numbers have fallen by 32% despite a significant increase in our assets under management. This reflects improved efficiencies and the 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 5% 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 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 recent years, 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.

HOW WE CONTINUE TO IMPROVE OUR APPROACH TO OUR PEOPLE

Inclusion & communication

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. Regular strategy and performance updates are provided to employees from the Executive Directors.

Modern working practices

We have 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, medical insurance, childcare and cycle to work vouchers.

Diversity & equal opportunity

We promote diversity across knowledge, experience, gender, age and ethnicity. In the year, we published a diversity and inclusion policy.

Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Over the year, we increased female board representation to 20% and this will increase to 25% after the upcoming AGM. Recognising the significant diversity imbalance in the real estate sector, we continue to support the Real Estate Balance group to further our promotion of diversity both internally and externally.

Employee development & training

An annual appraisal process is undertaken where training needs and performance are discussed. We actively encourage training and, over the year, our staff undertook c.800 hours of training, some of which related to a senior employee's MBA programme. We also undertook Responsible Business training across our employees and continued to encourage participation in Young Property Professionals groups. We continue to offer secondment and work placement opportunities.

Health & safety

In 2016, we formalised a policy to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, workplace assessments, operational processes and safe systems of work. See page 48 for further details on health & safety.

Wellbeing

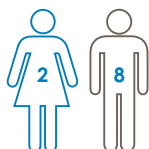
During the year, we significantly reduced our office space and undertook a major refurbishment and modernisation of the office. A wellbeing review of the physical space was undertaken and we carried out a wider employee and office wellbeing survey to gauge overall employee satisfaction.

The results from the employee survey showed improvements against the previous year and were presented to Andrew Livingston, the Company's appointed Director for employee representation. The Board will consider the results of the survey and further improvements will be looked at where possible.

EMPLOYEE GENDER DIVERSITY

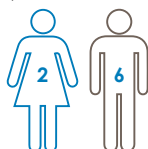
DIRECTORS

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



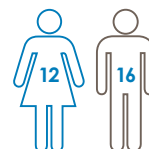
SENIOR MANAGERS

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



EMPLOYEES

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



STAKEHOLDERS

HEALTH & WELLBEING OF OUR PEOPLE

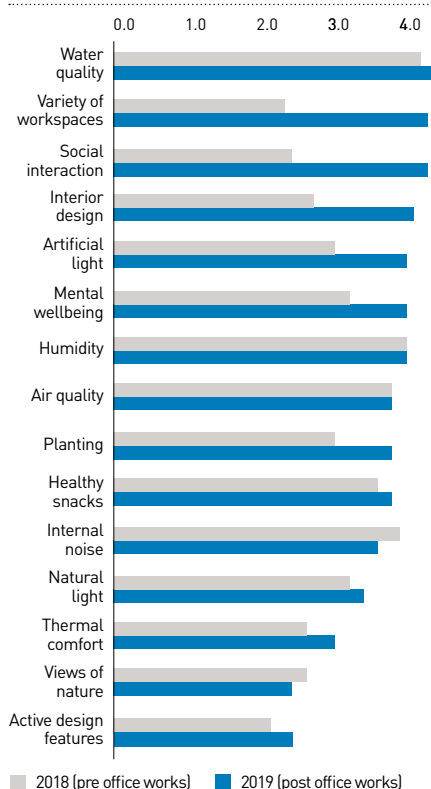
Overview

A new fit out of our office was completed over the year. The space has been reduced by a third to c.7,000 sq ft to accommodate our significantly reduced headcount over recent years. The cost effective refit was designed to better meet the team’s needs and builds in health, wellbeing and productivity features that are typically promoted in good practice standards such as the WELL Building Standard.

The refit considered ways to create a well designed space that enable employees to relax, collaborate and that positively impacted their mental wellbeing from access to natural light, good air quality, natural design features and planting.

Our sustainability advisors undertook a health & wellbeing review of the office post works completing, the highlights of which are summarised opposite. The results of an employee wellbeing survey in respect of the office are also shown below and there was a significant increase in levels of satisfaction with the office.

Wellbeing scoring change



SUMMARY OF OFFICE IMPROVEMENTS BY OUR SUSTAINABILITY ADVISOR



The improved interior design in general has been appreciated by employees, with a 50% increase in satisfaction levels. The increase in variety of workspaces available also saw a significant increase with an 83% jump in satisfaction.



Employees reported that the design and features of the new office positively impacted their mental wellbeing – a 24% increase in satisfaction. The level of planting has been increased significantly throughout the office space creating more restful views, and the newly designed break out spaces and kitchen area have been particularly popular and helped to boost social interaction. The Company actively encourages lunch breaks away from desks. In the year, it also stopped delivery of all plastic water bottles and installed a carbonated water tap.



86% of workstations are within the industry good practice distance of six metres from external windows or within six metres of the glass window onto the internal atrium which provides natural light. All meeting rooms also have a window to the outside or to the atrium. The electric lighting has been upgraded to a fully addressable LED system – each individual light can be dimmed or turned off entirely if required – and gives a daylight effect, with a variety of lighting designs, all with a carefully chosen colour temperature to provide high quality illumination that is restful on the eyes.



Air quality was already considered high and improvements to the heating and cooling system now mean that the temperature can be more easily adjusted. To avoid bringing new sources of VOC emissions into the working areas, eco-labelled natural fabrics were used on new seating and the carpet tiles, and the original wooden desks were retained. The opportunity was taken to also house the printers and copiers in a designated area with their own extracts.



Showers and cycle facilities were already available and we have incorporated new lockers and changing rooms into their own space to support cycling, running and gym use. During the year, the Company put in place a reduced-cost corporate gym membership for employees.



Wool carpeting and some acoustic baffling is in place with additional baffles being added, along with artwork to break up echo and a natural moss wall. There are also specially designed chairs and seating areas to provide privacy and sound-masking.

STAKEHOLDERS OCCUPIERS, CONTRACTORS AND SUPPLIERS

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



OCCUPIERS



LondonMetric is a pragmatic, approachable and commercially aware landlord who is always prepared to work with its tenants to find solutions.

Property Director
at a key occupier

Occupier score in 2019 survey

9/10

for how well we compared against other landlords

Developing our occupier relationships

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 March 2019, we undertook our regular survey across key occupiers. We received a response from occupiers representing over half of our contracted income, which was similar to representation levels seen in 2018. We scored an average of 8/10 for satisfaction with our properties and 9/10 for how well we compared against other landlords.

Scoring methodology was consistent with our 2018 survey and the scores showed a good improvement in occupier satisfaction.

Future plans

We will continue to undertake an annual customer survey and, recognising that 95% of 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



Winvic takes pride in its record on project delivery to industry leading standards. Working collaboratively with LondonMetric, their approach, expertise and close involvement helped us to deliver a high quality development that met their exacting standards.

Sam Vickers
Project Manager,
Winvic Construction Ltd



SEE PAGES 32 – 33 FOR LOCAL
COMMUNITY INITIATIVES AT OUR
BEDFORD DEVELOPMENT

Delivering developments and asset services in adherence with our high standards

Our Responsible Procurement Policy

It outlines our approach to implementing supply chain and procurement standards on developments and standing investments. This policy focuses on areas such as labour, human rights, health and safety, resource, pollution risk and community.

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 one of our key suppliers totalling c.20% of our annual spend, and were satisfied that they complied with our requirements.



Contractors

In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors with a proven track record. We regularly review the financial robustness of our contractors and work closely with them throughout projects.

Our development team monitors progress and tracks all elements of the projects including sub contracted works. We stay close to our contractors and arrange regular visits and undertake detailed reviews and checks of their systems and processes.

Our Responsible Development Requirements checklist is used on all projects and sets out the minimum requirements for contractors, which includes compliance with the Considerate Constructors Scheme.

At our development in Bedford, our contractor, Winvic, scored exceptionally in respect of the community. Winvic implemented a number of local community initiatives and we will promote similar levels of community engagement on our other projects.



SEE PAGE 48 FOR FURTHER INFORMATION ON
OUR CONTRACTOR AND SUPPLIERS REQUIREMENTS
AND OUR APPROACH TO HEALTH & SAFETY

STAKEHOLDERS

LOCAL COMMUNITIES, INVESTORS AND JOINT VENTURES



LOCAL COMMUNITIES

KEMPSTON CHALLENGER ACADEMY SCHOOL VISIT

We believe that the involvement of schools during and after development is a valuable way to promote construction as a career and help to develop awareness of students.

At our Bedford site, in conjunction with our contractor, we engaged closely with the Kempston Challenger Academy. A site visit was arranged for the students and further initiatives are being considered with the school including further visits, work experience, workshops and contributions for school projects.



Permanent jobs expected to be created

Over 900 jobs

by occupiers at our developments completed or underway in the year

Community spend in the year

£25k

Charitable donations and other local community spend in 2019

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 of our activities 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, typically using local contractors
- **Creation of modern buildings** and facilities fit for future needs
- **Long term commitments** from our occupiers, who typically sign 10-15 year leases, and create significant local jobs

- **Involvement of local authorities and councils** to ensure we work in partnership with them and consider their views
- **Engagement with local residents**, particularly throughout and post developments to ensure they are informed and involved
- **Our ongoing involvement** at our properties by funding of local events and facilities
- **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 £12,252. LondonMetric encourages its employees to participate in charitable and local community events



INVESTORS AND JOINT VENTURES

Investors seen

234

Debt investor site visit (January 2019)



We value our good relationships with investors and debt providers

Over the year, as covered in detail on pages 78 to 79, we saw over 230 equity investors through meetings, site visits and conferences. Furthermore, as part of our debt private placement in the year, we engaged with a number of debt investors and, in January 2019, arranged a site visit for them to see our Primark distribution warehouse in Northampton and our Bedford development site.

We continue to enjoy good relationships across the equity and debt capital markets. In addition, we enjoy strong relationships with our Joint Venture partners, and continue to work closely with them.

Meeting investor expectations on Responsible Business

As shareholder expectations on corporate governance and sustainability increase, we undertook our first Responsible Business survey of investors in the previous year. The survey was undertaken across half of our shareholders with good feedback received from 20% of our share register and general recognition that our Responsible Business disclosure, targets and activities were good and of an appropriate standard.

We continue to incorporate feedback from the survey as well as from ongoing dialogue with shareholders into setting of our sustainability targets and our corporate reporting. Next year we will undertake another survey to ensure we are meeting investor expectations.

GOVERNANCE AND COMPLIANCE

The Board is committed to upholding the high standards of corporate governance and Responsible Business is an important part of ensuring that we deliver on those high standards.

OVERVIEW

Board Representation for Responsible Business

Martin McGann, Finance Director, represents the Board at Responsible Business Working Group meetings and his remuneration is linked to the Company achieving certain Responsible Business related objectives.

Policies & Statements

The Company's overall Responsible Business policy is available on its website along with other related documents including:

- The Responsible Business Working Group's terms of reference
- Responsible Business targets
- Full Responsible Business Reports
- Our Approach to Health and Safety
- Compliance & Anti Corruption procedures
- Responsible Procurement Policy
- Community Policy
- Modern Slavery Act Statement
- Half yearly environmental Performance Reports

Confirmations

The Company confirms that no human rights concerns have arisen within its direct operations or supply chains and that it has not incurred any fines, penalties or settlements in relation to corruption.

The Company continually reviews and updates all of these documents as required.

HEALTH & SAFETY IN FOCUS

Responsibility and procedures

The Board is responsible for ensuring that appropriate Health and Safety procedures are in place. Mark Stirling, Asset Director, is responsible for overseeing implementation of our procedures and reporting back to the Board. RP&P Management acts as our Corporate Health and Safety Advisor and we meet formally with them twice a year.

H&S risks assessment & Training

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all necessary actions are implemented. Health and safety training is carried out for employees and additional training is considered on a case by case basis.

Health and safety policy

Our policy is regularly reviewed and addresses three key areas of:

- I. Employment** – The policy ensures our employees are offered a safe and healthy working environment.
- II. Construction** – Procedures and processes have been developed to ensure we comply with current legislation with a Project Manager, Principal Designer and Principal Contractor appointed on all projects to oversee, manage and monitor health and safety.
- III. Managed Properties** – The majority of our assets are let on full repairing and insuring leases. For single occupier assets, the occupier is responsible for managing health and safety matters at the property and the wider estate.

Where there are multiple occupiers on the same estate, we appoint a Managing Agent to manage health and safety matters relating to common parts. The Managing Agent is responsible for ensuring health and safety assessments are completed and regularly reported back to us.

HEALTH & SAFETY IN 2018/19

- Quarterly internal meetings
- Half yearly project audits:
 - Projects at Ipswich and Bedford were inspected by RP&P
 - Further audits to be carried out next year
- One reportable incident
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health & Safety policy updated and to be issued in 2019-20

OUR CONTRACTOR REQUIREMENTS

We have implemented 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
- Considerate Constructors Scheme compliance
- 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. During the year, we audited one of our key contractors to ensure that they were adhering to our requirements. A particular emphasis was on their compliance with our supply chain standards, including matters related to modern slavery.

ENVIRONMENTAL PERFORMANCE HIGHLIGHTS FOR 2019

In 2015, we established a baseline and benchmarks for measurement of the environmental performance of our portfolio. Since then we have significantly reduced our energy consumption and GHG emissions, enabling us to save c.£0.6 million in energy costs (not including our CRC cost reductions).



Energy consumption

1,134 MWh

Down 65% on an absolute basis

The large reduction has been due to a combination of energy efficiency measures along with the sale of our Marlow office in the prior year. Our yearly target to reduce our like for like energy consumption by 4% was also reached with a 16% reduction compared to 2018.

Our fantastic progress to date means we have made great steps towards our longer term target to reduce energy intensity by 20% against a 2015 baseline, by March 2022.



Greenhouse gas (GHG) emissions

334 tCO₂e

Down 68% on an absolute basis (scope 1,2,3)

The large reduction was caused by a fall in our energy consumption and by the ongoing decarbonisation of the National Grid. This reduction is expected to result in a c.50% fall in our CRC Energy Efficiency Scheme liabilities.

Additionally, with a like-for-like GHG emissions fall of 29%, we have significantly exceeded our annual target of a 4% reduction. This demonstrates our good progress towards our long term target to reduce GHG emissions intensity by 20% by March 2022 against a 2015 baseline.

MANDATORY GHG EMISSIONS REPORTING

		2018/19	2017/18
Direct greenhouse gas emissions in tonnes of CO ₂ e (combustion of fuel and operation facilities)	Scope 1	22	181
Indirect greenhouse gas emissions in tonnes of CO ₂ e (purchased electricity, heat, steam and cooling)	Scope 2 – location-based	287	777
	Scope 2 – market-based	372	869
Total carbon footprint in tonnes of CO ₂ e	Total scope 1 & 2	309	957
Scope 1 and 2 intensity (tonnes of CO ₂ e per £m net income after administration costs)	Scope 1 and 2 intensity	4.29	13.86
£m net income after administration costs		71.94	69.08

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 (2018). 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 (2018).

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

Data for the year to 31 March 2018 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.

RISK MANAGEMENT

We seek to safeguard our stakeholders' interests by identifying and actively managing the risk inherently present as we strive to deliver growing returns.

OUR RISK MANAGEMENT APPROACH

Our risk management structure is illustrated below.

BOARD



- Overall responsibility for risk management and internal controls
- Consider the long term viability of the business
- Set strategic objectives and consider risk as part of this process
- Determine the level of risk appetite
- Set Executive Committee delegated authority limits

AUDIT COMMITTEE



- Key oversight and assurance function on risk management, internal controls and viability
- Report to the Board on the effectiveness of risk management processes

EXECUTIVE COMMITTEE



- Identify, assess and quantify risk
- Implement and monitor risk mitigation processes

SENIOR MANAGEMENT



- Assist the Executive Committee

The Company's risk management procedures reduce the negative impact of risk on the business and are critical to the generation of reliable and growing, income-led returns and long term outperformance.

The Board recognises its overall responsibility for undertaking a robust risk assessment and for establishing the extent to which it is willing to accept some level of risk in achieving its strategic goals, all the while ensuring that stakeholder interests are protected. Although risk cannot be eliminated completely, the Board's risk tolerance is low where its objectives are prejudiced.

At each meeting the Board considers risk at a high level via a dashboard which enables material issues to be monitored so that key risks can be managed and emerging risks identified early on with appropriate action taken to remove or reduce their likelihood and any potential negative impact.

The Audit Committee assists the Board by playing a key oversight and assurance role. It does so by appraising the risk management framework in detail and seeking comfort that the principal risks facing the Company have been carefully identified, assessed and mitigated. The Committee annually reviews the Company's risk register and systems of internal controls, considers their effectiveness and reports its findings to the Board. At its March 2019 meeting the Committee scrutinised the risk register, which had recently been comprehensively updated, and an internal controls evaluation report. The Committee is satisfied that there are appropriate procedures in place to identify and ensure that emerging and principal risks are robustly assessed, that evidence supports the ongoing monitoring of risk mitigation measures and that where control weaknesses are identified they are acted upon.

Considered risk taking is required for all business and investment activity and the Executive Committee is responsible for ongoing risk identification and the design, implementation and maintenance of a robust system of internal controls in light of the risks identified. The Committee is 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 and the Company has a small number of employees. This flat management structure with all staff operating from one office location enables 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 are noted. The risk register is comprehensively reviewed at least once a year.

Principal risks

Our principal risks and uncertainties are identified and reported on in pages 52 to 63. They refer to those risks with the potential to cause material harm to the business and impact our ability to execute our strategic priorities or exceed the Board’s risk appetite.

Identifying emerging risk

Management have strong retailer relationships and regularly meet with occupiers to understand their needs and to gain insights into their businesses. These relationships are one of the key tools which assist us in identifying emerging risks and were one of the main drivers behind the decision to pivot the portfolio away from certain subsectors of retail six years ago. The current portfolio is now more closely aligned with changes in consumer shopping habits, fuelling the growth in ecommerce and convenience-led retail. Management also regularly meet industry representatives, shareholders and analysts. Reports are commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the sector and the wider economic outlook.

Changes in risk factors

No new principal risks have been identified during the year.

Increasing risk

Brexit continues to dominate political and economic risk with an increased probability of a disruptive Brexit, a potential General Election and an extended period of uncertainty. This may negatively impact the investment, capital, financial, labour and occupier markets. To provide greater clarity on Brexit’s potential

impact on us we have split Brexit out from under political and economic risk into its own category. The Board acknowledges that the present Brexit situation is unprecedented and current uncertainties may accelerate and necessitate more boardroom debate about the consequences, alternative strategies or adjustments to the current strategy. It may be difficult to adequately foresee emerging risks and uncertainties arising out of Brexit given the lack of clarity surrounding it. Ultimately however, we believe that the profound structural changes in the retail landscape will be more important over the medium and long term than what ultimately happens with the UK’s relationship with the EU.

Decreasing risks

Liquidity risk has decreased within the last 12 months as we have lengthened our debt maturity and welcomed new lenders, whilst maintaining a prudent level of gearing. Our overall property risk has also decreased. We have refined our portfolio to align it to distribution assets that will outperform, focusing reinvestment on urban logistics where we see better valuation support and rental growth prospects and low energy convenience assets which benefit from the increasing popularity of top up shopping.

Post mitigation residual risk

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.

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 entire Group

Strategy, market, systems, employees, wider stakeholders, regulatory, social and environmental responsibilities



Property risks

These focus on our core business

Portfolio composition and management, developments, valuation and occupiers



Financing risk

These focus on how we fund our operations

Investors, joint ventures, debt and cash management

POST MITIGATION RESIDUAL RISK

Corporate risks

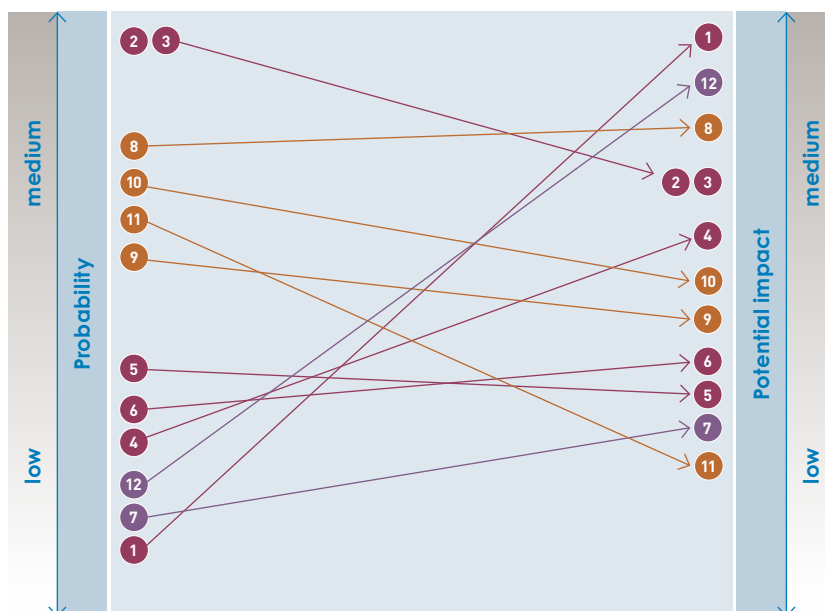
- 1 Strategy
- 2 Brexit
- 3 Economic and political factors
- 4 Human resources
- 5 Regulatory and tax framework
- 6 Responsible Business approach
- 7 Systems, processes and financial management

Property risks

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

Financing risks

- 12 Capital and finance risk





Corporate risks

1 STRATEGY

RISK	IMPACT	MITIGATION
<p>Strategic objectives may be:</p> <ul style="list-style-type: none"> Inappropriate for the current economic climate or market cycle Not achieved due to poor implementation 	<ul style="list-style-type: none"> Suboptimal returns for shareholders Missed opportunities Ineffective threat management Wrong balance of skills and resources for ongoing success <p>Impact on strategy</p>	<ul style="list-style-type: none"> Our strategy and objectives are regularly reviewed by the Board to adapt to changes 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 predominantly UK portfolio in a world leading online shopping market We undertake regular and rigorous portfolio reviews which take into consideration sector weightings, tenant and geographical concentrations, perceived threats and market changes, the balance of income to non income producing assets and asset management opportunities Our three year forecast is continually flexed and reported The Executive Directors are closely involved in day to day management. Our organisational structure is relatively flat and we operate from one office, making it easier to identify market changes and monitor operations Management's interests are aligned with external shareholders through their substantial shareholdings

2 BREXIT

RISK	IMPACT	MITIGATION
<p>Disruptive Brexit</p>	<ul style="list-style-type: none"> Suboptimal returns for shareholders Occupier demand and solvency may be impacted Asset liquidity may reduce Debt markets may be impacted <p>Impact on strategy</p>	<ul style="list-style-type: none"> We commission economic and market research to better understand the potential impact on our tenants and preferred sectors We have strong retailer relationships which help to provide market intelligence We regularly monitor tenant and contractor covenant strength We have limited exposure to development, particularly speculative development at present

Our strategic priorities

Own desirable
real estateManage
& enhanceExperience
& relationshipsGenerate
income growth

COMMENTARY

- A significant part of the portfolio is in the structurally supported sectors of logistics and convenience-led retail and leisure, let to strong occupiers, on long leases that can deliver reliable income and income growth
- 72.5% of the portfolio is in the logistics space
- We have finessed our logistics portfolio, increasing our urban logistics platform to £504 million with an increased weighting in London and the South East in particular (64%) where we see better valuation support and rental growth prospects
- A major supply chain management investigation and report was commissioned from CBRE in the year for insight into big box supply chain networks
- Executive Directors hold 11.8 million shares easily meeting the Company's high shareholding targets

APPETITE

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

CHANGE

No significant change

There has been no significant change in perceived risk from 2018.

READ MORE
CHIEF EXECUTIVE'S REVIEW PAGE 15

READ MORE
PROPERTY REVIEW PAGE 24

READ MORE
REMUNERATION COMMITTEE REPORT
PAGE 93

COMMENTARY

- Although our portfolio is predominantly UK based, we acknowledge that Brexit uncertainty could impact occupier near term decision making
- Brexit and logistics specialists from PwC led a widely attended briefing on Brexit scenarios, the impact areas for the logistics sector which focused on operational disruption, systems, data and people, and the market opportunities which may result from changing demand for logistics support and UK warehousing specifically
- Throughout the year we have analysed the potential Brexit impact across our top 20 tenants which account for 68% of revenue. Each have been assessed against a set of predicted short and long term outcomes including supply chain disruption, economic downturn, sterling devaluation and how these may affect their current business operations and results. All appear to have undertaken preparations to hedge, financially or operationally, against post Brexit events to minimise disruption
- There is evidence of contractors excluding changes to price and programme arising from Brexit in recent tenders. Our current development pipeline over 0.9 million sq ft is small

APPETITE

Market conditions are outside of the Company's control.

CHANGE

Increased

The Board continue to monitor Brexit developments and their potential impact on the business. It may be difficult to adequately foresee emerging risks and uncertainties given the lack of clarity in the Brexit process. We believe that the profound structural changes in the retail landscape will however, ultimately be more important over the medium to long term than what happens with the UK's relationship with the EU.

READ MORE
OUR MARKETS PAGE 18



Corporate risks
continued

3 ECONOMIC AND POLITICAL FACTORS

RISK	IMPACT	MITIGATION
<p>Economic and political factors may lead to a market downturn or specific sector turbulence.</p>	<ul style="list-style-type: none"> • Suboptimal returns for shareholders • Occupier demand and solvency may be impacted • Asset liquidity may reduce • Debt markets may be impacted <p>Impact on strategy</p>	<ul style="list-style-type: none"> • The majority of our portfolio is in resilient asset classes with sustained demand for logistics and warehouse space in particular, driven by changes in consumer shopping patterns • We have limited exposure to the London office and residential markets • We maintain a high weighted average unexpired lease term reducing reletting risk • We have a low vacancy rate • Our occupier base is diverse • We have flexible funding arrangements with significant headroom in covenant levels

4 HUMAN RESOURCES

RISK	IMPACT	MITIGATION
<p>There may be an inability to attract, motivate and retain high calibre employees.</p>	<p>The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.</p> <p>Impact on strategy</p>	<ul style="list-style-type: none"> • We have 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 • Staff satisfaction surveys are undertaken and staff turnover levels are low • There is a phased refreshment plan for Non Executive Directors

Our strategic priorities

Own desirable
real estateManage
& enhanceExperience
& relationshipsGenerate
income growth

COMMENTARY

- We remain focused on fit for purpose distribution, long income and convenience assets that allow us to take a longer term investment horizon where we can collect, compound and grow our income in an age where technological and political disruption is challenging long established real estate principles and an ageing population is creating an unprecedented demand for income
- Our portfolio metrics continue to be strong. Our average unexpired lease length is 12.5 years and occupancy is 98%, both high within the industry. Only 3.5% of our income expires within three years
- We have further diversified our tenant base this year. Our top five tenants, which account for 34% 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 33 units remain unsold

APPETITE

Market conditions are outside of the Company's control.

