MONDAY
A9JV8USP
A17 14/12/2020 #134
COMPANIES HOUSE

Image removed

LondonMetric Property Logo removed

Real estate for reliable income

Annual Report and Accounts 2020

Strategic report

Overview

Our purpose 01
How our purpose works 02
Performance highlights 10
Chair's statement 11
At a glance 12

Our strategy

Our strategic priorities 14
Chief Executive's review 15
Focus on Mucklow acquisition 18
Our markets 20
Our business model 22

Performance review

Key performance indicators 24
Property review 26
Financial review 38

Responsible Business

Responsible Business review 45

Risk

Risk management 60
Viability Statement 63
Principal risks 64

Image removed

Chief Executive's review **page 15**

A responsible business

Environmental

Social

Governance

Graphic removed

Responsible Business review **page 45**

Image removed

Read more on our progress at Bedford Link **page 33**

Governance

Introduction from the Chair 77

Board leadership and Company purpose

Board of Directors 80
Management team 82
Our activities 84
Our purpose and culture 86
Our stakeholders 87

Division of responsibilities

Leadership framework 93
Leadership roles and responsibilities 94

Composition, succession and evaluation

Nomination Committee report 97

Audit, risk and internal control

Audit Committee report 104

Remuneration

Remuneration Committee report 112
Directors' Remuneration Policy 119
Annual Report on Remuneration 130

Report of the Directors

Report of the Directors 140
Directors' Responsibility Statement 144

Financial statements

Independent Auditor's report 146
Group financial statements 154
Notes forming part of the Group financial statements 158
Company financial statements 177
Notes forming part of the Company financial statements 179
Supplementary information 183
Glossary 189
Notice of Annual General Meeting 191
Financial calendar 196
Shareholder information 196

Financial performance

IFRS net assets

£1,431.8m

2019: £1,216.8m

Total accounting return[1]

3.0%

2019: 10.7%

EPRA EPS[1]

9.3p

2019: 8.8p

Dividend per share

8.3p

2019: 8.2p

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 [illegible]

Overview

Our purpose

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.

We explain over the following pages how we retain our core focus, *but continue to adapt* to market conditions.

Graphic removed

See our business model to find out about how this creates value **page 22**

Overview

Own desirable real estate

What this means to our business

→ Aligning the portfolio to the right side of longer term macro and structural trends shaping real estate.

→ Owning quality assets, with high occupier appeal, in good locations, that deliver reliable and growing income.

→ Growing exposure to urban logistics, where there are strong demand/supply dynamics and high intrinsic values.

→ Adding to our long income portfolio which offers attractive long-let and index linked income.

→ Delivering enhancements, synergies and income growth from our Mucklow acquisition in the year, which significantly added to our urban logistics and long income exposure.

Highlights

35%

Urban logistics exposure, up from 27%

£614m

Total acquisitions, including the Mucklow portfolio

24%

Long income exposure, up from 22%

55%

Percentage of income subject to contractual uplifts

Graphic removed

See Property review **page 26**

Image removed

Graphic removed Graphic removed Graphic removed Graphic removed

OWN MANAGE COLLABORATE GENERATE

Amazon in Warrington

Our 357,000 sq ft regional distribution warehouse let to Amazon for a further 12 years.

←

Costco in Coventry

Our 129,000 sq ft long income asset, acquired through the Mucklow acquisition and let to Costco for a further 17 years.

→

Image removed

Graphic removed Graphic removed Graphic removed Graphic removed

OWN MANAGE COLLABORATE GENERATE

Logo removed

Logo removed

Logo removed

Overview

Manage and enhance responsibly

What this means to our business

→ Increasing the desirability of our assets to ensure they remain fit for purpose.

→ Providing real estate solutions to our occupiers to help their businesses thrive.

→ Improving the length and strength of our income and growing our rent.

→ Undertaking asset management and short cycle developments in a responsible and sustainable way having regard for the environment and local communities.

Highlights

+£5.2m

Additional income from our lettings and rent review

11.6yrs

Average lease lengths on lettings signed

670,000 sq ft

BREEAM Very Good certified developments completed or in construction during the year

Graphic removed

See Responsible Business review **page 45**

Overview

Expertise and relationships

What this means to our business

→ Leveraging our highly talented, motivated and aligned team to make the right decisions and deliver long term outperformance.

→ Adopting a 'partner of choice' approach, collaborating with all stakeholders.

→ Strengthening and deepening our occupier relationships to ensure high occupancy and customer satisfaction.

Highlights

98.6%

Occupancy rate

33

Employees following the integration of 7 employees from the Mucklow acquisition

+5.1%

Total Property Return, 560 bps outperformance against IPD All Property

Graphic removed

See Responsible Business review **page 45**

Image removed

Our team is highly talented, motivated and aligned

We have a highly experienced team and added further depth through the Mucklow acquisition. Our latest employee survey continues to show high levels of satisfaction.

Graphic removed Graphic removed Graphic removed Graphic removed

OWN MANAGE COLLABORATE GENERATE

Image removed

Logo removed

Investing and working with our occupiers

During the year, LondonMetric exchanged on the purchase and funding of a development for £24.0m at a yield of 5.2%.

The 232,000 sq ft warehouse is pre-let to Croda, a FTSE 100 chemical company, on a 20 year lease with RPI linked uplifts. It will be a BREEAM Very Good certified building that Croda will use as its global distribution hub, employing 200 people.

In parallel, LondonMetric agreed to extend the lease on another Croda warehouse that it owned and where the lease had expired. This helped to facilitate Croda's short term occupational needs until the new building completes.

LondonMetric subsequently sold that warehouse for £5.9m with two years remaining on the lease, delivering an ungeared return of 11% per annum.

Graphic removed Graphic removed Graphic removed Graphic removed

OWN MANAGE COLLABORATE GENERATE

Some of our key customers

Logo removed Logo removed Logo removed Logo removed

Logo removed Logo removed Logo removed Logo removed

Logo removed Logo removed Logo removed Logo removed

Logo removed Logo removed Logo removed Logo removed

Logo removed Logo removed Logo removed Logo removed

Image removed

Our occupier base

We continue to focus strongly on the credit strength, quality and sector diversity of our occupiers.

Income from Top 10 Occupiers

36%

decreasing from 51% in 2019 and further diversifying our income base

Overview

Generate income growth

What this means to our business

→ Owning desirable assets that deliver reliable, repetitive and growing income.

→ Focusing our activity on further strengthening our portfolio income metrics and delivering rental growth organically and through contractual uplifts.

→ Continuing to deliver on our progressive and covered dividend policy.

→ Generating highly attractive income led total returns in a low interest rate environment.

Highlights

£123m
Contracted rental income p.a., up from £90m

+3.0%
Total accounting return

11.2yrs
Portfolio WAULT

+3.8%
Like for like income growth

+5.6%
Growth in earnings per share

5years
Of dividend progression

Graphic removed

See Our markets **page 20**
See Property review **page 26**

Overview

Performance highlights

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graph removed

Graphic removed

The definition of each EPRA measure can be found in the Glossary **page 189**

1 **Alternative performance measures**

The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures and any non-controlling interests are shown as a single line item on the consolidated income statement and balance sheet and all subsidiaries are consol dated at 100%

Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures and excludes any non-controlling interest 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 proportionately consolidated results of the Group 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 38 and in note 8 to the Group financial statements.

Overview

Chair's statement

Image removed

Over the year, I'm pleased to report that our portfolio delivered further income growth, a robust valuation performance and significant outperformance of the IPD All Property benchmark.

Patrick Vaughan
Chair

+135%

Total shareholder return over seven years since merger
Significantly outperformed the FTSE 350 Real Estate Super Sector average of 34%

+5.6%

EPRA Earnings per share

The disruption caused by the COVID-19 pandemic and the speed with which it has impacted our lives is truly unprecedented. The changes it has brought are certainly proving to be one of the most defining events of my career. It is putting enormous pressure on government deficits and corporate cash flows across the world. It is also further challenging many long established practices of modern day life.

Whilst there will be pain along the way and longer term economic consequences, I am in no doubt that the world will be able to ride the disruption and recover. Clearly, we can't predict exactly how the recovery will play out but two themes I pointed to in my statement last year are likely to persist. Firstly, interest rates are unlikely to move significantly higher over the medium term from their unprecedented low levels which, together with significant cuts in corporate dividends and an ever ageing population, are intensifying the global search for income. Secondly, technological and behavioural change will continue to impact the way we live, work and socialise.

COVID-19 is serving to further accelerate structural trends that were already underway. This is having a profound impact on commercial property, with the outlook for certain sectors that were already facing disruption continuing to deteriorate and the polarisation of performances widening further.

It had been apparent to us for a long while that changes in consumer behaviour were going to significantly impact traditional retail property and, over the last year and particularly over recent months with 'forced adoption' of new living and shopping habits, this sub sector has seen materially adverse valuation movements and rental declines. Conversely, the supportive tailwinds for logistics and long income property have strengthened further and continue to validate our strategic decisions and actions to align the portfolio to these sectors.

Our successful acquisition of Mucklow in the year significantly advanced our ambition to grow our urban logistics exposure and we have been delighted by the performance to date of the Mucklow portfolio. Along with our other activity, the acquisition has helped to further strengthen our portfolio characteristics, income diversification and wider corporate capabilities.

Over the year, I'm pleased to report that our portfolio delivered further income growth, a robust valuation performance and significant outperformance of the IPD All Property benchmark. EPRA earnings per share increased by 5.6% and dividends per share rose by 1.2%; a fifth year of progression. As a measure of our longer term progress and performance, over the seven years since our merger, we have delivered a total shareholder return of 135% and significantly outperformed the FTSE 350 Real Estate Super Sector average of 34%.

Whilst we are not immune from current events, our portfolio continues to perform well. We enjoy excellent relationships with our stakeholders which, combined with long experience and continued balance sheet discipline and improvements, means that we are well placed. This was evident from our recent equity fundraise, which attracted overwhelming support from existing and new shareholders. The transaction is allowing us to execute on some high quality investment opportunities that will further strengthen our portfolio as well as support our long term progressive dividend policy whilst maintaining our conservatively positioned balance sheet.

We recognise that the success of the Company is reliant on our people and I would like to thank the Board and all our employees for their continued hard work. The Company has not only successfully integrated additional employees from the Mucklow acquisition but has also quickly adapted to a change in the way it works without interruption. This is a testament to the strong and committed team that we have and I am astonished, impressed and very grateful for the way the team has managed the business remotely during lockdown.

Looking forward, we continue to believe that the most attractive characteristic of real estate is its income compounding qualities 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.

Signature removed

Patrick Vaughan
Chair
10 June 2020

Overview

At a glance

We own structurally supported real estate underpinned by changing consumer shopping habits. Distribution represents 69.8% of the portfolio and our long income exposure has grown to 24.0%.

Our focus on distribution and long income[1]

Distribution

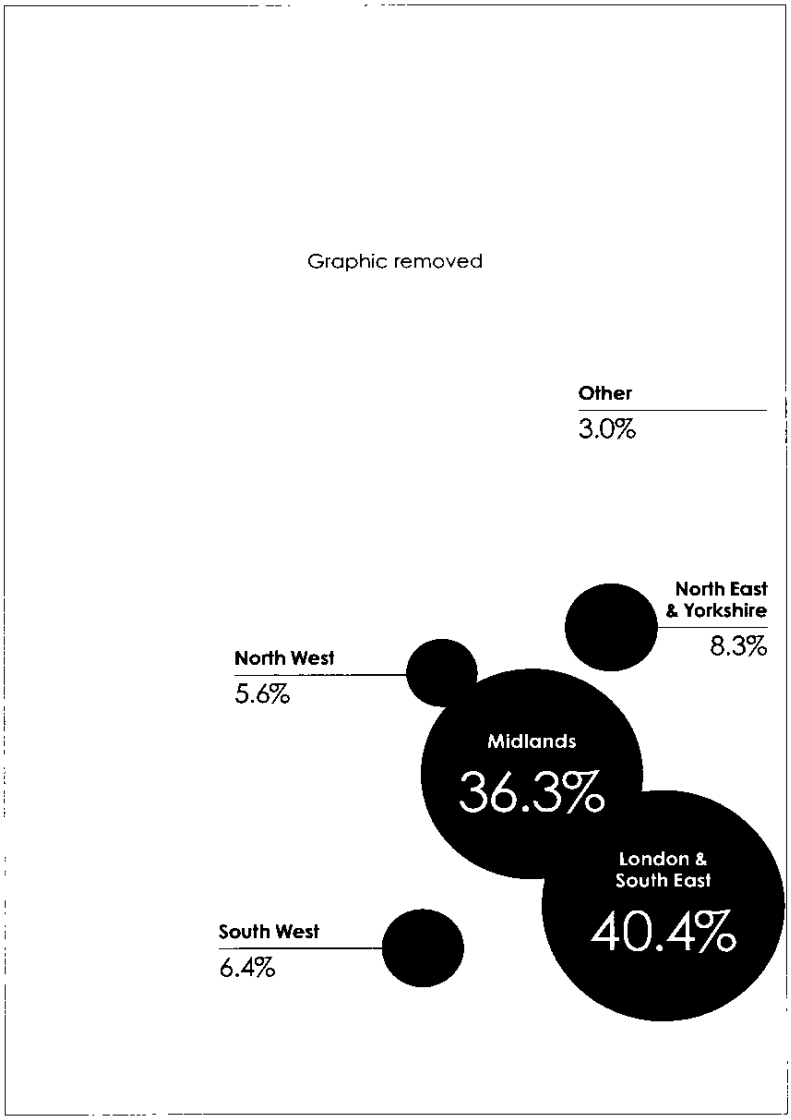
69.8%

Graph removed

1	Urban Logistics	35.4%
2	Regional Distribution	19.5%
3	Mega Distribution	14.9%
4	Long Income	24.0%
5	Retail Parks	3.6%
6	Offices	2.4%
7	Residential	0.2%

Assets by geography[1]

Graphic removed



1 Including developments, based on value

Our portfolio

Urban Logistics

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

Graphic removed

98 assets
6.5m sq ft

Value
£830.8m

Rent
£41.9m (£6.50 psf)

WAULT
7.8 years

Contractual uplifts
33.3%

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.

Graphic removed

17 assets
6.1m sq ft

Value
£807.2m

Rent
£35.4m (£6.00 psf)

WAULT
14.2 years

Contractual uplifts
87.8%

Long Income

Convenience, Roadside & Leisure
Consists of convenience & wholesale discount stores, roadside assets and several Odeon cinemas.

NNN Retail
Primarily consists of standalone properties let to discount, essential, electrical and home retailers.

Trade, DIY & Other
Principally building, trade and DIY stores as well as car servicing centres.

Graphic removed

113 assets
2.8m sq ft

Value
£563.0m

Rent
£33.9m (£14.70 psf)

WAULT
13.3 years

Contractual uplifts
57.2%

Portfolio value

£2,347m

2019: £1,846m

WAULT

11.2 years

2019: 12.5 years

Total property return

5.1%

2019: 9.0%

Graphic removed

1 Excludes income from sales that had exchanged but not completed by year end

Our strategy

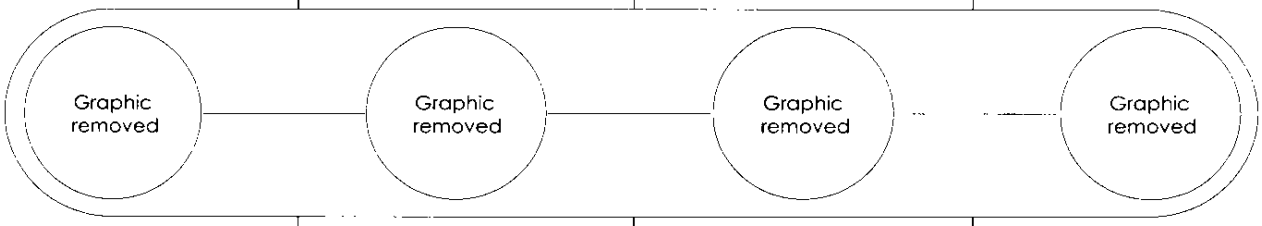
Our strategic priorities

Own desirable real estate that meets occupiers' needs

Manage and enhance responsibly to improve our assets and help occupiers thrive

Maximise our expertise and relationships to build on our position as partner of choice

Generate reliable, repetitive and growing income-led total returns



Strategic priorities

1. Align portfolio to real estate assets benefiting from macro trends and that are structurally supported
2. Focus on long-let property in good locations with strong occupier contentment, intrinsic value and rental growth prospects

OWN

Graphic removed

Read more **page 02**

3. Improve the quality and sustainability of our assets and income
4. Enhance income and value through asset management

MANAGE

Graphic removed

Read more **page 04**

5. Remain rational and disciplined in our investment approach
6. Use the team's expertise to maintain a strong portfolio, make well informed decisions and act in the best interests of our stakeholders

COLLABORATE

Graphic removed

Read more **page 06**

7. Generate reliable income with income growth to pay a progressive and covered dividend
8. Strong focus on the credit strength, quality and sector diversity of our occupiers

GENERATE

Graphic removed

Read more **page 08**

Our strategy

Chief Executive's review

Image removed

We have built up a collection of excellent assets let on long leases with high occupier appeal and offering reliable, predictable and growing income streams.

Andrew Jones
Chief Executive

94%

in logistics and long income, our conviction call sectors

Overview

We continue to live in a world of ongoing disruption, social change and economic uncertainty, all of which are having a profound effect on real estate

This backdrop has been further impacted by the exogenous shock of COVID-19. Whilst the timing and suddenness of the pandemic were unforeseeable, many trends that we are seeing play out as a result of enforced distancing were already in the system. This pandemic may not in itself transform the world, but it is accelerating changes that were already underway as many temporary behaviours become more permanent. We are seeing changes that were expected to take years to emerge now happening in months or even weeks.

As a result, real estate performances continue to polarise, with many distressed sectors being severely damaged whilst the winning sectors are likely to see a wider margin of victory.