CHANGE

Increased

The Board will continue to monitor political and economic developments which are outside of our control.

[READ MORE
PROPERTY REVIEW PAGE 24](#)

COMMENTARY

- This year we undertook an extensive refurbishment of our office space which has been well received by staff. Improved communal areas allow staff to interact more readily which has had a positive effect on team spirit and general wellbeing
- Executive Directors and senior managers are incentivised in a similar manner and have significant unvested share awards in the Company. These incentivise performance and retention, providing stability in the management structure
- Our Board refreshment has continued with the appointment of Robert Fowlds who brings complementary and extensive corporate finance, investment banking, M&A and real estate experience. Succession planning remains high on the Board's agenda for the coming year
- This year we also considered the size of the Board in relation to the overall size of the organisation and took the decision to reduce the number of Executive Directors. Valentine Beresford and Mark Stirling will step down but remain Investment Director and Asset Director respectively and members of the Executive Committee responsible for running the day to day operations and implementing strategy

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.

CHANGE

No significant change

There has been no significant change in perceived risk from 2018. We have built on the flexible working arrangements introduced last year to further improve staff contentment.

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OUR PEOPLE PAGE 44](#)

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NOMINATION COMMITTEE REPORT PAGE 80](#)

[READ MORE
REMUNERATION COMMITTEE REPORT
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Corporate risks
continued

5 REGULATORY AND TAX FRAMEWORK

RISK	IMPACT	MITIGATION
<p>Non-compliance with legal or regulatory obligations.</p>	<ul style="list-style-type: none"> • Reputational damage • Potential loss of REIT status • Increased costs • Reduced access to debt and capital markets • Fines, penalties, sanctions <p>Impact on strategy</p>	<ul style="list-style-type: none"> • We monitor regulatory changes that impact our business with specialist support from lawyers and consultants • We have allocated responsibility for specific obligations to individuals with Executive Committee oversight • Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance • 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 • External tax specialists provide advice • Our REIT compliance is monitored • We consider the impact of legislative changes on strategy

6 RESPONSIBLE BUSINESS APPROACH

RISK	IMPACT	MITIGATION
<p>Non-compliance with responsible business practices.</p>	<ul style="list-style-type: none"> • Reputational damage • Suboptimal returns for shareholders • Asset liquidity may be impacted • Reduced access to debt and capital markets • Poor relationships with stakeholders <p>Impact on strategy</p>	<ul style="list-style-type: none"> • 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 • We work with our occupiers to improve the resilience of our assets to climate change and a low carbon economy • We consider environmental and climate change risk relating to our assets • Sustainability targets are set, monitored and reported • Contractors are required to conform to our responsible development requirements

Our strategic priorities

Own desirable
real estateManage
& enhanceExperience
& relationshipsGenerate
income growth

COMMENTARY

- We ran several staff training and awareness programmes during the year, including on health and safety, GDPR (through Jones Day) and technical updates were received from PwC and Deloitte LLP. Further companywide training sessions on wide ranging issues have been scheduled
- We continue to undertake health and safety site audits on our developments through an external specialist consultancy. These included our larger developments at Bedford and Martlesham Heath this year. Feedback has been positive and no significant issues have been identified
- Our insurers also undertook independent health and safety and fire risk inspections on a proportion of our investments. There are no significant issues outstanding which have not been addressed by tenants

APPETITE

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

CHANGE

No significant change

The Board considers this risk to have remained broadly consistent during the year, however as with last year, a significant amount of management time has been focused on new regulations such as GDPR, corporate governance and evolving best practice due to the ongoing flow of recent changes which impact the business.

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RESPONSIBLE BUSINESS PAGE 40

COMMENTARY

- We continue to meet with a large number of investors, seeing over 230 in the year
- Response to our 2018 investor survey, which targeted 50% of our register on responsible business matters, was positive. The survey concluded that a response to the investor backed Carbon Disclosure Project survey was not expected of us
- We have maintained our GRESB Green star and a GRESB score of 67% (peer group average 60%) and are now included in the FTSE4Good index
- ESOS compliance will be completed by the end of 2019 and energy audits have commenced where required
- Our EPRA Gold star award for reporting has been maintained
- Feedback from our tenant satisfaction survey, where 51% of our tenants by income responded, was overwhelmingly positive with significant increases in our property satisfaction score and landlord satisfaction scores exceeding 9/10. The survey supplements our regular direct meetings with tenants
- We continue to increase the green credentials of our portfolio through development and modernisation in conjunction with our occupiers. 25% is now rated BREEAM Very Good, and 77% has an EPC of C or above
- Our contractors are now monitored for compliance with responsible procurement and development policies
- An action plan is in place to consider Task Force for Climate related Financial Disclosures

APPETITE

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

CHANGE

No significant change

There has been no significant change in perceived risk from 2018.

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STAKEHOLDER ENGAGEMENT PAGE 77

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TCFD PAGE 41

RISK MANAGEMENT
CONTINUED



Corporate risks
continued

7 SYSTEMS, PROCESSES AND FINANCIAL MANAGEMENT

RISK	IMPACT	MITIGATION
<p>Controls for safeguarding assets and supporting strategy may be weak.</p>	<ul style="list-style-type: none"> Compromised asset security Suboptimal returns for shareholders Decisions made on inaccurate information <p>Impact on strategy</p>	<ul style="list-style-type: none"> 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 business continuity plan is regularly updated 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



Property risks

8 INVESTMENT RISK

RISK	IMPACT	MITIGATION
<p>We may be unable to source affordable investment opportunities.</p>	<p>Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.</p> <p>Impact on strategy</p>	<ul style="list-style-type: none"> Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities

Our strategic priorities

Own desirable
real estateManage
& enhanceExperience
& relationshipsGenerate
income growth

COMMENTARY

- We have improved our IT security as part of our flexible working initiative with remote access requiring multifactor authentication
- Staff training and our processes prevented financial loss when a supplier's email was hacked, documents intercepted and bank details amended in August
- A real time management reporting pack, which includes an income statement, balance sheet and supporting schedules, has been developed utilising the interface between our database and accounting system. Other key financial reports such as cost summaries, investment schedules, IRR reports, SIC 15 and historic costs can also be produced which are quicker and easier to run and eliminate the risk of manual error, improving efficiency and simplifying internal review processes
- An integrated sales ledger invoicing system will be implemented this summer as in-house billings have increased to match the rise in single occupier buildings within our portfolio

APPETITE

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

CHANGE

No significant change

There has been no significant change in perceived risk from 2018.

READ MORE
AUDIT COMMITTEE REPORT PAGE 86

COMMENTARY

- We continue to build on our strong occupier and developer relationships. We transacted on £402 million of investment property over the course of the last year but remain very selective and confident that market uncertainty will provide 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.

CHANGE

No significant change

There has been no significant change in perceived risk from 2018.

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Property risks
continued

9 DEVELOPMENT RISK

RISK	IMPACT	MITIGATION
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Poorer than expected performance Reputational damage <p>Impact on strategy</p>	<ul style="list-style-type: none"> 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

10 VALUATION RISK

RISK	IMPACT	MITIGATION
<p>Investments may fall in value.</p>	<p>Pressure on NAV growth and potentially loan covenants.</p> <p>Impact on strategy</p>	<ul style="list-style-type: none"> Our portfolio is supported by structural changes in shopping habits 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 strategic priorities

Own desirable
real estateManage
& enhanceExperience
& relationshipsGenerate
income growth

COMMENTARY

- Our current development exposure as a percentage of the portfolio is very small at only 3.2%. No new speculative development is planned for the foreseeable future
- We have been disappointed with the pace of lettings on our completed speculative developments which has been partly due to potential occupiers deferring major decisions in the current political climate
- Post year end we have exchanged on two lettings at our Bedford development over 73% of the available space, ahead of budget and at an average rent of £7.25 psf
- No developments that completed in the year were late or over budget
- We continue to actively review the covenant strength of our contractors for live projects and defects periods

APPETITE

The Board is not currently willing to take on new speculative development.

CHANGE

No significant change

There has been no significant change in perceived risk from 2018.

**READ MORE
DEVELOPMENTS PAGE 31**

**READ MORE
BEDFORD DEVELOPMENT PAGE 32**

COMMENTARY

- 63% of our income has contractually fixed or index linked uplifts
- A high average WAULT of 12.5 years was maintained
- We have substantial headroom under our financial loan covenants. At 31 March 2019 the Group's gearing ratio as defined within its unsecured and private placement loan facilities was 46% compared with the maximum limit of 125%
- Whilst our preferred sector assets have performed well, certain sectors of the retail market, to which we are not overly exposed, have already seen material valuation falls and we expect values to weaken further. Our three retail parks, which account for less than 5% of our portfolio, are 99% let with an average lease length of 10 years, now yield 6.3% but are valued above historic cost
- Income and income growth remain our key priority, which allows us to be a little less obsessed about predicting exact market movements or the timing of cycles

APPETITE

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

CHANGE

No significant change

There has been no significant change in perceived risk from 2018. Our preferred asset classes are aligned to modern shopping habits where the prospects for valuation preservation and growth are significantly better than traditional retail.

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Property risks
continued

11 TRANSACTION AND TENANT RISK

RISK	IMPACT	MITIGATION
<ul style="list-style-type: none"> 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 	<p>Pressure on NAV, earnings and potentially loan covenants.</p> <p>Impact on strategy</p>	<ul style="list-style-type: none"> 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 occupiers in bespoke properties Asset management initiatives undergo cost benefit analysis prior to implementation External advisors 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

12 CAPITAL AND FINANCE RISK

RISK	IMPACT	MITIGATION
<p>The Company has insufficient funds and available credit.</p>	<p>Strategy implementation is at risk.</p> <p>Impact on strategy</p>	<ul style="list-style-type: none"> We maintain a disciplined investment approach with competition for capital. Assets are considered for sale when they have achieved target returns and strategic asset plans 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 A modest level of gearing is maintained 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, JCRA, is used

Our strategic priorities



Own desirable real estate



Manage & enhance



Experience & relationships



Generate income growth

COMMENTARY

- The impact of recent retailer collapses and CVAs has had a negligible impact on earnings, other than Poundworld's demise where we owned their only UK distribution centre. Recently we took the decision to sell, achieving book value, to mitigate cost leakage and reletting risk
- Other than the above, our tenant default rate within the industry is very low and we have no significant arrears
- We maintain a high occupancy level within the industry despite a number of smaller speculative developments completing recently which have not yet been let. Our EPRA vacancy rate at the year end was 2.2%

APPETITE

The Board's appetite to risk 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.

CHANGE

No significant change

There has been no significant change in perceived risk from 2018 despite further 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.



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CHIEF EXECUTIVE'S REVIEW PAGE 15



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COMMENTARY

- Our new £75 million unsecured loan with Wells Fargo and £150 million private placement have increased headroom, debt maturity and diversified our lending base without significant impact on the Group's weighted average cost of debt
- Average debt maturity has increased to 6.4 years and available undrawn facilities to £373 million
- 73% of facilities are hedged by way of interest rate swaps and caps assuming existing debt facilities are fully drawn

APPETITE

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

A low degree of market standard inflexibility is accepted 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.

CHANGE

Reduced

Our funding activity during the year has improved our position for the reasons outlined under Commentary.



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FINANCIAL REVIEW PAGE 34

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Board has assessed the 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 financial position, strategy, principal risks and future plans.

Assessment of viability review period

The Board has determined that the three year period to 31 March 2022 is an appropriate period over which to assess the Group's viability, as in previous years, for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period;
- It is a reasonable approximation of the typical time it takes from committing funds to development projects to practical completion. The average length of the Group's developments that completed in the year at Dagenham, Frimley, Ipswich, Ringwood and Telford was 13 months; and
- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

This period is reviewed and challenged annually to ensure it remains appropriate.

In addition to the three year viability assessment period, the Board considered a number of other factors when assessing the Group's longer term prospects, including:

- The weighted average unexpired lease length of 12.5 years;
- The longer term nature of some debt facilities and a weighted average debt maturity of 6.4 years; and
- The longer term investment horizon and nature of the property cycle.

Assessment of prospects

The Group's strategy is reviewed by the Board at each meeting and extensively on an annual basis as described on page 73.

The business plan is structured around the Group's strategy and consists of a rolling three year profit and cash flow forecast, with both a base case scenario including deals under offer and also an assumed case factoring in reinvestment and development.

The business plan considers property investments, 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 and capital allocation.

Forecasts are updated at least quarterly, reviewed against actual performance and reported to the Board.

When assessing longer term prospects, the Board is mindful of the following:

- Income certainty, with over 63% of the Group's rental income benefitting from contractual uplifts and an average unexpired lease length of 12.5 years;
- A proven track record of executing transactions and progressing a fully covered dividend;
- Substantial available debt facilities and headroom under loan covenants; and
- Good relationships with lenders and past experience of raising debt and equity finance.

Assessment of viability

The business plan was stress tested to validate its resilience to a combination of adverse movements in its principal risks including:

- Changes to macro-economic conditions including the impact of a disorderly exit from the EU, impacting rental income levels and property values;
- Challenges in the retail environment including tenant failures impacting occupancy levels and lettings;
- Changes in the availability of funds and interest rates; and
- Changes in property market conditions impacting disposal and reinvestment assumptions.

The stress testing involved modelling changes in property values, rental income, interest rates and disposal and reinvestment plans that were likely to have an impact on the Group's solvency, profitability and delivery of strategy.

In addition, further reverse 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 45% and rental income fall by 63% to breach the loan to value and interest cover covenants under the existing unsecured debt facilities.

This scenario testing, when combined with the Group's strong current position and mitigation actions available including deferring non committed capital expenditure and development projects and selling assets, supported the Group's ability to overcome adverse economic and property market conditions over the forecast viability period.

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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“

Your Board remains committed to upholding the highest standards of corporate governance it has set in the past, which underpin the successful management of the business and drive its long term success. This report sets out the Company's governance policies and practices and explains how we discharge our duties and comply with the main provisions of the Code.

Patrick Vaughan
Chairman

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.

Application of the main principles is contained in the governance section that follows.

2018 UK Corporate Governance Code

The FRC issued a new Corporate Governance Code in July 2018 which is effective for the Company from 1 April 2019. We will be reporting on compliance with the provisions of the 2018 Code next year.

However, in accordance with best practice, we have assessed the new provisions we already have in place and those which we will be addressing over the coming year.

What is currently in place:

- Designated workforce Non Executive Director
- Majority independent Non Executive Directors
- Updated Committee terms of reference

What we are addressing:

- Succession planning for the Board
- Workforce engagement programme and monitoring of culture
- Extended Remuneration Committee remit to set remuneration of senior management and review workforce policies and payouts

INTRODUCTION FROM THE CHAIRMAN



We recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and leading by example.

Patrick Vaughan
Chairman

Our governance framework underpins the way we manage our business and supports the successful delivery of our strategy. It guides our ability to operate in a way that is both legally compliant and responsible, and is embedded into our day to day business operations.

We take our governance role seriously and recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and leading by example. We pride ourselves on operating in an open, honest and responsible way that welcomes constructive challenge and debate. Our approach fosters a culture of appropriate risk taking and effective decision making, which is promoted beyond the boardroom by the close involvement of the Executive Directors in day to day operations.

We remain committed to upholding the principles of good governance and have complied fully with the provisions of the 2016 Corporate Governance Code ('Code') throughout the year. However we are mindful of the new provisions in the 2018 Corporate Governance Code ('2018 Code') that we will be required to report against next year. We already observe many of the 2018 Code provisions and themes and have taken steps to further improve our governance framework to facilitate compliance next year, most significantly regarding independence and succession.

Composition, independence and succession planning

In September last year, following a review of the 2018 Code, we decided to accelerate the Board refreshment process as a number of members were approaching best practice tenure limits and may not be considered independent under the 2018 Code.

Redgrave Partners was appointed to assist with the search for new Non Executive Directors, to replace Alec Pelmore and Philip Watson who had informed the Board of their intention to retire at the end of the financial year. I am very pleased to report that Robert Fowlds joined us as a Non Executive Director and member of the Remuneration Committee in January 2019. Robert brings a wealth of corporate finance and investment banking experience and the right personal qualities to complement and enhance the existing skillset of the Board.

I would also like to thank Alec and Philip for their support and contribution to the Company over their long service as Directors since the merger in 2013 and previously at Metric.

The Nomination Committee also spent time considering the overall size of the Board, and with a complement of only 28 employees including Executive Directors, a Board of 10 members was considered too large. Therefore, following the AGM in July 2019, the Board will reduce to six Non Executive Directors and two Executive Directors, responsible for leading and governing the Company. Valentine Beresford and Mark Stirling will step down but remain Investment Director and Asset Director respectively and members of the Executive Committee. Following these changes, the Board (excluding the Chairman) and its Committees will meet the independence requirements of the 2018 Code.

In July 2019 James Dean, Non Executive Director and Chairman of the Remuneration Committee, will have served for nine years. The Board has decided to appoint Robert Fowlds as his successor as Remuneration Committee chair in January 2020, after he has served as a member for 12 months. James will remain as chair and a Non Executive Director until this time in order to facilitate an orderly transition.

Our work on succession planning and developing talent will continue to be a key area of focus for the Nomination Committee to support the Company's long term plans. We will remain mindful of the benefits of a diverse Board as we search for suitably experienced replacements.

Purpose and culture

We believe in leading by example in an open, honest and responsible way. It is my role to provide leadership and promote our culture and thinking, which sets the tone for good governance, beyond the boardroom and throughout the organisation.

This year we have taken steps to better articulate and document our purpose and values. At the Board meeting in March we received a paper from the Executive Committee which prompted debate, following which we approved and documented our purpose as set out on page 01.

We have set out how our purpose works on page 02 and throughout the Strategic Report.

Strategy

We spend a great deal of time at each Board meeting discussing the wider economic, political and property markets and challenges we face, ensuring we respond to opportunities and remain resilient during this period of continued uncertainty. We discuss strategy at each meeting although more extensively at our annual strategy meeting where two senior managers were invited to present to the Board as detailed on page 73.

Diversity and inclusion

The Board believes in the benefits of diversity and strives to operate in a working environment of equal opportunity. We recognise that a diverse organisation brings a wide range of perspectives and avoids narrow thinking. This year we reviewed and approved a new Diversity and Inclusion Policy, which can be found on our website.

We continue to support initiatives to promote gender diversity in the real estate sector. Low staff turnover 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 we will seek to improve diversity in its widest sense throughout the Company.

As at the date of the AGM we will have a 25% female representation on our Board, which is just marginally below the Hampton Alexander target of 33% to which we aspire.

Employees and other stakeholders

Our approach to business builds and maintains the trust of our key stakeholders and we are very conscious of the need to take account of their views and interests when making decisions that may affect them. We have reminded decision makers throughout the business of the importance of keeping these factors in mind when preparing briefing papers and recommendations. Details of our initiatives to engage with them are provided on page 77.

We are proud of our comprehensive investor relations programme which continues to be a key priority for the Executive Directors and value the support and engagement we have with all of our shareholders.

We have paid particular attention this year to the wellbeing and engagement of our employees. We have refurbished our office in Curzon Street to modernise the open plan working space and offer communal kitchen and breakout areas which facilitate a more flexible, inclusive and collaborative approach. In addition, our commitment to flexible working for staff continued with the roll out of laptops for all professional staff to help improve employees' work/life balance.

We have also appointed Andrew Livingston as the designated Non Executive Director with responsibility for employee engagement matters in accordance with the 2018 Code. His remit is to engage with employees and to feed back their views and any concerns to the Board. During the latter part of the year we conducted our second employee survey which showed improvements against the previous year. We will consider the results and look to make further improvements where possible. Further details of employee engagement and wellbeing can be found on page 78 and in the Responsible Business report on pages 44 to 45.

Being a team-centric, results-driven organisation, we look to employ and retain a diverse group of talented individuals with a wide range of skills and expertise. I am very pleased that staff both enjoy and are proud to work for LondonMetric and have a strong understanding of the strategic focus of the business.

Performance evaluation

A full externally facilitated evaluation took place last year. Progress has been made against last year's recommendations as discussed on page 85.

This year we have undertaken an internal questionnaire based performance review. The findings and recommendations are summarised in the Nomination Committee report on page 84.

The Directors agreed unanimously that the Board and its Committees continue to work with exceptional cohesion in an open and supportive environment that values mutual respect, constructive challenge and debate. We believe the Board has the right balance of skills, knowledge and experience to undertake its duties, with all Directors fully contributing to boardroom discussions. I would like to thank my colleagues for their dedication and the valuable contribution they each make.

I am delighted to report that Valentine Beresford returned to full time employment in September 2018, after taking a leave of absence to recover from an operation. Valentine remained in close contact with the Company throughout his period of absence and was engaged in all investment transactions.

Looking ahead

Looking forward, the challenging economic and political landscape will continue to occupy the Board's time. We will seek to ensure the business remains resilient and continues to adapt to structural, market and regulatory changes. Having a clear strategy, experienced team and strong balance sheet, puts us in a good and enviable position as negotiations on the UK's departure from the EU are finalised and implemented.

Our work on succession planning will continue and we will remain mindful of the benefits diversity brings to the Board as we search for suitably experienced independent Directors.

We strive each year to improve the transparency and clarity of our reporting to you and are proud that last year we received EPRA Gold Awards for both our sustainability and financial reporting. We continue our efforts in this regard and to monitor the ever changing legislative landscape.

Our success is down to the hard work and dedication of a small, close knit team of individuals and I would like to extend my thanks to each and every one of them for their contribution over the last year.



Patrick Vaughan
Chairman

23 May 2019

BOARD OF DIRECTORS

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



1. 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

2. 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 None

Board Committees Executive Committee

3. 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

4. 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

7. 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)

10. 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 Deputy Chair 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

5. 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 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

8. Robert Fowlds

Senior Independent Director

Appointed 31 January 2019

Skills and experience Robert was appointed to the Board on 31 January 2019. He has over 35 years' experience in real estate and is a chartered surveyor. He was head of real estate investment banking at J.P. Morgan Cazenove until 2015 and, prior to joining J.P. Morgan Cazenove in 2006, an equity analyst at Merrill Lynch and Dresdner Kleinwort Benson.

Other appointments Member of the Supervisory Board of Klepierre S.A and Non Executive Director of UK Commercial Property REIT Limited

Board Committees Audit Committee and Remuneration Committee

6. 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, Remuneration Committee and Nomination Committee

9. 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 Wyevale Garden Centres between 2006 and 2008 and then Chief Operating Officer between 2008 and 2009. Andrew has worked previously at Marks & Spencer, CSC Index and B&Q where he was Showroom Commercial Director from 2000 to 2005.

Other appointments Chief Executive of Howden Joinery Group Plc and Director of Vedoneire Limited

Board Committees Audit Committee and Nomination Committee

Board independence

57%

as at 2019 AGM

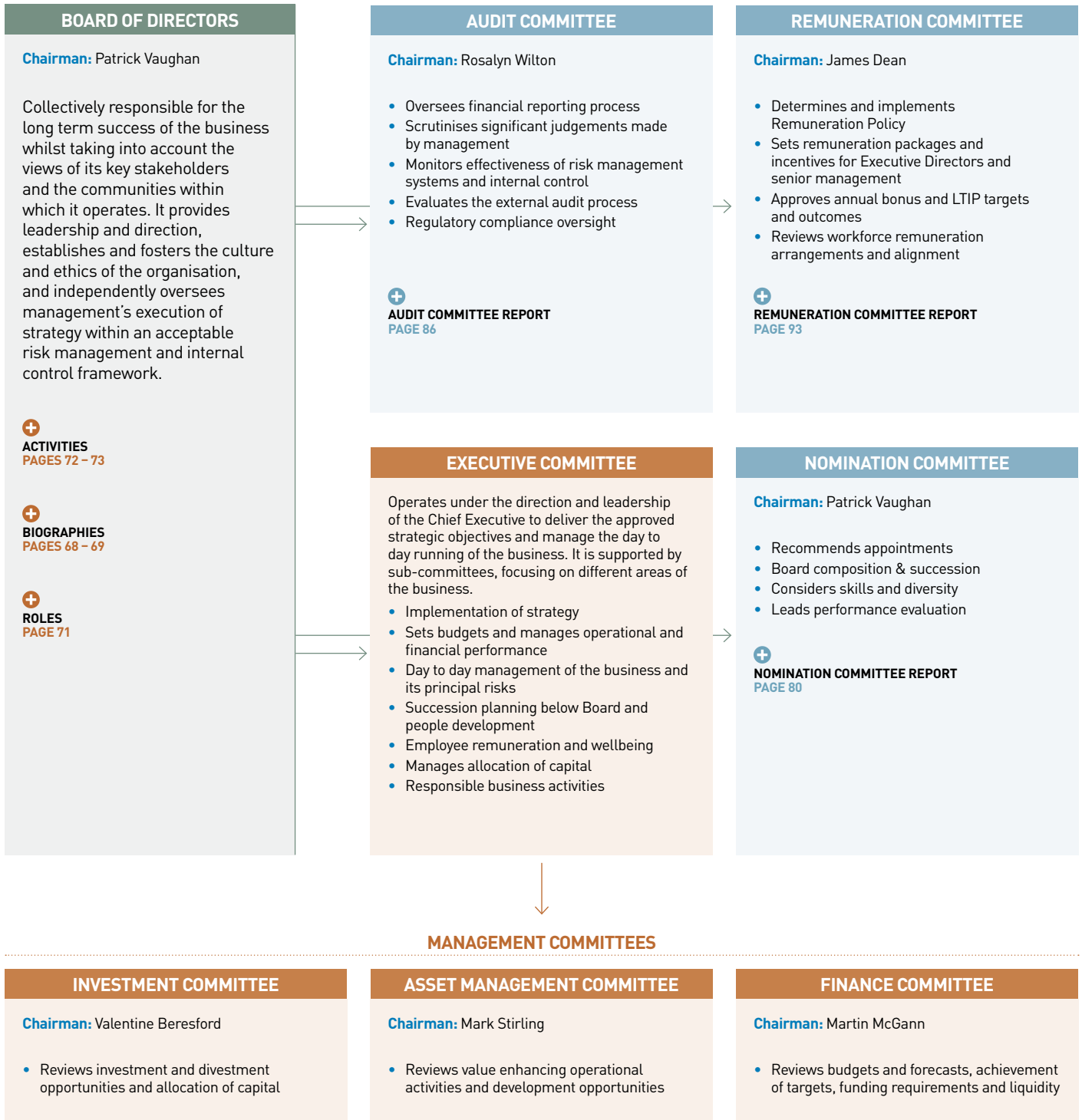
Female representation

25%

as at 2019 AGM

GOVERNANCE FRAMEWORK

BOARD COMMITTEES



DIVISION OF RESPONSIBILITIES

There is a division of responsibility between the Chairman and Chief Executive which has been approved by the Board.