For many years, our portfolio composition has been influenced by the macro trends in the wider economy that affect real estate. We have, therefore, looked to pivot and tilt our portfolio to gain maximum benefit. During the year, we accelerated our conviction calls of investing into logistics and long income with these sectors now representing 94% of our portfolio. We observe the real estate market as it is, not as it was or how we want or hope it to be.

For us, it is not only the returns that we achieve that are important but also the returns weighed against the risks involved and stress incurred. Buying cheap assets is fine but buying good assets cheaply is better. Therefore, whilst the property market throws us lots of opportunities, we let most go, preferring to focus on quality investments that offer long term income, capital growth and downside protection from strong intrinsic values.

Investing in the best real estate assets in the right sectors is an extremely attractive proposition in a zero interest rate world. In this time of uncertainty, we are not only seeing more quality opportunities but also a much less crowded landscape, as competitors remain distracted. Whilst this crisis may destroy a number of companies and the majority will look to survive, it is only the best that will look to improve.

Overall, our portfolio continues to perform strongly and we have built up a collection of excellent assets let on long leases with high occupier appeal, that require limited operational management and which offer a reliable, predictable and growing income stream.

Structural trends towards online and convenience are being accentuated

The unprecedented shock from COVID-19 has caused a sudden and forced adoption of new habits by consumers and businesses. A recent study found that it takes 66 days to form a new habit and it is expected that many of the temporary habits formed are likely to take on more permanency and accelerate further.

In this crisis, consumers have relied almost exclusively on online, convenience and essential operators to fulfil their needs. In our view, this enforced way of shopping is simply increasing the speed of structural decline of traditional bricks and mortar retail with a corresponding shift online.

Whereas pre-crisis projections estimated UK online spend would rise from 23% to 28% of non-food retail within the next few years, the number once we fully emerge from the pandemic is likely to be significantly higher.

Part of the acceleration of trends is likely to be reflected in the future approach of many retailers. John Lewis reported recently that, since closing their stores in March, they had seen an 84% surge in online trade which helped to limit group sales decline to just 17% year on year. Furthermore, they expect the shift online to be sustained after lockdown ends. With the operational costs and capital intensity of running store estates and an unrivalled click and collect operation through Waitrose, it is no surprise they are comprehensively reviewing their estate.

History will be a poor indicator of how the recovery from the pandemic will play out. Consumers will emerge in a new economic and social reality, changing behaviours in profound ways. As ever, it is those retailers that are able to react that will successfully navigate these unchartered times. In the process, there is expected to be a consolidation of retailers which will fundamentally alter the competitive and partner landscape.

Our strategy

Chief Executive's review continued

Own desirable real estate

Our portfolio has further aligned to urban logistics where there is strong rental growth

The continual shift online is requiring companies to improve their logistics capabilities further, both to contend with faster and more accurate delivery demands from customers, as well as holding higher levels of inventory and managing returns.

There has been a marked increase in demand for distribution capacity over the last few months, notably within online food where internet penetration has historically been low, but where a 26% growth in online sales is now expected for 2020 compared to previous predictions of just 9% prior to the pandemic. This is creating a chronic shortage of capacity and, with new supply currently constrained, the demand/supply dynamics remain strong. This provides terrific certainty in an uncertain world and helps to ensure that the intrinsic value of warehousing continues to grow.

Over the year, our logistics platform increased from £1,339 million to £1,638 million, representing 69.8% of our portfolio. However, this 22% top line growth fails to reflect the changing shape of our distribution exposure.

In big box logistics, whilst we are still seeing rental growth, it is noticeably less than before. Occupier demand here has been matched by new supply and is tempering rental growth. This outlook and our tighter geographic focus has prompted us to sell a further £113.5 million of mega distribution, reducing our exposure to this segment from 23.1% to 14.9% of the portfolio.

In urban logistics, we continue to see the strongest rental growth where, in the right locations, there is a perfect condition of rising demand and falling supply due to strong competition from more valuable land use. It has been, and continues to be, our strong conviction call and one that prompted our strategic acquisition of Mucklow.

The purchase is delivering on our aspirations and enabled us to materially accelerate and improve our urban logistics platform that, at £831 million, now accounts for 35.4% of our portfolio, increasing over the year from £504 million and 27.3% respectively.

The strategic rationale of our conviction call is underpinned by the fact that it is only possible to service customer demands by distributing from a portfolio of warehouses located adjacent to major urban populations. Amazon continues to increase its domination of the UK with an ever growing network and DPD recently reported that it experienced record volumes for the time of the year, delivering to one million households on a single day, broadly equating to 1,400 deliveries per minute.

Urban logistics remains one of the few standout areas of the real estate market that we believe has strong long term growth prospects. Whilst we continue to see increased interest from consolidators, ownership remains fragmented which is providing further opportunity for us to scale up.

Long income real estate continues to offer resilient and reliable income generating characteristics

The other area of real estate which we continue to find attractive is long income. A property let on long leases, to a high quality counterparty with guaranteed income growth at a yield of at least 400bps higher than government bond yields, offers highly resilient and reliable income generating characteristics. We believe that these strong fundamentals remain underappreciated particularly when their index linked properties are factored in.

Our long income assets are focused on sectors that we believe are less susceptible to the migration of spend online and that benefit from the changes in the way people are shopping and living. They focus on convenience, discount, essential, trade and roadside services. During the year, including Mucklow properties, we acquired £161.6 million of long income assets let on long leases and with a high proportion of the income subject to contractual rental uplifts.

Generate income

In a world of ongoing disruption, we continue to prioritise the quality of income from our occupiers

The global search for income has intensified further as corporates across the board cut dividends and yields on government bonds fall to record lows. We believe that the macro environment is highly supportive for the right real estate that can generate income streams that are reliable, predictable and which are expected to grow.

The portfolio has performed strongly delivering a total property return of 5.1% driven entirely by income returns and outperforming IPD All Property by 560 bps. Our portfolio is well positioned with 98.6% occupancy and a WAULT of 11.2 years.

In this current disruptive environment, we continue to focus strongly on the credit strength, quality and sector diversity of our occupiers. The Mucklow acquisition, together with our other activity, has increased the scale and resilience of our portfolio and helped to grow our contracted income from £90 million to £123 million. It has also significantly improved the diversification and granularity of our income; our top ten occupiers now account for 36% of contracted rent, down from 51% in 2019, and we have a much broader and more diverse occupier base overall.

We continue to believe that there is more growth to come from the portfolio. Rents in urban logistics continue to recalibrate upwards and, despite a strong performance to date, we expect to leverage our enlarged urban portfolio for many years to come and capture the embedded rental growth. Furthermore, with contractual rental uplifts on 55% of our income we continue to have good visibility of rental growth on the other parts of our portfolio.

Manage & enhance

The performance of the business is strong with operational activity continuing to enhance our income metrics

Like for like income growth was 3.8% and asset management added £5.2 million per annum of contracted rent in the year helped by a number of initiatives on the Mucklow assets.

Lettings and regears were signed on 2.1 million sq ft with a WAULT of 12 years and we undertook rent reviews on 3.4 million sq ft delivering a 12% rental uplift on a five yearly equivalent basis, with urban logistics open market reviews achieving a 32% uplift.

Since the year end, we have continued to see strong letting activity including distribution lettings in Stoke, Birmingham and Greenford of 141,000 sq ft, 38,000 sq ft and 34,000 sq ft respectively.

After successfully letting the first phase at our Bedford development, we have commenced the phased build out of a further 166,000 sq ft, whilst at Tyseley we are making good progress with lettings as well as pre-lets on future development.

We continue to embed sustainability and high ESG standards across our activities. Our GRESB score again improved over the year from 67% to 71%, maintaining our Green Star rating, and 78% of our developments completed or under construction in the year are BREEAM Very Good.

Despite the significant impact of COVID-19, our rent collection has been pleasing and we continue to experience minimal income interruption. We acted swiftly to counter attempts to withhold payment and this has paid off. Remarkably, it was some of the more financially robust occupiers that initially proved more problematic and we have been very clear that those that can afford to pay should pay. At the same time, we are actively assisting some occupiers that have experienced material near term challenges, providing them with proportionate and appropriate assistance, in some cases accompanied by value enhancing asset management deals.

We acknowledge that the operational backdrop is evolving quickly and that extrapolating success to date may be premature. However, with each month that passes, we continue to build a better picture of the resilience of our portfolio.

Expertise & relationships

We continue to benefit from our strong team and their relationships

Our team's economic alignment to shareholders ensures a strong conviction to make the right property decisions.

We remain rational and disciplined and will always prefer to sell assets that don't meet our strict investment criteria and wait patiently until an attractive opportunity presents itself, even where this causes a short term disruption to our income flow.

As a result, we continue to benefit from our decisions, as well as some excellent execution and hard work across our investment and asset management teams. Similarly, our finance team has performed strongly, delivering on our debt strategy, working closely with the property team and helping to ensure that the integration of Mucklow was completed successfully and within a quick timeframe.

We have been delighted with the Mucklow acquisition and we are benefiting from the added depth it has brought to our team as well as the presence that we have established around Birmingham.

Our response to the COVID-19 pandemic has focused on keeping our people safe and working closely with our occupiers and other stakeholders. Our experienced team of 33 has successfully and seamlessly transitioned to remote working and operated highly effectively in what has been an intense period. It has been an amazing effort by all and reflects the strength and focus of our team.

Outlook

Our focus on owning the right assets in the winning real estate sectors is delivering reliable, repetitive and growing income led returns which is supporting our progressive dividend policy

Our alignment to the right side of structural change ensures that our portfolio can continue to deliver long term income growth. This is in sharp contrast to the wider property market where the outlook for rental income is either flat or falling and where dividends are under significant pressure. As strong believers in the power of income compounding and that a covered dividend is the bedrock for attractive income returns, we will continue to ensure that the income we generate is passed into our shareholders' pockets.

In these challenging times, we have focused on protecting the existing portfolio, engaging with our occupiers and improving our balance sheet strength. In addition, market uncertainty is giving rise to quality investment opportunities that are seldom available in a normalised market.

Through our relationships and with the proceeds of our significantly oversubscribed equity raise, we are transacting on some excellent assets with £15 million acquired post year end and further deals agreed or in legals that total in excess of £80 million. Therefore, as we continue to stay alert and rational, we will be able to add more quality assets to our portfolio.

Notwithstanding the uncertainty from COVID-19, we remain excited by the outlook for the portfolio and believe that today's market has created an opportunity for experienced managers who can properly assess underlying real estate fundamentals to generate attractive returns through careful asset selection and diligent underwriting.

Our strategy

The deal

Image removed

↑ 116,000 sq ft distribution warehouse in Worcester let to Bosch, acquired through the Mucklow acquisition.

Mucklow in focus

The recommended offer for A&J Mucklow was a key highlight in the year. LondonMetric paid £413m in consideration through the issue of new shares and cash in June 2019.

The transaction had compelling strategic, operational, portfolio and financial rationale and was overwhelmingly supported by both sets of shareholders. It has been successfully integrated and is delivering on expectations.

Graphic removed

Learn more in our case studies:
Tyseley case study **page 37**.
Wednesbury One case study **page 27**

Background to the transaction

Mucklow was a family run business founded in 1933 and listed on the London Stock Exchange. The Mucklow family accounted for a third of shareholders. It had a long term focus on income growth and value creation, delivering an impressive dividend growth of 5% pa over 35 years.

LondonMetric was in close contact with the Chairman of Mucklow during the second half of 2018, having identified it as an attractive acquisition opportunity.

Over that period, Mucklow announced that it was looking for a successor to the CEO after his decision to step down from the business. Discussions progressed into early 2019 as a combination of the two businesses looked increasingly attractive.

Benefits to Mucklow holders of the deal

- LondonMetric was seen by Mucklow as a safe guardian of its assets and wider shareholders interests, particularly important given the family's significant shareholding
- The share element of the deal allowed Mucklow holders to transfer their shareholdings into LondonMetric without significant tax disadvantages

Portfolio rationale for LondonMetric

- Complementary and income producing portfolio of urban logistics and long income assets
- Acquired at an attractive yield and offering strong income growth prospects
- Significantly increased its exposure to the UK's second largest conurbation around Birmingham, adding well located assets
- Diversified and improved the granularity of LondonMetric's income

Strategic and Operational rationale

- Immediately earnings accretive through economies of scale & synergies
- Opportunity for LondonMetric to deploy its more active asset management approach on the Mucklow assets
- Mucklow's low LTV of 16% allowed LondonMetric to offer part of the consideration in cash without adversely impacting leverage
- Enabled the combined entity to benefit from greater scale

Mucklow portfolio[1]

3.8m sq ft

Across 64 assets

£26.1m

Rental income p.a.

7.2 years

WAULT

5.4%

NIY, with equivalent yield of 6.1%

Mucklow portfolio split

Graph removed

Urban Logistics

69%

1	Urban Logistics	69%
2	Long Income	14%
3	Office	15%
4	Retail Parks	2%

1 Portfolio statistics as reported at time of the Mucklow acquisition

Board Involvement & Integration

Board Involvement

Following the initial decision to progress with a deal in March 2019, the Board were given a full overview of Mucklow and the strategic rationale for the transaction.

Following the completion of detailed due diligence, a comprehensive analysis and strategy documentation was presented to the Board.

The Board were kept up to date regularly through a merger tracker and at board meetings. There was regular contact with the Board and questioning of the Executive Directors throughout the process.

Prior to concluding the transaction, the Board had full access to and benefit of the Company's legal and financial advisers.

After announcement of the deal, the Board were kept regularly up to date on the deal progress and investor feedback.

Following successful completion, several members of the Board visited a number of the Mucklow assets and met with the Mucklow team. Integration was an important part of the transaction and the Board has been kept fully apprised of progress, performance of the Mucklow portfolio and material portfolio decisions considered on the Mucklow assets.

Graphic removed

Read more on S172 on **page 52**

Integration & performance

People & systems

Integration of the Mucklow team, portfolio and systems was a key priority.

The process achieved significant and immediate cost savings primarily from the Mucklow board stepping down, further subsequent departures and removal of other corporate overheads.

The core team of seven employees has been successfully integrated, with each having a direct reporting line into the senior LondonMetric team and clearly identified responsibilities. An office relocation to smaller premises in central Birmingham was undertaken along with a portfolio and financial systems migration.

Portfolio activity & performance

The assets have performed well, adding a positive valuation contribution and generating good income growth.

LondonMetric's key focus was to more proactively manage the Mucklow assets to lengthen and grow their income. Over the year, 57 occupier deals were completed, adding £1.1 million p.a. of rent with a WAULT on lettings of 10.5 years. A 135,000 sq ft development in Tyseley also completed and discussions are progressing well with occupiers on up to 195,000 sq ft of further development.

The 11 offices acquired as part of the deal were not deemed core assets for LondonMetric and, in the year, two were sold at a 7% premium to acquisition cost.

Sustainability

LondonMetric has worked to understand the environmental characteristics of the Mucklow portfolio, specifically through:

- A programme of EPC reviews and an identification of environmental improvements across the portfolio
- Integrating energy reporting and appointing a third party energy management service

A number of initiatives were undertaken in the year including LED lighting upgrades, building refurbishments and a BREEAM Very Good development.

Graphic removed

Read more on BREEAM developments **page 37** and Mucklow environmental initiatives **page 49**

Image removed

↑ 129,000 sq ft Mucklow asset let to Costco for a further 17 years.

Our strategy

Our markets

Real estate remains an attractive investment class underpinned by ultra low interest rates. However, there is a significant polarisation in performances which is being accentuated by the pandemic. Owning the right real estate aligned to structural change has never been more important.

Overview

The right real estate remains an attractive investment proposition, underpinned by ultra low interest rates and a historic high yield spread to government bonds.

It is clear that the global pandemic lockdown will be eased gradually which is likely to prevent businesses from producing as much as normal and households from spending as much as normal. Whilst economies will recover, it is likely to take time and to be below historic norms for some time.

The impact of the lockdown has not been uniform across all sectors and businesses and, as a result, the winners and losers are being redefined. Failing or weak businesses have been further exposed whilst those that have kept pace with structural changes affecting how we work, shop and live are faring far better.

Growth may be muted for certain businesses but structural changes have accelerated. More people have adopted technology through online shopping, trialled home working and have seen the positive impact of not making non essential journeys.

Whilst some of the shift away from physical to online retailing that we have seen during the pandemic will reverse once lockdown is lifted, many of the shopping habits developed over this time are likely to remain. This will have further adverse implications for physical retail and further increase the demand for logistics warehousing.

Owning the right assets in the right sectors of real estate and occupied by the right companies is more important than ever before.

Structural trends in real estate

1 **Ultra low interest rates**
Property let on long leases to a strong counterparty at a yield that is at least 400bps higher than offered on government bonds is extremely attractive. These fundamentals remain underappreciated particularly when the compounding impact of index linked leases are factored in.

2 **Global search for income**
Longevity of life is having a profound impact on the search for income. The demographic tsunami, where a significant number of retirees is expected worldwide, will put acute pressure on the need for reliable and repetitive income, particularly when corporate dividends are being cut worldwide.

3 **Technology disrupting**
Online shopping habits have accelerated further as a result of the pandemic. Trends that were expected to occur over 5 to 10 years are now embedding themselves today as more people have trialled and become increasingly reliant on online shopping.

4 **Urbanisation continuing**
The continued gravitational pull towards larger conurbations continues to put pressure on land availability and the need for residential. As online adoption grows and delivery times become quicker and more accurate, the need for the right land in urban cities increases.

5 **Focus on efficiency & sustainability**
Investing in, creating and providing efficient and sustainable buildings for all stakeholders is key to the success of the occupier and investor alike.

Online UK retail sales growth in April 2020[1]

+18%

Compared to an 18% fall overall for total UK retail sales

Growth in UK online food sales[2]

+26%

Expected in 2020 compared to previous predictions prior to the pandemic of just 9%

Most active sectors for UK logistics take up in Q1 2020

Retail (online)[3]

34%

Percentage of take up

Retail (food)[3]

21%

Percentage of take up

1 Source: Office for National Statistics
2 Source: GlobalData
3 Source: CBRE

Strong occupational demand for structurally supported logistics and long income

Logistics take up remains strong and has strengthened during the pandemic
Modern and efficient logistics and fulfilment networks are required to deliver seamlessly to both the store and the consumer's home. The continual shift online is requiring companies to improve their logistics capabilities further to contend with faster and more accurate delivery demands from customers as well as holding higher levels of inventory and managing returns.

Take up of logistics has remained strong, primarily driven by design and build activity. The pandemic has increased demand for distribution capacity further over the last few months, notably within online food, with further additional short term requirements adding to demand.

Availability falling for logistics but big box rental growth less pronounced
Whilst supply levels and speculative development have responded to increased demand, vacancy rates continue to remain at low levels with availability falling.

Speculative supply remains at rational levels and the pandemic is likely to have delayed the start of some speculative schemes until greater certainty prevails.

In big box logistics, however, we believe that occupier demand is being matched by new supply which is tempering rental growth. Whilst rental growth is still positive, it is noticeably less than before.

Urban logistics is one of the few standout areas of the real estate market
We continue to see the strongest rental growth in urban logistics.

There is a perfect condition of rising demand and falling supply with strong competition from more valuable land uses, mainly residential.

This is particularly the case around major conurbations, particularly in the South East and the Midlands, which is leading to strong rental growth in these areas.

Urban logistics remains one of the few standout areas of the real estate market and we believe that it has strong long term growth prospects.

Long income and convenience benefiting from structural change
Long income assets focused on sectors less susceptible to the migration of spend online and that benefit from the changes in the way people are shopping and living remain in demand.

Convenience food in particular is a standout winner. It continues to be one of the fastest growing channels in the UK food and grocery market and, over a five year period to 2023, is predicted to grow by 17% to £48 billion of sales.

Graph removed

Graph removed

Source: CBRE

Investors reallocating weightings to distribution and long income

The investment market for logistics and industrial has remained strong. After two record years of investment volumes, activity in these sectors fell in 2019 with CBRE estimating £5 billion of transactions. This was more in line with the five year average and the fall was partly attributed to the lack of available investments.

As investors further re-weight their real estate allocations to logistics, there continues to be strong demand for prime warehouses that are well located, well specified and long let to good covenants; the South East is in particular demand as reflected in the low yields recorded.

Similarly, long income assets, particularly convenience food, remain very well bid. Convenience stores let to Aldi for 20 years with RPI rental uplifts have been transacting at yields of approximately 4.0%.

Graph removed

Our strategy

Our business model

Our key stakeholders

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

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

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.

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.

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.

Graphic removed

See the Responsible Business review **page 45**

See Our stakeholders **page 87**

Our actions generate value and long term sustainable returns.

Total shareholder return outperformance (1yr)

+710bps

Outperformance against the FTSE 350 Real Estate Super Sector average

Total accounting return (1yr)

+3.0%

Over three years, we have delivered a total accounting return of 30.6%

EPRA EPS growth (1yr)

+5.6%

In the seven years post merger, EPRA earnings per share has grown by 138% from 3.9p to 9.3p per share

Dividend growth (1yr)

+1.2%

Fifth year of dividend progression

Sustainable improvements

+670k

Square feet of BREEAM Very Good developments in construction or completed at the year end

Community benefits

1,100+

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

The value we create

Our purpose drives our ability to create sustainable income, drive income growth and create value

Graphic removed

Own desirable real estate

The correct asset selection is increasingly critical to deliver future outperformance. We have aligned our portfolio towards the logistics and long income sectors and continue to improve the quality of our portfolio.

Total property return in 2020

5.1%

560 bps outperformance of IPD All Property

Graphic removed

Manage & enhance responsibly

We deliver real estate solutions that will help occupiers' businesses thrive. A combination of responsible asset management and short cycle developments help to grow and improve the quality of our income.

Additional income

+£5.2m

from occupier transactions in 2020

Graphic removed

Experience & relationships

Using our expertise to work closely with occupiers and wider stakeholders to understand their needs results in high satisfaction and occupancy levels.

Occupancy

98.6%

Graphic removed

Generate income growth

Income is central to our business model. The income from our assets is passed to our shareholders in the form of a well covered and progressive dividend.

Net rental income

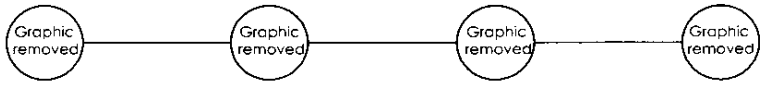
£115.9m

+24%

Performance review

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.



Own desirable real estate that meets occupiers' needs

Manage and enhance responsibly to improve our assets and help occupiers thrive

Maximise our expertise and relationships to build on our position as partner of choice

Generate reliable, repetitive and growing income-led total returns

Objective	Deliver long term shareholder returns	Maximise long term total accounting return	Maximise property portfolio returns
KPI	Graph removed	Graph removed	Graph removed
Performance	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the seven years post merger was 135%, almost four times that of the FTSE 350 Real Estate Super Sector index movement of 34%. 12 month TSR delivered -7.6% compared to the FTSE 350 Real Estate Super Sector return of -14.7%.	Total Accounting Return ('TAR') of EPRA NAV movement together with dividend paid in the year. 12 month TAR delivered a return of 3.0%. The full calculation can be found in Supplementary note viii on page 185.	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD. 12 months TPR delivered a return of 5.1% compared to the IPD All Property benchmark of -0.5%.
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 2016 LTIP award vested in full in the year and the TSR component of the 2017 LTIP award is expected to vest in full. The three year TSR for the 2017 LTIPs was 58.9% compared to the FTSE 350 Real Estate Super Sector excluding agencies and operators of just 1.9%.	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 vested in full in the year and the TAR component of the 2017 LTIP award is expected to vest in full. The three year TAR for the 2017 LTIPs was 30.6% compared to the FTSE 350 Real Estate Sector excluding agencies and operators of 1.2%.	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.
2020/21 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.

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

Graphic removed

See Financial review
page 38

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.

Graphic removed

See Risk management
page 60

Remuneration
The table on page 127 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements

Graphic removed

See Remuneration Committee report
page 112

ESG and Sustainability
Our Responsible Business review on pages 45 – 59 sets out our performance over the year including information on our EPC ratings, BREEAM rated developments, carbon reduction performance and stakeholder engagement.

Graphic removed

See Responsible Business review
page 45

Deliver sustainable growth in EPRA earnings

Graph removed

EPRA earnings per share from operational activities have grown by 5.6% over the last 12 months.

In the seven years post merger, EPRA earnings per share has grown by 138% from 3.9p to 9.3p per share.

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

25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 34% of the EPRA EPS component of the 2016 LTIP award vested in the year and 53% of the EPRA EPS component of the 2017 LTIP award is expected to vest.

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

Drive like for like income growth

Graph removed

The movement in the contracted rental income on properties owned through the period increased by 3.8%.

Additional income was generated from asset management activity following lettings, regears and rent reviews of £5.2 million per annum.

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

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

Maintain a higher than market benchmark WAULT

Graph removed

Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 11.2 years as at 31 March 2020.

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

Maintain high weighted average unexpired lease term targeting >10 years.

Maintain strong occupier contentment

Graph removed

Occupancy rate of investment portfolio at 31 March 2020 was 98.6%, an increase of 0.8% over the year and reducing our vacancy to 1.4%.

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

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

Performance review

Property review

We invest in real estate that can deliver repetitive, reliable and growing income returns. Our actions aim to further improve the quality of the portfolio and its income metrics.

The acquisition of Mucklow dominated activity in the year
It added a £455 million portfolio of highly complementary assets with 83% aligned to urban logistics and long income.

Other acquisitions totalled £159 million let for an average of 17.3 years, with 75% of income subject to contractual rental uplifts. These acquisitions related to long income as well as urban and regional distribution assets.

Disposals totalled £179 million and largely consisted of mega and regional distribution warehouses as well as 26 residential flats and two offices; the latter acquired through the Mucklow transaction and sold at a blended 7% premium to acquisition costs.

We will continue to patiently sell down the remaining nine Mucklow offices and five flats, all of which are non-core.

Our investment activity continues to improve the portfolio's composition
Our logistics platform increased to £1,638 million, representing 69.8% of the portfolio. Within this, urban logistics rose from 27.3% to 35.4% of the portfolio, whilst mega distribution fell from 23.1% to 14.9%.

Long income also increased from 21.9% of the portfolio to 24.0%, with the remaining 6.2% of the portfolio predominantly in retail parks and offices.

The portfolio's composition will change further once we complete in full on £64 million of mainly larger box distribution sales that had exchanged prior to the year end and once we deploy the proceeds of the recent equity raise. Since the year end, we have acquired £15 million of urban logistics and long income assets with further deals agreed or in legals that total in excess of £80 million.

Investment activity in the year

Graph removed

Acquired

£614m

1	Urban Logistics	£326.6m
2	Regional Distribution	£49.4m
3	Mega Distribution	–
4	Long Income	£161.6m
5	Office & Other	£76.2m

Graph removed

Disposed*

£179m

1	Urban Logistics	£7.6m
2	Regional Distribution	£28.4m
3	Mega Distribution	£113.5m
4	Long Income	£8.0m
5	Office & Residential	£21.5m

£2.3 billion portfolio

Graph removed

In urban logistics

35%

1	Urban Logistics	35.4%
2	Regional Distribution	19.5%
3	Mega Distribution	14.9%
4	Long Income	24.0%
5	Retail Parks	3.6%
6	Offices & Residential	2.6%

Image removed

Our acquisition activity in the year focused on urban logistics and long income. We believe that these two sectors continue to offer strong long term growth prospects as well as highly resilient and reliable income.

Valentine Beresford
Investment Director

* (i) Excludes a £10.5 million regional disposal that exchanged last year but completed in the year
(ii) Includes £64.4 million of disposals, predominantly larger box distribution, that exchanged in the year and are expected to have completed by the end of June 2020

Our portfolio metrics continue to reflect our focus on generating long and growing income

The portfolio's WAULT of 11.2 years continues to provide a high level of income security with only 7.1% of income expiring within three years and 47.1% within 10 years.

Occupancy increased from 97.8% to 98.6% and our gross to net income ratio improved from 98.2% to 98.8%, which continues to compare highly favourably against our peers and reflects the portfolio's low operational requirements.

In the year, we undertook 130 occupier initiatives generating £5.2 million per annum of additional rent and helping to deliver like for like income growth of 3.8%.

These initiatives consisted of:

- Contractual rental uplifts which apply to 55% of our income, 58% of which is index linked, where 30 reviews were settled delivering £0.7 million of increased rent at an average of 11% above passing on a five yearly equivalent basis;
- Open market rent reviews, predominantly on urban logistics, where 11 reviews were settled delivering £0.6 million of increased rent at an average of 28% above passing on a five yearly equivalent basis; and
- Leasing activity where we signed 89 new leases and regears, mostly on urban logistics, delivering £3.9 million of increased rent with a WAULT of 11.6 years.

Since the year end, we have continued to see strong distribution letting activity and, in total, have let a further 0.3 million sq ft, which, including rent reviews, has added a further £1.6 million per annum of rent.

Lease expiry profile

Graph removed

Income expiring within 3yrs

7%

1	0-3 years	7.1%
2	4-10 years	40.0%
3	11-15 years	26.5%
4	16-20 years	14.6%
5	> 20 years	11.8%

The Mucklow acquisition is delivering income growth

One of our key focuses in the year was to use our more proactive asset management approach to lengthen and grow the income from Mucklow assets acquired. 57 of our 130 occupier initiatives in the year related to Mucklow assets and generated £1.1 million per annum of additional rent.

The Mucklow portfolio continues to offer good reversionary potential and is located in strong locations with 79% in the Midlands, predominantly around Birmingham, and 10% in London and the South East. As well as further development opportunities, there is also long term redevelopment potential to alternative and higher value uses.

Weighted average unexpired lease term (WAULT)

11.2yrs

Occupancy

98.6%

Image removed

We continue to focus on strengthening our portfolio metrics and are signing long leases and delivering good rental growth on our assets.

Mark Stirling
Asset Director

Case study → Wednesbury One

Image removed

Wednesbury One was the third largest asset acquired through Mucklow. It is well located between Wolverhampton and Birmingham, close to J9 of the M6 and J1 of the M5. It comprises 173,000 sq ft of modern distribution across six warehouses and generates an income of £1.0 million per annum.

Through lettings and regears, the WAULT to first break will have been extended by a further three years since acquisition and, including rent reviews, the running yield is expected to have increased by 60 bps.

Graphic removed

Read more on the Mucklow acquisition **page 18**

Performance review

Property review continued

Improving our income diversification and granularity

In this disruptive environment, we continue to focus strongly on the credit strength, quality and sector diversity of our occupiers.

Our investment and asset management actions, particularly through the Mucklow acquisition, have continued to increase the resilience of our portfolio by further improving our income diversification and granularity.

As shown below, we have a diverse occupier base by type of business. Over the year, we materially reduced our income exposure to retailer logistics, falling from 34% of contracted income to 20%. Conversely, we have materially increased our exposure to business services and trade occupiers, rising from 18% to 36% of income, spread across a broad range of sectors.

Our contracted income increased over the year from £89.7 million to £123.3 million which, following completion of sales that had exchanged but not completed by year end, will reduce slightly to £119.2 million.

Top 10 occupiers by contracted income (%)*

Graph removed

Income from Top 10 Occupiers

36%

2019: 51%

Our top ten occupiers account for 36% of contracted income compared to 51% in 2019. There was a material reduction in income concentration across most occupiers, with a significant reduction for Dixons Carphone following our sale of their warehouse in Newark.

* Excluding income from sales that had exchanged prior to the year end but not completed

Split of income by occupier type*

1 Business Services & Trade

Graph removed

36%

(2019: 18%)

Manufacturing & Packaging	10%
Building, Trade & DIY	6%
IT, Telecoms & Media	5%
Aerospace, Auto & Transportation	5%
Food, Healthcare & Chemicals	3%
Education	2%
Other	5%

2 Third Party & Retailer Logistics

Graph removed

36%

(2019: 52%)

Third Party Logistics (3PL)	16%
Store Only Retail Logistics	8%
Omni Channel Retail Logistics	8%
Online Only Retail Logistics	4%

3 Convenience, Leisure & Stores

Graph removed

28%

(2019: 30%)

Convenience, Wholesale & Roadside	9%
Electrical & Home Retail	8%
Essential & Discount Retail	6%
Leisure	3%
Other Retail	2%

Valuation and total return performance

Over the year, the portfolio delivered a strong total property return of 5.1%, significantly outperforming the IPD All Property index of -0.5%:

- Distribution delivered 8.5% with urban and regional seeing the strongest performance
- Long income delivered 1.8%
- Offices delivered 4.3% and retail parks delivered -9.2%.

Outperformance was driven by capital returns, where the portfolio was flat compared to IPD All Property of -4.8%:

- Distribution delivered a 3.9% increase
- Long income was down 3.4%
- Offices and retail parks fell by 0.7% and 15.5% respectively.

On a like for like basis, the equivalent yield across the portfolio increased by 7bps and ERV growth was 1.7%.

ERV growth was highest in urban logistics at 2.2%, whilst regional increased 0.7% and mega was up 0.2%.

The investment portfolio's EPRA topped up net initial yield is 5.0% and the equivalent yield is 5.5%.

Impact of COVID-19 pandemic

Unsurprisingly, the COVID-19 pandemic has created unprecedented short term disruption to many UK businesses and is putting pressure on the robustness and sustainability of their cash flows.

Despite this uncertainty, our rent collection during the pandemic has been strong with 93% of rent due by 1 April collected or being collected monthly and 94% of monthly rents due over the two month period to 25 May also collected, with total rental payments that we have forgiven or written off amounting to c.1% of rent due.

This resilience reflects our close relationships with our occupiers, our resolute response to non payment and, most significantly, the operational importance to occupiers of our distribution assets as well as the convenience and essential services that our other assets provide.

Whilst our occupiers have remained well capitalised through this crisis we are, however, providing appropriate and proportionate help to a small minority of customers that are being materially impacted and most in need of short term cash flow assistance.

The table below sets out the type of assistance we are providing.

Total Property Return in the year

+5.1%

Rent collection strong

+93%

LondonMetric's assistance to occupiers during the COVID-19 pandemic

Monthly rental payments	Rental concessions with asset management upside	Rental deferrals
Concessions have resulted in an increase in the proportion of our rental income that is received monthly in advance instead of quarterly in advance. Monthly rents now account for 18% of our income compared to 13% prior to the pandemic.	We have agreed compensatory asset management initiatives across 4% of our income. In return for near term rent concessions, we are agreeing on initiatives with occupiers which lengthen and strengthen the future income streams from our assets.	Short term rental deferments have been agreed on a further 2% of our rental income. The near term rent concessions will typically be recovered over the 12 subsequent months.

Performance review

Property review continued

Distribution

Our distribution warehouses provide critical infrastructure to occupiers and we invest in those assets with the best return prospects.

Overview
Our distribution assets are spread across the urban, regional and mega subsectors with over half in urban.

Including developments, we increased distribution assets over the year from £1,339 million to £1,638 million, accounting for 69.8% of our overall portfolio. The average WAULT on these assets is 11 years with 59% of income subject to contractual income uplifts.

In the year, we acquired £327 million of urban logistics and £49 million of long-let regional distribution. Disposals totalled £150 million, mainly relating to larger box warehousing.

This investment activity has seen our distribution weighting towards London, the South East and the Midlands increase further to 83% and our North East and Yorkshire exposure more than halve to 4%.

Increased alignment to urban logistics
In urban 'last mile' logistics, we continue to see the strongest rental growth within the distribution sector. Severely restricted supply and strong occupier demand continues to generate highly favourable market dynamics, which are driving attractive income growth and returns.

Urban logistics has been our strong conviction call and one that prompted our strategic acquisition of Mucklow, which has materially improved and enlarged our urban platform. Over the year, this portfolio increased from £504 million to £831 million, accounting for 51% of our distribution assets.

Whilst urban logistics has a lower WAULT than our other distribution sectors, it benefits from higher alternative use values, low average rents of £6.50 psf and strong income growth potential. As a consequence, we prefer to have a lower proportion of leases subject to contractual rental uplifts.