The following table sets out the key roles and 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 Committee
Non Executive Directors Suzanne Avery James Dean Robert Fowlds Andrew Livingston 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 Robert Fowlds	<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 Jazdia 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





















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.

GOVERNANCE IN ACTION

The table below reflects the key Board governance activities during the year and how these supported the delivery of our strategy.

HOW GOVERNANCE SUPPORTS STRATEGY		
BOARD'S GOVERNANCE ROLE	BOARD DISCUSSIONS, DECISIONS AND ACTIONS IN THE YEAR	LINK TO STRATEGY
Setting strategy	<ul style="list-style-type: none"> Annual strategy presentation from senior managers to the whole Board Debated the property and retail market outlook, economic and political landscape including Brexit at each meeting Presentation from PwC on the potential impact of Brexit on the logistics sector and UK warehousing 	    <p>+ ANNUAL STRATEGY REVIEW PAGE 73</p> <p>+ PROPERTY REVIEW PAGE 24</p>
Sector and asset selection	<ul style="list-style-type: none"> Approved property acquisitions and disposals in excess of £10 million including a 340,000 sq ft distribution portfolio acquisition and 492,000 sq ft distribution portfolio sale, retail park sales in Launceston and Ipswich and the disposal of distribution centres in Wakefield and Sheffield Approved major capital expenditure and development projects including at Durham and Bedford Post year end, approved an increased equity holding in our DFS joint venture, taking our total interest to 82% and repaying the debt facility 	    <p>+ FINANCIAL REVIEW PAGE 34</p> <p>+ RISK MANAGEMENT PAGE 50</p> <p>+ AUDIT COMMITTEE REPORT PAGE 86</p>
Financial integrity and performance	<ul style="list-style-type: none"> Approved the interim and annual financial statements and results presentations Scrutinised the interim and annual property valuations Annual review of the internal control framework and risk register including specific consideration of cyber security and Brexit Risk dashboard considered at each Board meeting facilitating debate and discussion of principle and emerging risks Reviewed the rolling three year financial forecasts, going concern and the Viability Statement 	    <p>+ FINANCIAL REVIEW PAGE 34</p> <p>+ RISK MANAGEMENT PAGE 50</p> <p>+ AUDIT COMMITTEE REPORT PAGE 86</p>
Income and dividend progression	<ul style="list-style-type: none"> Considered and approved quarterly dividend and dividend progression Approved quarterly scrip dividend alternative and PID 	    <p>+ FINANCIAL REVIEW PAGE 34</p> <p>+ RISK MANAGEMENT PAGE 50</p> <p>+ AUDIT COMMITTEE REPORT PAGE 86</p>
Capital allocation	<ul style="list-style-type: none"> Discussed financing arrangements, available debt facilities, LTV and financial covenants Received reports from the Finance Director and approved a £75 million loan facility with Wells Fargo and a new £150 million private placement 	    <p>+ FINANCIAL REVIEW PAGE 34</p> <p>+ RISK MANAGEMENT PAGE 50</p> <p>+ AUDIT COMMITTEE REPORT PAGE 86</p>

Our strategic priorities



Own desirable real estate



Manage & enhance




Experience & relationships



Generate income growth

HOW GOVERNANCE SUPPORTS STRATEGY

BOARD'S GOVERNANCE ROLE	BOARD DISCUSSIONS, DECISIONS AND ACTIONS IN THE YEAR	LINK TO STRATEGY
Stakeholder engagement	<ul style="list-style-type: none"> • Considered feedback from Executive Directors following shareholder meetings, roadshows and results presentations • Property tours of assets and developments in Bedford, Islip and Crawley for investors and private placement lenders, with attendance by some Non Executive Directors • Received Responsible Business update from senior management including progress against annual targets and consideration of environmental matters including climate change 	 <p>+ STAKEHOLDER ENGAGEMENT PAGE 77</p> <p>+ RESPONSIBLE BUSINESS REPORT PAGE 40</p> <p>+ NOMINATION COMMITTEE REPORT PAGE 80</p>
Employees	<ul style="list-style-type: none"> • Approved office refurbishment and implementation of flexible working practices for staff • Andrew Livingston appointed as designated workforce Non Executive Director • Half yearly presentation of results to all staff and companywide training on GDPR and health and safety • Approved Executive Directors' variable remuneration against targets 	
Leadership and Direction	<ul style="list-style-type: none"> • Consulted with legal advisors on the provisions of the new 2018 Code • Received corporate governance update including a review of the new Code and GDPR • Discussed and documented Company purpose • Internal Board and Committee performance evaluation review 	
Board refreshment	<ul style="list-style-type: none"> • Board refreshment accelerated, focusing on tenure and independence • Redgrave Partners appointed to conduct search for new Non Executive Directors • Robert Fowlds appointed in January 2019 • Alec Pelmore and Philip Watson retired in March 2019 	
Diversity	<ul style="list-style-type: none"> • Continued support to Real Estate Balance group promoting gender diversity in the sector and Company at all levels • Diversity and inclusion policy approved and available on Company website 	

ANNUAL STRATEGY REVIEW

The Board, Executive Committee and senior management team meet annually to discuss and challenge our strategy. This year, the annual strategy review was held in September 2018 and included presentations from two senior managers on:

- The last five years of trading and lessons to be learnt;
- The occupier and capital markets;
- Structural and sector calls and asset selection criteria; and
- Future focus and inherent risks.

This annual event is an opportunity to focus discussions on strategy and ensure it remains fit for purpose and suitably flexible and relevant.

It gives Non Executive Directors the chance to share their expertise, challenge management and oversee the direction of the business.

GOVERNANCE STATEMENT

The role of the Board

Your Board is collectively responsible for delivering long term, sustainable returns to shareholders, having due regard to the views and interests of its stakeholders and the communities within which it operates.

It operates in an open and honest manner, engaging and fostering relationships with stakeholders and acting with integrity.

When making decisions, the Board considers:

- The interests and wellbeing of its employees;
- The impact on local communities and the environment;
- The needs of current and future tenants; and
- Its relationships with key suppliers.

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 control.

The Board's collective experience and skill set covers a range of relevant sectors including property, finance, banking, risk management, sustainability and retail as reflected in the chart on page 82 and as described in their individual biographies on pages 68 and 69.

The Board has a schedule of matters reserved for its attention which includes approval of strategy, budgets, financial reports, significant acquisitions and disposals above the delegated authority limits (currently £10 million), major capital expenditure, funding and dividend policy.

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 inclusion 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 employee matters. 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.

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.

When running Board meetings, the Chairman maintains a collaborative atmosphere in which all Directors are able to voice their opinions and contribute to the debate. The Chairman also meets individual Directors, both Executive and Non Executive, outside of formal Board Meetings to keep abreast of individual views and to foster an open and two way debate about Board, Committee and individual members' effectiveness.

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. We are proud of our high staff retention rates and contented workforce.

The importance of good corporate governance has been made clear to the Board and will be a more regular agenda item to assess and monitor culture within the organisation and to ensure issues are identified, addressed and corrective action is taken.

Culture is also monitored by reviewing the outcome of the annual employee survey, the second of which has recently been undertaken.

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 strategy.

In September 2018, two senior managers were invited to present to the Board on the Company's longer term strategy as described on page 73.

The Company Secretary maintains a rolling agenda for the Board and its Committees and, in consultation with the Chairman, she ensures agenda items cover the schedule of matters reserved for the Board, compliance with the Code and other regulatory requirements.

The Board considers the Company's stakeholders in its discussions and takes account of the views of, and feedback from, its shareholders, employees and customers as described in detail on pages 77 to 79 and in the Responsible Business section on pages 40 to 49.

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 on reviewing the appropriateness of and progress against agreed strategy in light of market conditions and investment opportunities.

MEMBERSHIP AND ATTENDANCE

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

Member	Date appointed	Tenure ⁶ (years)	Independent	Board ²	Audit Committee	Remuneration Committee	Nomination Committee
Chairman							
Patrick Vaughan	13/1/2010	9	n/a	6 (6)			3 (3)
Executive Directors							
Andrew Jones	25/1/2013	6	No	6 (6)			
Martin McGann	13/1/2010	9	No	6 (6)			
Valentine Beresford ^{4,5}	3/6/2014	5	No	4 (6)			
Mark Stirling ⁵	3/6/2014	5	No	6 (6)			
Non Executive Directors							
Suzanne Avery	22/3/2018	1	Yes	6 (6)	5 (5)	2 (2)	0 (0)
James Dean	29/7/2010	9	Yes	6 (6)		4 (4)	3 (3)
Robert Fowlds	31/1/2019	0	Yes	2 (2)	0 (0)	1 (1)	
Andrew Livingston	31/5/2016	3	Yes	6 (6)	5 (5)	2 (2)	2 (2)
Alec Pelmore ³	25/1/2013	n/a	n/a	6 (6)	5 (5)		3 (3)
Philip Watson ³	25/1/2013	n/a	n/a	6 (6)		4 (4)	3 (3)
Rosalyn Wilton	25/3/2014	5	Yes	6 (6)	5 (5)	4 (4)	
Percentage independent¹			56%				

1 Based on Board members as at 31 March 2019. Following the resignation of two Executive Directors with effect from the AGM in July 2019, 57% of the remaining Directors excluding the Chairman will be independent in accordance with Provision B.1.1 of the Code

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

3 Retired with effect from 31 March 2019

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

5 To resign from the Board on 11 July 2019 and continue to serve as Investment Director and Asset Director of the Company

6 Tenure is measured from the date of appointment to the LondonMetric Board and as at 31 March 2019, rounded to the nearest whole year

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. The attendance record of Directors at Board meetings during the year is reflected in the table above.

Valentine Beresford was not able to attend two Board Meetings during the year as he was recovering from an operation as reported last year. He sent his apologies in advance and was sent all relevant papers. He kept in regular contact through his period of convalescence and attended by phone numerous transactional meetings of the investment team. He returned to full time duties in September 2018.

Non Executive Directors

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

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.

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. During the year Suzanne Avery acted as a sounding board for the Finance Director and team when arranging the debt private placement. Property and retail market experience and insights were also given by other Non Executive Directors.

This ad hoc communication is often supplemented by site visits and provides further opportunity to mix with senior management. During the year Alec Pelmore and Suzanne Avery accompanied senior management on a tour of four assets in Crawley. Robert Fowlds visited the development at Bedford as part of his induction on appointment.

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. Tenure is measured from the date of election to the LondonMetric Board as in previous periods and 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.

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, risk and governance 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.

Professional development

Oversight of the training needs of individual Directors is the responsibility of the 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 by senior management and external advisors on GDPR, Brexit and regulatory and accounting updates.

Specific briefing papers were provided to the Board and its Committees on the Group's new £75 million debt facility and £150 million private placement, proposed changes in tax legislation, the 2018 Corporate Governance Code, GDPR, Responsible Business, Company purpose, Brexit and cyber security.

Time commitment

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. Post year end, Andrew Jones stepped down as a Non Executive Director of The Unite Group Plc, having served on its Board for six years.

All Directors are expected to attend all meetings of the Board and of the Committees on which they serve and the Annual General Meeting.

Independent advice

All Directors and Committees have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that governance regulations are complied with 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.

The Chairmen of the Audit and Remuneration Committees communicate regularly and independently with relevant staff and external advisors including the Company's external auditors, Deloitte LLP, and remuneration advisors, PwC.

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.

STAKEHOLDER ENGAGEMENT

Our approach to business builds and maintains the trust of our key stakeholders.

Building relationships with our stakeholders is a strategic priority as described on pages 06 to 07 and integral to our business model as shown on pages 20 to 21. We believe that engagement with our stakeholders is fundamental to understand their views.

Examples of our work can be found in the Responsible Business report on pages 40 to 49 and in our Responsible Development Bedford case study on pages 32 to 33.

Section 172 Companies Act 2006

The duties placed on Directors by Section 172 Companies Act 2006 and the 2018 Code have been discussed by the Board.

We believe the Board does take into account the views, interests and impact on key stakeholders when making decisions but have reminded decision makers throughout the business of the importance of keeping these factors in mind when preparing briefing papers and recommendations.

Section 172 Summary – Directors' duty to promote the success of the Company for its members as a whole, having regard to:

- Consequences of decisions in the long term;
- Interests of employees;
- Company's relationships with suppliers, customers and others;
- Impact of Company's operations on the community and environment; and
- Company's reputation.

OUR KEY STAKEHOLDERS	WHY ARE THEY IMPORTANT TO US	HOW HAVE WE ENGAGED WITH THEM
<p>Employees</p> <p>+ PAGES 44 – 45</p> <p>+ PAGE 78</p>	<p>We employ a small dedicated and hardworking team of just 28 employees and Executive Directors and a further 6 Non Executive Directors. They are critical to our success and the delivery of our strategy and we strive to ensure they remain motivated and happy at work.</p>	<ul style="list-style-type: none"> • Second employee survey and first employee wellbeing assessment undertaken in the year • Designated workforce NED appointed • Annual one to one appraisal and review • Senior employees participate in LTIP • Regular business updates including at half year and annual results
<p>Investors and joint venture partners</p> <p>+ PAGE 47</p> <p>+ PAGES 78 – 79</p>	<p>Understanding the views and priorities of our investors, lenders and partners is fundamental to the development of our strategy and their continued financial support.</p>	<ul style="list-style-type: none"> • 234 investors met at investor meetings, conferences, site visits and roadshows • Annual and half yearly results presentations • AGM attended by all Directors encouraging liaison • Comprehensive information provided on website • Responses to investor related CSR and environmental surveys and questions • Debt investors tour of assets in Bedford and Islip alongside senior management
<p>Occupiers</p> <p>+ PAGE 46</p>	<p>Our occupiers lie at the heart of our core purpose. We need to understand our occupiers' needs in order to deliver fit for purpose real estate solutions which underpin long term sustainable income growth.</p>	<ul style="list-style-type: none"> • Annual customer satisfaction survey with regular ongoing customer discussions and meetings • Scored 9 out of 10 in the latest occupier survey • Enhanced CRM processes implemented • Panel discussions undertaken
<p>Contractors and suppliers</p> <p>+ PAGE 46</p>	<p>To deliver our strategy and being a small team, we are supported by a diverse group of key suppliers including contractors, professional advisors and agents.</p>	<ul style="list-style-type: none"> • Signatory to the UK Prompt Payment Code and our average payment time this year was just 15 days • Close involvement of development team with contractors • Contractor, project and supplier audits undertaken
<p>Local communities and environment</p> <p>+ PAGE 47</p>	<p>Supporting and investing into the communities within which we work underpins our responsible approach to doing business and delivering our strategy.</p>	<ul style="list-style-type: none"> • Communities Policy, Charity and Communities Working Group • Creation of jobs from new lettings • Charitable giving • Working with local schools • Encouraging strong community involvement by our contractors • Local authority liaison and dialogue

Employee engagement

The Board engages with the workforce on a regular basis both formally and informally. This helps us monitor whether our core values and culture have permeated through the organisation successfully.

One to one reviews are undertaken annually and are formally documented. Annual and half yearly results are presented to all staff who have the opportunity to question and challenge the Executive Directors. Our recently refurbished open plan office facilitates greater team communication and collaboration and all Directors operate an open door policy.

The appointment of Andrew Livingston as designated workforce NED will strengthen relationships between the Board and wider employees and his role is expected to include the following next year:

- Attendance at results presentations to staff to facilitate his integration and give employees the opportunity to raise concerns or issues;
- Monitor results and actions arising from employee surveys; and
- Formal feedback at Board meetings of staff liaison and queries.

A second employee survey was undertaken by all staff in March 2019. The key findings were collated and reported to Andrew Livingston as designated workforce NED and will be considered by the Board.

In addition, an employee wellbeing assessment was undertaken for the first time as discussed in the Responsible Business report on pages 44 to 45.

Employees are actively encouraged to develop their role and to continue their professional training. During the year the Company supported one employee through an MBA programme, providing financial assistance and flexible working hours.

Community volunteer work during working hours is also encouraged and members of staff have helped charities with fundraising events over the course of the year. Funds raised by staff were matched by Company donations.

Further details on employee matters can be found in the Responsible Business review on pages 44 to 45.

Shareholders

Regular communication with investors continues to be a top priority for the Board who believes that understanding the views of shareholders is an important contributor to the Company's strategic direction and success.

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.

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 of these periods and primarily consists of UK regional and overseas roadshows and responses to ad hoc requests for 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.

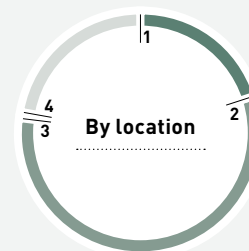
Topics discussed include the development and implementation of strategy, financial and operational performance, property transactions and the markets in which we operate, quality of underlying occupiers, strength of the Company's income, debt structure and the real estate market in general.

Investor activity

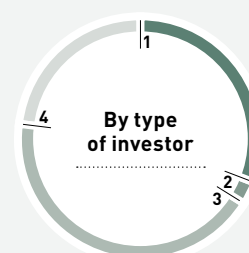
During the financial year, the Company met with over 230 shareholders, analysts and potential investors.

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

INVESTOR MEETINGS



1 Overseas.....	20%
2 London.....	57%
3 Site visit	1%
4 UK regional.....	22%



1 Specialist institution.....	31%
2 Broker.....	3%
3 Private wealth	43%
4 Generalist institution.....	23%

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 Birmingham, Bristol, Cambridge, Edinburgh, Glasgow, Guildford, Jersey, Leeds and York. In total, private wealth meetings accounted for over 40% of investors seen and the Company continues to place great importance on engaging with its private wealth shareholders. 20% of investor meetings were held overseas in Holland, South Africa 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 BNP Exane, Citigroup, JPMC, Peel Hunt and Société Générale.

Investor site visits

Tours provide an opportunity to see our assets, understand strategy and meet the senior management team. During the year, three site visits were arranged for brokers, investors and lenders at the Company's distribution warehouses and developments in Bedford, Crawley and Islip.

Investor feedback

Investor feedback is presented to the Board at scheduled meetings, together with published analyst comments. Feedback received continues to be very supportive of the Company's strategy, performance, management and future direction.

Last year, as part of its ongoing shareholder engagement, the Company conducted its first biennial investor Responsible Business survey. An update survey will be carried out next year.

Public communication

Shareholders are kept informed of the Company's progress through results statements and other announcements released through the London Stock Exchange. Company announcements are made available on the website affording all shareholders full access to material information.

The website is an important source of information for shareholders and includes a comprehensive investor relations section containing all RNS announcements, share price information, investor presentations and factsheets, 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.

Details of the resolutions to be proposed can be found in the Notice of Annual General Meeting on pages 156 to 159. Shareholders are able to lodge their votes through the CREST system or by returning the Proxy Card sent with the Annual Report and available for downloading on our website.

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 2018 results presentation
- Investor full year roadshow held post results in Holland, London and Scotland

Q2

- Annual General Meeting of Shareholders
- United States investor roadshow
- Site visits to Crawley

Q3

- Half year results presentation
- Half year investor roadshow post results
- Investor roadshow in London, Guildford, Bristol, Cambridge and South Africa

Q4

- Investor meetings in London, Birmingham, Jersey, Leeds, York and the United States
- Site visits to Bedford and Islip

NOMINATION COMMITTEE REPORT



This year the Committee's main focus has been the independence of the Non Executive Directors and the size, structure and composition of the whole Board, taking into account the new provisions of the 2018 Code.

Patrick Vaughan
Nomination Committee Chairman

MEMBERSHIP & ATTENDANCE

Member	Date appointed	Tenure (years) ²	Meetings attended ¹
Patrick Vaughan (Chairman)	1/11/2012	6	3 (3)
Andrew Livingston	19/9/2018	1	2 (2)
Suzanne Avery	31/1/2019	0	0 (0)
James Dean (resigned 31 March 2019)	14/7/2016	n/a	3 (3)
Alec Pelmore (retired 31 March 2019)	25/1/2013	n/a	3 (3)
Philip Watson (retired 31 March 2019)	25/1/2013	n/a	3 (3)

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

2 Tenure is measured from date of appointment to the Committee and as at 31 March 2019, rounded to the nearest whole year

KEY RESPONSIBILITIES

Board composition & succession

- 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
- Consider succession planning for Directors and other senior executives

+
PAGE 81

Board appointment

- Lead the process for new Board and Committee appointments and make recommendations regarding Board and Committee membership changes

+
PAGES 82 – 83

Diversity

- Promote the Company's policy on diversity at Board level and in the wider organisation

+
PAGES 83 – 84

Performance evaluation

- Lead the Board and Committee performance evaluation exercise

+
PAGES 84 – 85

Reappointment of Directors

- Assess the time commitment required from Non Executive Directors and consider the annual election and re-election of Directors to the Board

+
PAGE 85

FOCUS IN 2020

- Succession planning for the Board
- Continue to promote diversity in its widest sense at all levels of recruitment

Dear Shareholder,

I am pleased to present the Nomination Committee's report for the year to 31 March 2019.

The Committee's main focus this year has been the size and composition of the Board and its Committees, and the independence of its Non Executive Directors in light of the impairment provisions outlined in the 2018 Corporate Governance Code that will become effective next year.

In January 2019, following a rigorous recruitment process, we were delighted to welcome Robert Fowlds to the Board and Remuneration Committee.

Sadly we have said farewell to Alec Pelmore and Philip Watson who each served as Non Executive Directors since the merger and formerly at Metric, and stepped down from the Board at the end of the financial year. I would like to thank them both for their dedication, commitment and valuable contribution to the Board over many years of service.

Robert brings complementary and relevant experience of corporate finance, investment banking, M&A and real estate as former Managing Director and Head of Real Estate for J P Morgan Cazenove until 2015 and as Non Executive Director of UK Commercial Property REIT and Klepierre SA. His appointment and induction process are discussed in detail on page 83.

Role of the Committee

Our 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 key stakeholders and to the benefits of diversity.

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

The Committee drives succession planning and ensures that the refreshment process is properly planned and managed to maintain stability and mitigate business disruption.

Board composition and succession

The Committee has spent a significant amount of time this year considering the size and composition of the Board and its Committees, and the independence of its Non Executive Directors.

I met personally with the Company's legal counsel and senior managers of the finance team to discuss the new provisions in the 2018 Code, which in turn prompted a full review of the length of service and independence of Non Executive Directors. Two Non Executive Directors would have served for more than nine years from the date of first appointment by the year end and may not be considered independent.

To address this, the Committee decided to accelerate the pace of Board refreshment and in September 2018 appointed Redgrave Partners, an executive search agency, to assist the search for Non Executive Directors to replace both Philip Watson and Alec Pelmore, who had informed the Board of their intention to retire at the end of the financial year.

I am delighted to report that on 31 January 2019, Robert Fowlds was appointed as a Non Executive Director and member of the Remuneration Committee. On 31 March 2019 and following the retirement of Alec Pelmore and Philip Watson, Robert took over the role of Senior Independent Director and become a member of the Audit Committee.

In July 2019 James Dean, Non Executive Director and Chairman of the Remuneration Committee, will have served for nine years. The Board has decided to appoint Robert Fowlds as his successor as Remuneration Committee chair in January 2020, after he has served as a member for 12 months. James will remain as chair and a Non Executive Director until this time in order to facilitate an orderly transition.

The Committee has also considered the size of the Board in relation to the overall size of the organisation. With a complement of 28 employees including Executive Directors, a Board of 10 Directors was considered too large. Therefore following the AGM in July 2019, the Board will reduce to six Non Executive Directors and two Executive Directors, responsible for leading and governing the Company.

Valentine Beresford and Mark Stirling will step down but remain Investment Director and Asset Director respectively and members of the Executive Committee responsible for running the day to day operations and implementing strategy.

Following these Board changes, the majority of Board members excluding the Chairman will be independent Non Executive Directors and meet the requirements of the 2018 Code.

I have served as a Director for nine years, the first three years as Chief Executive and as your Non Executive Chairman for the last six, since October 2014. The Nomination Committee discussed my tenure and decided that it is in the best interests of the Company for me to continue in my role as Chairman. The Board does not believe my independence, objectivity and judgement is compromised by the length of service and praised my leadership and working relationship with the Chief Executive as noted on page 85. The Nomination Committee, which is leading the current Board refreshment process is very aware of the importance of finding my replacement as part of that process. We cannot set a time limit on this search as appointing the right candidate is essential. I will remain in office as long as necessary in order to facilitate an orderly and planned succession with minimal business disruption.

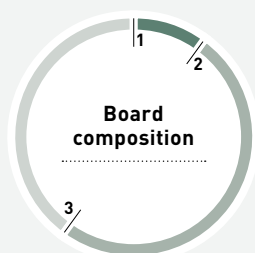
Below the Board, succession planning is delegated to the Executive Committee, to ensure there is a pipeline of talented and suitable future leaders to serve as the next generation of Directors and support the Company's longer term plans. The Executive Committee is committed to nurturing, developing and retaining high performing individuals. Staff appraisals are undertaken on an annual basis and provide a forum to discuss targets, progress and future prospects. Regular contact with Board members is encouraged, through Board presentations, tours of assets and one to one sessions with Non Executive Directors to discuss specific issues. Low staff turnover indicates a contented workforce and an appropriate reward structure.

Although there are no immediate vacancies at Board or Executive Committee 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 to have contingency plans for unforeseen absences.

NOMINATION COMMITTEE REPORT
CONTINUED

A BALANCED BOARD

All charts reflect the composition of the Board as at 31 March 2019

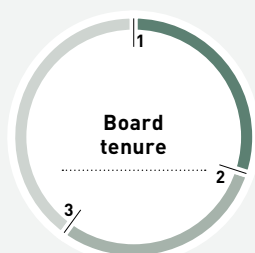


1 Non Executive Chairman	10%
2 Non Executive	50%
3 Executive	40%



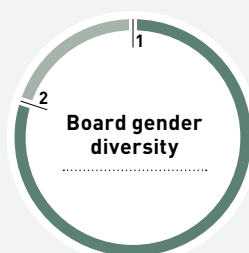
1 Independent	56%
2 Non independent	44%

Board independence increases to 57% as at the date of the 2019 AGM



1 Up to three years	30%
2 Three to six years	30%
3 More than six years	40%

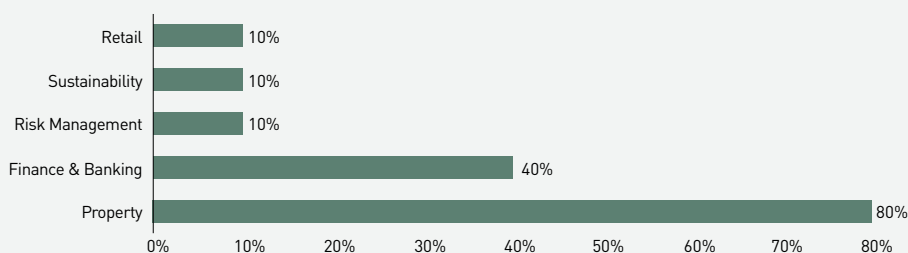
Tenure has been reflected from the date of appointment to the LondonMetric Board



1 Male	80%
2 Female	20%

Board gender diversity increases to 25% female representation as at the date of the 2019 AGM

Board skills



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

Board appointment and induction

Following the review of Board composition and refreshment, the Committee appointed Redgrave Partners to begin the search for new Non Executive Directors, with particular focus on diversity, property experience and having the right cultural fit. Experience as members of Audit or Remuneration Committees was also considered beneficial. Redgrave Partners had no former connection with the Company or Directors.

Redgrave Partners approached a large number of candidates, both men and women, from a range of business and cultural backgrounds, of which five were shortlisted for interview by the Finance Director and Chief Executive. Of these, two candidates were recommended for the next stage of the process along with a further three candidates recommended by Directors and advisors. A brief summary and CVs of the remaining five candidates were circulated to the Nomination Committee for consideration.

Robert Fowlds was chosen as the preferred candidate given his wealth of recent and relevant experience and good cultural fit with the Board. Robert brings complementary and relevant experience of corporate finance, investment banking, M&A and real estate as former Managing Director and Head of Real Estate for J P Morgan Cazenove until 2015 and as Non Executive Director of UK Commercial Property REIT and Klepierre SA.

On appointment, the Company arranges a tailored induction programme to help new Directors develop an understanding of the business including its strategy, portfolio, governance framework, stakeholders, finances, risks and controls.

Details of the appointment process and induction programme for Robert are given in the case study opposite.

APPOINTMENT PROCESS

- ↓ Appointment of external search agency, Redgrave Partners
- ↓ Discussed candidate specification with agency, with focus on diversity, property experience, Board Committee exposure and cultural fit
- ↓ Review of potential candidates by agency
- ↓ Shortlist of candidates provided for initial interviews with Finance Director and Chief Executive
- ↓ Final selection of candidates circulated to Nomination Committee with CVs for consideration
- ↓ Committee recommended Robert Fowlds to the Board
- ↓ Induction programme organised by the Finance Director
- ↓ Proposed election by shareholders at the first AGM following appointment

INDUCTION PROGRAMME



Robert Fowlds

Non Executive Director, member of the Remuneration and Audit Committees and Senior Independent Director

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

Key induction events included the following:

- One to one meetings with the Finance Director, Company Secretary and senior management to discuss:
 - the investment portfolio, asset selection, capital allocation and strategic focus;
 - financial forecasting and reporting processes, banking and hedging strategy, risks and internal controls and regulatory matters; and
 - shareholder engagement and responsible business matters.
- 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
- Site visit to the development at Bedford, being a key strategic site, with senior management
- Meeting with external remuneration advisors, PwC, post year end

Diversity

The Board continues to recognise the importance of a diverse and balanced Board and the benefits this brings to the organisation in terms of skills and experience, wider perspectives and better decision making. It strives to operate in a working environment of equal opportunity and promotes a culture of mutual respect and inclusion throughout the organisation. During the year the Board reviewed and approved a Diversity and Inclusion Policy which is available on the Company's website.

We encourage the recruitment, development and retention of a diverse workforce and the elimination of discrimination. Current and potential employees are offered the same opportunities regardless of background, gender, age, religion, disability, nationality, ethnicity, sexual orientation or marital status. However, we acknowledge that the diversity of recruitment will be subject to the availability of suitable candidates. We are proud of our low level of staff turnover which signifies a loyal and content workforce, but recognise that this also constrains the pace of change.

The Board supports greater female representation on listed company boards and the aspirational targets of the Hampton Alexander Review which aims to achieve a minimum of 33% of women on FTSE 350 company boards and senior leadership teams by 2020. Diversity is more than just gender based and the Board is also mindful of the Parker Review regarding ethnic and cultural diversity and its recommendation that each FTSE 250 board should have at least one director from an ethnic minority background by 2024.

Although it does not deem quotas appropriate given the size of the Company and has not set targets, there has been an ongoing commitment to strengthen female representation at Board level, which has increased from 9% in 2017 to 20% today. This increases to a 25% female representation following the AGM.

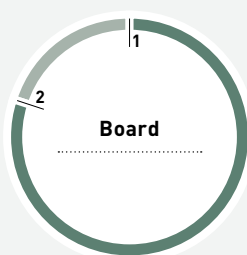
The charts on page 84 reflect the gender diversity of the Board, senior management team and across the Company.

Ultimately, all appointments to the Board and senior management team are based on merit and suitability for the role, as an appointment on any other basis would not be in the best long term interests of the Company. However, we will continue to be mindful of the benefits a diverse team brings when recruiting and will ensure that any executive search agency we engage has signed up to the Voluntary Code of Conduct for Executive Search Firms, which addresses gender and ethnic diversity.

The Board acknowledges the challenges faced by the real estate sector in improving gender diversity and will continue to support 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.

Further information on the Company's commitment to developing and supporting employees and to promoting diversity and inclusion is included in the Responsible Business report on page 40.

GENDER DIVERSITY



1 Male	80%
2 Female	20%

Board gender diversity increases to 25% female representation as at the date of the 2019 AGM



1 Male	75%
2 Female	25%



1 Male	57%
2 Female	43%

2019 BOARD PERFORMANCE AND EVALUATION

A key requirement of good governance is to ensure that the Board operates effectively.

The annual evaluation enables us to monitor and improve the effectiveness of the Board and its Committees.

Last year, the Committee commissioned Independent Audit to undertake a full performance evaluation. As a result of that review, the Chairman and Non Executive Directors this year held meetings and a dinner without the Executive Directors present to allow for discussion and debate outside of main Board meetings.

Further progress against targets set last year is reflected in the table on page 85.

Board objectives and strategy

- Strategy and objectives are clear, supported and understood by management
- Strategy is continually monitored and flexed for changes in external economic and market factors, investor preferences and available resources
- Comprehensive updates on trading, opportunities and market conditions provided by Executive Directors at each meeting
- Strategy specific briefing extremely beneficial, facilitating a deeper review and liaison with other members of the senior management team

Performance

- Board reporting is regular and timely
- Board receives early warning signals of problems that may adversely affect the business
- Financial information is comprehensive and succinct and easy to review
- Reporting of performance against strategy, communication of expected performance and variances

Risk management

- Process for identifying and reporting risk is sound, suitable and relevant to the business
- Good debate at each meeting on market risk and impact to strategy

This year, an internal questionnaire based evaluation was led by the Chairman and focused on the key aspects of good governance. The Board is committed to undertaking an external evaluation every three years.

The findings were collated and summarised by the Company Secretary and tabled for discussion by the Committee who reported their findings to the Board in May 2019. The key findings are summarised below.

The Board welcomed the recommendations for continued development to its practices and procedures and will report progress at future meetings.

Board composition and its Committees

- Board is very cohesive and combines management support with appropriate challenge
- Appropriate allocation of time devoted to discussion of pertinent matters
- Board and Committees have the right balance of skills to discharge their duties
- Changes implemented and planned including reduction in overall Board size were considered appropriate and sensible
- Committees are very well supported by external advisors and continue to have open and good working relationships with them
- Chairman praised for his exceptional guidance, leadership and inclusive approach

Relationships with shareholders

- Extensive programme of investor meetings evidences priority placed on shareholder engagement by Chief Executive
- Feedback at meetings both regular and informative
- Directors agreed shareholder relationships are extremely good and investor sentiment is positive and supportive of strategy
- The Company has a good reputation and is well regarded

Overall the results concluded that the Board continues to work well together, within a climate of openness and trust, and with the appropriate complement of skills and expertise required to monitor performance, challenge management and develop strategy.

Individual Directors bring to the Board an increasingly diverse range of skills from different business sectors and from serving on a variety of different boards.

No significant issues or areas of weakness were noted and it was acknowledged that good progress had been made against last year's recommendations, noted opposite.

Potential areas of improvement to governance processes for consideration next year are reflected below.

In addition, the Chairman conducted one to one meetings with each of the Non Executive Directors. All Committees also carry out an annual review of their performance against their roles and responsibilities set out in their terms of reference.

The review of the Chairman's performance was led by the Senior Independent Director, who praised the Chairman for continued good leadership both in and out of meetings, for facilitating boardroom discussion and debate in an open and constructive way and for driving the Board refreshment process.

The Directors agreed that the Chairman and Chief Executive continue to have a very strong, supportive and respectful working relationship providing clear and effective leadership and focus that is instrumental to the long term success of the Company.

2018 TARGETS AND PROGRESS

RECOMMENDATION	PROGRESS IN 2019
<ul style="list-style-type: none"> To facilitate a more balanced debate in the boardroom, variations to the format, agenda, seating arrangements, attendees and location of meetings could be explored 	<ul style="list-style-type: none"> Dinner arranged for Chairman and Non Executive Directors to promote discussion and debate in an informal setting Strategy review presented to the Board by two senior managers
<ul style="list-style-type: none"> Consider holding one off site meeting each year, ensuring the length, format and location are conducive to good discussions 	<ul style="list-style-type: none"> Under consideration in 2020
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Andrew Livingston appointed designated workforce Non Executive Director
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Alec Pelmore, Suzanne Avery and Robert Fowlds visited assets in Crawley and Bedford alongside investors and lenders

AREAS OF FOCUS FOR 2020

- Succession planning for the Board
- Annual strategy meeting to be a standing calendar item
- Periodic information on tenant covenant reviews to be provided
- More regular updates of corporate governance matters to be provided
- A bi-annual dinner for Non Executive Directors to facilitate informal discussion

Re-election of Directors

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

In accordance with the Code and in line with previous years, all of the Directors will offer themselves for election and re-election at the forthcoming AGM on 11 July 2019 except for Valentine Beresford and Mark Stirling, who will be stepping down from the Board but remaining Investment Director and Asset Director respectively and members of the Executive Committee.



Patrick Vaughan

Chairman of the Nomination Committee

23 May 2019

AUDIT COMMITTEE REPORT



We continue to play a key role overseeing the integrity of financial reporting and ensuring that there is a sound system of internal control and risk management in place.

In this report, we explain how we have challenged the processes in place to ensure the accuracy of our financial results.

Rosalyn Wilton
Audit Committee Chairman

MEMBERSHIP & ATTENDANCE

Member	Date appointed	Tenure (years) ²	Meetings attended ¹
Rosalyn Wilton (Chairman)	25/3/2014	5	5 (5)
Andrew Livingston	31/5/2016	3	5 (5)
Suzanne Avery	22/3/2018	1	5 (5)
Robert Fowlds	31/3/2019	0	0 (0)
Alec Pelmore (retired 31 March 2019)	25/1/2013	n/a	5 (5)

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

2 Tenure is measured from date of appointment to the Committee and as at 31 March 2019, rounded to the nearest whole year

KEY RESPONSIBILITIES

Financial reporting

- Monitor the integrity of the financial reporting process and scrutinise the full and half year financial statements
- Consider and challenge the key financial judgements made by management



PAGES 88 – 89

Risk management

- Review the risk management framework and ensure risks are carefully identified, assessed and mitigated



PAGES 89 – 90

Internal control

- Oversee the internal control processes and need for an internal audit function



PAGE 91

External auditor

- Review the performance, independence and effectiveness of the external auditor and audit process



PAGES 90 – 91

Regulatory compliance

- Review the Viability Statement and going concern basis of preparation of the financial statements
- Consider whether the Annual Report is 'fair, balanced and understandable'
- Specific consideration this year of GDPR, Responsible Business, Corporate Governance including the 2018 Corporate Governance Code ('2018 Code') and Company purpose



PAGE 92

FOCUS IN 2020

- Regular Corporate Governance updates to be reviewed including implementation of the 2018 Code

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year to 31 March 2019.

Our job is to provide assurance over the integrity of the financial reporting processes at LondonMetric and the information contained in this Annual Report. We take our role seriously and have discussed key transactions in the year as set out in the Strategic Report and have challenged the significant judgements made by management including the valuation of investment property which is the largest balance sheet item.

Our remit includes reviewing going concern and viability reporting, and considering whether this report, taken as a whole, represents a fair, balanced and understandable assessment of the Group's position, performance and strategy. Our review process is described in detail on page 92.

Ensuring that the Company's risk management and internal control procedures remain robust and are effectively implemented remains one of our top priorities. Our work included a comprehensive review of principal risks and the internal control framework as discussed on pages 89 to 90, with specific consideration of cyber security and Brexit. I am pleased to report that no significant weaknesses in the control processes were identified. We will keep under consideration the risk imposed upon us by the UK's departure from the EU and the impact this may have on our ability to execute strategy.

This year in addition to its recurring business, the Committee received briefing papers on various compliance and regulatory matters including GDPR, Responsible Business, Corporate Governance and Company purpose and policy updates on diversity and inclusion and anti-corruption and compliance.

We have also considered the independence and effectiveness of the external auditors and whether they continue to provide appropriate challenge and expertise. Following our review which is described on pages 90 to 91, we have recommended the reappointment of Deloitte LLP ('Deloitte') at the AGM in July. We are mindful that they have now been in office for six years and that a tender process will be required after 10 years.

Membership

The Committee comprised throughout the year of four independent Non Executive Directors, chaired by Rosalyn Wilton. Robert Fowlds was appointed to the Committee on 31 March 2019, to replace Alec Pelmore who had informed the Committee of his intention to retire at the end of the financial year. I would like to thank Alec personally for his longstanding commitment to the Committee and the diligence and insight he provided. Robert has extensive experience of corporate finance, investment banking, M&A and real estate as former Managing Director and Head of Real Estate for J P Morgan Cazenove until 2015 and as a Non Executive Director of UK Commercial Property REIT and Klepierre SA and brings a fresh perspective and approach.

The Board is satisfied that Rosalyn Wilton, Suzanne Avery and Robert Fowlds all bring recent and relevant financial experience to the Committee as required by the UK Corporate Governance Code ('Code'). It considers that the Committee as a whole has the relevant real estate and financial competence to enable it to discharge its duties and the appointment of Robert Fowlds brings complementary skills and experience through the positions he currently or previously has held.

Biographies of the Committee members which set out the relevant skills, knowledge and sector experience they bring can be found on pages 68 and 69.

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 (UK) Limited), the Finance Director and Head of Finance. 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 enables a better understanding of key issues in advance of Committee meetings and promotes debate outside of 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.

Committee effectiveness

During the year the Board, led by the Nomination Committee, carried out an internally facilitated evaluation of its performance and that of its Committees.

The review concluded that the Committee continued to operate effectively with diligence and due process and was further enhanced by the breadth of experience and skills of new members. The Board agreed that it continued to be very well supported by the Finance Director and the external auditors and provided the appropriate level of challenge and scrutiny.

Terms of reference

The Committee considers its own terms of reference at least annually, taking into account changes to legislation, particularly this year the 2018 Code. They were last reviewed and updated in March 2019 and can be found on the Company's website.

ACTIVITIES DURING 2019

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

Financial reporting and significant financial judgements

The Committee continues to monitor the integrity of the financial information published in the interim and annual statements and the overall tone, messaging and clarity of reporting.

In conducting its review, the Committee considers:

- The extent to which suitable accounting policies have been adopted, consistently applied and disclosed;
- Significant matters by virtue of their size, complexity, level of judgement and potential impact on the financial statements;
- Application and disclosure of key financial judgements and estimates; and
- Compliance with other regulations including the Code.

The significant matter considered by the Committee, discussed with the external auditor and addressed during the year is set out opposite.

Further details can be found in note 1 to the financial statements on page 126.

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, as reported in their independent report on pages 115 to 121.

Financial reporting

- Interim and full year results announcements and reports
- Accounting treatment of significant transactions and areas of judgement including property valuations
- Implementation of new accounting standards on revenue and financial instruments
- Processes undertaken to ensure that the financial statements are fair, balanced and understandable

Risk management and internal control

- Annual assessment of the Group's risk register, principal and emerging risks including cyber security and Brexit
- The adequacy and effectiveness of the Group's internal control and risk management systems
- The appropriateness of the going concern assumption
- The Viability Statement and longer term forecast
- The need for an internal audit function

External audit

- Scope of the external audit plan
- The independence and objectivity of Deloitte
- Performance of the external auditor and effectiveness of the audit process
- Auditor's fee
- Reappointment of external auditor
- External audit tenure
- Review of non audit services and ratio of fees

Governance & compliance

- Committee's composition, member changes, performance, terms of reference and constitution
- Responsible business including stakeholder engagement
- Policy updates on compliance and anti-corruption, diversity and inclusion
- GDPR, 2018 Corporate Governance Code
- Review of Company purpose

PROPERTY VALUATIONS

AREA OF FOCUS

The property valuation is the largest item on the balance sheet and key to the Group's reported performance.

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 a principal recurring risk, as reflected within Risk Management on pages 50 to 63 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 external valuers and underpinned by recent market transactions, which may not prove to be accurate.

Assumptions include future rental growth, yield, development expenditure, letting timeframes, void costs and incentive packages.

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 Limited and Savills (UK) Limited.

The Committee met twice during the year with the property valuers, as part of the interim and year end reporting process, to scrutinise and challenge 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. Supporting market evidence was provided to enable the Committee to benchmark assets and conclude that the assumptions applied were appropriate.

The Committee debated any valuations which required a greater level of judgement with the valuers, including property under development and valuation movements that were not broadly in line with the IPD benchmark. The Committee challenged assumptions and discussed the impact on values if key assumptions changed.

As part of their audit work, Deloitte use their own valuation specialists to assess and independently challenge the valuation approach, assumptions and judgements. They meet separately with the valuers and report their findings and conclusions to the Committee.

CONCLUSION

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

Risk management and internal controls

The Board is ultimately responsible for establishing and maintaining the Company's framework of risk management and internal control and for identifying 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 long term outperformance.

The risk management 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 50 to 63.

The system is designed to give the Board confidence that the risks are managed or mitigated as far as possible, acknowledging 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.

There is a culture of risk awareness embedded into the decision making process and robust processes in place to support the identification and management of risk. The Board considers risk at each meeting via a dashboard, which enables material issues to be monitored so that key risks can be managed and emerging risks identified early on with appropriate action taken to remove or reduce their likelihood and impact.

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

Each year the Committee carries out a review of the risk register and reports its findings to the Board. The risk register was last updated in March 2019 and presented to the Audit Committee at their planning meeting.

RISK REGISTER

The risk register identifies the following for each corporate, property 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; and
- Allocated owner of the risk and management of safeguards.

The Executive Committee is responsible for the ongoing identification and assessment of risks, assisted by senior management.

Short reporting lines and operating from one office facilitates the early identification of risks and development of mitigation strategies.

This year the Committee received a paper analysing the potential impact of a disruptive Brexit on our top 20 tenants which account for 68% of revenue.

The Committee concluded that risks were properly categorised, understood and acted upon as necessary.

The Audit Committee reviews the effectiveness of the Group's internal controls including all material financial, operational and compliance controls.

It receives an annual internal control evaluation report which is completed by the Finance Director and other reports provided by the external auditor.

The report highlighted improvements made to financial reporting processes through the implementation and development of integrated property and financial systems, improving efficiency and reducing the risk of manual error.

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 and development;
- 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; and
- A formal whistleblowing policy

Based on its review and assessment, the Audit Committee is satisfied that no significant weaknesses in the Group's internal control structure were identified during the year and an effective risk management system is in place, and has reported these findings to the Board.

External audit

Deloitte has been external auditor since 2013 following the merger and after conducting a formal tender.

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.

Georgina Robb, our current lead partner, was appointed for the 2018 year end.

Oversight

As in previous years, Deloitte presented their audit plan to the Committee in March.

The key audit risk areas and materiality levels were highlighted and agreed. Their detailed audit findings were presented ahead of 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 assesses the effectiveness of the external audit process by its review of the following:

- Audit plan and deliverables;
- Independence, objectivity and the provision of non audit services; and
- Fees and reappointment.

In making its assessment, the Committee considers the expertise and consistency 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 matters and accounting judgements.

It also 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. Feedback from the audit debrief meeting held between senior management and the audit team is provided to the Audit Committee.

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. Corporate due diligence and subsidiary audit work is undertaken by BDO LLP.

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 (primarily the cost of the interim review) to audit fees is just 21%, 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; and
- 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 2019 audit was appropriately planned, executed and of a high quality. There continues to be a good working relationship between management and Deloitte, who continue to provide appropriate professional challenge to management and remain independent and objective.

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 by 2023. 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.

As previously reported, 2019 is Deloitte's sixth consecutive year in office. The Committee believes there is no immediate need to re-tender the audit but will keep this under review to allow sufficient time for the process.

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

On an annual basis the Committee reviews the requirement for a dedicated internal audit function. Due to the size of the organisation, relatively simple structure of the Group and close involvement of Directors in day to day operations, the Committee did not feel an internal audit function was either appropriate or necessary. However, from time to time external advisors are engaged to carry out reviews to supplement existing arrangements and provide further assurance. During the year this included:

- Review of GDPR regulations and arrangements; and
- Cyber security and disaster recovery.

The Committee agreed that external assurance would be sought for any complex, specialist or high risk issue.

AUDIT AND NON AUDIT FEES

Year to 31 March	2019 £000	2018 £000	2017 £000
Audit fees	122	115	153
Review of interim results	28	27	26
Other non audit fees	-	2	-
Total	150	144	179
Ratio of non audit fees (including interim review) to audit fees	23%	25%	17%

Audit fees paid to the external auditor in respect of joint ventures totalled £48,200 at share (2018: £47,000 at share).

Whistleblowing procedures, anti-corruption and anti-bribery

As a company, we seek to operate in an honest and professional manner, with integrity and respect for others. We do not tolerate inappropriate behaviour or malpractice of any kind. Employees are encouraged to speak out if they witness any wrongdoings and are provided with a compliance procedures manual on joining which sets out our whistleblowing policy and anti-corruption procedures.

Updated policies on compliance and anti-corruption and diversity and inclusion were reviewed this year and are available on our website.

Updated GDPR and IT policies were circulated to staff. In addition and on an annual basis, all employees are required to confirm in writing that they have complied with the personal account dealing and gifts and benefits procedures throughout the year.

GDPR

The Data Protection Act 2018 became mandatory in May 2018 and as a result we reviewed and updated our policies and procedures and engaged Jones Day to advise and assist us with this exercise.

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 the analysis prepared to support the Board's longer term Viability Statement required by the Code.

Its assessment included a review of the principal risks and risk appetite, the chosen period of assessment, headroom under loan covenants, liquidity, investment commitments and the level of stress testing of financial forecasts undertaken. Particular attention was paid to the time horizons 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 in note 1 to the financial statements on page 126 and its Viability Statement is set out on page 64.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Audit Committee considered whether the 2019 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 its decision, the Committee considered 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 experienced senior managers, drawn from finance, investor relations and property with clear responsibilities for preparation and review of relevant sections of the report;
- Regular team liaison during the drafting stages to ensure consistency of tone and message, balanced content and appropriate linking of the various sections;
- Technical briefing update given by the external auditor covering corporate governance and accounting regulations attended by relevant staff in February 2019;
- Early input from Chief Executive and Executive Directors to the overall message and tone of the report;
- Close involvement of the Executive Directors throughout with extensive review of drafting;
- A verification exercise was undertaken by the finance team to ensure factual accuracy and consistency throughout the report; and
- Review by the Audit Committee before being presented to the Board for approval.

It also considered whether the Annual Report:

- Was written in straightforward language and without unnecessary repetition;
- Provided the necessary information for shareholders to assess the Group's position, performance, business model and strategy; and
- Included the use of alternative performance measures which had been adequately explained and reconciled to the financial statements and had not been given more prominence than a corresponding measure under IFRS.

The Committee concluded that the Annual Report was fair, balanced and understandable, allowing the Board to make its statement on page 113.



Rosalyn Wilton
Chairman of the Audit Committee

23 May 2019

REMUNERATION COMMITTEE REPORT



I am pleased to present the Remuneration Committee's report on Directors' remuneration for the year to 31 March 2019.

Our remuneration framework is designed to align executive pay with the Company's strategic goals and wider workforce pay and to encourage and reward exceptional overall and individual performance.