Further reduction in big box exposure
In big box logistics, whilst there has been rental growth, it is not as pronounced as in previous years. Supply is able to react to occupier demand relatively easily and we believe that this is weakening the prospects for future organic rental growth.

Reflecting these dynamics as well as our efforts to improve geographic focus and income diversification, we sold a further £114 million of mega box warehousing, reducing our exposure to this segment over the year from 23.1% to 14.9% of the portfolio.

Distribution Portfolio

As at 31 March 2020	1 Urban	2 Regional	3 Mega
Typical warehouse size	**Up to 100,000 sq ft**	**100,000 to 500,000 sq ft**	**In excess of 500,000 sq ft**
Value[1]	£830.8m	£457.6m	£349.6m
WAULT	7.8 yrs	13.9 yrs	14.5 yrs
Average Rent (psf)	£6.50	£6.20	£5.70
ERV (psf)	£7.10	£6.50	£5.60
Topped up NIY	4.8%	4.3%	4.3%
Contractual uplifts	33.3%	78.1%	100%
Total Property Return in 2020	**7.8%**	**11.1%**	**7.1%**

Distribution Portfolio

Graph removed

Distribution
£1,638m

1	Urban Logistics	51%
2	Regional Distribution	28%
3	Mega Distribution	21%

Image removed

1 Including developments

Acquisitions

3.1m sq ft

Urban warehousing acquired as part of the Mucklow acquisition. The assets were acquired at a NIY of c.5.6% and a WALE of 5.7 years, with 87% located in the Midlands and around Birmingham.

299,000 sq ft

Regional warehouse let to John Wiley & Sons for 17 years, acquired for £17.8 million at a NIY of 9.0% with RPI linked rental uplifts.

232,000 sq ft

Regional warehouse forward funded development pre-let to Croda for 20 years, acquired for £24.0 million at a yield on cost of 5.2% with RPI linked rental uplifts.

Logo removed

Image removed

35,000 sq ft

Urban warehouse let to Mega Marble for 15 years, acquired for £5.7 million at a NIY of 5.0% with RPI linked rental uplifts.

26,000 sq ft

Urban warehouse let to Harrow Green for 17 years, acquired for £4.2 million at a reversionary yield of 6.0%.

£8.4 million

Increase in ownership of two warehouses at a NIY of 5.9%, arising from the upweight in our DFS Joint Venture equity holding from 45% to 82%.

Disposals

726,000 sq ft

Mega warehouse in Newark sold for £80.8 million, at a NIY of 5.1%. The asset was acquired in 2014 for £68.5 million and is let to Dixons Carphone for a further 14 years at a rent of £6.00 psf.

Logo removed

Image removed

330,000 sq ft & 176,000 sq ft

Two warehouses in Doncaster sold for £51.2 million (£47.9 million at share), reflecting a NIY of 6.2%. They comprised a mega warehouse that was acquired in 2015 for £29.0 million and is let to Next for a further four years at a rent of £6.60 psf, and a regional warehouse acquired in 2013 for £16.6 million and let to DFS for a further ten years at a rent of £7.00 psf.

152,000 sq ft

Regional distribution warehouse in Rotherham sold for £13.3 million at a NIY of 5.0%. The warehouse was acquired in 2014 for £10.3 million and is let to Royal Mail for a further eight years.

84,000 sq ft

Urban warehouse in Doncaster sold for £5.9 million at a NIY of 7.0% let to Croda for a further two years.

22,000 sq ft

Urban warehouse in Nottingham sold for £2.0 million (£1.6 million at share) at a NIY of 5.5% let to DFS for a further ten years.

Acquired

£376m

Mostly urban logistics

Disposed

£150m

Mostly mega distribution

Post year end investment activity

Post year end, we acquired a 14,000 sq ft urban logistics warehouse for £3.2 million let to Royal Mail in Epsom and sold a small warehouse in Hemel Hempstead for £3.6 million.

We also have terms agreed on a further £11 million of acquisitions.

Performance review

Property review continued

Distribution continued

Asset management

We continue to grow our distribution income through our occupier-led asset management and development activity.

Distribution lettings and regears
Distribution lettings and regears in the year were signed on 1.7 million sq ft. These deals added £4.0 million per annum of income, with a WAULT of ten years and incentives equivalent to under six months' rent free.

New lettings were signed on 0.4 million sq ft adding £3.2 million per annum of rent and mostly related to completed developments:

- At our Bedford Link development, we let three warehouses totalling 188,000 sq ft to L3 Macdonald Humfrey, Workstories and Larson Juhl. This completed the letting of phase one of the development, achieving a WAULT of 16 years
- At Crawley, we let 36,000 sq ft to Amazon and 46,000 sq ft to International Logistics, also completing the letting of that development
- At Tyseley, 58,000 sq ft was let to Decora Blinds

Regears were signed across 1.3 million sq ft with occupiers including XPO, John Wiley, Ceva Logistics, Dixons Carphone and Siemens. These deals generated additional income of £0.8 million per annum, which represents an uplift on previous passing rent of 12% and increased the WAULT from three years to ten years.

Post year end, we have signed a further 0.3 million sq ft of lettings and regears which, including rent reviews, has added a further £1.6 million per annum of rent. The WAULT on these transactions is over eight years, which include:

- 141,000 sq ft at our Stoke development, where we have let the second warehouse to Pets at Home
- c.50,000 sq ft in Fareham, where we have regeared the lease and settled a rent review
- 38,000 at Star Gate in Birmingham, where we have let the warehouse to Network Rail
- 34,000 sq ft at Greenford, where we have let a recently refurbished unit to a fast growing online pharmacy

Distribution rent reviews
Distribution rent reviews in the year were settled across 17 assets representing 3.0 million sq ft and adding £1.0 million per annum of income at 12% above passing on a five yearly equivalent basis:

- 12 urban logistics reviews accounted for just over half of the rental uplift and these were settled at an average of 24% above previous passing rent on a five yearly equivalent basis, with open market reviews achieving 32% uplifts on average
- Five mega and regional reviews delivered £0.5 million of rental uplift in the year. These were all contractual uplifts and settled at an average of 9% above previous passing rent on a five yearly equivalent basis

Graphic removed

Read more on the Bedford Link case study **page 33**

Read more on the Wednesbury One case study **page 27**

Read more on the Tyseley case study **page 37**

Read more on Greenford and Mucklow asset improvements **page 49**

Distribution Lettings & Regears
(Additional Income p.a.)

+£4.0m

Distribution Rent Reviews
(Additional Income p.a.)

+£1.0m

Key occupiers lettings & rent reviews

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Case study

Bedford Logistics

Following three successful lettings in the year, our future ambition is to enhance our "Responsible Building credentials" at our Bedford Link development.

Phase 1
The three warehouses were developed and completed in June 2019. We signed three lettings generating £1.4 million per annum of rent with a WAULT of 16.3 years.

The Logistics Park provides an open and landscaped space with integrated pedestrian and cycle routes. The buildings are BREEAM Very Good, EPC 'A' rated and built with c.10% rooflights and the ability to retro install solar PVs. Electric vehicle charge points are also installed.

Phase 2
Following completion of phase one, we have commenced development of 166,000 sq ft and there is further development potential of c.350,000 sq ft.

As part of this next phase, we are looking to enhance the development's "Responsible Building credentials".

Consequently, we are looking at a number of initiatives including:

- Evaluating "in use" energy performance of the first phase buildings
- Forecasting energy in use for the planned buildings and assessing potential areas to further mitigate carbon emissions and work towards Net Zero Carbon 2050
- Assessing the proposed designs against well-being criteria, which has already resulted in Well Enabled design adaptations
- Establishing the carbon impact associated with the overall construction

Image removed

Image removed

Phase 1 overview

188,000 sq ft
Lettings

£1.4m p.a.
Additional rent

6.4%
Yield on cost

The 3 occupiers

Larson-Juhl

L3 Macdonald Humfrey

Workstories

Being located nearby, we saw the progress at Bedford Link and realised that if we didn't move quickly, we would miss a rare opportunity to reposition our business in a fantastic location, in a building fit for the next 25 years. LondonMetric and their team have supported and worked openly with us through the whole process.

Jonathan Burrage
Managing Director,
Larson-Juhl

Logo removed

Location
Bedford is an attractive distribution hub, providing access to London in under an hour. It also provides business resilience due to its equidistant location along the A421, upgraded link road connecting the M1 and A1.

Several blue chip companies have a significant presence in the area, including Argos whose warehouse is also owned by LondonMetric.

Graphic removed

Read more online at
bedfordlinklogisticspark.com

Performance review

Property review continued

Long income

Our portfolio offers long dated income with income growth. It is aligned to structurally supported sectors of convenience, roadside, trade and essential/discount shopping.

Overview
Our long income assets are typically single tenant assets with low operational requirements. They are assets that we believe are benefiting from the changes in the way people live and shop, insulated from structural dislocation, namely; convenience food, wholesale, roadside services, discount and essential retail, bulky goods as well as trade and DIY.

Our long income portfolio offers long dated and predominantly index linked income. It has grown to £563 million, representing 24% of our total portfolio.

The assets have a WAULT of 13.3 years, are 100% let to strong occupiers at affordable average rents of £14.70 psf and are valued at an attractive topped up NIY of 5.6%.

The average lot size is c.£5 million with 57% of income subject to contractual uplifts.

Investment activity
In the year, we were a significant net acquirer of long income assets, purchasing £161.6 million and disposing of £8.0 million.

£62.4 million was acquired through Mucklow and included high quality assets let predominantly to Costco, Booker, Wickes, Waitrose, Dunelm and Safestore. A further £99.2 million was acquired at a blended NIY of 6.1%, with a WAULT of 17.4 years and contractual rental uplifts on 70% of income.

Post year end, we acquired a further £12 million of long income assets let to Kwik Fit and Euro Garages. Furthermore, we are currently in legals on acquiring a £60 million sale and leaseback portfolio of five assets let to a convenience/online operator and have terms agreed on an £11 million acquisition relating to a roadside portfolio.

Asset management
Our letting activity continues to focus on lengthening and strengthening our income. In the year, we signed 22 leases and regears with a WAULT of 14.5 years, occupier incentives of nine months and rents in line with passing.

Rent reviews settled in the year generated an uplift of £0.2 million at 13% above previous passing on a five yearly equivalent basis. These reviews were mostly related to convenience and leisure assets with RPI or fixed uplifts.

Long income portfolio

As at 31 March 2020	1 Convenience, Roadside & Leisure	2 NNN Retail	3 Trade, DIY & Other
Value[1]	£251.0m	£176.6m	£135.4m
WAULT	16.7 years	9.9 years	13.6 years
Average Rent (psf)	£16.20	£20.80	£9.10
Topped up NIY	4.9%	6.7%	5.6%
ERV growth	10.0%	-1.1%	2.6%
Contractual uplifts	93%	23%	56%
Total Property Return in 2020	**5.0%**	**-0.5%**	**-1.1%**

Portfolio split

Chart removed

Long Income

£563m

1	Convenience & Leisure	45%
2	NNN Retail	31%
3	Trade, DIY & Other	24%

Key occupier activity

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

Logo removed

1 Includes developments

Convenience, Roadside & Leisure

Convenience food and wholesale discount stores form over half of this portfolio. The remaining assets are split broadly evenly between roadside assets and five well located and modern Odeon cinemas.

Our roadside portfolio has grown to over £55 million and consists of convenience stores with an attached petrol filling station (PFS), drive through coffee outlets as well as automated car washes located in high density urban areas.

Image removed

Activity in year

£44.3 million was acquired through the Mucklow transaction, principally let to Booker, Costco and Waitrose. A further £32.7 million was acquired in separate acquisitions including seven convenience stores with an attached PFS, as well as a number of IMO car washes.

Disposals totalled £7.2 million.

Five regears were signed with Co-op (x2), Booker, Waitrose and Odeon, extending the WAULT from 12 years to 18 years.

Acquisitions

£77.0m

WAULT on lettings

18 years

Key occupiers

Aldi	Euro Garages
Lidl	Odeon
M&S Simply Food	Waitrose
Costco	Co-op

NNN Retail

These assets consist primarily of properties let to discount, essential, electrical and home retail occupiers. They are typically single tenanted assets with very low operational requirements.

Over half of the assets are located in London and the South East with the largest located in New Malden, London, and benefit from high alternative use values.

Most of the properties in our MIPP joint venture are held within the NNN Retail segment.

Image removed

Activity in year

£36.5 million of acquisitions were transacted. These related to the upweight in our DFS Joint Venture ownership of eight stores and the acquisition, through Mucklow, of a Dunelm and Halford store.

Disposals totalled £0.8 million.

15 lettings and regears were signed with a WAULT of 13 years including key deals with the Range, Argos, Halfords, Currys PC World, DFS and Pets at Home.

Acquisitions

£36.5m

WAULT on lettings

13 years

Key occupiers

DFS	The Range
Currys PC World	Smyths
B&M	Pets at Home
Dunelm	Argos

Trade, DIY & Other

Through our occupier relationships we have been able to build up a portfolio of other properties that have strong long income characteristics let to good covenants with high occupier contentment.

C.60% of this segment consists of assets that are trade/DIY focused. A recent addition to this portfolio has been prominent roadside service centres concentrated around the South/East, let at low rents to Kwik Fit, with high alternative use values.

Image removed

Activity in year

£48.1 million of acquisitions were transacted. These consisted of two assets acquired through Mucklow let to Wickes and Safestore, a sale and leaseback portfolio of 21 Kwik Fit service centres, two buildings let to Meggitt and National Express and a forward funding of a pre-let trade development let to Howdens and MKM.

Two regears were signed with B&Q and Selco, extending the WAULT from seven years to 13 years.

Acquisitions

£48.1m

WAULT on lettings

13 years

Key occupiers

Wickes	Selco
Safestore	Kwik Fit
B&Q	Howdens
Jewson	National Express

Performance review

Property review continued

Developments

In the year, we completed 436,000 sq ft of developments that are expected to generate £3.5 million of additional rent reflecting an anticipated yield on cost of 6.5%. We have another 425,000 sq ft under construction and up to a further 834,000 sq ft of pipeline developments.

Completed in the year	Area sq ft '000	Additional rent £m	Yield on cost %
Bedford (Phase 1)	188	1.4	6.4
Tyseley (Phase 1a)	58	0.4	7.0
Tyseley (Phase 1b)[1]	77	0.6	7.0
Durham (funding)	58	0.8	5.4
Swindon (extension)	55	0.3	7.8
Total	**436**	**3.5**	**6.5**
Under construction at year end			
Croda, Goole (funding)	232	1.3	5.2
Bedford (Phase 2a)[1]	166	1.2	6.7
Weymouth[1]	27	0.6	6.3
Total	**425**	**3.1**	**6.0**
Pipeline developments			
Bedford (Phase 2b)[1]	c.350	2.3	c.7.3
i54 Wolverhampton	up to 210	tbc	tbc
Tyseley (Phase 2)[1]	up to 195	1.3	c.7.0
New Malden[1]	57	0.4	4.7
Wallingford (funding)	22	0.3	5.0
Total	**up to 834**		

1 Anticipated yield on cost and rents

Completed in year

0.4m sq ft

In construction or pipeline

1.3m sq ft

Croda funding
232,000 sq ft distribution warehouse pre-let to Croda for 20 years which we agreed to forward fund in the year, and which is expected to complete in Q3 2020.

Bedford
On site with a phased distribution development of 166,000 sq ft with good levels of occupier interest. There is a further 350,000 sq ft of distribution development potential.

Weymouth
19,000 sq ft convenience development in Weymouth let to Aldi that completed in June 2020. Offers have been received on the letting of three small pods totalling a further 8,000 sq ft, where development is conditional on planning.

Tyseley
In the year, we completed 135,000 sq ft of distribution development at our Tyseley site which was acquired through the Mucklow transaction. Over half of the warehousing is let and there is strong occupier interest on the remainder. There is further development potential which is conditional on planning and occupier commitment:

- Up to 180,000 sq ft of distribution warehousing development where we are in advanced discussions with potential occupiers
- Up to 15,000 sq ft of roadside service and convenience food development

i54
Up to 210,000 sq ft of distribution development potential through our i54 site option in Wolverhampton which we acquired through Mucklow.

Wallingford funding
Forward funding of a 22,000 sq ft trade counter development in Wallingford pre-let to MKM and Howdens with a WAULT of 18 years. Construction has commenced with completion expected by the end of the year.

New Malden
Extension to and modification of an existing NNN Retail asset which is expected to be let for 15 years to Dixons, Lidl and several other convenience food occupiers. Construction remains conditional on planning.

Case study

Tyseley, Mucklow Park

Working with the local council and community to enable development of over 300,000 sq ft of urban logistics warehousing in Birmingham.

Phase 1
Prior to its acquisition by LondonMetric, Mucklow had engaged with Birmingham City Council over several years to enable the building of a new link road next to its 19 acre site.

Mucklow supported the council in their grant application for funding of the new road by committing to build 135,000 sq ft of urban logistics warehousing and swapping land with the council to improve the road's position.

Construction of the road and warehousing started in late 2018, completing in summer 2019. Over that time Mucklow/ LondonMetric, worked closely with the council and the local community to ensure minimal local disruption.

Prior to works completing, a letting of the 58,000 sq ft BREEAM Very Good warehouse was signed with Decora and, subsequently, LondonMetric completed development of a further seven units totalling 77,000 sq ft where one unit was let post year end and there is strong interest on the remaining units.

Graphic removed

Read more online at
mucklowparktyseley.com

Phase 2
LondonMetric is currently in advanced discussions on pre-lets with occupiers on building out the remaining 195,000 sq ft.

There is potential to develop up to 180,000 sq ft of urban logistics warehousing and a further 15,000 sq ft of roadside services and convenience food property.

Phase 1 – completed

135,000 sq ft

Anticipated Rent: £1.0m
Anticipated Yield on cost: 7%

Phase 2 – pipeline

195,000 sq ft

Subject to commitments
Anticipated Rent: £1.3m
Yield on cost: 7%

Mucklow Park, Tyseley is strategically located within 3 miles of central Birmingham with easy access to J6 of the M6 and J5 of the M42 and close to Birmingham Airport.