James Dean
Remuneration Committee Chairman

MEMBERSHIP & ATTENDANCE

Member	Date appointed	Tenure (years) ²	Meetings attended ¹
James Dean (Chairman)	1/10/2010	9	4 (4)
Rosalyn Wilton	14/7/2016	3	4 (4)
Suzanne Avery	19/9/2018	1	2 (2)
Robert Fowlds	31/1/2019	0	1 (1)
Philip Watson (retired 31/3/2019)	25/1/2013	n/a	4 (4)
Andrew Livingston (resigned 19/9/2018)	11/7/2017	n/a	2 (2)

¹ Bracketed numbers indicate the number of meetings the member was eligible to attend

² Tenure is measured from date of appointment to the Committee and as at 31 March 2019, rounded to the nearest whole year

KEY RESPONSIBILITIES

Remuneration policy

- Setting and reviewing the Group's overall Remuneration Policy and strategy

Remuneration packages

- Determining and reviewing individual remuneration packages

Variable incentives

- Determining and reviewing the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements and approving targets and outcomes

Performance evaluation

- Lead the Board and Committee performance evaluation exercise

Payouts

- Approving salaries, bonuses and LTIP awards

FOCUS IN 2020

- Set remuneration of the Executive Directors and senior management
- Review workforce remuneration arrangements and alignment with Remuneration Policy
- In consultation with shareholders, review Remuneration Policy in the light of the 2018 Corporate Governance Code for approval at 2020 AGM

NEW 2018 CORPORATE GOVERNANCE CODE

We have considered the current compliance of our Remuneration Policy in the context of the new Code which applies for financial years beginning on or after 1 January 2019. While we are not required to comply with the Code for the year being reported on, the following table shows that we are already substantially compliant with the new Code.

Key Remuneration Element of the Code	Company Position
Five year period between the date of grant and realisation for equity incentives	The LTIP meets this requirement
Phased release of equity awards	The LTIP ensures the phased release of equity awards through annual rolling grants
Discretion to override formulaic outcomes	The Remuneration Policy contains the ability to override formulaic outcomes for both the annual bonus and the LTIP
Post termination holding requirement	The Remuneration Policy already contains a requirement to hold the shares equal to 100% of salary for one year post cessation. The Committee will be reviewing this requirement as part of formulating the new Remuneration Policy
Pension alignment	It is the Committee's intention to bring new Executive Directors in at a pension contribution equivalent to the average employee contribution. The Committee does not intend to change the provision for existing Executive Directors
Extended malus and clawback	The current malus and clawback provisions already exceed the best practice suggested in relation to the new Code

Chairman's introduction

I have chaired the Remuneration Committee since 2013 and have served as an independent Non Executive Director since July 2010. I have been closely involved with the evolution of the Remuneration Policy and its implementation to date. I am delighted to report that Robert Fowlds has joined the Committee and will take on the role of Chairman in January 2020 once he has served as a member for 12 months. I will be standing for re-election at the AGM and will continue with my current role in order to facilitate an orderly handover and transition.

To remind you, the primary role of the Remuneration Committee is to determine and recommend a fair reward structure that incentivises the Executive Directors to deliver the Group's strategy whilst maintaining stability in the management of its long term business.

The Remuneration Policy was approved by shareholders at the 2017 AGM on 11 July 2017 for a period of three years. We will be reviewing our policy next year ahead of the 2020 AGM.

Our Annual Report on Remuneration contains details of payments during the financial year and how we intend to implement the Remuneration Policy for the next financial year. This part of the report is subject to an advisory vote at the forthcoming AGM.

Next year we will be reporting against the provisions of the new 2018 Corporate Governance Code, which is effective for the Company from 1 April 2019. With the help of our remuneration advisor, we have reviewed the new provisions and have made some changes to our current practice. We have reported the CEO pay ratio for the first time as promised last year and have extended the remit of this Committee to set the remuneration of the Executive Committee and Company Secretary ('senior management') at the next pay review in May. It will also have oversight of the remuneration arrangements of the wider workforce and review their alignment with the Executive Directors' arrangements. The employee voice has been strengthened by the appointment of Andrew Livingston as designated workforce NED as reported in detail on page 67.

Remuneration aligned to strategy

Our remuneration framework is aligned with the Company's strategic direction and performance as well as the interest of our shareholders as reflected in the chart on page 99. The key 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').

There is a clear and direct link between results and rewards as all of the performance metrics are KPIs used to monitor performance of the business against strategic priorities.

Performance during the year

The Company has delivered strong returns to shareholders this year. Its focus on owning good assets, in structurally supported sectors of logistics and convenience-led retail, has led to growth in both earnings and net assets.

The strong financial performance and robust portfolio metrics have supported a progressive and well covered dividend of 8.2p, up 3.8% on last year.

EPRA earnings per share has grown by 3.5% to 8.8p and EPRA net assets per share by 5.9% to 174.9p. Like for like income grew by 5.7% and the Group's total property return of 9.0% outperformed the IPD Quarterly Universe Index of 4.6% by 440 bps. Total accounting return for the year was 10.7%.

Taking into account the Company's strong performance and the progressive returns enjoyed by its shareholders, the Committee considers it appropriate to reward the Executive Directors with the variable elements of this year's annual bonus and LTIP in line with the formulaic outcomes as detailed below. The Committee feels that the underlying performance of the business is consistent with these outcomes and therefore has not exercised its discretion or made any adjustment due to share price performance over the period. 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 as set out on page 103 including income quality and growth, asset selection, funding, stakeholder relationships, responsible business targets and the delivery of developments on time and within budget.

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 90% of their respective maximum levels. 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 June 2019.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2016 is dependent on Company performance over the three year period to 31 March 2019.

Performance is measured by reference to relative TAR and TSR versus the FTSE 350 Real Estate Super Sector excluding agencies and operators and EPRA EPS growth. The Committee assessed performance and based on actual EPRA EPS of 8.8p, and TAR and TSR over the three year period both at 34%. 84% of awards granted are expected to vest in June 2019, subject to continued service.

The Committee is satisfied that the amount payable under the variable incentive plans is appropriate and no discretion was exercised by the Committee in relation to these outcomes.

LTIP awards

The Group's LTIP arrangements seek to align executive pay with the delivery of long term growth in shareholder value. This year 1,514,969 share awards were granted to the Executive Directors and 2,103,453 LTIP and deferred bonus share awards vested. The Directors disposed of 991,606 shares to settle tax liabilities and retained the remaining 1,111,847 shares which increased their holding in the Company to a total of 11.8 million shares as reflected in the table on page 107.

Salary increases

The Committee approved a salary increase for Martin McGann of 3.9% in line with the wider workforce and an increase of 2.0% for all other Executive Directors. The increases will take effect from 1 June 2019.

Looking forward

The Committee believes the current remuneration arrangements are fair and fit for purpose, and meet our objective of incentivising management to deliver the Company's strategy. However, our focus next year will be to review the current Policy ahead of the mandatory vote at the AGM in 2020.

We will continue the work already underway to demonstrate the Company is compliant with the changes to the 2018 Code and will continue to monitor emerging trends and best practice in corporate governance.



James Dean
Chairman of the Remuneration Committee

23 May 2019

DIRECTORS' REMUNERATION AT A GLANCE

EARNINGS FOR THE FINANCIAL YEAR

Total remuneration for Executive Directors	Salary £000	Benefits £000	Pension £000	Bonus £000	LTIP £000	Total 2019 ² £000	Total 2018 £000	Illustrative change in value of shares owned and outstanding share awards ¹ £000
Andrew Jones	533	24	80	797	1,128	2,562	2,392	600
Martin McGann	350	26	52	444	611	1,483	1,369	376
Valentine Beresford	337	25	55	467	643	1,527	1,401	425
Mark Stirling	368	25	55	467	643	1,558	1,440	375

1 Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 199.7p and the lowest closing price was 172.2p. The number of shares and share awards was calculated based on the year end total

2 Full details of Directors' remuneration for the year can be found in the table on page 102

Actual total remuneration compared to the 2019 potential

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

The elements of remuneration have been categorised into three components: (i) Fixed;

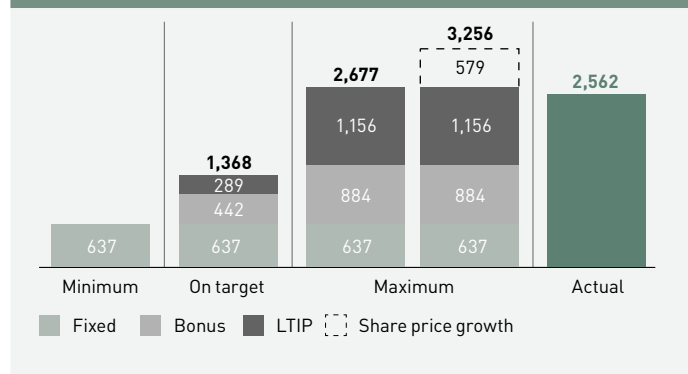
(ii) Annual Bonus (including Deferred Bonus); and (iii) LTIP.

The target scenarios assume 50% payout of the maximum opportunity under the annual bonus and 25% (being threshold vesting) of the LTIP. In line with the changes to the regulations, we have also shown the maximum scenario with the impact of 50%

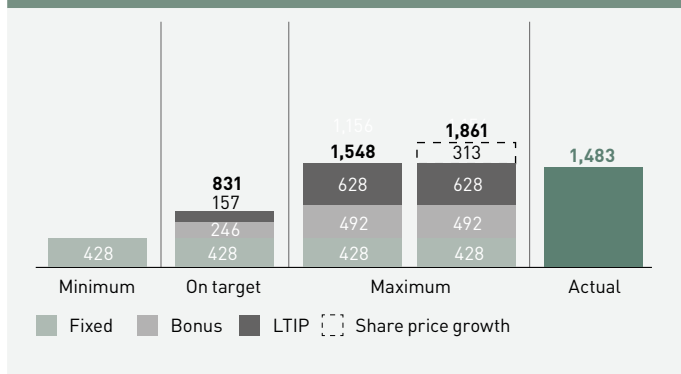
share price appreciation over three years. For the purposes of comparison we have included the single figure remuneration for the year ending 31 March 2019.

Actual remuneration is between the on target and maximum scenarios reflecting the strong performance in the year.

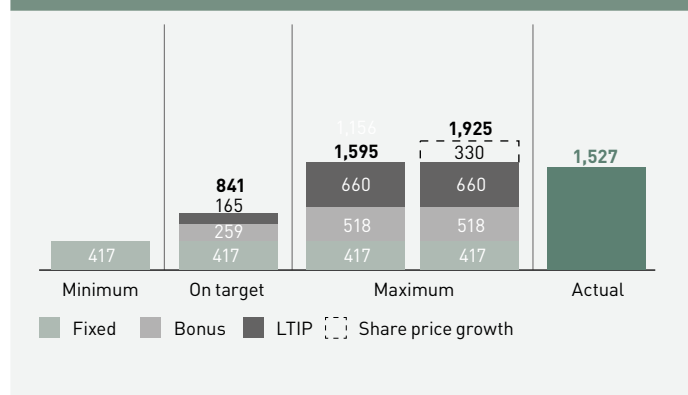
ANDREW JONES £000



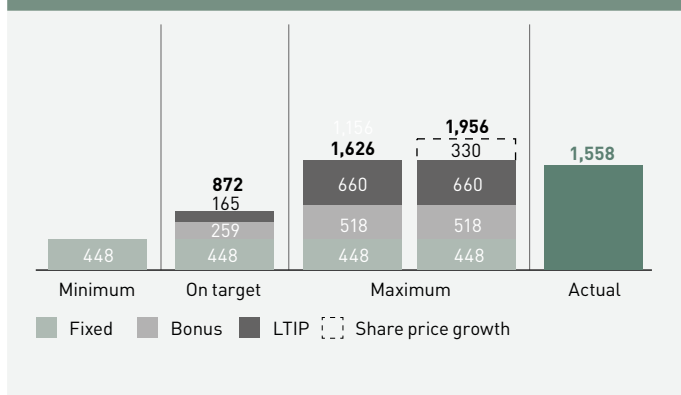
MARTIN MCGANN £000



VALENTINE BERESFORD £000



MARK STIRLING £000



DIRECTORS' REMUNERATION AT A GLANCE
CONTINUED

ANNUAL BONUS PLAN – TARGETS AND OUTCOMES

Performance measure	Payout target			Actual	% awarded	Combining these outcomes with the personal objectives gives the following payouts:	
	25%	50%	100%			£000	% of maximum
EPRA EPS	8.54p	8.66p	8.90p	8.77p	72%	797	90
TPR	7.13%	7.84%	8.56%	8.96%	100%	467	90
						467	90

In addition, personal objectives have been awarded in full as noted on page 103.

2016 LTIPS VESTING – TARGETS AND OUTCOMES

Performance measure	Payout target		Actual	% awarded	The estimated number of shares vesting are as follows:	
	25%	100%			Number	Number
TSR	0%	29.5%	34.4%	100%	605,277	327,702
TAR	10.1%	32.2%	34.0%	100%	345,082	345,082
EPRA EPS	8.72p	9.11p	8.77p	34%		

The level of LTIP vesting in 2019 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%	15 June 2018	564,939	189.5p	1,071
Martin McGann	165%	15 June 2018	305,862	189.5p	580
Valentine Beresford	165%	15 June 2018	322,084	189.5p	610
Mark Stirling	165%	15 June 2018	322,084	189.5p	610

SHAREHOLDING OF THE EXECUTIVE DIRECTORS

% of salary	0%	250%	500%	750%	1,000%	1,250%	1,500%	1,750%
Andrew Jones	Shareholding requirement	700%						
	Beneficially owned shares	1415%						
	Unvested interests over shares	823%						
Martin McGann	Shareholding requirement	700%						
	Beneficially owned shares	1458%						
	Unvested interests over shares	680%						
Valentine Beresford	Shareholding requirement	700%						
	Beneficially owned shares	1616%						
	Unvested interests over shares	680%						
Mark Stirling	Shareholding requirement	700%						
	Beneficially owned shares	1342%						
	Unvested interests over shares	680%						

SUMMARY OF POLICY AND OPERATION NEXT YEAR

ELEMENTS AND OPERATION	IMPLEMENTATION IN THE YEAR TO 31 MARCH 2020															
BASE SALARY																
<p>An Executive Director's basic salary is set on appointment and reviewed annually with changes taking effect from 1 June or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers multiple factors including pay increases to other employees, remuneration within comparable property companies, and the general performance of the Company and individual.</p>	<p>The Committee approved a salary increase for Martin McGann of 3.9% in line with the wider workforce and an increase of 2.0% for all other Executive Directors.</p> <table border="1" data-bbox="841 534 1490 725"> <thead> <tr> <th>Executive Director</th> <th>Base salary from 1 June 2019</th> <th>Base salary from 1 June 2018</th> </tr> </thead> <tbody> <tr> <td>Andrew Jones</td> <td>545,870</td> <td>535,167</td> </tr> <tr> <td>Martin McGann</td> <td>365,000</td> <td>351,204</td> </tr> <tr> <td>Valentine Beresford</td> <td>377,228</td> <td>369,831</td> </tr> <tr> <td>Mark Stirling</td> <td>377,228</td> <td>369,831</td> </tr> </tbody> </table>	Executive Director	Base salary from 1 June 2019	Base salary from 1 June 2018	Andrew Jones	545,870	535,167	Martin McGann	365,000	351,204	Valentine Beresford	377,228	369,831	Mark Stirling	377,228	369,831
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Mark Stirling	377,228	369,831														
PENSION																
<p>The maximum contribution is 15% of salary which is payable as a monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply.</p>	<p>Executive Directors will receive the 15% of salary supplement in lieu of pension this year.</p>															
BENEFITS																
<p>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.</p>	<p>In line with the Policy, each Executive Director receives:</p> <ul style="list-style-type: none"> • Car allowance • Private medical insurance • Life insurance • Permanent health insurance 															
ANNUAL BONUS																
<p>Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy of growth in EPRA EPS and TPR.</p> <p>At least half of the bonus will be linked to the key property and financial metrics.</p> <p>Non financial targets are set to measure individual strategic performance and contribution to the achievement of portfolio management initiatives and other operational management objectives.</p> <p>The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum.</p> <p>Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash.</p> <p>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.</p> <p>The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% of salary for the other Executive Directors.</p>	<p>The performance conditions and their weightings for the annual bonus are as follows:</p> <table border="1" data-bbox="841 1268 1490 1672"> <thead> <tr> <th>Performance measure</th> <th>Weighting</th> <th>Description of targets</th> </tr> </thead> <tbody> <tr> <td>Growth in EPRA EPS</td> <td>35%</td> <td>Growth in Company's EPRA EPS against a range of challenging targets</td> </tr> <tr> <td>Growth in total property return ('TPR')</td> <td>35%</td> <td>Growth in Company's TPR against IPD Quarterly Universe Index; Full payout if growth is 120% of the Index; 50% payout if growth is 110% of the Index; 25% payout if growth matches the Index; Straight line interpolation between points; No payout if TPR is negative</td> </tr> <tr> <td>Personal objectives</td> <td>30%</td> <td>Vary between individuals and include portfolio management metrics, financial and people management, investor relations and regulatory compliance</td> </tr> </tbody> </table> <p>The Committee believes that the EPRA EPS target and details of the personal objectives for the coming year are commercially sensitive and accordingly these are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.</p>	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 points; 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			
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 points; 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														

SUMMARY OF POLICY AND OPERATION NEXT YEAR
CONTINUED

ELEMENTS AND OPERATION	IMPLEMENTATION IN THE YEAR TO 31 MARCH 2020
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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 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 Super 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.

SHAREHOLDING REQUIREMENT

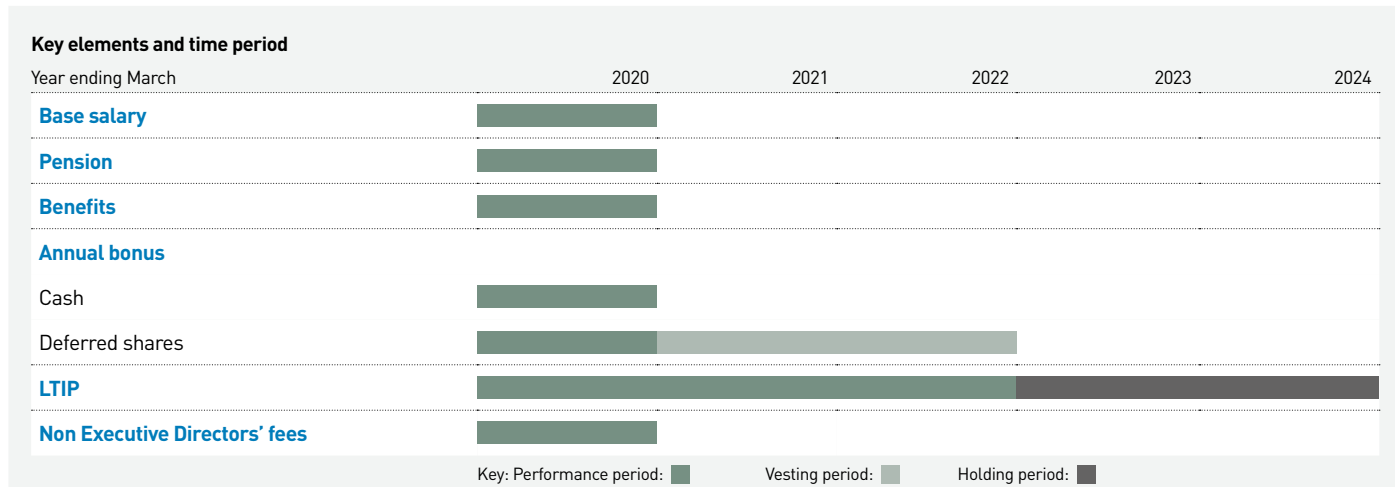
Executive Directors are encouraged to build up and hold a shareholding equivalent to a percentage of base salary.

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 2020 is:

- Chief Executive – 700% of salary
- Other Executive Directors – 700% of salary
- Newly appointed Executive Directors – 400% of salary



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. We will be reviewing our Policy next year ahead of the 2020 AGM.

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; and
- 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 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 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 22 to 23.

Key performance indicators	Link to remuneration		Link to strategy
	Annual bonus	LTIP	
Total shareholder return		37.5%	
Total accounting return		37.5%	
EPRA earnings per share	35%	25%	
Total property return	35%		

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.

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 was a Non Executive Director of The Unite Group Plc and earned fees of £47,115 in the year to 31 March 2019.

The other Executive Directors did not hold external appointments during the year.

NON EXECUTIVE DIRECTORS' FEES

The fees for Non Executive Directors and the Chairman are broadly set at a competitive level against the comparator group and increases take account of any change in responsibility. The aggregate fee for Non Executive Directors and the Chairman will not exceed £1 million.

The base fee for Non Executive Directors, excluding the Chairman, has been increased by 2% to £49,500 from 1 June 2019. The current fees for the Non Executive Director roles are:

Chairman	£215,000
Base Non Executive Director fee	£49,500
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

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 considers employee views carefully and the Board has appointed Andrew Livingston as the designated workforce Non Executive Director with the role of gathering employee views, ensuring that key points raised by employees are discussed at Board or Committee meetings and feeding back to employees how their views have been considered in the decision making process.

The Committee is mindful of the internal pay relativities when setting pay for the Executive Directors. The Company provides regular strategy and performance updates to employees, including half yearly results presentations, which are used to convey key messages.

The diagram below illustrates the cascade of pay structures throughout the business for the Chief Executive, other Executive Directors and other senior managers for the year to 31 March 2019.

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	Other senior managers
LTIP	200% of salary	165% of salary	40% to 125% of salary
Annual bonus	165% of salary	140% of salary	50% to 110% of salary
Pension	15% of salary	15% of salary	10% to 15% of salary
Salary	£535,167	£351,204 to £369,831	£110,000 to £220,000

ANNUAL REPORT ON REMUNERATION

On the following pages we set out the Annual Report on Remuneration for the year ending 31 March 2019 which provides details of how the Remuneration Policy was applied and how we intend to apply the Policy for the year ahead to 31 March 2020. It is subject to an advisory vote at the forthcoming AGM on 11 July 2019 and complies with the 2016 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.

PwC were appointed by the Remuneration Committee following a competitive tender process.

Total fees paid to PwC in respect of remuneration advice to the Committee were £60,500 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:

Annual bonus & LTIP	<ul style="list-style-type: none"> Set challenging EPS targets for the 2018 LTIP awards and annual bonus for the year to 31 March 2019 Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2018 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 to 31 March 2019
Salary	<ul style="list-style-type: none"> Reviewed and approved annual salary increases effective from 1 June 2019 Reviewed Directors' salary increases against pay increases within the wider workplace
Governance	<ul style="list-style-type: none"> Approved Suzanne Avery and Robert Fowlds as members of the Committee Reviewed and approved the Remuneration Committee Report External evaluation of its own performance and review of its terms of reference Reviewed and approved the CEO pay ratio

ANNUAL REPORT ON REMUNERATION
CONTINUED

SINGLE TOTAL FIGURE OF REMUNERATION FOR EACH DIRECTOR (AUDITED)

Director	Salary and fees		Benefits ¹		Pension ²		Annual bonus ³		LTIP ⁴		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Executive												
Andrew Jones	533	520	24	24	80	78	797	679	1,128	1,091	2,562	2,392
Martin McGann	350	342	26	25	52	51	444	378	611	573	1,483	1,369
Valentine Beresford ⁵	337	360	25	24	55	54	467	360	643	603	1,527	1,401
Mark Stirling	368	360	25	25	55	54	467	398	643	603	1,558	1,440
Non Executive												
Patrick Vaughan ⁶	230	250	11	9	-	-	-	-	-	-	241	259
Suzanne Avery	57	-	-	-	-	-	-	-	-	-	57	-
James Dean	63	63	-	-	-	-	-	-	-	-	63	63
Robert Fowlds	9	-	-	-	-	-	-	-	-	-	9	-
Andrew Livingston	56	56	-	-	-	-	-	-	-	-	56	56
Alec Pelmore	53	53	-	-	-	-	-	-	-	-	53	53
Philip Watson	58	58	-	-	-	-	-	-	-	-	58	58
Rosalyn Wilton	68	68	-	-	-	-	-	-	-	-	68	68

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 2019 paid fully in cash as minimum shareholding requirements met

4 2016 LTIP awards expected to vest in June 2019 for the performance period to 31 March 2019. 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 2019. No discretion was applied in determining the estimated vesting of the award as a result of changes in share price or other factors. The change in share

price growth between grant and 31 March 2019 accounts for £160,000 for Andrew Jones, £85,000 for Martin McGann, £91,000 for Valentine Beresford and £91,000 for Mark Stirling as reflected in the table on page 105. The estimated figures disclosed in the previous Annual Report for 2018 vesting have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used was 178.3p and the actual share price on vesting was 187.63p. The differences in value were: Andrew Jones £68,000, Martin McGann £36,000, Valentine Beresford £37,000 and Mark Stirling £37,000

5 Salary payable to Valentine Beresford was 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 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 2019

The annual bonus performance targets set for the year to 31 March 2019 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 TPR 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 2019 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	60%	30%	90%	149%	797
Martin McGann	60%	30%	90%	126%	444
Valentine Beresford	60%	30%	90%	126%	467
Mark Stirling	60%	30%	90%	126%	467

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 target	<8.54p	8.54p	8.66p	8.90p	8.77p	72%
Total property return ('TPR')	35%	Growth in TPR against IPD Quarterly Universe index	Positive growth	TPR matches index 7.13%	TPR is 1.1 times index 7.84%	TPR is 1.2 times index 8.56%	8.96%	100%

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.

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 2019.