Image removed

Sustainability and ESG

We continue to improve the quality of our assets through development and asset management. 78% of developments that completed in the year or that were under construction at the year end are expected to be certified BREEAM Very Good.

Furthermore, we continue to engage with our occupiers on energy efficiency initiatives, including solar PV installations, LED lighting upgrades and improving the environmental performance of our buildings, particularly across our distribution portfolio.

These activities, together with other responsible business and sustainability actions, have contributed to a continued improvement in ESG related surveys and benchmark scores.

In the year, we further improved our GRESB score from 67 to 71, which allowed us to maintain our Green Star. We also maintained our EPRA Gold star and further improved our FTSE4Good score from 3.1 to 3.4, consolidating our position in that index.

Our targets set for 2021 will see us look to include a net zero carbon ambition as well as extend personal ESG related targets more widely across the Company.

BREEAM Very Good developments
(completed or under construction in year)

670,000 sq ft

Improved our GRESB score

71

Graphic removed

For further details on our approach to Sustainability, Responsible Business and ESG see pages **see pages 45 –59**

Performance review

Financial review

Image removed

Our portfolio delivered further income growth in the year, with EPRA earnings per share increasing 5.6% to 9.3p.

Martin McGann
Finance Director

IFRS net assets

£1.4bn

2019: £1.2bn

EPRA net assets per share

171.7p

2019: 174.9p

While we have not been immune from the impact of COVID-19, which only affected the last month of the financial year we are reporting on, our portfolio has remained resilient and our rent collection for the first quarter of 2021 has been very strong.

We have utilised our close relationships with customers and have helped those in need by negotiating short term concessions and asset management initiatives which suit both parties.

Our financial results for the year to 31 March 2020 are once again strong. We have benefited from the corporate acquisition of the A&J Mucklow Group in June last year, which added 64 complementary assets valued at £454.7 million to our balance sheet.

EPRA earnings per share increased 5.6% to 9.3p, driven by a 23.6% increase in net rental income. We have continued to grow and pay our dividend despite the recent economic challenges and have declared a fourth quarter dividend of 2.3p payable on 22 July 2020. Our dividend for the year of 8.3p is 1.12 times covered by EPRA earnings and represents a 1.2% increase over the previous year.

Our portfolio is well positioned to weather the disruption caused by the pandemic, with 94% of our assets in the structurally supported distribution and long income sectors. However, there is naturally a heightened degree of uncertainty surrounding our year end property valuation, and our three external valuers have included material uncertainty clauses in their valuation reports which is in line with the RICS guidance. Our property valuation fell by 0.5%, and the resulting revaluation deficit of £12.0 million or 1.5p per share including our share of joint ventures, contributed to the IFRS reported loss this year of £5.7 million.

EPRA net asset value per share fell by 3.2p to 171.7p, primarily due to the one off costs relating to the acquisition of A&J Mucklow, of 2.5p per share. The consideration paid generated a surplus of £48.3 million over the fair value of assets acquired. This goodwill was created predominantly by the strong performance of the LondonMetric share price up to the final offer price being determined and has therefore been fully impaired in the period and charged to the income statement, along with our transaction costs of £8.9 million.

Our financial position was strengthened by a new £75 million unsecured revolving credit facility signed with HSBC in March, which increased our headroom to £220 million at the year end, and provides security and optionality in these unprecedented times. Other financing metrics remain strong, with average cost of debt falling to 2.9% (March 2019: 3.1%) and loan to value of 35.9% (2019: 32.2%) after completing sales that exchanged in the year.

Post year end, we have successfully raised £120 million through an equity placing that was significantly oversubscribed and has, in the short term, reduced our LTV to 30.9%.

We intend to deploy the proceeds into new and attractive investment opportunities, the majority of which have been identified and are already in solicitors' hands.

Looking forward we continue to focus on the safety of our team and the needs of our stakeholders. Our past investment decisions, driven by changing consumer spending habits and technological change, positions us well to deal with the challenges ahead.

Presentation of financial information

The Group financial statements have been prepared in accordance with IFRS. Management monitors the performance of the business principally on a proportionately consolidated basis, which includes the Group's share of joint ventures and excludes any non-controlling interest on a line by line basis. The figures and commentary in this review are presented on a proportionately consolidated basis, consistent with our management approach, as we believe this provides a meaningful analysis of overall performance. These measures are alternative performance measures, as they are not defined under IFRS.

The Group uses alternative performance measures based on the European Public Real Estate Association ('EPRA') Best Practice Recommendations ('BPR') to supplement IFRS, in line with best practice in our sector, as they highlight the underlying performance of the Group's property rental business. These are adopted throughout this report and are key business metrics supporting the level of dividend payments and for the variable elements of the Executive Directors' remuneration arrangements. We note that EPRA has updated its definitions of EPRA NAV and, in accordance with their guidance, we will adopt them next year.

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 189.

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	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
Gross rental income	**112.3**	**6.3**	**(1.3)**	**117.3**	85.1	10.4	95.5
Property costs	**(1.2)**	**(0.2)**	**–**	**(1.4)**	(1.2)	(0.5)	(1.7)
Net rental income	**111.1**	**6.1**	**(1.3)**	**115.9**	83.9	9.9	93.8
Management fees	**1.1**	**(0.5)**	**–**	**0.6**	1.7	(0.8)	0.9
Administrative costs	**(15.8)**	**(0.1)**	**–**	**(15.9)**	(13.7)	–	(13.7)
Net finance costs	**(24.9)**	**(1.5)**	**0.3**	**(26.1)**	(18.1)	(2.1)	(20.2)
Other[1]	**(0.2)**	**–**	**0.2**	**–**	0.2	–	0.2
EPRA earnings	**71.3**	**4.0**	**(0.8)**	**74.5**	54.0	7.0	61.0

1 Other items include the tax charge attributable to the non-controlling interest

Net rental income

£115.9m

2019: £93.8m

EPRA earnings per share

9.3p

2019: 8.8p

Net rental income

Delivering growth in earnings and a progressive dividend over the longer term continues to be our primary focus and strategic aim. This is driven by growth in our underlying net rental income, which increased by 23.6% in the year to £115.9 million. This was largely due to the Mucklow portfolio contributing £20.5 million in the nine months since acquisition.

Movements in net rental income are reflected in the table below.

	£m
Net rental income 2019	93.8
Net rent from existing properties[1]	0.7
Contribution from developments[1]	1.9
Surrender premiums received	(1.7)
Net rent from acquisitions[1]	28.9
Net rent lost from disposals[1]	(8.0)
Property cost reduction	0.3
Net rental income 2020	**115.9**

1 Properties held, developments completed, acquisitions and disposals in 2019 and 2020

Income from lettings, rent reviews and regears of our existing portfolio and completed developments generated additional income of £2.6 million this year.

Surrender premiums received were £1.7 million lower than last year and income from net acquisitions of £20.9 million included the Mucklow contribution of £20.5 million.

Property costs have decreased by £0.3 million reflecting lower vacant unit costs and our property cost leakage has seen a corresponding reduction to 1.2% (March 2019: 1.8%).

Rent is usually payable on a quarterly basis, although we have in the past agreed that some tenants can pay monthly to assist with cash flow management. March quarterly and April monthly rents were the first to be impacted by the COVID-19 disruption and some of our tenants requested assistance with payments. We spent time liaising and agreeing concessions where necessary to help and suit both parties, and increased the proportion of our annual rent payable monthly from 13% before the pandemic, to 18%. We have collected or are collecting monthly 93% of rents due by 1 April and have agreed short term rental concessions with compensatory asset management initiatives on a further 4% and short term deferrals on another 2%. As at the date of this report, we have also collected 94% of the monthly rents due over the two month period to 25 May. We have assessed the recoverability of our year end debtor balance taking into account the latest rent collection rates and have increased our provision to £0.4 million this year (2019: £0.2 million) as reflected in note 11 to the financial statements.

Administrative costs

Administrative costs have increased by £2.2 million to £15.9 million and are stated after capitalising staff costs of £2.1 million (2019: £1.9 million) in respect of time spent on development projects in the year. Employee headcount has increased to 33 at the year end from 28 last year, following the Mucklow acquisition which contributed £0.7 million towards the increase in overhead.

Annualised administrative cost savings of the combined group post acquisition are approximately £1.8 million.

EPRA cost ratio

	2020 %	2019 %
EPRA cost ratio including direct vacancy costs	**14.2**	15.0
EPRA cost ratio excluding direct vacancy costs	**13.3**	14.1

We continue to measure our effective management of costs by the EPRA cost ratio, which at 14.2% remains one of the lowest in our sector, having fallen 80 bps during the year.

The full calculation is shown in Supplementary note iv on page 184.

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 £26.1 million, an increase of £5.9 million over last year.

This reflected additional interest charges on the Mucklow £60 million SWIP debt facility of £1.6 million and on increased borrowings needed primarily to fund the acquisition. Gross debt increased £348.6 million over the year to £974.8 million.

In addition, the average interest rate payable over the year was higher than the previous year, as we replaced part of our cheaper RCF borrowings with longer dated private placement debt. However, the average cost of debt at the year end was 20bps lower than last year at 2.9% as we had drawn a higher proportion of unsecured borrowing at floating rates.

Further detail is provided in notes 5 and 10 to the financial statements.

Performance review

Financial review continued

IFRS reported profit

For the year to 31 March	Group £m	JV £m	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
EPRA earnings	**71.3**	**4.0**	**(0.8)**	**74.5**	54.0	7.0	61.0
Revaluation of investment property	**(3.8)**	**(10.2)**	**2.0**	**(12.0)**	75.9	(11.5)	64.4
Fair value of derivatives	**(3.2)**	**(0.4)**	**–**	**(3.6)**	(4.4)	(0.3)	(4.7)
(Loss)/profit on disposal	**(4.9)**	**(2.3)**	**–**	**(7.2)**	0.6	(1.6)	(1.0)
Debt and hedging early close out costs[1]	**(0.2)**	**–**	**–**	**(0.2)**	–	–	–
Impairment of goodwill	**(48.3)**	**–**	**–**	**(48.3)**	–	–	–
Acquisition costs	**(8.9)**	**–**	**–**	**(8.9)**	–	–	–
IFRS reported profit/(loss)	**2.0**	**(8.9)**	**1.2**	**(5.7)**	126.1	(6.4)	119.7

1 Cancellation on acquisition of Mucklow bank facility with HSBC

Share of joint ventures

EPRA earnings from joint venture investments were £4.0 million, a decrease of £3.0 million over last year as reflected in the table below.

For the year to 31 March	2020 £m	2019 £m
Metric Income Plus Partnership (MIPP)	**4.0**	4.6
LMP Retail Warehouse JV (DFS)	**0.1**	2.4
LSP London Residential Investments (Moore House)	**(0.1)**	–
EPRA earnings	**4.0**	7.0

The decrease in earnings from our MIPP joint venture was due to the receipt last year of surrender income of £0.7 million.

In April 2019, the Group increased its interest in the DFS joint venture from 45% to 82% by acquiring its partner's interest and repaying the external debt facility with M&G. As a result, we were required to consolidate our interest in the Group accounts and reflect our remaining partner's 18% share as a non-controlling interest. In total, DFS contributed £5.1 million to EPRA earnings in the year compared with £2.4 million last year.

In addition, the Group received net management fees of £0.6 million for acting as property advisor to each of its joint ventures (2019: £0.9 million) which have fallen as a result of the Group's increased share of DFS costs, and property sales reducing fees.

IFRS reported profit

Management principally monitors the Group's EPRA earnings, as they highlight the underlying performance of the Group's property rental business and exclude property and derivative valuation movements, profits and losses on disposal of properties, financing break costs, goodwill and acquisition costs, all of which may fluctuate considerably from year to year.

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 loss for the year was £5.7 million compared with a profit of £119.7 million last year. The £125.4 million reduction was primarily due to exceptional goodwill and acquisition costs of £57.2 million and a property revaluation deficit of £12.0 million this year compared to a gain of £64.4 million in 2019. Reported profit before exceptional goodwill and acquisition costs was £51.5 million.

Sales of 26 flats at Moore House generated a loss on sale of £2.4 million. Three further flats were sold at Moore House post year end, reducing the number now held to just five, two of which are currently under offer.

Group sales generated a further loss of £4.9 million, primarily in relation to the disposal of our mega warehouse in Newark let to Dixons Carphone.

The total profit over original cost of all sales in the year was £12.1 million, representing a return of 10.4%. Disposals are discussed in detail in the Property review on page 26.

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 A&J Mucklow Group previously operated as a UK REIT. Their activities have been incorporated into the LondonMetric Group REIT since acquisition.

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and resolving 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 ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained. The Group paid the required PID for the year to 31 March 2019 by 31 March 2020 and has already paid a large part of its expected PID for the year to 31 March 2020. The balance is expected to be paid in July as part of the fourth quarterly dividend. In accordance with REIT regulations, £5.5 million was withheld from distributions and paid directly to HMRC in the year.

Our strategy was updated and approved by the Board in the year and can be found on our website at www.londonmetric.com.

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	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
Investment property	**2,273.6**	**92.4**	**(14.9)**	**2,351.1**	1,688.0	158.2	1,846.2
Trading property	**1.1**	**–**	**–**	**1.1**	–	–	–
	2,274.7	**92.4**	**(14.9)**	**2,352.2**	1,688.0	158.2	1,846.2
Gross debt	**(932.7)**	**(42.1)**	**–**	**(974.8)**	(565.0)	(61.2)	(626.2)
Cash	**81.8**	**5.1**	**(0.8)**	**86.1**	20.6	3.5	24.1
Other net liabilities	**(34.3)**	**(0.6)**	**8.6**	**(26.3)**	(24.1)	(1.3)	(25.4)
EPRA net assets	**1,389.5**	**54.8**	**(7.1)**	**1,437.2**	1,119.5	99.2	1,218.7
Derivatives	**(4.7)**	**(0.7)**	**–**	**(5.4)**	(1.6)	(0.3)	(1.9)
IFRS net assets	**1,384.8**	**54.1**	**(7.1)**	**1,431.8**	1,117.9	98.9	1,216.8

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 IFRS and EPRA net assets is detailed in the table above and in note 8 to the financial statements.

IFRS reported net assets have increased 17.7% in the year to £1,431.8 million, mainly due to the acquisition of Mucklow which added net assets of £364.7 million but reduced cash reserves by £129.4 million as reflected in note 15 to the financial statements.

On a per share basis, both IFRS and EPRA net assets decreased in the year, largely due to the exceptional costs of the Mucklow acquisition of 2.5p per share and also due to the fall in value of investment properties. EPRA net assets per share fell by 3.2p to 171.7p in the year as reflected in the table opposite.

The goodwill arising on acquisition includes Mucklow transaction costs of £6.5 million and fair value adjustments as reflected in note 15 to the financial statements, reducing net assets per share by 1.3p.

Total accounting return is another important measure of our performance and a component of the variable element of Directors' remuneration arrangements. It reflects EPRA net asset value growth plus dividends paid in the year. Our return this year of 3.0% is lower than last year but compares favourably on a three year basis with many of our peers at 30.6%. The full calculation can be found in Supplementary note viii on page 185.

	£m	p
EPRA NAV at 1 April 2019	1,218.7	174.9
EPRA earnings	74.5	9.3
Dividends[2]	(64.2)	(8.0)
Property revaluation	(12.0)	(1.5)
Acquisition of Mucklow		
Issue of new shares	283.6	–
Goodwill	(48.3)	(1.3)
Acquisition costs	(9.1)	(1.2)
Other movements[1]	(6.0)	(0.5)
EPRA NAV at 31 March 2020	**1,437.2**	**171.7**

1 Other movements include loss on sales (£7.2 million), debt break costs (£0.2 million) and share based awards (£4.3 million), offset by scrip share issue savings (£5.8 million)

2 Dividend per share is based on the weighted average number of shares in the year. The actual dividend paid in the year was 8.4p as reflected in note 7 to the financial statements

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 2020, the Company paid the third and fourth quarterly dividends for 2019 and the first two quarterly dividends for 2020 at a total cost of £64.2 million or 8.4p per share as reflected in note 7 to the financial statements.

The Company issued 2.9 million ordinary shares in the year under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.8 million to £58.4 million.

The first two quarterly payments for the year to 31 March 2020 of 2.0p per share were paid as Property Income Distributions ('PIDs') in the year. The third quarterly payment of 2.0p was paid as a PID in April 2020 and the Company has approved a fourth quarterly payment of 2.3p in July 2020, of which 0.75p per share will be a PID. The total dividend payable for 2020 has increased 1.2% to 8.3p, comprising a PID of 6.75p and an ordinary dividend of 1.55p.

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, covered and progressive return to shareholders;
- Its EPRA earnings for 2020; and
- The outlook for 2021 and uncertainties associated with the COVID-19 pandemic.

At the year end the Company had distributable reserves of £836.8 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.

Performance review

Financial review continued

Portfolio valuation

The Mucklow acquisition dominated our investment activity this year, growing the portfolio by 64 complementary assets worth £454.7 million on acquisition and enabling us to pivot further into urban logistics, which now represents 35.4% of our overall portfolio. The assets acquired included £13.6 million of Mucklow developments.

Our segmental reporting in note 2 to the financial statements and in the table opposite has been amended following the acquisition to reflect a new though comparatively small office sector and to combine convenience, leisure and long income assets as one long income category.

Our distribution exposure continues to dominate and represented 69.8% of our portfolio including distribution developments at the year end. Further sales of 26 flats at Moore House have reduced our residential exposure to just 0.2% of our portfolio. Our development exposure remains modest at 2.4% of the portfolio and includes the remaining site at Bedford, our forward funded development in Goole, a pre-let convenience development in Weymouth and the Tyseley development site acquired as part of the Mucklow portfolio.

Phase 1 of our developments at Bell Farm, Bedford and Tyseley completed on schedule in the year, along with our forward funded development at Durham. These completed developments have been substantially let as discussed in detail in the case studies on pages 33 and 37 of the Property review.