	OBJECTIVE	ASSESSMENTS
Andrew Jones	• Portfolio focus to maximise both EPS and NAV growth	<ul style="list-style-type: none"> • Increase in EPRA EPS of 3.5% from 8.5p to 8.8p, providing cover for a 3.8% increase in dividend • Strong increase in EPRA NAV per share of 5.9% from 165.2p to 174.9p
	• Recycling capital with sell down of non core assets	<ul style="list-style-type: none"> • Investment in preferred sectors increased to 94% of the overall portfolio from 91% last year, with distribution at 72.5% of the portfolio up from 68.5% last year
	• Focus on income quality to deliver opportunities for sustainable and progressive earnings	<ul style="list-style-type: none"> • Growth in earnings in the year supporting a 3.8% increase in dividend • WAULT increased to 12.5 years (2018: 12.4 years) despite a year passing • Like for like income growth at 5.7% (2018: 4.3%)
	• Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers ('PCM'), occupiers and analysts	<ul style="list-style-type: none"> • 234 investor meetings in the year and strong share price performance • Continuing focus on PCMs which account for 43% of the register (2018: 40%) • Continuation of strong portfolio metrics - occupancy increased to 98% and strong like for like growth • Strengthened relationships with top tenants • Focused programme in support of key analysts
	• Continue to realign the team in line with our evolving portfolio strategy	<ul style="list-style-type: none"> • Further team realignment and continuing focus on right team with right skills
	• Reinforce the position of the Company as leading investor/partner of choice in logistics	<ul style="list-style-type: none"> • Reinforcement of 'end to end' logistics continues to be well received in the market • Increased emphasis on urban logistics well received by stakeholders
	• To provide oversight to the delivery of development schemes during the year	<ul style="list-style-type: none"> • Completion of 322,000 sq ft of development during the year across distribution and long income sectors, producing £2.6 million of annual rent
Martin McGann	• Optimising the funding structure to support the real estate strategy	<ul style="list-style-type: none"> • Two new debt facilities arranged in the year totalling £225 million with Wells Fargo and a Private Placement syndicate • Average maturity extended from 4.8 years to 6.4 years and undrawn facilities increased to £373 million
	• Deliver risk management/corporate governance agenda to increasing satisfaction of stakeholders	<ul style="list-style-type: none"> • Focus on Board refreshment and appointment of Robert Fowlds to the Board • Continued focus on risk dashboard/register at Board/Audit Committee and more focus on new corporate governance regulations including 2018 Code
	• Focus on income quality to deliver growth in our sustainable earnings	<ul style="list-style-type: none"> • Growth in earnings in the year and 3.8% increase in dividend • WAULT increased to 12.5 years (2018: 12.4 years) despite a year passing • Like for like income growth at 5.7% (2018: 4.3%)
	• Improve our ranking in the EPRA/GRESB sustainability rankings	<ul style="list-style-type: none"> • Included in the FTSE4Good index • GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 67% is above peer group average of 60%
	• Delivery of development schemes on schedule and on budget, with lettings at or above target rents and within agreed timescales	<ul style="list-style-type: none"> • Completion of 322,000 sq ft of development during the year across distribution and long income sectors, producing £2.6 million of annual rent
	• Maintain appropriate LTV, cost of finance and debt maturity metrics	<ul style="list-style-type: none"> • Improved LTV at 32% (2018: 35%) and debt maturity of 6.4 years (2018: 4.8 years)
Valentine Beresford	• Continue to reposition portfolio with the objective of maintaining distribution at c.70% and reducing retail bias to 10%	<ul style="list-style-type: none"> • Logistics portfolio now 72.5% (2018: 68.5%) and the retail park portfolio reduced to 5% (2018: 7%)
	• Sell down non core, ex-growth and underperforming assets	<ul style="list-style-type: none"> • Residential portfolio reduced to 33 units, 17 flats sold in the year and one post year end
	• Continue to strengthen team and integrate whole Investment team into broader Company business	<ul style="list-style-type: none"> • Continued strong performance and fine tuning of team to ensure right people with right skills
	• Promote Company as 'partner of choice' with developers, vendors and agents	<ul style="list-style-type: none"> • Evidence of 'off market' opportunities testament to strong reputation amongst developers and agents
	• Provide support to the development pipeline in the year and to the delivery of funding and developments on schedule and within budget	<ul style="list-style-type: none"> • Completion of 322,000 sq ft of development during the year across distribution and long income sectors, producing £2.6 million of annual rent
Mark Stirling	• Portfolio focus to deliver both income and capital growth versus IPD benchmark	<ul style="list-style-type: none"> • Strong portfolio metrics with like for like income growth of 5.7% and total property return of 9.0% exceeding the IPD benchmark of 4.6%
	• Continuing focus on asset management to lengthen and strengthen our rent roll	<ul style="list-style-type: none"> • Asset management activity delivered 50 occupier transactions, increasing income by £3.2 million • Average lease lengths on new lettings of 11 years
	• Continuing to increase and improve our development pipeline through new opportunities and new planning consents	<ul style="list-style-type: none"> • Additional development schemes at Durham and Swindon in the year • Continued focus on funding and development opportunities
	• Maintain our high occupancy	<ul style="list-style-type: none"> • Occupancy increased to 97.8%
	• Retain our position as partner of choice amongst key retailers	<ul style="list-style-type: none"> • Continued focus on real estate needs of retailers with 50% of the logistics portfolio being let to retailers
	• Delivery of development schemes on schedule and on budget, with lettings at or above target rents and within agreed timescales	<ul style="list-style-type: none"> • Completion of 322,000 sq ft of development during the year across distribution and long income sectors, producing £2.6 million of annual rent

ANNUAL REPORT ON REMUNERATION
CONTINUED

Deferred Bonus Plan

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 vesting based on the market value of the shares at that date.

One third of the deferred shares granted on 11 June 2015, 8 June 2016 and 16 June 2017 and held at 31 March 2018, vested on 21 June 2018.

Further shares representing one third of the June 2016 and June 2017 awards are expected to vest in June 2019.

Deferred shares are held in an Employee Benefit Trust which at 31 March 2019 held 3,370,197 shares.

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

	Date of grant	Face value on grant ¹ £000	At 1 April 2018	Awarded in the year	Notional dividend shares	Entitlement to ordinary shares	
						Released in the year	At 31 March 2019
Andrew Jones	11 June 2015	290	67,153	-	831	(67,984)	-
	8 June 2016	291	130,915	-	5,787	(66,268)	70,434
	16 June 2017	376	230,102	-	10,170	(77,650)	162,622
Martin McGann	11 June 2015	158	36,724	-	455	(37,179)	-
	8 June 2016	159	71,595	-	3,164	(36,240)	38,519
	16 June 2017	209	128,125	-	5,663	(43,237)	90,551
Valentine Beresford	11 June 2015	167	38,672	-	478	(39,150)	-
	8 June 2016	168	75,394	-	3,330	(38,162)	40,562
	16 June 2017	220	134,921	-	5,963	(45,530)	95,354
Mark Stirling	11 June 2015	167	38,672	-	478	(39,150)	-
	8 June 2016	168	75,394	-	3,330	(38,162)	40,562
	16 June 2017	220	134,921	-	5,963	(45,530)	95,354

¹ Face value is the weighted average share price over the five business days immediately preceding the date of the award. 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 2019 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%	15 June 2018	564,939	189.5p	1,071
Martin McGann	165%	15 June 2018	305,862	189.5p	580
Valentine Beresford	165%	15 June 2018	322,084	189.5p	610
Mark Stirling	165%	15 June 2018	322,084	189.5p	610

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.

PERFORMANCE CONDITION	VESTING LEVEL
Total Shareholder Return ('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 0% over 3 years	0%
Base plus RPI plus 0% over 3 years	25%
Base plus RPI plus between 0% and 4% over 3 years	Pro rata on a straight line basis between 25% and 100%
Base plus RPI plus 4% 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 2016, 1 April 2017 and 1 April 2018 has been set at 7.77p, 8.16p and 8.54p 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 2020 in relation to the three year performance period commencing 1 April 2016 are summarised below.

Performance measure	Weighting	Basis of calculation	Range			Actual performance	% awarded
			(0%)	(25%)	(100%)		
Total shareholder return ('TSR')	37.5%	Growth in TSR against FTSE 350 Real Estate Index	<0%	0%	29.5%	34.4%	100%
Total accounting return ('TAR')	37.5%	Growth in TAR against FTSE 350 Real Estate Index	<10.1%	10.1%	32.2%	34.0%	100%
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<8.72p	8.72p	9.11p	8.77p	34%

Director	LTIP % of maximum	Estimated number of shares	Face value at grant £000	Share price appreciation £000	Total estimated face value of award ¹ £000
Andrew Jones	84%	605,277	968	160	1,128
Martin McGann	84%	327,702	524	85	611
Valentine Beresford	84%	345,082	552	91	643
Mark Stirling	84%	345,082	552	91	643

1 The face value is based on the average share price for the three months to 31 March 2019 of 187.2p

ANNUAL REPORT ON REMUNERATION
CONTINUED

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

Director	Date of grant	Face value on grant	At 1 April 2018	Granted in year	Notional dividend shares	Vested in year	Lapsed in year	Number of shares under award ¹	
								At 31 March 2019	Performance Period
Andrew Jones	11.6.2015	168.2p	610,839	–	7,559	(581,294)	(37,104)	–	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	690,068	–	30,500	–	–	720,568	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	639,653	–	28,272	–	–	667,925	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	–	564,939	17,759	–	–	582,698	1.4.2018 to 31.3.2021
Martin McGann	11.6.2015	168.2p	320,691	–	3,970	(305,181)	(19,480)	–	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	373,608	–	16,514	–	–	390,122	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	346,314	–	15,306	–	–	361,620	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	–	305,862	9,615	–	–	315,477	1.4.2018 to 31.3.2021
Valentine Beresford	11.6.2015	168.2p	337,699	–	4,182	(321,368)	(20,513)	–	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	393,422	–	17,389	–	–	410,811	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	364,680	–	16,118	–	–	380,798	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	–	322,084	10,125	–	–	332,209	1.4.2018 to 31.3.2021
Mark Stirling	11.6.2015	168.2p	337,699	–	4,182	(321,368)	(20,513)	–	1.4.2015 to 31.3.2018
	8.6.2016	160.7p	393,422	–	17,389	–	–	410,811	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	364,680	–	16,118	–	–	380,798	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	–	322,084	10,125	–	–	332,209	1.4.2018 to 31.3.2021

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 107.

There were no movements in Directors' shareholdings between 31 March 2019 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 2019 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 107.

	Overall beneficial Interest 31 March 2019 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2018 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	Total interests as at 31 March 2019	Share ownership as % of salary ¹	Shareholding guideline met	Number of shares pledged as at 31 March 2019
Executive Directors								
Andrew Jones	3,791,072	3,371,802	1,971,191	233,056	5,995,319	1415%	Yes	3,446,072
Martin McGann	2,564,560	2,341,585	1,067,219	129,070	3,760,849	1458%	Yes	2,341,585
Valentine Beresford	2,991,860	2,757,059	1,123,818	135,916	4,251,594	1616%	Yes	2,577,984
Mark Stirling	2,485,522	2,250,721	1,123,818	135,916	3,745,256	1342%	Yes	2,016,818
Non Executive Directors								
Patrick Vaughan ²	12,250,000	12,854,000						
Suzanne Avery	22,750	2,750						
James Dean	20,000	20,000						
Robert Fowlds	104,000	n/a						
Andrew Livingston	68,898	68,898						
Rosalyn Wilton	100,000	50,000						

1 Based on the Company's share price at 31 March 2019 of 199.7p and the beneficial interests of the Directors

2 Beneficial interest includes shares held in a family trust (80,000) and by spouse (20,000)

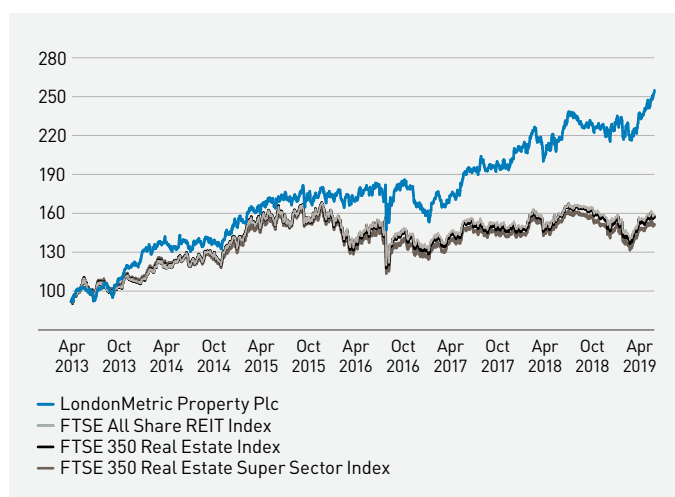
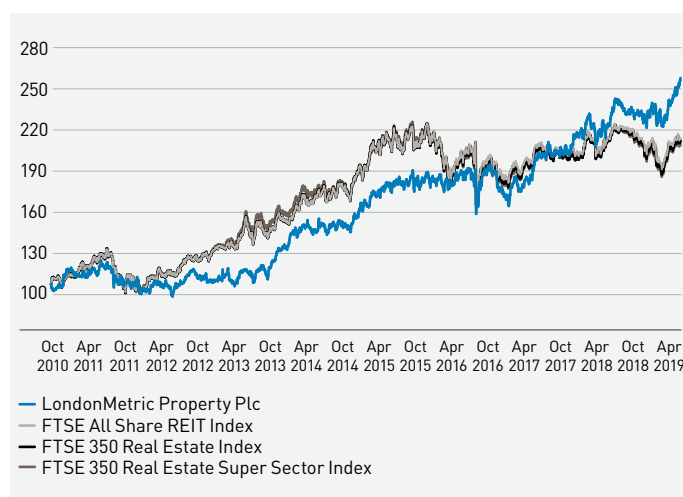
Performance graph

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 2019, 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.



ANNUAL REPORT ON REMUNERATION
CONTINUED

Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive for the period from the Company's listing on the main market of the London Stock Exchange on 1 October 2010 to 31 March 2019.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2019	2,562	90	84
2018	2,392	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%	11%	17%
Other employees (excluding Chief Executive)	4%	17%	22%

CEO pay ratio

Whilst the Company has fewer than 250 employees and therefore is not required to disclose a ratio, the Committee felt that it was appropriate to disclose the CEO to all employee pay ratio, recognising that the Company's investors expect to see such disclosure.

Year	Pay ratio		
	25th percentile	50th percentile	75th percentile
2019	34:1	12:1	8:1
2018	32:1	12:1	6:1

The Company chose to adopt the Option A methodology when calculating the ratio as it deemed it the most appropriate approach and had sufficient data to be able to carry out this method. This method was used to calculate both 2018 and 2019 figures in the table above.

The Chief Executive's single figure of remuneration for 2019 and 2018 used for the calculation ratio is as detailed on page 102. The same methodology was used to calculate all employee pay for the purposes of the ratios, which were calculated based on amounts receivable up to the end of the relevant financial year for all employees excluding the CEO and the Non Executive Directors.

As we continue to disclose the ratio in future years, we anticipate that there is likely to be changes in the ratio as the CEO's total remuneration has a greater portion of pay delivered as variable remuneration, which is consistent with the Company's remuneration principles.

In summary, we anticipate volatility in this ratio, and we believe that this is caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio;
- The value of long term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the CEO pay in that year, again impacting the ratio for the year;
- Long term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long term incentive award vesting in a year;
- We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure and not by divergence in fixed pay between the CEO and the wider workforce. The table showing the year on year change of CEO remuneration and average employee remuneration demonstrates that divergence is not occurring; and
- Where the structure of remuneration is similar, as for the Executive Committee and the CEO, the ratio is much more stable over time.

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.

	2019 £000	2018 £000	% change
Employee costs ¹	9,539	9,425	1.2%
Dividends ²	55,566	51,372	8.2%

1 Figures taken from note 4 Administrative costs on page 131 and are stated before any amounts capitalised and exclude share scheme costs

2 Figures taken from note 7 Dividends on page 133

Statement of voting at AGM

At the AGM on 11 July 2018, the Annual Report on Remuneration was approved with votes from shareholders representing 69% of the issued share capital of the Company.

The Directors' Remuneration Policy was approved at the AGM on 11 July 2017 with votes from shareholders representing 71% of the issued share capital at the time. The details of these outcomes are below.

	2018 Annual Report on Remuneration		2017 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	471,375,729	98.36	492,623,371	98.92
Against	7,835,501	1.64	5,370,453	1.08
Withheld	3,520,071		5,053,433	
Total	482,731,301		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 2020

The table on pages 97 to 98 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

Chairman of the Remuneration Committee

23 May 2019

REPORT OF THE DIRECTORS



I am pleased to present the Report of the Directors together with the audited financial statements for the year ended 31 March 2019.

The Corporate Governance report on pages 66 to 109 forms part of this report.

Martin McGann
Finance Director

ANNUAL GENERAL MEETING

The Annual General Meeting ('AGM') of the Company will be held at the Connaught, Carlos Place, Mayfair, London W1K 2AL at 10 am on 11 July 2019.

The Notice of Meeting on pages 156 to 159 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 24,398,662 shares representing approximately 3.5% of the existing issued ordinary share capital of the Company as at 22 May 2019.

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 64
Principal risks	Risk Management section of Strategic Report on pages 50 to 63
Viability Statement	Page 64
Directors' details	Directors' biographies on pages 68 and 69
Directors' interests	Remuneration Committee report on page 107
Employee involvement and engagement	Governance report on page 78 and Responsible Business report on page 44 to 45
Greenhouse gas emissions	Responsible Business report on page 49
Financial instruments	Note 14 on page 141
Financial risk management policies	Note 14 and Risk Management on pages 139 to 140
Interest capitalised	Note 5 on page 132
Details of long term incentive schemes	Remuneration Committee report on pages 104 to 106 and on page 98
Shareholder waivers of dividends	Report of the Directors on page 111
Related party transactions	Note 19 on page 143
Post balance sheet events	Note 20 on page 143

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 64 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 £119.7 million (2018: £186.0 million). The first two quarterly dividends for 2019 totalling 3.8p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 1.9p was paid following the year end on 17 April 2019 as a PID. The Directors have approved a fourth quarterly dividend of 2.5p per share payable on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019, of which 0.75p will be paid as a PID.

The total dividend charge for the year to 31 March 2019 was 8.2p per share, an increase of 0.3p or 3.8% over the previous year.

Of the total dividend for 2019 of 8.2p, 6.45p 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 1.75p 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 2019 was undertaken by CBRE Limited and Savills Advisory Services Limited on the basis of fair value which amounted to £1,846.2 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 2019, there were 699,991,840 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 2,775,644 ordinary shares under the terms of its Scrip Dividend Scheme in the year. Since the year end the Company issued a further 669,979 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 2018 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

As at 31 March 2019, the Trustees of the LondonMetric Long Term Incentive Plan held 3,370,197 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	55,068,396	7.86
Rathbones	49,144,898	7.02
Standard Life Aberdeen	36,909,438	5.27
Troy Asset Management	34,999,720	5.00
Cohen & Steers Inc	31,163,460	4.44
The Vanguard Group Inc	28,339,072	4.04
Ameriprise Financial Inc	25,374,589	3.62

Directors

The present membership of the Board and biographical details of Directors are set out on pages 68 and 69.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 107.

The Board appointed Robert Fowlds as a Director on 31 January 2019 and on 31 March 2019 Alec Pelmore and Philip Watson resigned. 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 2019 except for Valentine Beresford and Mark Stirling, who will be stepping down from the Board but remaining Investment Director and Asset Director respectively and members of the Executive Committee. The powers of Directors are described in their Terms of Reference, which are available on request.

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 2019 the Group had 34 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, which this year included GDPR 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 provides retirement benefits for its employees and Executive Directors.

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. This year the Company approved a Diversity and Inclusion policy which can be found on our website.

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.

Further details of how we engage with employees can be found in the Governance report on page 77 and the Responsible Business report on pages 44 to 45.

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 49 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 49.

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 2019 was 15 days (2018: 15 days).

Charitable and political contributions

During the year, the Group made charitable donations of £12,252 (2018: £25,170). No political donations were made during the year (2018: £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 Company.

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.

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 2019.

On behalf of the Board



Martin McGann
Finance Director

23 May 2019

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the 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 FRS101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board



Martin McGann
Finance Director

23 May 2019



Andrew Jones
Chief Executive

23 May 2019

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDONMETRIC PROPERTY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- The financial statements of LondonMetric Property Plc ('the Company') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 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, 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 their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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 Financial Reporting Council's (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

Within this report, any new key audit matters are identified with ▲ and any key audit matters which are the same as the prior year identified with ►.

Materiality

The materiality that we used for the Group financial statements was £23.9 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 was based on 5% of that measure.

Scoping

The Group is subject to a full scope audit on 100% of net assets, revenue and profit before tax.

Significant changes in our approach

There has been no change to the basis upon which materiality is calculated, our identified risks or our approach in scoping the audit from the prior year.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed the Directors' Statement in note 1(c) 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 considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

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 50 to 63 that describe the principal risks and explain how they are being managed or mitigated
- The Directors' confirmation on page 50 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 64 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.

During the year, we have rebutted the presumed significant risk in respect of revenue recognition. Previously, we identified the judgements in respect of recognition of property acquisitions and disposals as having a potentially key impact on revenue recognition. As a result of the implementation of IFRS 15 and the resulting change in accounting policy to recognise transactions on completion, rather than when significant risks and rewards pass, we consider that the level of judgement involved has reduced significantly. In addition, the remaining elements of rental income are considered to be stable and predictable as determined by long term lease agreements, hence this is no longer considered to be a Key Audit Matter.

VALUATION OF INVESTMENT PROPERTY

Key audit matter description

The Group owns a portfolio of largely distribution property assets, which is valued at £1,688.0 million (2018: £1,677.6 million), as at 31 March 2019. 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 integrity 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.

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, assisted by our internal real estate specialist, 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 also met with the external valuers of the portfolio to discuss the results of their work and, for a sample of properties of audit interest, further challenged the yield assumptions and valuation
- 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
- We have assessed management's assessment of the impact of Brexit on the fair value of the Group's investment property portfolio in respect of occupier demand and solvency, asset liquidity and the performance of assets in different property sectors

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.



REFER TO PAGE 86 FOR THE AUDIT COMMITTEE REPORT



REFER TO PAGE 126 FOR THE ACCOUNTING POLICY AND NOTE 9 ON PAGE 135 (FINANCIAL DISCLOSURES)

PROPERTY TRANSACTION ACCOUNTING

Key audit matter description

In the period the Group has undertaken 14 acquisitions recognised at £159.7 million (2018: £306.6 million) and 18 disposals recognised at £247.7 million (2018: £172.0 million).

We have identified investment property transactions as a key audit matter, owing to the complexity and judgement that may be involved in accounting for transactions such as those including corporate acquisitions, complex structuring or forward funding on developments, or other unusual terms or conditions.

Management changed their accounting policy in respect of recognising investment property transactions following adoption of IFRS 15.

This has been on unconditional exchange (ie, transfer of risks and rewards of ownership) and is now on completion (ie, change in control), which has reduced the judgement around the timing and recognition of transactions.

How the scope of our audit responded to the key audit matter

We performed the following procedures for a sample of transactions:

- We agreed key transaction terms to signed sale purchase agreements and other external evidence
- We reviewed sale purchase agreements for unusual terms and conditions
- We considered the adequacy of the disclosure of the transactions in the financial statements
- We traced transactions to the accounts and agreed the quantum of the transactions

Key observations

We concluded that property transactions had been appropriately accounted for.

OUR APPLICATION OF MATERIALITY

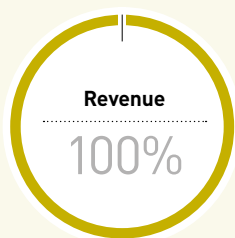
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our 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	<p>We determined materiality for the Group to be £23.9 million (2018: £22.9 million).</p> <p>We consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £3.0 million (2018: £3.0 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.</p>	<p>We determined Company materiality to be £18.6 million (2018: £17.4 million).</p>

OUR APPLICATION OF MATERIALITY

	Group financial statements	Company financial statements
Basis for determining materiality	Materiality for the Group is based on 2% (2018: 2%) of shareholders' equity at 30 September 2018. For EPRA Earnings the basis used was 5% (2018: 5%) of that measure on a forecasted basis.	Materiality for the Company is based on 2% of net assets (2018: 2%).
Rationale for the benchmark applied	As an investment property company, the 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.	<p>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.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1 million (2018: £1.1 million) for the Group and £928,000 (2018: £870,000) for the Company, 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.</p>
An overview of the scope of our audit		<p>LondonMetric Property Plc Group is a FTSE 250 Real Estate Investment Trust with investment property assets substantially in the United Kingdom.</p> <p>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 Group level.</p> <p>Based on that assessment, and consistent with our conclusion on scoping in the prior year, our full scope audit is performed on 100% (2018: 100%) of the Group's net assets, and 100% (2018: 100%) of revenue and profit before tax.</p> <p>The Group was 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 was 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.</p> <p>The Company is located in London, UK and audited directly by the Group audit team.</p>



■ Full audit scope



■ Full audit scope



■ Full audit scope

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
 - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- Discussing among the engagement team and involving relevant internal specialists, including tax and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the valuation of investment property
- Obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT regime and tax legislation

Audit response to risks identified

As a result of performing the above, we identified valuation of investment property as a key audit matter. The key audit matters section of our report explains in more detail and describes specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- Enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- Reading minutes of meetings of those charged with governance
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion the part of the Annual Report on Remuneration 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 Annual Report on Remuneration 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 six years, covering the years ending 31 March 2014 to 31 March 2019.

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).

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.

Georgina Robb, FCA

(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 May 2019

GROUP INCOME STATEMENT

For the year ended 31 March

	Note	2019 £000	2018 £000
Gross revenue	3	86,817	83,709
Gross rental income		85,107	81,988
Property operating expenses		(1,221)	(828)
Net rental income		83,886	81,160
Property advisory fee income		1,710	1,721
Net income		85,596	82,881
Administrative costs	4	(13,658)	(13,800)
Profit on revaluation of investment properties	9	75,921	114,723
Profit/(loss) on sale of investment properties		566	(2,139)
Share of (losses)/profits of joint ventures	10	(6,383)	13,655
Operating profit		142,042	195,320
Finance income		343	415
Finance costs	5	(22,871)	(9,685)
Profit before tax		119,514	186,050
Taxation	6	151	(32)
Profit for the year and total comprehensive income		119,665	186,018
Earnings per share			
Basic	8	17.2p	26.9p
Fully diluted	8	17.1p	26.9p
EPRA (basic)	8	8.8p	8.5p
EPRA (fully diluted)	8	8.7p	8.5p

All amounts relate to continuing activities.

The notes on pages 126 to 143 form part of these financial statements.

GROUP BALANCE SHEET

As at 31 March

	Note	2019 £000	2018 £000
Non current assets			
Investment properties	9	1,688,005	1,677,555
Investment in equity accounted joint ventures	10	98,854	117,646
Derivative financial instruments	14	–	2,836
Other tangible assets		402	73
		1,787,261	1,798,110
Current assets			
Trade and other receivables	11	5,823	2,344
Cash and cash equivalents	12	20,605	26,162
		26,428	28,506
Total assets		1,813,689	1,826,616
Current liabilities			
Trade and other payables	13	36,398	33,576
		36,398	33,576
Non current liabilities			
Borrowings	14	558,951	643,551
Derivative financial instruments	14	1,551	–
		560,502	643,551
Total liabilities		596,900	677,127
Net assets		1,216,789	1,149,489
Equity			
Called up share capital	16	69,999	69,722
Share premium		100,753	96,079
Capital redemption reserve		9,636	9,636
Other reserve		221,695	222,502
Retained earnings		814,706	751,550
Equity shareholders' funds		1,216,789	1,149,489
Net asset value per share	8	174.7p	165.7p
EPRA net asset value per share	8	174.9p	165.2p

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2019 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 126 to 143 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 2018	69,722	96,079	9,636	222,502	751,550	1,149,489	
Profit for the year and total comprehensive income	-	-	-	-	119,665	119,665	
Purchase of shares held in trust	-	-	-	(4,781)	-	(4,781)	
Vesting of shares held in trust	-	-	-	3,974	(3,662)	312	
Share based awards	-	-	-	-	2,719	2,719	
Dividends	7	277	4,674	-	-	(55,566)	(50,615)
At 31 March 2019	69,999	100,753	9,636	221,695	814,706	1,216,789	

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	

The notes on pages 126 to 143 form part of these financial statements.

GROUP CASH FLOW STATEMENT

For the year ended 31 March

	2019 £000	2018 £000
Cash flows from operating activities		
Profit before tax	119,514	186,050
Adjustments for non cash items:		
Profit on revaluation of investment properties	(75,921)	(114,723)
(Profit)/loss on sale of investment properties	(566)	2,139
Share of post tax loss/(profit) of joint ventures	6,383	(13,655)
Movement in lease incentives	(5,098)	(10,524)
Share based payment	2,719	2,420
Net finance costs	22,528	9,270
Cash flows from operations before changes in working capital	69,559	60,977
Change in trade and other receivables	397	1,730
Change in trade and other payables	(19)	(2,859)
Cash flows from operations	69,937	59,848
Interest received	92	52
Interest paid	(16,230)	(16,409)
Tax received/(paid)	359	(17)
Cash flows from operating activities	54,158	43,474
Investing activities		
Purchase of investment properties	(158,951)	(306,245)
Capital expenditure on investment properties	(27,549)	(56,199)
Lease incentives paid	(3,220)	(3,049)
Sale of investment properties	260,993	192,329
Investments in joint ventures	(5,085)	(12,662)
Distributions from joint ventures	17,494	16,238
Purchase of tangible assets	(438)	-
Cash flows from investing activities	83,244	(169,588)
Financing activities		
Dividends paid	(50,615)	(43,357)
Purchase of shares held in trust	(4,781)	(2,783)
Vesting of shares held in trust	312	276
New borrowings and amounts drawn down	360,000	397,237
Repayment of loan facilities	(445,000)	(220,407)
Financial arrangement fees and break costs	(2,875)	(21,634)
Cash flows from financing activities	(142,959)	109,332
Net decrease in cash and cash equivalents	(5,557)	(16,782)
Opening cash and cash equivalents	26,162	42,944
Closing cash and cash equivalents	20,605	26,162

The notes on pages 126 to 143 form part of these financial statements.

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 160. 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 64.

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) Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are on pages 50 to 63.

The Group's financial position, cash flows and liquidity, borrowings, undrawn facilities and hedging are described in note 14 and in the Financial Review on pages 34 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 2019.

d) Basis of preparation

The financial statements are prepared on a going concern basis, as explained above.

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 except for the adoption of new and revised standards as noted below.

i) Significant accounting estimates and judgements

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 88 to 89 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.

Note 9(b) to the financial statements includes further information on the valuation techniques and inputs used to determine the fair value of the property portfolio.

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. The Group and Company accounting policies were amended following the adoption of IFRS 9 and 15 as discussed further below.

Name	Description
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IAS 40 (amendments)	Transfers of Investment Property
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 1 and IAS 28

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 relating to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, the impairment of financial assets and hedge accounting. The Group has applied IFRS 9 from 1 April 2018 without restating comparatives on initial application in accordance with the transitional provisions of the standard.

The Group has reviewed its financial assets and liabilities and has assessed the main impact of adopting this standard as follows:

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 2019 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, which meet the test of being solely payments of principal and interest ('SPPI').

There was no impact on the Group's accounting for financial liabilities under IFRS 9, 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.

Impairment

Trade receivables at 31 March 2019 were £903,000 (2018: £776,000) and the credit risk associated with unpaid rent is deemed to be low.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as was the case under IAS 39. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The Group applies the IFRS 9 simplified approach to measuring ECLs at an amount equal to lifetime expected credit losses for all trade receivables.

We performed an assessment of the Group's trade receivables at 31 March 2018 and 31 March 2019 for impairment in accordance with the requirements of IFRS 9. We have based our estimate of expected credit losses on past experience of incurred credit losses and the trade debtor's current financial condition and we have specifically provided against receivables where there is no realistic prospect of recovery.

Based on our assessment, there was no material impact on the Group or Company financial statements of impairment losses recognised under IFRS 9 at transition and no adjustment was made to opening net assets. We recognised an impairment provision in accordance with IFRS 9 of £140,000 in the Group financial statements and £419,000 in the Company financial statements at the year end as disclosed in notes 11 and iv.

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 last 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.

Hedge accounting

The Group does not apply hedge accounting and therefore there is no impact from the hedge accounting provisions in IFRS 9.

IFRS 15 Revenue from contracts with customers

The Group has applied IFRS 15 from 1 April 2018 and has adopted the modified retrospective approach without restatement of comparatives. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

IFRS 15 does not apply to rental income which, at 31 March 2019, accounted for over 95% of total gross revenue of the Group, but does apply to other non-core income streams including management fees and surrender premiums receivable. IFRS 15 did not have a material impact on the timing of revenue recognition for the non-core income streams.

The main impact of adopting IFRS 15 has been to recognise property transactions at the point of completion, which is the point at which control of the property passes, rather than on unconditional exchange of contracts, which was the point at which significant risks and rewards were transferred under IAS 18. The effect of adopting the cumulative catch up approach on transition to IFRS 15 was nil.

iii) 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 16	Leases
Annual Improvements to IFRSs: 2015 – 2017 cycle	Amendments to IFRS 3, Business Combinations

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and is effective for the Group for accounting periods beginning on or after 1 April 2019.

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.

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 to the balance sheet as at 31 March 2019. It has also assessed long leasehold properties where the Group is the lessee and ground rent is payable. IFRS 16 is not estimated to have a material impact on the gross or net asset position at transition nor the income statement for the year to 31 March 2020.

e) 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 returns 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.

Joint venture management fees are recognised as income in the accounting period in which the service is rendered.

f) 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
- 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.

Surrender premiums receivable are recognised on completion of the surrender.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Group has applied IFRS 15, Revenue from contracts with customers, from 1 April 2018. The main impact of adopting IFRS 15 has been to recognise property transactions at the point of completion, which is the point at which control of the property passes, rather than on unconditional exchange of contracts, which was the point at which significant risks and rewards were transferred. The cumulative effect of adopting IFRS 15 at the date of initial application was nil.

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.

g) 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.

Financial instruments under IFRS 9

i) Trade and other receivables and payables

Trade receivables are recognised and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. An impairment provision is created based on the expected credit loss model which reflects the Group's historical incurred credit losses and the lifetime expected credit loss.

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, measured at amortised cost.

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.

Financial instruments under IAS 39

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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2019

2 SEGMENTAL INFORMATION

As at 31 March	2019			2018		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Property value						
Distribution	1,282,860	9,702	1,292,562	1,223,505	9,576	1,233,081
Convenience & leisure	152,125	–	152,125	174,700	–	174,700
Long income	104,890	132,533	237,423	95,250	125,580	220,830
Retail parks	86,975	–	86,975	139,775	–	139,775
Residential	1,365	15,982	17,347	1,765	28,374	30,139
Development	59,790	–	59,790	42,560	925	43,485
	1,688,005	158,217	1,846,222	1,677,555	164,455	1,842,010

For the year to 31 March	2019			2018		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Gross rental income						
Distribution	63,656	607	64,263	57,737	513	58,250
Convenience & leisure	8,739	–	8,739	10,281	–	10,281
Long income	6,272	9,436	15,708	4,769	8,664	13,433
Retail parks	6,373	–	6,373	7,044	–	7,044
Office	–	–	–	2,007	–	2,007
Residential	67	352	419	58	617	675
Development	–	–	–	92	–	92
	85,107	10,395	95,502	81,988	9,794	91,782

For the year to 31 March	2019			2018		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Net rental income						
Distribution	62,851	609	63,460	57,656	513	58,169
Convenience & leisure	8,652	–	8,652	10,108	–	10,108
Long income	6,215	9,200	15,415	4,696	8,561	13,257
Retail parks	6,101	–	6,101	6,653	–	6,653
Office	–	–	–	1,904	–	1,904
Residential	72	139	211	57	319	376
Development	(5)	–	(5)	86	–	86
	83,886	9,948	93,834	81,160	9,393	90,553

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's chief operating decision makers and for which discrete financial information is available. Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates almost entirely in the UK and no geographical split is provided in information reported to the Board.

3 GROSS REVENUE

For the year to 31 March	2019 £000	2018 £000
Gross rental income	85,107	81,988
Property advisory fee income	1,710	1,721
	86,817	83,709

For the year to 31 March 2019, 22% of the Group's gross rental income was receivable from two tenants. For the comparative period, 12% of the Group's gross rental income was receivable from one tenant.

4 ADMINISTRATIVE COSTS

a) Total administrative costs

For the year to 31 March	2019 £000	2018 £000
Staff costs	10,400	10,008
Auditors' remuneration	168	180
Depreciation	109	263
Other administrative costs	2,981	3,349
	13,658	13,800

b) Staff costs

For the year to 31 March	2019 £000	2018 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	8,591	8,422
Less staff costs capitalised	(1,858)	(1,835)
	6,733	6,587
Social security costs	711	702
Pension costs	237	301
Share based payment	2,719	2,418
	10,400	10,008

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 £2.7 million (2018: £2.4 million).

The Company awarded 2,125,515 LTIP shares during the year, 1,514,969 of which were awarded to Executive Directors as shown in the Remuneration Committee report on page 104. The cost of acquiring the shares expected to vest under the LTIP of £4.8 million has been charged to reserves this year (2018: £2.8 million).

Employee costs of £1.9 million (2018: £1.8 million) have been capitalised in respect of time spent on development projects.

The emoluments and pension benefits of the Directors, who are also the key management personnel of the Company, are set out in detail within the Remuneration Committee report on page 102 and in aggregate are as follows:

	2019 £000	2018 £000
Salary and fees	2,182	2,159
Benefits	111	107
Pension	242	237
Annual bonus	2,175	1,815
Long term incentives	3,025	2,870
Short term employee benefits	7,735	7,188

In accordance with the disclosure requirements of IAS 24 Related party disclosures for key management personnel, short term employee benefits were £7.7 million and share based payments were £2.1 million.

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2019 Number	2018 Number
Head office and property management	28	31

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2019

4 ADMINISTRATIVE COSTS (CONTINUED)

d) Auditor's remuneration

For the year to 31 March	2019 £000	2018 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	117	111
Audit of subsidiary financial statements, pursuant to legislation	5	4
Other fees:		
Audit related assurance services	28	27
Other advisory services	-	2
Total fees for audit and other services	150	144

In addition to the above audit fees, £48,200 (2018: £47,000) was due to the Group's auditor in respect of its joint venture operations. BDO LLP is responsible for the audit of other subsidiary entities at a cost to the Group of £33,700 (2018: £30,950).

5 FINANCE COSTS

For the year to 31 March	2019 £000	2018 £000
Interest payable on bank loans and related derivatives	16,328	15,530
Debt and hedging early close out costs	6	18,981
Amortisation of loan issue costs	1,410	1,350
Commitment fees and other finance costs	1,859	1,705
Total borrowing costs	19,603	37,566
Less amounts capitalised on the development of properties	(1,119)	(1,695)
Net borrowing costs	18,484	35,871
Fair value loss/(gain) on derivative financial instruments	4,387	(26,186)
Total finance costs	22,871	9,685

6 TAXATION

For the year to 31 March	2019 £000	2018 £000
Current tax		
UK tax (credit)/charge on profit	(151)	32

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	2019 £000	2018 £000
Profit before tax	119,514	186,050
Tax at the standard rate of corporation tax in the UK of 19% (2018: 19%)	22,708	35,350
Effects of:		
Tax effect of income not subject to tax	(23,664)	(32,724)
Share of post tax losses/(profits) of joint ventures	1,213	(2,594)
Land remediation tax credit	(408)	-
UK tax (credit)/charge on profit	(151)	32

The current tax credit relates to a land remediation receipt, net of tax arising on income that does not qualify as property income within the REIT regulations and 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.

7 DIVIDENDS

For the year to 31 March	2019 £000	2018 £000
Ordinary dividends paid		
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
2018 Third quarterly interim dividend: 1.85p per share	12,837	–
2018 Fourth quarterly interim dividend: 2.35p per share	16,311	–
2019 First quarterly interim dividend: 1.9p per share	13,206	–
2019 Second quarterly interim dividend: 1.9p per share	13,212	–
	55,566	51,372
Quarterly dividend payable in 2019/20		
2019 Third quarterly interim dividend: 1.9p per share	13,237	
2019 Fourth quarterly interim dividend: 2.5p per share	17,434	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.9p per share, wholly as a Property Income Distribution ('PID'), on 17 April 2019 to ordinary shareholders on the register at the close of business on 15 March 2019.

The fourth quarterly interim dividend for 2019 of 2.5p per share, of which 0.75p is payable as a PID, will be payable on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019. 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 2020.

During the year the Company issued 2,775,644 ordinary shares in relation to the last two quarterly dividend payments for 2018 and the first two quarterly dividend payments for 2019, which reduced the cash dividend payment by £5.0 million to £50.6 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	2019 £000	Group £000	JV £000	2018 £000
Gross rental income	85,107	10,395	95,502	81,988	9,794	91,782
Property costs	(1,221)	(447)	(1,668)	(828)	(401)	(1,229)
Net rental income	83,886	9,948	93,834	81,160	9,393	90,553
Management fees	1,710	(781)	929	1,721	(763)	958
Administrative costs	(13,658)	(71)	(13,729)	(13,800)	(106)	(13,906)
Net finance costs ¹	(18,135)	(2,077)	(20,212)	(16,475)	(1,982)	(18,457)
Other	151	–	151	(32)	–	(32)
EPRA earnings	53,954	7,019	60,973	52,574	6,542	59,116

1 Group net finance costs reflect net borrowing costs of £18,484,000 (note 5) less early close out costs of £6,000 (note 5) and finance income of £343,000

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2019

8 EARNINGS AND NET ASSETS PER SHARE (CONTINUED)

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

For the year to 31 March	Group £000	JV £000	2019 £000	Group £000	JV £000	2018 £000
EPRA earnings	53,954	7,019	60,973	52,574	6,542	59,116
Revaluation of investment property	75,921	(11,493)	64,428	114,723	6,842	121,565
Fair value of derivatives	(4,387)	(356)	(4,743)	26,186	234	26,420
Debt and hedging early close out costs	(6)	-	(6)	(18,981)	(76)	(19,057)
Profit/(loss) on disposal	566	(1,553)	(987)	(2,139)	113	(2,026)
IFRS reported profit/(loss)	126,048	(6,383)	119,665	172,363	13,655	186,018

b) Earnings per ordinary share

For the year to 31 March	2019 £000	2018 £000
Basic and diluted earnings	119,665	186,018
EPRA adjustments ¹	(58,692)	(126,902)
EPRA earnings	60,973	59,116

1 Adjustments shown in table reconciling EPRA earnings with IFRS reported profit/(loss)

	2019 Number of shares '000	2018 Number of shares '000
Weighted average number of shares		
Ordinary share capital	698,409	695,121
Shares held in employee benefit trust	(2,839)	(2,983)
Weighted average number of ordinary shares¹	695,570	692,138

1 Fully diluted weighted average share number of ordinary shares at 31 March 2019 is 700,787,000, which includes the expected vesting of all outstanding share awards. There was no material difference in the fully diluted weighted average number of ordinary shares in the prior year

Basic earnings per share	17.2p	26.9p
Fully diluted earnings per share	17.1p	26.9p
EPRA earnings per share	8.8p	8.5p
EPRA fully diluted earnings per share	8.7p	8.5p

c) Net assets per share

As at 31 March	2019 £000	2018 £000
Equity shareholders' funds	1,216,789	1,149,489
Fair value of derivatives	1,551	(2,836)
Fair value of joint ventures' derivatives	306	(43)
EPRA net asset value	1,218,646	1,146,610

As at 31 March	2019 Number of shares '000	2018 Number of shares '000
Ordinary share capital	699,992	697,216
Number of shares held in employee trust	(3,370)	(3,323)
Number of ordinary shares	696,622	693,893
Basic net asset value per share	174.7p	165.7p
EPRA net asset value per share	174.9p	165.2p

Further EPRA performance measures are reflected in the Supplementary notes on pages 150 to 154.

9 INVESTMENT PROPERTIES

a) Investment properties

	2019			2018		
	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
As at 31 March						
Opening balance	1,634,995	42,560	1,677,555	1,346,085	27,315	1,373,400
Acquisitions	146,961	12,694	159,655	274,562	32,064	306,626
Other capital expenditure	14,141	16,326	30,467	20,236	29,584	49,820
Disposals	(247,200)	(500)	(247,700)	(172,038)	-	(172,038)
Property transfers	20,965	(20,965)	-	60,366	(60,366)	-
Revaluation movement	66,254	9,667	75,921	101,353	13,370	114,723
Movement in tenant incentives and rent free uplifts	(7,901)	8	(7,893)	4,431	593	5,024
	1,628,215	59,790	1,688,005	1,634,995	42,560	1,677,555

Investment properties are held at fair value as at 31 March 2019 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills (UK) Limited ('Savills'). The valuation of property held for sale at 31 March 2019 was £10.6 million (2018: £89.9 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 £109.4 million (2018: £101.4 million). All other properties are freehold.

Included within the investment property valuation is £62.5 million (2018: £70.3 million) in respect of unamortised lease incentives and rent free periods. The movement in lease incentives on properties sold has been reclassified between cash flows from investing activities and cash flows from operations in the Group cash flow statement this year. Prior year comparatives of £8.5 million have been reclassified accordingly.

The historical cost of all of the Group's investment properties at 31 March 2019 was £1,295.6 million (2018: £1,328.8 million).

Capital commitments have been entered into amounting to £19.7 million (2018: £47.5 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.9 million (2018: £1.8 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £10.4 million (2018: £9.8 million) have been classified within investment property as acquisitions.

b) Valuation technique and quantitative information

Asset type	Fair value 2019 £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	1,282,860	Yield capitalisation	6.50	3.50-19.90	4.2	1.3-6.5	4.6	3.7-7.1
Convenience and leisure	152,125	Yield capitalisation	15.10	7.10-80.70	4.8	3.5-9.0	4.6	3.1-8.8
Long income	104,890	Yield capitalisation	18.50	9.80-36.90	6.0	4.3-8.4	5.1	4.4-6.7
Retail parks	86,975	Yield capitalisation	17.40	14.00-20.80	6.3	5.6-7.0	6.0	5.4-6.6
Development – distribution	46,450	Residual	6.90	6.80-7.30	6.8	6.4-7.3	5.0	4.7-5.3
Development – convenience and leisure	13,340	Residual	13.80	13.10-16.00	4.9	4.8-5.0	4.9	4.8-5.0
Residential	1,365	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 2019. The fair value at 31 March 2019 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

10 INVESTMENT IN JOINT VENTURES

At 31 March 2019, 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	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 forward funded development in Telford for £4.0 million (Group share: £2.0 million) and three further investment assets for £17.4 million (Group share: £8.7 million) in the year.

The Group also disposed of 17 residential flats for £24.5 million (Group share: £9.8 million) through its 40% interest in LSP London Residential Investments Limited in the year. One further flat was sold at Moore House post year end, reducing the number held to 33.

At 31 March 2019, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE Limited and Savills (UK) Limited.

The valuation of property held for sale by joint ventures at 31 March 2019 was £5.8 million (Group share: £2.8 million), (2018: £21.9 million and Group share £8.8 million).

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

The movement in the carrying value of joint venture interests in the year is summarised as follows:

	2019 £000	2018 £000
As at 31 March		
Opening balance	117,646	107,567
Additions at cost	5,085	12,662
Share of (loss)/profit in the year	(6,383)	13,655
Disposals	-	(3,964)
Profit distributions received	(17,494)	(12,274)
	98,854	117,646

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 2019 £000	Group share 2019 £000
Summarised income statement					
Gross rental income	13,158	7,694	880	21,732	10,395
Property costs	(482)	16	(532)	(998)	(447)
Net rental income	12,676	7,710	348	20,734	9,948
Administrative costs	(43)	(46)	(70)	(159)	(71)
Management fees	(1,027)	(303)	(328)	(1,658)	(781)
Revaluation	(13,571)	(7,455)	(3,374)	(24,400)	(11,493)
Finance income	292	1	2	295	148
Finance cost	(2,740)	(1,899)	-	(4,639)	(2,225)
Derivative movement	(713)	-	-	(713)	(356)
Loss on disposal	-	-	(3,883)	(3,883)	(1,553)
Loss after tax	(5,126)	(1,992)	(7,305)	(14,423)	(6,383)
Group share of loss after tax	(2,563)	(898)	(2,922)	(6,383)	
EPRA adjustments:					
Revaluation	13,571	7,455	3,374	24,400	11,493
Derivative movement	713	-	-	713	356
Loss on disposal	-	-	3,883	3,883	1,553
EPRA earnings	9,158	5,463	(48)	14,573	7,019
Group share of EPRA earnings	4,579	2,459	(19)	7,019	
Summarised balance sheet					
Investment properties	202,150	91,425	39,955	333,530	158,217
Other current assets	573	-	154	727	348
Cash	4,484	1,071	1,885	7,440	3,478
Current liabilities	(3,386)	(866)	(212)	(4,464)	(2,173)
Bank debt	(80,518)	(46,619)	-	(127,137)	(61,247)
Unamortised finance costs	1,007	76	-	1,083	537
Derivative financial instruments	(613)	-	-	(613)	(306)
Net assets	123,697	45,087	41,782	210,566	98,854
Group share of net assets	61,849	20,292	16,713	98,854	

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2019

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

	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
Administrative costs	(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	

11 TRADE AND OTHER RECEIVABLES

As at 31 March	2019 £000	2018 £000
Trade receivables	903	776
Amounts receivable from property sales	3,777	10
Prepayments and accrued income	1,042	1,443
Other receivables	101	115
	5,823	2,344

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment days with no credit period. At 31 March 2019, trade receivables of £44,600 were overdue and considered at risk (2018: £2,200). Based on the IFRS 9 ECL model, an impairment provision of £140,000 (2018: £nil) has also been made against trade receivables.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include £5.7 million (2018: £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	2019 £000	2018 £000
Trade payables	2,281	2,582
Amounts payable on property acquisitions and disposals	2,160	1,173
Rent received in advance	14,679	15,973
Accrued interest	883	785
Other payables	6,484	4,139
Other accruals and deferred income	9,911	8,924
	36,398	33,576

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	2019 £000	2018 £000
Secured bank loans	130,000	130,000
Unsecured bank loans	435,000	520,000
Unamortised finance costs	(6,049)	(6,449)
	558,951	643,551

Certain bank loans at 31 March 2019 are secured by fixed charges over Group investment properties with a carrying value of £377.6 million (2018: £357.7 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 £20.6 million (2018: £26.2 million) and available and undrawn bank loan facilities at 31 March 2019 of £363.8 million (2018: £53.8 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 2019					
Bank loans	17,776	17,752	213,040	437,711	686,279
Derivative financial instruments	820	798	800	–	2,418
	18,596	18,550	213,840	437,711	688,697
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

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 2019, 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 (2018: 73%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2019 including the cost of amortising finance arrangement fees, was 3.1% (2018: 2.8%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £2.3 million or £1.3 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.

14 BORROWINGS AND FINANCIAL INSTRUMENTS (CONTINUED)

c) Financial instruments

i) Categories of financial instruments

	Measured at amortised cost		Measured at fair value	
	2019 £000	2018 £000	2019 £000	2018 £000
As at 31 March				
Non current assets				
Derivative financial instruments (see 14c(iii))	-	-	-	2,836
Current assets				
Cash and cash equivalents (note 12)	20,605	26,162	-	-
Trade receivables (note 11)	903	776	-	-
Other receivables (note 11)	101	115	-	-
	21,609	27,053	-	2,836
Non current liabilities				
Derivative financial instruments (see 14c(iii))	-	-	1,551	-
Borrowings (note 14a)	558,951	643,551	-	-
Current liabilities				
Trade payables (note 13)	2,281	2,582	-	-
Accrued interest (note 13)	883	785	-	-
Other accruals (note 13)	9,911	8,924	-	-
Other payables (note 13)	6,484	4,139	-	-
	578,510	659,981	1,551	-

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 2019.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2019 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
	2019 %	2018 %	2019 £000	2018 £000	2019 £000	2018 £000
Interest rate caps – expiry						
Less than one year	3.0	2.0	10,000	100,000	-	-
One to two years	-	3.0	-	10,000	-	-
Two to five years	2.0	2.0	19,620	19,620	9	74
	2.3	2.1	29,620	129,620	9	74
As at 31 March						
Interest rate swaps – expiry						
Less than one year	2.0	0.6	10,000	50,000	(21)	18
One to two years	-	2.0	-	10,000	-	(122)
Two to five years	1.1	1.3	350,000	425,000	(1,539)	2,866
	1.1	1.3	360,000	485,000	(1,560)	2,762
Total fair value					(1,551)	2,836

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2019 by JCRA.