Our property portfolio, including the share of joint venture assets, grew by £500.3 million in the year to £2.3 billion. The movement in the portfolio is reflected in the table opposite and also in supplementary note vii on page 185.

Property values in the second half of the year fell by £28.6 million leading to an overall deficit for the year of £12.0 million or 0.5%.

The portfolio has delivered a total property return of 5.1% this year compared to the IPD All Property index of -0.5%. Our distribution sector delivered a return of 8.5%, with urban and regional seeing the strongest performance.

Alongside the Mucklow corporate acquisition, the Group spent a further £136.0 million in the year acquiring £29.1 million of distribution and £71.2 million of long income assets and increased its investment in DFS assets by £35.7 million.

We completed 15 commercial property disposals along with the 26 residential flat sales in the period generating net proceeds of £126.4 million at share and reducing the book value of property by £133.6 million (including the cost of lease incentives written off of £5.4 million). The largest disposal was our mega warehouse in Newark which was sold in January 2020 for £80.8 million.

Property portfolio by sector

	2020		2019	
As at 31 March	**£m**	**%**	£m	%
Distribution	**1,593.7**	**67.9**	1,292.6	70.0
Long income	**552.5**	**23.5**	389.5	21.2
Retail Parks	**83.3**	**3.6**	87.0	4.7
Offices	**55.1**	**2.4**	–	–
Investment portfolio	**2,284.6**	**97.4**	1,769.1	95.9
Residential	**4.9**	**0.2**	17.3	0.9
Development[1]	**57.0**	**2.4**	59.8	3.2
Property portfolio value	**2,346.5**	**100.0**	1,846.2	100.0
Head lease and right of use assets	**5.7**		–	
	2,352.2		1,846.2	

1 Represents regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office £1.1 million and other land £1.1 million at 31 March 2020. Split of prior year comparatives was regional distribution £22.6 million (1.2%), urban logistics £23.9 million (1.3%), long income £13.3 million (0.7%)

Portfolio movement in the year

	Group £m	JV £m	Non-controlling interest £m	2020 Portfolio value £m	2019 Portfolio value £m
Opening valuation	1,688.0	158.2	–	**1,846.2**	1,842.0
Acquisitions[1 2]	635.3	(41.2)	(17.0)	**577.1**	156.3
Developments[3]	43.1	–	–	**43.1**	34.3
Capital expenditure[4]	10.2	0.3	(0.2)	**10.3**	15.0
Disposals	(113.4)	(15.1)	0.3	**(128.2)**	(258.8)
Revaluation	(3.8)	(10.2)	2.0	**(12.0)**	64.4
Lease incentives[5]	9.6	0.4	–	**10.0**	(7.0)
Property valuation	**2,269.0**	**92.4**	**(14.9)**	**2,346.5**	1,846.2
Head lease and ROU assets	5.7	–	–	**5.7**	–
Closing valuation	**2,274.7**	**92.4**	**(14.9)**	**2,352.2**	1,846.2

1 Group acquisitions in the year include £634.2 million completed investment properties as reflected in note 9 and trading property of £1.1 million

2 DFS upweight from 45% to 82% has been reflected in this table as an acquisition by the Group and offset as a disposal by the joint venture

3 Group developments include acquisitions and capital expenditure on properties under development as reflected in note 9

4 Capital expenditure on completed properties

5 Comprises incentives and rent frees of £15.4 million (2019: £9.2 million) less amounts written off on disposal of £5.4 million (2019: £16.2 million)

One disposal in Wakefield that exchanged last year completed in the period, generating proceeds of £10.5 million and has been accounted for in these financial statements. We also exchanged to sell a further four assets in the year for £64.4 million at share with delayed completions. These disposals will complete and be accounted for next year.

At the year end, the Group had capital commitments of £28.9 million as reported in note 9 to the financial statements, relating primarily to our forward funded development in progress at Goole.

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

Financing

The key 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 183.

As at 31 March	2020 £m	2019 £m
Gross debt	**974.8**	626.2
Cash	**86.1**	24.1
Net debt	**888.7**	602.1
Loan to value[1]	**35.9%**	32.2%
Cost of debt[2]	**2.9%**	3.1%
Undrawn facilities	**133.8**	373.5
Average debt maturity	**4.7 years**	6.4 years
Hedging[3]	**67%**	73%

1 LTV at 31 March 2020 includes the impact of sales that completed post year end of £64.4 million within cash and investment properties, and excludes the fair value debt adjustment of £2.7 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 increased £286.6 million in the year, primarily to fund the cash offer for Mucklow and transaction costs of £135 million, incorporate its SWIP £60 million loan and repay its £20 million HSBC facility in full. Further debt was drawn to fund other acquisitions and development expenditure in the year, increasing our LTV to 35.9%, which includes the completion of sales that had exchanged in the year. It remains our intention to keep this below 40% over the longer term.

As reported last year, we repaid our DFS joint venture's secured debt facility with M&G in April 2019, at the same time as increasing our equity holding to 82%.

Mucklow's £60 million fixed rate loan was reflected at its fair value on acquisition in accordance with IFRS 3, increasing debt by £2.9 million. This premium is released on a straight-line basis to finance costs over the remaining term of the facility. In the period since acquisition we have released £0.2 million to finance costs and decreased the fair value adjustment to £2.7 million.

Average debt maturity

Graph removed

4.7 years

1	Debt expiring within 0-3 years	42%
2	Debt expiring within 3-10 years	36%
3	Debt expiring 10+ years	22%

Undrawn facilities

Graph removed

£134m

1	Unsecured RCF	25%
2	Unsecured Wells Fargo facility	19%
3	Unsecured HSBC facility	56%

Debt drawn

Graph removed

£975m

1	Unsecured RCF	42%
2	Unsecured Wells Fargo facility	5%
3	Private placement	29%
4	Secured term loan	14%
5	MIPP joint venture	4%
6	Secured SWIP fixed rate debt	6%

Total facilities

Graph removed

£1,106m

1	Unsecured RCF	40%
2	Unsecured Wells Fargo facility	7%
3	Unsecured HSBC facility	7%
4	Private placement	25%
5	Secured term loan	12%
6	MIPP joint venture	4%
7	Secured SWIP fixed rate debt	5%

Performance review

Financial review continued

Financing continued

In March 2020, we entered into a new £75 million unsecured revolving credit facility with HSBC, which diversified and increased our firepower to provide further operational flexibility. At the year end, we had available undrawn facilities of £133.8 million and cash balances of £86.1 million, providing security and optionality and ample headroom to cover the Group's £28.9 million of contractual capital commitments as disclosed in note 9 to the financial statements.

Our post year end equity raise increased our firepower by £120 million to c.£340 million.

Our key financial ratios remain strong with average debt cost reducing to 2.9% (March 2019: 3.1%) and average maturity of 4.7 years (March 2019: 6.4 years).

Of our total facilities of £1.1 billion, 54% or £594 million are unsecured revolving credit facilities, providing operational flexibility at low average costs. At 31 March 2020 debt drawn under these facilities represented 47% of debt drawn compared with 25% last year. This has contributed to a shorter debt maturity at the year end of 4.7 years (March 2019: 6.4 years) and offsets the positive impact of our new SWIP and private placement debt facilities, which have an average maturity period of 11.1 years, and has also contributed to our lower average cost of debt as the marginal cost of drawing under the revolving credit facilities is only 1.5%.

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, which together account for 76% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2020 and after adjusting for the equity raise, the Group's gearing ratio as defined within these funding arrangements was 56% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.3 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 37% and rents by 58% before banking covenants are breached.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging arrangements. At 31 March 2020, 67% of our exposure to interest rate fluctuations was hedged by way of swaps and caps assuming existing debt facilities are fully drawn (2019: 73%). Since the year end, we have cancelled £350 million interest rate swaps that hedged our unsecured facilities and were due to expire in 2022, reducing the proportion of debt hedged to 36%, mainly through our fixed coupon private placement and SWIP debt. This will contribute to interest cost savings of c. £2.3 million per annum in an environment where we expect rates to remain lower for longer and has reduced our average cost of debt to 2.7%.

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

Cash flow

During the year, the Group's cash balances increased by £61.2 million as reflected in the table below.

As at 31 March	2020 £m	2019 £m
Cash flows from operations	**84.7**	69.6
Changes in working capital	**(16.0)**	0.4
Finance costs and taxation	**(24.0)**	(15.8)
Cash flows from operating activities	**44.7**	54.2
Cash flows from investing activities	**(199.2)**	83.2
Cash flows from financing activities	**215.7**	(143.0)
Net increase/ (decrease) in cash	**61.2**	(5.6)

The net cash inflow from operating activities of £44.7 million is stated after charging exceptional acquisition costs paid in the period of £15.6 million as reported in note 15. After adjusting for these one off costs, cash flows from operating activities were £60.3 million, representing an increase of £6.1 million or 11.3% compared to last year.

The Group spent £304.8 million acquiring property and subsidiaries in the year and received net cash proceeds of £112.2 million from property disposals and £15.4 million from joint ventures. Capital expenditure on asset management and development activities cost the Group £22.0 million.

Cash inflows from financing activities reflect net new borrowings of £283.8 million, offset by cash dividend and distribution payments of £58.8 million, financing costs of £2.1 million and share purchases of £7.2 million.

Further detail is provided in the Group cash flow statement on page 157.

Graph removed

Graph removed

Graph removed

Responsible Business review

Inside this section

Overview and achievements	46
Environmental	48
Social (including Section 172 Statement)	52
Governance (including TCFD)	58

Our Responsible Business activities are embedded into our investment, asset management, development and corporate activities. We work with all of our stakeholders to deliver on our objectives.

Martin McGann
Finance Director &
Responsible Business
Board representative

Responsible Business review

Our Responsible Business activities address the material ESG issues that impact our business.

Overview

LondonMetric's portfolio has changed significantly over the last five years, moving away from offices and retail parks into distribution warehousing and long income assets that are typically single tenanted. Consequently, the operational intensity of our portfolio has fallen significantly along with its carbon footprint. The acquisition of Mucklow in the year significantly increased our portfolio size as well as our exposure to urban logistics.

The Company is committed to improving its Responsible Business disclosure, mitigating climate change and sustainability risks whilst continuing to capture environmental and stakeholder related opportunities. This is embedded in our investment, asset management and development 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 and remuneration of Executive Directors is partly linked to achieving ESG related targets.

Responsible Business

Graphic removed

Graphic removed

Read more in our full report online at **www.londonmetric.com**

Addressing ESG

Graphic removed

Environmental

Through our activities we look to minimise the environmental impact of our business, maximise opportunities to improve the efficiency of our assets and improve the resilience of our assets to mitigate physical climate change risks and wider risks from transitioning to a low carbon economy. We look to work in conjunction with our occupiers on all initiatives.

Graphic removed

Read more **page 48**

Graphic removed

Social

Our actions consider the long term interests of all our stakeholders including the interests of our employees, suppliers, customers and local communities as well as ensuring that the Company maintains a high standard of business conduct.

Graphic removed

Read more **page 52**

Graphic removed

Governance

The Board is committed to upholding high standards of corporate governance. Responsible Business is an important part of ensuring that we deliver on those standards. In particular, it ensures that appropriate Health & Safety procedures are in place and that proper processes are followed by its supply chain.

Graphic removed

Read more **page 58**

Progress and achievements

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.

Logo removed

Global Real Estate Sustainability Benchmark ('GRESB')

- Achieved 71% score in the 2019 survey and maintained our Green Star status. This score is up from 34% in 2014 and 67% in 2018
- We continue to score above our peer average which, for 2019, was 67%
- We continue to look to improve our GRESB score

Logo removed

EPRA Sustainability Best Practice Recommendations ('sBPR')

- Since 2015, we have reported annually our environmental performance data in the format required by EPRA sBPR and received special commendation for improvements made
- In 2019, we maintained our Gold Award

Logo removed

FTSE4Good

- In the 2019 FTSE4Good Index assessment, we achieved a score of 3.4 out of 5.0 compared to 2.6 for our peer group
- This improved on our 2018 score of 3.1 and is the second year that we have been included in the index

Logo removed

ISS reporting

- Our investor Responsible Business survey identified ISS as an important ESG benchmark in 2018
- We continue to respond and improved our score further in 2019, in line with our industry benchmark

Targets overview

Our 22 Responsible Business targets in the year focused on:

- Further reducing our energy usage, environmental improvements to our buildings and greater scrutiny on physical climate and transition risks
- Integrating the Mucklow assets acquired
- Working with occupiers to help them reduce their energy consumption and improve their occupational satisfaction
- Ensuring developments are built to a high environmental standard and our supply chain acts in accordance with our procedures
- Developing community and other stakeholder relationships

We continue to make good progress against these targets with 91% achieved or in progress.

Many of the targets remain relevant for next year and are being rolled forward with minor modifications. We have also added several new targets including the setting of:

- Responsible Business related objectives more widely across our employees
- A Net Zero Carbon target, which we will look to formalise over the year

Performance against our 2020 targets is detailed in the full Responsible Business review for FY 2020. Our targets for the next year will be available on our website.

Awards

GRESB Green Star and EPRA sBPR Gold Award maintained

Targets for 2020

91%

achieved or in progress

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

71%

Read more **page 48**

BREEAM Very Good certification

78%

on developments completed or in construction during the year

Annual carbon footprint reduction in the year

-34% absolute

-88% like-for-like

Graphic removed

Read more in our full Responsible Business review online at **www.londonmetric.com**

Responsible Business review continued

Environmental

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 energy consumption and greenhouse gas emissions have fallen significantly over recent years and, in the year, fell by a further 34% and 82% respectively.

Energy consumed for 2020 was 748 MWh compared to 9,056 MWh in 2015 and 1,134 MWh in 2019. The large fall in 2020 was mainly due to the sale of vacant warehouses in the prior year and the letting of vacant units during the year; a major contributor to prior year consumption. However, the reduction was partly offset by the Mucklow portfolio acquired, which accounted for 58% of consumption.

The high level of green tariff supplies now in place has seen our GHG emissions fall to 1tCO_2e per £m net income (2019: 6tCO_2e).

Only a small proportion of the portfolio has landlord controlled energy supply and this limits our ability to further reduce our energy consumption. However, we continue to look to reduce consumption, improve the efficiency of our assets and engage with our occupiers to support them in reducing their carbon footprint.

Graph removed

ESOS compliance

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

Investing

Our investment process involves the careful assessment of environmental risks.

94% of our relevant assets are rated 'E' or above. 'A'-'C' rated assets represent 71%, up from 59% in 2015 but down on 2019. The fall over the year was due to the acquisition of Mucklow which added assets that are less efficient but in more urban locations. In addition, the EPC on 21% of those assets were unknown and, as a result, we are undertaking a number of EPC reviews across the portfolio.

As climate change risk increases, we continue to review our approach to environmental due diligence, and look to enhance our environmental risk and resilience assessment on both new acquisitions and existing assets.

In the year, we undertook a full review of flood risks across the whole portfolio and are analysing the data and will undertake more detailed asset assessments where required.

EPC Rating of Portfolio (by area at share)*

Graph removed

	2020	2019
A	**18.4%**	19.7%
B	**24.3%**	26.7%
C	**28.6%**	29.1%
D	**13.3%**	23.1%
E	**9.5%**	1.4%
1 Below E	**0.3%**	n/a
2 Unknown	**5.6%**	n/a

* For purposes of Minimum Energy Efficiency Standards (MEES)

Asset managing

Energy audits, LED upgrades & grid capacity review: We continue to undertake audits on our assets and engage with our occupiers. Over the last year, this prompted the installation of internal LED lighting upgrades across assets totalling 1.5 million sq ft resulting in EPC improvements. We continue to pursue further LED upgrades with our occupiers.

Renewable energy: Following ongoing engagement with our occupiers and feasibility studies, 1.0 MW of solar PV capacity is installed across our assets. The sale of a mega distribution warehouse in the year significantly reduced our solar capacity by 1.0 MW, but we continue to look at further solar installations and expect 1.5 MW of capacity to be installed in FY 2021.

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

Green energy & smart metering: We have increased the percentage of our managed energy consumption derived from renewable sources from 85% to 96% in the year which has helped to significantly reduce our carbon footprint. Furthermore, the proportion of our supply covered by smart meters increased from 69% to 75%.

Tenant energy data: We continue to collect occupiers' energy consumption data and this helps us to understand the true carbon footprint of our assets. In 2019, we increased data capture to cover 38% of our portfolio and our 2020 data capture is underway.

Responsible asset management in action

Asset management activity in the year

Distribution warehousing represents 70% of our portfolio with asset management activities predominantly focused on this sector. For all assets, 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 and economic life of our buildings as well as their future resilience.

Significant improvements were underway or completed in the year across a number of assets including at our newly acquired warehouse let to Wiley in Bognor Regis where, as part of a lease regear, we are undertaking substantial building improvement works.

Most of our improvements relate to more efficient lighting, heating systems and roofing. We continue to engage with our occupiers on a variety of improvement opportunities.

Case study →

Improving our Mucklow assets

Image removed

Following the acquisition of Mucklow, we have looked at environmental improvements on the Mucklow assets to improve occupier appeal and energy ratings. A number of initiatives are underway, principally involving LED lighting upgrade on units, which are leading to significant improvements in EPC ratings. An exercise to update unknown or lower EPC rated assets is also ongoing and being undertaken in conjunction with improvement works where possible.

Case study →

Urban logistics refurbishment in Greenford, London

Image removed

During the year, we undertook a significant upgrade of a 34,000 sq ft urban warehouse. Works include roof oversheeting, new rooflights, LED lighting upgrade, better loading configurations, asbestos removal, modern HVAC system and upgrade of the grid capacity. During refurbishment, which is ongoing, we agreed a five year lease with an online company who will use the unit as their HQ. We are working closely with them to incorporate their requirements into the works.

LED lighting installed across c.1.5m sq ft in year

Our carbon footprint

GHG Emissions (Scope 1&2)

72tCO_2e

This amounts to

5tCO_2e

per million sq ft

1tCO_2e

per £m income

Building certification

BREEAM Very Good/Excellent

20%

of the portfolio (by area), up from 10% in 2015

Green supply of energy

Managed supply

96%

green energy sourced from green supplies

Responsible Business review continued

Environmental

Responsible development in action

Developing

We carry out developments responsibly and with proper consideration for the environment, sustainability and society.