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	2019 £000	2018 £000
Less than one year	77,925	83,087
Between one and five years	303,898	323,519
Between six and ten years	295,948	313,920
Between 11 and 15 years	217,832	213,107
Between 16 and 20 years	102,282	96,093
Over 20 years	38,716	47,380
	1,036,601	1,077,106

The Group's minimum lease payments under non cancellable operating leases, excluding joint ventures, are as follows:

As at 31 March	2019 £000	2018 £000
Less than one year	289	337
Between one and five years	2,783	–
	3,072	337

16 SHARE CAPITAL

As at 31 March	2019 Number	2019 £000	2018 Number	2018 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	699,991,840	69,999	697,216,196	69,722

In June 2018, the Company granted options over 2,125,515 ordinary shares under its Long Term Incentive Plan.

In addition, 2,017,875 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2015 vested along with 574,242 ordinary shares in the Director's Deferred Bonus Plan. The share price on vesting was 187.63p.

The Company issued 2,775,644 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 93 to 109 on the basis of materiality.

17 RESERVES

The Group statement of changes in equity is shown on page 124.

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 trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

18 ANALYSIS OF MOVEMENT IN NET DEBT

	2019			2018		
	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	26,162	643,551	617,389	42,944	466,319	423,375
Cash movement	(5,557)	(85,000)	(79,443)	(16,782)	176,830	193,612
Loan issue costs paid	-	(1,010)	(1,010)	-	(948)	(948)
Amortisation of loan issue costs	-	1,410	1,410	-	1,350	1,350
Closing balance	20,605	558,951	538,346	26,162	643,551	617,389

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	
		2019 £000	2018 £000	2019 £000	2018 £000
LSP London Residential Investments	40.0%	273	384	10,480	5,303
Metric Income Plus Partnership	50.0%	1,134	1,008	4,543	3,750
LMP Retail Warehouse JV Property Unit Trust	45.0%	303	329	2,471	3,221
		1,710	1,721	17,494	12,274

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

20 POST BALANCE SHEET EVENTS

Post year end, the Group has increased its equity investment in the DFS joint venture to 82% at a cost of £18.6 million, and has repaid the debt facility.

The Group has also acquired two urban logistics warehouses and two convenience stores post year end as described in the Strategic Report on pages 27 and 29.

As reported in the Chairman's Statement, we have today separately announced a £414.7 million recommended offer to acquire A&J Mucklow Group plc, a distribution and industrial REIT with a portfolio located predominantly in the West Midlands.

COMPANY BALANCE SHEET

As at 31 March

	Note	2019 £000	2018 £000
Fixed assets			
Investment in subsidiaries	iii	784,998	893,822
Other tangible assets		402	73
Derivative financial instruments	vi	–	2,762
		785,400	896,657
Current assets			
Trade and other receivables	iv	566,418	455,112
Cash at bank		14,471	17,574
		580,889	472,686
Total assets		1,366,289	1,369,343
Current liabilities			
Trade and other payables	v	10,800	11,050
		10,800	11,050
Non current liabilities			
Borrowings	vi	431,319	516,362
Derivative financial instruments	vi	1,560	–
		432,879	516,362
Total liabilities		443,679	527,412
Net assets		922,610	841,931
Equity			
Called up share capital		69,999	69,722
Share premium		100,753	96,079
Capital redemption reserve		9,636	9,636
Other reserve		(6,225)	39,694
Retained earnings		748,447	626,800
Equity shareholders' funds		922,610	841,931

The Company reported a profit for the financial year to 31 March 2019 of £133.0 million (2018: £50.8 million).

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2019 and were signed on its behalf by:

Martin McGann

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 146 to 149 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 2018	69,722	96,079	9,636	39,694	626,800	841,931
Profit for the year	-	-	-	-	133,044	133,044
Purchase of shares held in trust	-	-	-	(4,781)	-	(4,781)
Vesting of shares held in trust	-	-	-	3,974	(3,662)	312
Share based awards	-	-	-	-	2,719	2,719
Reserve transfer of impairment in subsidiary	-	-	-	(45,112)	45,112	-
Dividends	277	4,674	-	-	(55,566)	(50,615)
At 31 March 2019	69,999	100,753	9,636	(6,225)	748,447	922,610

	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	484	7,531	-	-	(51,372)	(43,357)
At 31 March 2018	69,722	96,079	9,636	39,694	626,800	841,931

The notes on pages 146 to 149 form part of these financial statements.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 £133.0 million (2018: £50.8 million).

Audit fees in relation to the Company only were £116,380 in the year (2018: £110,500).

III FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000
At 1 April 2018	893,822
Additions	95,266
Disposals	(9,207)
Impairment of investment	(194,883)
At 31 March 2019	784,998

The carrying value of the Company's investments was impaired by £194.9 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies.

III FIXED ASSET INVESTMENTS (CONTINUED)

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 Limited	England	100%	Intermediate holding company
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Finance 2 Limited ²	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 ²	England	100%	Property investment
LondonMetric Crawley Limited	England	100%	Property investment
LondonMetric Leisure 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
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 Dagenham Limited ^{1,2}	Guernsey	100%	Property investment
LMP GB1W02 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 of the company 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.

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2019

IV TRADE AND OTHER RECEIVABLES

As at 31 March	2019 £000	2018 £000
Prepayments and accrued income	628	915
Other receivables	33	32
Amounts due from subsidiary undertakings	565,757	454,165
	566,418	455,112

All amounts under receivables fall due for payment in less than one year. Based on the IFRS 9 ECL model, an impairment provision of £419,000 was recognised on amounts due from Group undertakings, which are unsecured and repayable on demand.

V TRADE AND OTHER PAYABLES

As at 31 March	2019 £000	2018 £000
Trade payables	126	530
Other accruals and deferred income	7,595	7,646
Other payables	3,079	2,874
	10,800	11,050

VI BORROWINGS AND FINANCIAL INSTRUMENTS

Non current financial liabilities

As at 31 March	2019 £000	2018 £000
Unsecured bank loans	435,000	520,000
Unamortised finance costs	(3,681)	(3,638)
	431,319	516,362

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	2019 £000	2018 £000
Less than one year	14,407	820	15,227	13,843
One to five years	217,343	1,598	218,941	433,539
More than five years	306,652	-	306,652	136,364
	538,402	2,418	540,820	583,746

VI BORROWINGS AND FINANCIAL INSTRUMENTS (CONTINUED)

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		Notional		Fair value	
	2019 %	2018 %	2019 £000	2018 £000	2019 £000	2018 £000
Interest rate caps – expiry						
Less than one year	3.0	2.0	10,000	70,000	–	–
One to two years	–	3.0	–	10,000	–	–
Two to five years	–	–	–	–	–	–
	3.0	2.1	10,000	80,000	–	–

As at 31 March	Average rate		Notional		Fair value	
	2019 %	2018 %	2019 £000	2018 £000	2019 £000	2018 £000
Interest rate swaps – expiry						
Less than one year	2.0	0.6	10,000	50,000	(21)	18
One to two years	–	2.0	–	10,000	–	(122)
Two to five years	1.1	1.3	350,000	425,000	(1,539)	2,866
	1.1	1.3	360,000	485,000	(1,560)	2,762
Total fair value						2,762

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

	2019	2018
EPRA earnings per share	8.8p	8.5p
EPRA net asset value per share	174.9p	165.2p
EPRA triple net asset value per share	174.7p	165.7p
EPRA vacancy rate	2.2%	2.5%
EPRA cost ratio (including vacant property costs)	15%	15%
EPRA cost ratio (excluding vacant property costs)	14%	15%
EPRA net initial yield	4.3%	4.5%
EPRA 'topped up' net initial yield	4.7%	4.9%

The definition of these measures can be found in the Glossary on page 155.

II EPRA PROPORTIONALLY CONSOLIDATED INCOME STATEMENT

For the year to 31 March	Group £000	JV £000	2019 £000	Group £000	JV £000	2018 £000
Gross rental income	85,107	10,395	95,502	81,988	9,794	91,782
Property costs	(1,221)	(447)	(1,668)	(828)	(401)	(1,229)
Net rental income	83,886	9,948	93,834	81,160	9,393	90,553
Management fees	1,710	(781)	929	1,721	(763)	958
Administrative costs	(13,658)	(71)	(13,729)	(13,800)	(106)	(13,906)
Net finance costs	(18,135)	(2,077)	(20,212)	(16,475)	(1,982)	(18,457)
Other	151	–	151	(32)	–	(32)
EPRA earnings	53,954	7,019	60,973	52,574	6,542	59,116

III EPRA PROPORTIONALLY CONSOLIDATED BALANCE SHEET

As at 31 March	Group £000	JV £000	2019 £000	Group £000	JV £000	2018 £000
Investment property	1,688,005	158,217	1,846,222	1,677,555	164,455	1,842,010
Gross debt	(565,000)	(61,247)	(626,247)	(650,000)	(58,938)	(708,938)
Cash	20,605	3,478	24,083	26,162	13,128	39,290
Other net liabilities	(24,124)	(1,288)	(25,412)	(24,710)	(1,042)	(25,752)
EPRA net assets	1,119,486	99,160	1,218,646	1,029,007	117,603	1,146,610
Loan to value	32%	37%	32%	35%	28%	35%
Cost of debt	3.1%	3.5%	3.1%	2.7%	3.4%	2.8%
Undrawn facilities	363,750	9,741	373,491	53,750	12,050	65,800

IV EPRA COST RATIO

For the year to 31 March	2019 £000	2018 £000
Property operating expenses	1,221	828
Administrative costs	13,658	13,800
Share of joint venture property costs, administrative costs and management fees	1,299	1,270
Less:		
Joint venture property management fee income	(1,710)	(1,721)
Ground rents	(113)	(127)
Total costs including vacant property costs (A)	14,355	14,050
Group vacant property costs	(742)	(253)
Share of joint venture vacant property costs	(148)	(204)
Total costs excluding vacant property costs (B)	13,465	13,593
Gross rental income	85,107	81,988
Share of joint venture gross rental income	10,395	9,794
	95,502	91,782
Less:		
Ground rents	(113)	(127)
Total gross rental income (C)	95,389	91,655
Total EPRA cost ratio (including vacant property costs) (A)/(C)	15%	15%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	14%	15%

V EPRA NET INITIAL YIELD AND 'TOPPED UP' NET INITIAL YIELD

As at 31 March	2019 £000	2018 £000
Investment property – wholly owned	1,688,005	1,677,555
Investment property – share of joint ventures	158,217	164,455
Less development properties	(59,790)	(43,485)
Less residential properties	(17,347)	(30,139)
Completed property portfolio	1,769,085	1,768,386
Allowance for:		
Estimated purchasers' costs	120,298	120,250
Estimated costs to complete	14,790	30,848
EPRA property portfolio valuation (A)	1,904,173	1,919,484
Annualised passing rental income	74,475	78,378
Share of joint ventures	9,384	9,263
Less development properties	(1,058)	(1,198)
Less residential properties	(195)	(352)
Annualised net rents (B)	82,606	86,091
Contractual rental increases for rent free periods	5,267	6,247
Contractual rental increases for stepped rental uplifts	1,363	1,685
'Topped up' net annualised rent (C)	89,236	94,023
EPRA net initial yield (B/A)	4.3%	4.5%
EPRA 'topped up' net initial yield (C/A)	4.7%	4.9%

VI EPRA VACANCY RATE

As at 31 March	2019 £000	2018 £000
Annualised estimated rental value of vacant premises	1,944	2,407
Portfolio estimated rental value ¹	90,125	95,808
EPRA vacancy rate	2.2%	2.5%

1 Excludes residential and development properties

VII EPRA CAPITAL EXPENDITURE ANALYSIS

As at 31 March	Group 2019 £000	JV 2019 £000	Total 2019 £000	Group 2018 £000	JV 2018 £000	Total 2018 £000
Opening valuation	1,677,555	164,455	1,842,010	1,373,400	160,428	1,533,828
Acquisitions	146,961	9,313	156,274	274,562	15,180	289,742
Developments ¹	29,020	5,257	34,277	61,648	848	62,496
Capital expenditure ²	14,141	818	14,959	20,236	125	20,361
Disposals	(247,700)	(11,066)	(258,766)	(172,038)	(18,937)	(190,975)
Revaluation	75,921	(11,493)	64,428	114,723	6,842	121,565
Lease incentives	(7,893)	933	(6,960)	5,024	(31)	4,993
Closing valuation	1,688,005	158,217	1,846,222	1,677,555	164,455	1,842,010

1 Includes capitalised interest of £1.1 million (2018: £1.7 million) and capitalised staff costs of £1.9 million (2018: £1.8 million)

2 Capital expenditure on completed properties

VIII TOTAL ACCOUNTING RETURN

For the year to 31 March	2019 pence per share	2018 pence per share
EPRA net asset value		
– at end of year	174.9	165.2
– at start of year	165.2	149.8
Increase	9.7	15.4
Dividend paid	8.0	7.6
Net increase	17.7	23.0
Total accounting return	10.7%	15.4%

IX PORTFOLIO SPLIT AND VALUATION

As at 31 March	2019 £m	2019 %	2018 £m	2018 %
Mega distribution	427.1	23.1	500.8	27.2
Regional distribution	385.5	20.9	379.0	20.6
Urban logistics	480.0	26.0	353.3	19.1
Distribution	1,292.6	70.0	1,233.1	66.9
Convenience & leisure	152.1	8.3	174.7	9.5
Long income	237.4	12.9	220.8	12.0
Retail parks	87.0	4.7	139.8	7.6
Investment portfolio	1,769.1	95.9	1,768.4	96.0
Development – distribution ¹	46.5	2.5	29.4	1.6
Development – retail ²	13.3	0.7	14.1	0.8
Residential	17.3	0.9	30.1	1.6
Total portfolio	1,846.2	100	1,842.0	100.0

1 Represents regional distribution of £22.6 million (1.2%) and urban logistics of £23.9 million (1.3%) at 31 March 2019

2 Represents convenience and leisure of £13.3 million (0.7%) at 31 March 2019

X INVESTMENT PORTFOLIO YIELDS

	2019			2018		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
As at 31 March						
Distribution	3.9	4.3	4.9	4.3	4.6	5.3
Convenience & leisure	4.8	4.8	5.3	4.7	4.9	5.3
Long income	6.0	6.2	5.8	5.6	5.9	5.5
Retail parks	6.1	6.3	6.2	4.5	5.6	5.6
Investment portfolio	4.3	4.7	5.1	4.5	4.9	5.3

XI INVESTMENT PORTFOLIO – KEY STATISTICS

	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
As at 31 March 2019					
Distribution	9,892	12.9	12.2	96.9	6.20
Convenience & leisure	499	14.8	14.6	100.0	15.80
Long income	1,370	10.7	9.1	100.0	19.00
Retail parks	319	10.4	8.6	98.8	18.50
Investment portfolio	12,080	12.5	11.6	97.8	7.90

XII TOTAL PROPERTY RETURNS

	All property 2019 %	All property 2018 %
For the year to 31 March		
Capital return	3.9	7.9
Income return	4.9	5.5
Total return	9.0	13.7

XIII CONTRACTED RENTAL INCOME

	2019 £m	2018 £m
As at 31 March		
Distribution	59.0	61.1
Convenience & leisure	7.9	9.4
Long income	15.7	13.9
Retail parks	5.9	8.4
Investment portfolio	88.5	92.8
Development – distribution	–	0.4
Development – retail	1.0	0.8
Commercial portfolio	89.5	94.0
Residential	0.2	0.4
Total portfolio	89.7	94.4

XIV RENT SUBJECT TO EXPIRY

As at 31 March 2019	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	3.5	9.0	37.4	76.6	82.6	100
Convenience & leisure	3.9	6.7	28.3	33.7	84.6	100
Long income	3.9	11.5	40.0	90.5	97.5	100
Retail parks	1.3	8.3	47.1	85.3	100.0	100
Commercial portfolio	3.5	9.2	37.6	75.3	86.6	100

XV CONTRACTED RENT SUBJECT TO RPI OR FIXED UPLIFTS

As at 31 March	2019 £m	2019 %	2018 £m	2018 %
Distribution	42.4	71.8	34.6	56.2
Convenience & leisure	7.5	84.0	6.9	73.4
Long income	5.3	33.9	4.7	32.2
Retail parks	1.3	22.6	1.1	12.5
Commercial portfolio	56.5	63.2	47.3	50.3

XVI TOP TEN ASSETS (BY VALUE)

As at 31 March 2019	Area '000 sq ft	Contracted rent £m	Occupancy %	WALUT to expiry years	WALUT to first break years
Primark, Islip	1,062	5.6	100	21.5	21.5
Eddie Stobart, Dagenham	454	4.1	100	24.5	24.5
Primark, Thrapston	783	4.2	100	13.5	13.5
Dixons Carphone, Newark	726	4.4	100	14.3	14.3
Argos, Bedford	657	4.1	100	15.0	15.0
Amazon, Omega South, Warrington	357	2.1	100	12.7	12.7
Tesco, Croydon	191	1.9	100	9.1	9.1
DHL, Reading	230	1.8	100	6.3	6.3
Clipper, Ollerton	364	1.9	100	18.5	18.5
Burlington Road, New Malden	51	1.9	100	12.6	8.0

XVII TOP TEN OCCUPIERS

As at 31 March 2019	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.8	19.2	10.9
Dixons Carphone	7.9	1.7	8.8
M&S	4.7	4.6	5.2
Argos ¹	4.2	5.2	4.7
Eddie Stobart	4.1	0.4	4.6
DFS	3.9	0.5	4.3
DHL ¹	3.1	31.1	3.5
Odeon ¹	3.0	0.6	3.3
Tesco	2.5	22.8	2.8
Clipper Logistics	2.3	0.3	2.6
Top ten	45.5		50.7
Other commercial	44.0		49.1
Total commercial	89.5		99.8
Residential	0.2		0.2
Total Group	89.7		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')

Underlying earnings from the Group's property rental business 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')

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 accounting for lease incentives and 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')

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 reader 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 rental 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 per share plus the dividend paid during the period expressed as a percentage of the EPRA NAV per share 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 2019 at 10.00 am.

Resolutions 1 to 14 (inclusive) will be proposed as ordinary resolutions and resolutions 15 to 18 (inclusive) will be proposed as special resolutions.

1. That the Annual Report and Audited Financial Statements for the year ended 31 March 2019 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 2019 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 James Dean be re-elected as a Director.
9. That Rosalyn Wilton be re-elected as a Director.
10. That Andrew Livingston be re-elected as a Director.
11. That Suzanne Avery be re-elected as a Director.
12. That Robert Fowlds be elected as a Director.
13. 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'):
 - (i) in the event that the Company's proposed acquisition of the entire issued, and to be issued, ordinary share capital of A&J Mucklow Group plc ('Mucklow') (the 'Combination'), has not taken place in accordance with its terms, up to an aggregate nominal amount of £23,355,394; or
 - (ii) in the event that the Combination has taken place in accordance with its terms, up to an aggregate nominal amount of £27,975,917

(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 13b below in excess of the applicable amount set out in 13a(i) or 13a(ii) above); and

- b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act):
 - (i) in the event that the Combination has not taken place in accordance with its terms, up to a maximum nominal amount of £46,710,788; or
 - (ii) in the event that the Combination has taken place in accordance with its terms, up to a maximum aggregate nominal amount of £55,951,834

(such amount to be reduced by any Relevant Securities allotted or granted under paragraph 13a 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 13a and 13b 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.

14. That, subject to the passing of resolution 13 and in accordance with Article 145 of the Company's Articles of Association (as varied and amended from time to time), the Directors be and are hereby authorised, for the period of three years from the date of the passing of this resolution, to offer to any holder of ordinary shares in the Company, the right to elect to receive ordinary shares credited as fully paid, instead of cash in respect of the whole (or part, to be determined by the Directors) of all or any dividend on such terms as the Directors shall determine (subject to the terms provided in the Articles of Association of the Company) from time to time.
15. 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 13 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 13b of resolution 13 above, by way of a rights issue only):
- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings;
 - (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 15a above):
- (i) in the event that the Combination has not taken place in accordance with its terms, up to an aggregate nominal amount of £3,503,309; or
 - (ii) in the event that the Combination has taken place in accordance with its terms, up to an aggregate nominal amount of £4,196,388
- 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.
16. That the Directors be and are empowered, in addition to any authority granted under resolution 15, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 13 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:
 - (i) in the event that the Combination has not taken place in accordance with its terms, up to an aggregate nominal amount of £3,503,309; or
 - (ii) in the event that the Combination has taken place in accordance with its terms, up to an aggregate nominal amount of £4,196,388; 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.
17. 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:
 - (i) in the event that the Combination has not taken place in accordance with its terms, 70,066,182; or
 - (ii) in the event that the Combination has taken place in accordance with its terms, 83,927,750; and
 - 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.
18. 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

23 May 2019

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 2019. 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 2019. 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 2019. 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 22 May 2019 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 700,661,819 ordinary shares carrying one vote each. If the Combination has taken place, the Company's issued share capital shall consist of 839,277,503 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 2019 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 2019.

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 the 2017 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 12 – Re-election and election of Directors

Resolutions 5 to 12 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 68 and 69 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.

Proposed acquisition of A&J Mucklow Group plc ('Mucklow')

On 23 May 2019, the Company announced that it had reached agreement on the terms of a recommended offer pursuant to which the Company will acquire the entire issued, and to be issued, ordinary share capital of Mucklow (the 'Combination'). A combined circular and prospectus has been sent to shareholders of the Company and the general meeting at which a resolution to approve the terms of the Combination is to be tabled will be held on 20 June 2019. If the Combination is approved by shareholders and otherwise becomes effective, part of the consideration to be paid to the shareholders of Mucklow will be satisfied by way of an issue of new ordinary shares in the Company. Accordingly, if the Combination is approved and otherwise becomes effective, the Company will issue on or around 28 June 2019 approximately 138,615,684 new ordinary shares and the total issued share capital of the Company will be increased to approximately 839,277,503. Resolutions 13, 15, 16 and 17, are proposed in a manner which accommodates whether or not the Combination is approved and otherwise becomes effective.

Resolution 13 – 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 (i) £23,355,394 in the event that the Combination has not taken place in accordance with its terms; or (ii) £27,975,917 in the event that the Combination has taken place in accordance with its terms, (representing approximately one third of the Company's issued ordinary share capital as at 22 May 2019 or following the Combination as the case may be) during the period up to the conclusion of the next Annual General Meeting of the Company. Such authority is sought in paragraph 13a of Resolution 13.

In accordance with the guidelines issued by the Investment Association, paragraph 13b of Resolution 13 will allow Directors to allot, including the shares referred to in paragraph 13a of Resolution 13, 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 (i) £46,710,788 in the event that the Combination has not taken place in accordance with its terms; or (ii) £55,951,834 in the event that the Combination has taken place in accordance with its terms, representing approximately two thirds of the issued ordinary share capital of the Company as at 22 May 2019.

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.

Resolution 14 – Authority to offer scrip dividend

Under the Articles of Association of the Company, the Board may, with the prior authority of an ordinary resolution of the Company, offer holders of any particular class of shares who have elected to receive them paid up ordinary shares instead of cash in respect of all or part of a dividend or dividends specified by the ordinary resolution.

Under a scrip dividend programme, shareholders who elect to do so will be able to receive ordinary shares in the Company in lieu of future cash dividends. In addition to the benefit to shareholders of allowing them to increase their shareholdings without incurring costs (such as stamp duty or dealing costs), a scrip dividend programme will allow the Company to retain the proceeds which would otherwise be paid out as dividends.

Authority was previously granted on 14 July 2016 and that authority expires after three years. This resolution renews that authority. A Scrip Circular setting out the terms and conditions and instructions on how to participate is available on the Company's website. In line with investor protection guidelines the authority contained in resolution 14 is sought for three years.

Resolutions 15 and 16 – 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 15 and 16 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 15 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 (i) £3,503,309 (representing £35,033,091 shares) in the event that the Combination has not taken place in accordance with its terms; or (ii) £4,196,388 (representing 41,963,875 shares) in the event that the Combination has taken place in accordance with its terms. This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company (i) as at 22 May 2019 and in the event that the

Combination has not taken place in accordance with its terms; and (ii) in the event that the Combination has taken place in accordance with its terms.

Taking into account the template resolutions published by the UK Pre-Emption Group in May 2016, the authority set out in Resolution 16 is limited to allotments or sales of up to an aggregate nominal amount of (i) £3,503,309 (representing 35,033,091 shares) in the event that the Combination has not taken place in accordance with its terms; or (ii) £4,196,388 (representing 41,963,875 shares) in the event that the Combination has taken place in accordance with its terms, in addition to the authority set out in Resolution 15 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 (i) as at 22 May 2019 and in the event that the Combination has not taken place in accordance with its terms; and (ii) in the event that the Combination has taken place in accordance with its terms.

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 17 – Authority to purchase own shares

Resolution 17 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 (i) 70,066,182 shares in the event that the Combination has not taken place in accordance with its terms; or (ii) 83,927,750 shares in the event that the Combination has taken place in accordance with its terms (representing approximately 10% of the Company's issued ordinary share capital (i) as at 22 May 2019 and in the event that the Combination has not taken place in accordance with its terms; and (ii) in the event that the Combination has taken place in accordance with its terms) 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 17 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 22 May 2019 (the latest practicable date before publication of this Notice), there were share awards over 7,643,060 ordinary shares in the capital of the Company representing approximately (i) 1.09% of the Company's issued ordinary share capital, in the event that the Combination has not taken place in accordance with its terms; or (ii) 0.91% of the Company's issued ordinary share capital, in the event that the Combination has taken place in accordance with its terms. If the authority to purchase the Company's ordinary shares was exercised in full, these awards would represent approximately (i) 1.09% of the Company's issued ordinary share capital, in the event that the Combination has not taken place in accordance with its terms; or (ii) 0.91% of the Company's issued ordinary share capital, in the event that the Combination has taken place in accordance with its terms.

Resolution 18 – Notice period for general meetings

It is proposed in Resolution 18 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 18 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	23 May 2019
Annual General Meeting	11 July 2019

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
1 New Street Square
London EC4A 3HQ

Property Valuers

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

Savills (UK) 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

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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