We continue to integrate sustainable features into developments including solar PVs, rooflights, electric vehicle recharging, water conservation and ecology. For large developments, we target BREEAM Very Good and our development team ensures that, along with our project managers, we select high quality and robust contractors with a proven track record and high standards.

Looking forward, we are increasingly focused on enhancing our 'Responsible Building' credentials to ensure that carbon emissions are further mitigated, both during the construction phase as well as once operational, and that our developments meet certain well-being criteria.

Wellbeing is an increasing area of focus. Following the Mucklow acquisition, one of the offices that was acquired has subsequently achieved a WELL gold award, which we believe was only the third office in the UK to receive such an award at that time.

BREEAM Very Good

Developments completed in year or under construction rated BREEAM Very Good

78%

across 0.7m sq ft

Bedford

The logistics park consists of up to c.700,000 sq ft of logistics warehousing. 188,000 sq ft is built and let with a further 166,000 sq ft under construction. 1,000 jobs are expected to be created overall.

Image removed

The 40 acre site provides an open and landscaped space with integrated pedestrian and cycle routes. The buildings are highly efficient with c.10% rooflights, electric vehicle charging and the ability to retro install solar PV. We have worked closely with the local community and council throughout the development.

BREEAM Very Good

188,000 sq ft

Goole

The 232,000 sq ft development will provide Croda with a worldwide distribution hub. It is pre-let for 20 years and is expected to complete in Q3 2020. 200 jobs are expected to be created.

Image removed

The warehouse will have exceptional credentials with high safety and environmental standards including energy saving measures, c.12% rooflights, zero waste to landfill policy, stringent employee protection systems, water saving measures (including rain water harvesting) and cycle network links.

BREEAM Very Good

232,000 sq ft

Weymouth

The 19,000 sq ft convenience store is let to Aldi and completed in June 2020. It is expected to create up to 20 new jobs with an additional 20 staff relocating to the new store.

Image removed

LondonMetric assisted Aldi in upsizing their footprint in the area to provide a modern shopping experience. There was significant local public consultation and it received strong support from the local community. In conjunction with Aldi and as part of its COVID-19 giving, LondonMetric has supported the Lantern Trust, a local charity.

BREEAM Very Good

19,000 sq ft

Environmental performance highlights for 2020

Energy consumption

748 MWh

Down 34% on an absolute basis

The reduction was mainly due to the sale of vacant warehouses in the prior year along with the letting of further vacancies in the year; these were a major contributor to prior year's consumption. However, this reduction was partly offset by the consumption generated from the Mucklow assets acquired. Like for like consumption fell by 0.2% which, although small, reflects the significant reductions already achieved and still puts us on track to reach our long term target to reduce energy intensity by 20% against a 2015/16 baseline, by 31 March 2022.

Greenhouse gas (GHG) emissions

72tCO_2e

Down 82% on an absolute basis (scope 1,2)

The 82% absolute fall was caused by a further shift to green tariff supplies. This high level of green supply has prompted us to report market based GHG emissions, instead of location based emissions for Scope 2, as it more clearly shows our progress towards a zero carbon future. On a like for like basis, market based emissions fell 88% with location based emission falling 9.9% (mainly due to grid decarbonisation). This puts us on track to meet our longer term target to reduce GHG emissions intensity by 20% against a 2015/16 baseline, by 31 March 2022.

GHG emissions reporting		2019/20	2018/19
Direct greenhouse gas emissions in tonnes of CO_2e (combustion of fuel and operation facilities)	Scope 1	**27**	22
Indirect greenhouse gas emissions in tonnes of CO_2e (purchased electricity, heat, steam and cooling)	Scope 2 – location-based	**154**	275
	Scope 2 – market-based	**46**	378
Indirect greenhouse gas emissions in tonnes of CO_2e (transmission and distribution losses)	Scope 3	**13**	23
Indirect emissions from employee business travel (by vehicle) in tonnes of CO_2e over which the company does not have control	Scope 3	**7**	7
Total carbon footprint in tonnes of CO_2e	Total Scope 1, 2 & 3	**92**	430
Scope 1 and 2 intensity (tonnes of CO_2e per £m net income after administrative costs)	Scope 1 & 2 intensity	**0.75**	5.56
£m net income after administrative costs		**96.4**	71.9

Data qualifying notes

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

We have used the main requirements of ISO14064 Part 1, the GHG Protocol Corporate Accounting and Reporting Standard (Revised Addition) along with the recently introduced Streamlined Energy and Carbon Reporting regulations for our methodology.

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 (2019).

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 suppliers' fuel mix disclosure or the latest Association of Issuing Bodies European Residual Mixes (2019).

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

Data for the year to 31 March 2019 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).

Emissions from employee business travel (by vehicle) have been calculated and reported under Scope 3 emissions for the first time. Emissions have been calculated on a distance travelled basis, where the relevant vehicle emissions factor has been applied to expensed mileage.

An operational control consolidation approach has been adopted.

Responsible Business review continued

Social

Companies Act 2006 Section 172 statement

Strengthening stakeholders relationships, as well as motivating and leveraging our highly talented team is vitally important for our future success.

The Board of Directors, both individually and collectively, is aware of its duty under Section 172 of the Companies Act 2006 to act in the way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to:

- The likely consequences of decisions in the long term
- The interests of its employees
- The Company's relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The Company's reputation and maintaining high standards of business conduct
- The need to act fairly as between members of the Company

Identifying the relevant issues and stakeholders

Throughout this report we set out our key stakeholders as our people, our occupiers, our suppliers, our investors and our communities. Building relationships with our stakeholders, as described on pages 01 to 09, has been a strategic priority for many years and is integral to our business model as shown on pages 22 to 23.

We believe that in order to generate value and long term sustainable returns we need to understand the views and take account of what is important to our key stakeholders. We do this through effective and proactive engagement.

Methods of engagement

On pages 88 to 89 we explain why each stakeholder group is important to us and how we engage with them. Engagement is both at Board and management levels and includes one to one meetings and roadshows, dedicated management teams and regular discussions, formal employee appraisals and customer, investor and employee surveys.

Our engagement this year with our stakeholder groups is summarised in our Governance report on pages 87 to 92 and is supplemented in this Responsible Business review on pages 53 to 57.

Impact on decisions made in the year

We have outlined on pages 88 to 89 how we have considered the interests of each of our stakeholder groups when making important decisions in the year, which include the following key examples:

1. The corporate acquisition of A&J Mucklow Group
2. Employee engagement and the work of the designated workforce Non Executive Director
3. Shareholder consultation on new Remuneration Policy

Acquisition of Mucklow

Graphic removed See case study on page 18

Employee engagement

Graphic removed See page 90

Shareholder consultation

Graphic removed See Shareholder engagement on page 90

Graphic removed See Remuneration Committee report on page 112

In preparation for the Company's implementation of the 2018 UK Corporate Governance Code and the new requirement to report its compliance with S172, the Board has further considered how stakeholder interests are incorporated into its decision-making processes.

Board briefing papers and appraisals document stakeholder interests and views, ensuring the Board is fully informed when making decisions.

Board and Committee minutes record the consideration of stakeholders in the decision making process where relevant, and an explanation of Directors' duties under S172 will be provided on induction for all newly appointed Directors.

Our responsibility to stakeholders, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct, is integral to the way the Board operates.

After due consideration, we believe that the Board has taken into account the views, interests and impact on key stakeholders in its decisions made during the year.

Graphic removed Read more

Consequences of decisions in long term	Chief Executive's review **page 15** Promoting long term success **page 92**
Interests of its employees	Our people **pages 54 – 55** Employee engagement **page 90**
Relationships with stakeholders	Our stakeholders **pages 87 – 92** Social considerations **pages 53 – 57** New Remuneration Policy **page 119**
Impact on community and environment	Environment **pages 48 – 51** Community **page 57** TCFD **page 59**
Reputation, high standards	See **page 58**
Act fairly between members	See **page 54** See **page 142**

Occupiers

We recognise that when our occupiers' businesses thrive, so our business also thrives. We treat our occupiers as customers and put them at the centre of our decision making. Our occupier-led approach provides us with market knowledge to better understand future trends and make informed decisions.

Our high occupancy rate and customer satisfaction scores demonstrate the strength of these relationships and extending existing relationships and developing new contacts are a key focus for us.

Develop trusted relationships
Our strong occupier relationships reflect our differentiated proposition where we:

- Are approachable and actively engage with our occupiers
- Strive to listen, fully understand occupier requirements and create solutions that are mutually beneficial
- Make quick decisions, act swiftly and deliver on our promises

Customer satisfaction
We undertake regular surveys across our key occupiers with our most recent survey in March 2019 receiving responses from occupiers representing over half of our income and scoring of 8/10 for property satisfaction and 9/10 for how well we compared against other landlords.

Our survey for 2020 was due to be released in March but we decided, given COVID-19, that the timing would be inappropriate and have deferred it to next year. However, we continued to enjoy strong and close relationships with our occupiers as reflected in the long leases we signed in the year, high occupancy rates and high levels of rent collection during the pandemic.

We have seen a noticeable increase in our occupiers' willingness to discuss environmental initiatives and, as part of that, we undertook a grid capacity resilience review with several identified occupiers to ensure our properties continue to provide them with sufficient power capacity for their current and future needs.

Our occupier relationships are crucial to the success of LondonMetric. We work closely with our occupiers to understand their requirements and our ambition is to be their real estate partner of choice.

Mark Stirling
Asset Director at LondonMetric

Image removed

COVID-19 response

Despite uncertainty from COVID-19, rent collection has been strong, but we have provided some assistance to occupiers.

Assistance to existing occupiers

We have provided appropriate and proportionate help to some customers materially impacted by COVID-19 as follows:

- Changing payment terms to monthly rather than quarterly in advance
- Rent concessions in return for compensatory asset management initiatives that improves our longer term income streams
- Rent deferrals to be repaid over a future time period, typically 12 months

Rent free accommodation to assist occupiers providing key services and products

We are engaging with occupiers to offer short term accommodation on a part or full rent free basis where they are fulfilling contracts to help fight the COVID-19 pandemic. This has resulted in short term licences being granted on:

- 11,000 sq ft to Core Group to help them provide modular buildings in connection with the construction of the NEC Nightingale Hospital
- 6,500 sq ft to Hayley Group to help them provide 25 million face masks to the NHS and TfL

Responsible Business review continued

Social

Our people are critical to the success of the Company

Our people

The Company is highly focused with 33 employees and six Non Executive Directors. Since merger in 2013, employee and Director numbers have fallen by 34% despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

During the year, we successfully integrated the core team of seven employees from our Mucklow acquisition and have instigated an office relocation for them to better located and more modern premises.

Culture and approach
We have successfully attracted and retained a talented and loyal team. This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger. We believe this reflects our:

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

COVID-19 people response

Our people response has been focused on ensuring their safety. Our team has successfully transitioned to remote working and is operating highly effectively. We continue to monitor the well-being of our staff during this time.

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, medical insurance, childcare and cycle to work vouchers.
Diversity & equal opportunity	We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place. 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 25%. 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 we continue to monitor our staff training each year, some of which related to a senior employee's MBA programme. We continue to undertake Responsible Business training across our employees and 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 58 for further details on health & safety.
Well-being & employee satisfaction	Last year, we significantly reduced our office space and undertook a major refurbishment and modernisation of the office. We also undertook a well-being review of the space and carried out a wider employee and office well-being survey to gauge overall employee satisfaction, which was reported on in 2019. We have continued to see further improvements in overall employee satisfaction. The results of our 2020 employee survey show further improvements against the previous year and Andrew Livingston, the Company's designated workforce Non Executive Director, continues to be closely involved. Further enhancements to employee well-being will be looked at where possible.

Employee gender diversity

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

Graphic removed

Senior Leadership
The number of persons of each sex who were members of the Senior Leadership Team (other than identified as Directors):

Graphic removed

All Employees
The number of persons of each sex who were employees:

Graphic removed

Our people
Satisfaction survey

Overview of survey
In February 2020, we undertook our third annual employee survey. The survey is used to gauge overall employee satisfaction and track changes from the previous year.

The survey was open to all employees including all members of the Mucklow team that had transferred as part of the acquisition of Mucklow. There was a very high participation rate, which was in line with the previous year.

In total, there were 34 questions across three main categories of:

- The company
- The office environment
- About the individual employee

There were five possible scores for each question ranging from strongly agreeing to strongly disagreeing and all responses were anonymous.

Results of survey and next steps
Overall, the survey demonstrated that there was a high level of employee satisfaction with an improvement in scores over the year across all three categories.

100% of respondees either agreed or strongly agreed that they enjoyed working at LondonMetric, felt proud working at the Company and would recommend working for LondonMetric.

There were significant improvements in scoring on work life balance, office facilities and how employees felt about the way the Company recognised their contribution.

Further steps in response to COVID-19
Due to the pandemic, all employees are working remotely. As a result, the 2020 survey has since been supplemented to understand working from home practices and individual circumstances and to help guide our decisions on our return to the office environment.

Board consideration
During the year, the 2019 survey was presented to Andrew Livingston, the designated workforce Non Executive Director. Andrew also hosted an informal lunch for eight employees in the summer to discuss the survey and wider employee matters.

The survey and feedback from the informal lunch was provided to the Board as part of the wider employee engagement agenda.

The key results from the 2020 survey were presented to Andrew Livingston. The Board has also reviewed the results which will be further considered over the next year.

Image removed

Survey breakdown of scores
(percentage of those that responded with agree or strongly agree)

Graph removed

Responsible Business review continued

Social

Contractors & Suppliers

Contractor compliance

100%

with our Responsible Development Requirements

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 relatively small, we continue to monitor compliance of our suppliers against our Managing Agents' policies. In 2020, our focus was on the procurement activities on assets acquired through the Mucklow acquisition.

We reviewed the relevant managing agent's procedures and looked at the main suppliers to our Mucklow assets and their policies. Whilst this process is still ongoing, with a more detailed review to follow in the next year, our initial analysis of the key supplier was highly positive and demonstrated their strong focus on sustainability improvements such as biodiversity, use of electric vehicles and waste recycling.

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 our projects including sub-contracted works. We stay in close contact with our contractors and arrange regular visits and detailed reviews and checks of their systems and processes.

Our Responsible Development Requirements checklist is used on all projects and sets minimum requirements for contractors. We specify compliance by the Contractor with the Considerate Constructors Scheme on most of our projects where we deem it appropriate. There was 100% compliance with our checklist in the year.

COVID-19 response

Whilst the pandemic caused disruption to our developments, it was limited and most of our sites resumed operations within a short time frame. We were very appreciative of the commitment shown by our project and contractor teams.

Investors and Joint Ventures

Investor related meetings in the year

250+

shareholders, analysts and potential investors

We value our good relationships with equity investors
Over the year, as covered in detail on pages 90 to 92, we saw over 250 equity investors through meetings, site visits and conferences. This was greater than in previous years due to the acquisition of Mucklow in the year and involved significant dialogue with both our shareholder base as well as Mucklow's. Feedback continues to be very supportive of our strategy and achievements.

Meeting investor expectations on Responsible Business
As shareholder expectations on corporate governance and sustainability increase, we had planned to undertake our second Responsible Business survey of investors in March 2020 following on from our previous survey in 2018. However, we decided to delay this to the following year given the COVID-19 pandemic.

However, we saw a marked increase in engagement on ESG matters from shareholders and it was a particular focus of investor meetings with positive feedback received on our ESG progress.

We continue to use this feedback from shareholders to inform the setting of our sustainability targets and our wider corporate reporting.

Debt investors and joint ventures
We continue to enjoy good relationships across the debt capital markets and continue to broaden our base of debt providers. In addition, we enjoy strong relationships with our Joint Venture partners.

COVID-19 response

There has been significant investor contact during the pandemic and shareholders continue to be highly supportive, as evidenced by our substantially oversubscribed equity raise after the year end.

Local Communities

Permanent jobs expected to be created

1,100+

by occupiers at our developments that completed or were underway in the year

COVID-19 Communities fund created

£127k

mainly for causes local to our assets that have been impacted by COVID-19

Image removed

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. Through our actions, 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** in areas local to our properties by funding of local events and facilities and engaging with schools
- **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 £22,958 and LondonMetric encourages its employees to participate in charitable and local community events which, in the year, raised nearly £5,000 for charitable causes

Our charity response to COVID-19
In response to COVID-19, LondonMetric earmarked funds for charitable causes that could make a difference to communities impacted by the pandemic.

In addition, the Board and certain other key employees agreed to waive 20% of salaries and fees for a three month period which provided additional funds to LondonMetric's COVID-19 charity funds; the fund currently amounts to £127,000.

LondonMetric also arranged an internal #2.6 Challenge event which saw great support from employees and raised £5,000 for the Ahoy Centre Charity.

COVID-19 response

LondonMetric set up a COVID-19 communities and charities committee and published a response statement on its website

COVID-19 Committee set up

In response to the pandemic, LondonMetric set up an internal committee consisting of five employees, led by the Finance Director. It meets virtually once a week and engages with all employees on how the Company can assist local communities.

Showing our appreciation

In order to show our appreciation of the front line tackling the pandemic, we provided a COVID-19 statement on our website and arranged for supportive and prominent banners to be put up at several of our developments.

Charitable giving

c.£100,000 of our COVID-19 fund has been allocated to:

- National charities, including LandAid and Macmillan
- Foodbanks and other local organisations near key assets
- Several local NHS trusts

Responsible Business review continued

Governance

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
- Regular environmental performance reports

Graphic removed

For wider corporate governance reporting please see **page 76**

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 & 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 2019/20

- Quarterly internal meetings
- Half yearly project audits:
  - Projects at Liskeard and Swindon were inspected by RP&P
  - Further audits to be carried out next year
- Two reportable incidents on projects
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health & Safety policy to be updated in 2020/21 following Mucklow deal

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 (where appropriate)
- 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 commenced the audit of 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. This audit is still ongoing.

TCFD Disclosure

Recommendation	Commentary	Further information
Governance Disclosure of governance on climate related risks and opportunities	The Board is responsible for the Company's risk management framework, including the consideration of climate-related risks and opportunities as part of its wider oversight for Responsible Business. Implementation of Responsible Business is delegated to the Senior Leadership Team with two of its members, the Finance Director and Head of Responsible Business, leading the Responsible Business working group; other members consist of a representative from each of the investment, asset management and development teams. The Head of Responsible Business ensures that annual Responsible Business targets are delivered and leads engagement and training across the Company on Responsible Business, helped by our sustainability advisor, JLL.	Page 76
Strategy Disclosure of actual and potential impacts of climate related risks and opportunities on the organisation's business, strategy and financial planning	LondonMetric has identified that climate-related risks could impact on the Company by reducing: 1. the desirability of its assets to occupiers such that buildings are no longer fit for purpose from a location, design or operational perspective 2. its ability to sell assets as a result of a greater focus by investors on climate-related risks 3. its access to capital and impacting on reputation due to concerns over how well its buildings are adapted for climate change and how well its occupiers' are positioned for a low carbon economy The Company's shift from retail parks and offices into distribution assets that have lower energy requirements means that the overall carbon footprint of its buildings is significantly lower. Whilst its recent pivot from larger distribution assets into smaller urban logistic units means that its assets are typically slightly older and less energy efficient, the use of the building tends to be less energy intense and there is greater value in the land. Consequently, occupiers and investors are less concerned about the environmental performance of these buildings. We are, however, improving and climate-change adapting our assets through maintenance and energy efficiency upgrades. Furthermore, whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments, future-proofing new buildings and taking advantage of opportunities of the shift to a low carbon economy. During our investment process, we are careful to review the locational risks, the fabric and the energy efficiency of potential acquisitions to understand the climate and carbon-related risks and costs involved in rectifying those risks.	Page 14 Page 48
Risk Management Disclosure of the Company's process for identifying, assessing and managing climate related risks	Climate related risks are considered by the Board who recognise that climate change is an increasingly important priority. The Head of Responsible Business and the Finance Director update them on climate related risks as well as opportunities. The Company is raising its understanding and assessing the potential impact of physical changes, such as extreme weather and longer-term shifts in climate patterns, as well as the transitional changes in terms of emissions pricing, costs from adopting lower emission technology, regulation of products, legislative and consumer behaviour. Our risk register is regularly reviewed and updated to keep track of the changing nature of these risks. During the year, we started to analyse which acute and chronic physical climate risks are most likely to affect our assets and identified flooding as the highest risk area. As a consequence, with the help of WSP, we carried out an updated desktop flood analysis across the portfolio, adjusting historic data for future risk levels. The results of this analysis are being processed and overlayed with further, more detailed site specific analysis where appropriate. The work undertaken will allow us to more easily monitor future changes in flooding risk. Further work will be undertaken to consider the impact of other climate change related risks and we will look at how modelling of short, medium and long term horizons for increases in global temperatures could help us in better understanding the risks to our portfolio. Over the year, we also increased our focus on the transitional risks that impact our business with particular scrutiny of potential MEES legislative changes, which would require a high level of energy efficiency at each asset by the end of the decade.	Page 60 Page 68
Metrics and Targets Disclosure of metrics and targets that allow the Company to assess and manage climate-related risks and opportunities	The specific metrics that we use to assess climate-related risks and opportunities are tracked both within the corporate risk management process and within our Responsible Business workstream. Relevant material energy and carbon metrics, and EPC ratings, for our standing assets, are tracked and are reported within the 'Environmental' section of this report on pages 48 to 51, along with BREEAM Very Good certification on development activity. We report in line with EPRA Best Practice Recommendations on Sustainability Reporting and issue our EPRA tables on our website: www.londonmetric.com/sustainability. We disclose Scope 1, Scope 2, and aspects of Scope 3 greenhouse gas (GHG) emissions in our carbon reporting table on page 51: our absolute landlord-controlled carbon footprint has decreased significantly over the last six years and our like for like carbon footprint has also materially reduced, particularly due to the shift to renewable electricity across most of our portfolio. The relevant targets to manage climate-related risks and opportunities are detailed at www.londonmetric.com/sustainability. Performance against our historic Responsible Business annual targets is provided in our full Responsible Business report which is also available on our website and updated annually.	Page 47

Risk

Risk management

Risk management is critical for reducing the negative impact that risk could have on the Company's strategic objectives and for safeguarding stakeholders' interests.

Our risk management approach

Our risk management structure is illustrated below:

Structure	Responsibility
Board	- Overall responsibility for risk management and internal controls - Assess and monitor the business's long term viability - Set strategic objectives and consider risk as part of this process - Determine appropriate risk appetite levels - Set delegated authority limits for senior management
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
Senior Leadership Team	- Identify, assess and quantify risk - Implement and monitor risk mitigation processes

The Board has overall responsibility for establishing and maintaining a risk management framework which is critical to its decision making process and key to the long term success and growth of the business. This framework is designed to give the Board confidence that risks with the potential to cause material harm to its operations and stakeholders are identified and mitigated as far as possible. The Board has a low risk appetite in respect of these objectives but acknowledges that no system can eliminate the inherent risk in running the business entirely.

A culture of risk awareness is embedded in the Company and within decision making processes supported by robust systems for the identification and management of risk. At each meeting the Board considers risk via a high level dashboard which enables material issues to be monitored and new and emerging risks to be identified early with appropriate action taken to remove or reduce their likelihood and impact.

The Audit Committee has a key oversight and assurance role and assists the Board. The Committee annually scrutinises the Company's risk register and seeks comfort that the principal risks facing the Company have been carefully identified, assessed and mitigated and continue to be monitored. The Committee also reviews the effectiveness of the Group's internal controls including all material financial, operational and compliance controls which form part of the risk mitigation framework. It does this by reviewing an annual internal control evaluation report completed by the Finance Director and through the audit process which includes an assessment of controls. Both the risk register and the internal control evaluation report were last considered by the Audit Committee at its March 2020 meeting. In addition, the Committee also received a cyber security update from the Finance Director at that meeting, which described the penetration, social engineering and

disaster recovery testing undertaken in the year to ensure that the Company's IT infrastructure and systems continue to be robust and fit for purpose.

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

The Senior Leadership Team is comprised of individuals with a breadth of skills and experience from across the Company. It 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. Short reporting lines and low staff numbers facilitate the early identification of risks and the development of appropriate mitigation strategies based on an assessment of the impact and likelihood of a risk occurring.

The risk register is comprehensively reviewed and updated at least annually by the Company Secretary assisted by members of the Senior Leadership Team. 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.

Principal risks

Our principal risks and uncertainties are identified and reported on in pages 64 to 75. These risks have the potential to cause material harm to our operations and stakeholders and could impact our ability to execute our strategic priorities or exceed the Board's risk appetite.

Identifying emerging risk

Senior Leadership Team members are closely involved in day to day matters and have a breadth of experience across corporate and regulatory, property, banking, finance and risk management matters. Each member, within their field of specialism, considers emerging risks that have the potential to adversely impact the business or its stakeholders. These risks are evaluated and monitored at regular meetings held by the Senior Leadership Team, with appropriate mitigation measures implemented as required. Significant emerging risks are raised and discussed at Board level.

Senior management within the property team have strong relationships, particularly within retail, and regularly meet with occupiers to understand their needs and to gain insights into their businesses. Management also have strong banking relationships and more broadly, regularly meet industry representatives, shareholders and analysts. These relationships are one of the key tools used to identify emerging risks. Reports are also commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the real estate sector and the wider economic outlook.

Changes in risk factors

COVID-19

COVID-19 has been introduced as a new principal risk factor and is reported in more detail on pages 64 to 65. The disruption from COVID-19 and the risk of a prolonged, severe economic downturn is such that this risk is inextricably interlinked with other principal risk categories.

At this stage it is too early to predict COVID-19's full impact on the business. The impact on the macro-economy and therefore tenants is the greatest challenge facing the Company and dominates management's and the Board's time. It is also however creating opportunities. We continue to operate against this unprecedented economic and social backdrop which is accelerating a number of trends that were already in the system. This is having a profound effect on real estate as performances across sectors continue to polarise. The structural trends towards online and convenience that have underpinned our conviction calls into logistics and long income are set to

Whilst COVID-19 is creating an economic shock the Board believes that the Company is well placed to deal with the current disruption and opportunities it may bring.

Our three risk areas

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

Graphic removed

1

Corporate risks

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

These relate to the entire Group

Graphic removed

2

Property risks

Portfolio composition and management, developments, valuation and occupiers

These focus on our core business

Graphic removed

3

Financing risk

Investors, joint ventures, debt and cash management

These focus on how we fund our operations

Risk

Risk management continued

accelerate, as many temporary changes from the pandemic are set to become permanent with changes that were expected to take years now occurring within months.

Against this backdrop, our portfolio remains well positioned and has continued to perform strongly as borne out by our high rent collection and continued dividend payments. These uncertain times are starting to give rise to quality investment opportunities that are seldom available in a normalised market. Through our occupier relationships we have identified some excellent assets, at attractive pricing, which would further strengthen our portfolio's long term income characteristics. Not only do we expect to see further opportunities arise but also we expect competition to be less intense than before with pricing reflective of this.

Whilst COVID-19 is creating an economic shock the Board believes that the Company is well placed to deal with the current disruption and opportunities it may bring. It remains focused on keeping its people safe, working closely with occupiers, suppliers and other stakeholders, continuing to maintain a strong financial position and looking at ways of helping its communities.

International trade negotiations following Brexit

On 31 January 2020, the UK left the EU but substantial uncertainty remains over its relationship with the EU and other nations and the shape of future trade deals which are still to be finalised. This has the potential to further negatively impact the macro-economic environment, in addition to the impact from COVID-19 and could affect the Company's investment and occupier market. The Board still ultimately believes that the profound structural changes described above, which are being accelerated by COVID-19, will be more important than the outcome of the international trade negotiations on the business longer term.

Climate change

The risks to companies from climate change are under ever greater scrutiny and we have, for the first time, provided a statement on page 59 that attempts to adhere to the Task Force on Climate related Financial Disclosure (TCFD).

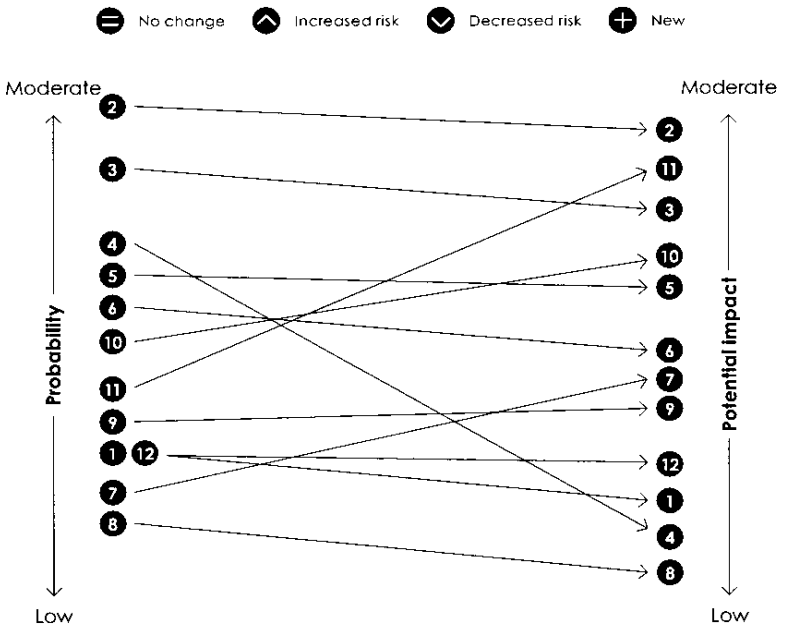
Whilst we believe that we own resilient assets, we started to assess the impact of climate change on our properties, both in terms of the risk of transitioning to a low carbon economy and also the physical risks resulting from climate change, as part of our initial TCFD considerations during the year. The Board's primary consideration at this stage has been assessing the impact that climate change risk could have on the liquidity of our assets. We have therefore commissioned WSP, our environmental due diligence advisor, to undertake a desktop flood risk review across our entire portfolio, to analyse the key risk of flooding. We expect to receive their report back shortly. This analysis will continue to be updated at least annually. We have also increased the scrutiny of the environmental credentials of our buildings, attaching an environmental risk rating to each asset.

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.

Post mitigation residual risk

Corporate risks	Change in the year
1 Strategy	↓
2 COVID-19	+
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	↓
9 Development	=
10 Valuation	↑
11 Transaction and tenant	↑
Financing risk	
12 Capital and finance	=



Risk

Viability Statement

In accordance with the 2018 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 financial position, business strategy, principal risks and outlook.

Assessment of viability review period
The Board has determined that the three year period to 31 March 2023 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 Bedford, Tyseley and Durham was ten 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 11.2 years;
- The longer term nature of some debt facilities and a weighted average debt maturity of 4.7 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 at one meeting or lunch each year.

The business plan is structured around the Group's strategy and consists of a rolling three year profit and cash flow forecast, which factors in deals under offer, committed developments and also reinvestment plans.

The business plan considers capital commitments, dividend cover, loan covenants and REIT compliance metrics.

The Senior Leadership Team provides regular strategic input to the financial forecasts covering investment, divestment and development plans and capital allocation.

Forecasts are updated at least monthly, and are reviewed against actual performance and reported quarterly to the Board. The corporate model has been enhanced and rebuilt this year by BDO LLP following the acquisition of A&J Mucklow.

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

- Income certainty, with 55% of the Group's rental income benefiting from contractual uplifts and an average unexpired lease length of 11.2 years;
- A proven track record of executing transactions, making good sector choices and growing income;
- Substantial liquidity with undrawn debt facilities and cash of £220 million;
- Headroom under loan covenants; and
- Past experience of raising debt and equity finance, including the recent £120 million equity raise.

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 the COVID-19 pandemic, affecting rental income levels, property values, transactions and developments;
- 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 reinvestment assumptions.

The sensitivity analysis involved modelling a downside scenario reducing both property values and rental income by 15%, removing uncommitted capital expenditure and asset sales that had exchanged or were in legals, and assuming no new debt facilities were entered into but existing revolving facilities were renewed.

Throughout this downside scenario, the Group had sufficient reserves to continue in operation and remain compliant with its banking covenants.

Property values would need to fall by approximately 37% and rental income fall by 58% to breach the gearing and interest cover covenants under the Group's unsecured and private placement debt facilities, that together account for 76% of the Groups borrowing including its share of joint ventures.

This scenario testing, when combined with the Group's strong financial position, March quarter rent collection evidence, and mitigation actions available including deferring non committed capital expenditure and selling assets, supports the Group's ability to weather the current economic uncertainties caused by the COVID-19 pandemic and over the longer term 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.

Risk

Principal risks

Graphic removed

Corporate risks

1. Strategy

Risk

Strategic objectives may be:

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

Impact

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

Impact on strategy

Graphic removed

Graphic removed

Graphic removed

Graphic removed

Mitigation

- Strategy and objectives are regularly reviewed by the Board to adapt to change
- Strong occupier and property relationships shape portfolio decisions
- Retail and logistics related research is commissioned to assist strategic decision making
- The portfolio is UK based with the UK a world leader in the online shopping market
- Regular and rigorous portfolio reviews 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
- The three year forecast is regularly flexed and reported
- A Senior Leadership Team comprises of departmental heads from all key business functions with diverse skills and experience
- Our organisational structure is relatively flat making it easier to identify market changes and monitor operations
- Senior management are the Company's eighth largest shareholder, their interests aligned with external investors

2. COVID-19

Risk

Global health and economic crisis leading to a severe downturn.

Impact

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

Impact on strategy

Graphic removed

Graphic removed

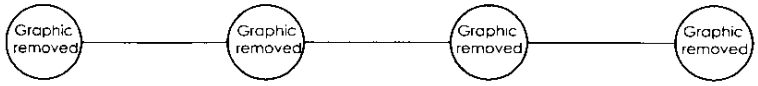
Graphic removed

Graphic removed

Mitigation

- We are working closely with and providing help to our primary occupational partners who are sincere in their need for assistance. This includes entering into a small number of deferral deals and 'win-win' asset management initiatives
- We are heavily focused on working capital and capital allocation and have put some discretionary expenditure on hold
- We have limited exposure to development and development supply chains at present
- We are maintaining significant shareholder engagement during the lockdown period
- We invested in additional IT to enable all staff to work from home before the government lockdown was initiated for their safety
- The Senior Leadership Team meet remotely twice weekly to discuss key operational and financial aspects integral to the management of the business. This facilitates communication between the different teams. Other departmental committees also meet remotely regularly each week
- The Executive Directors keep the Board informed through remote briefings between Board meetings
- The Chief Executive provides weekly lockdown updates to keep all staff informed and maintain team spirit

Our strategic priorities



Own desirable real estate that meets occupiers' needs

Manage and enhance responsibly to improve our assets and help occupiers thrive

Maximise our expertise and relationships to build on our position as partner of choice

Generate reliable, repetitive and growing income-led total returns

- No change
- Increased risk
- Decreased risk
- New

Commentary

- We have significantly increased our weighting to our preferred, structurally supported sectors. 70% of the portfolio is now aligned to distribution, underpinned by modern shopping habits and 24% in long income in a market searching for yield
- We have reduced our mega distribution exposure in the year from 23% to 15% where a supply side response to demand is tempering rental growth. This will reduce further when more sales complete in June
- 35% of our portfolio is in urban logistics, up from 27% last year. This is our largest sector exposure and one where demand is rising but supply is severely restricted
- Net rental income has increased by 24% in the year, predominantly through our acquisition of A&J Mucklow
- Dependency on our top ten occupiers has reduced from 51% to 36% and the granularity of our income has been further improved

Appetite

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

Change in the year

Decreased risk

Our investment activity reduced this risk in the year as we pivoted further into our preferred, structurally supported sectors which offer superior growth prospects.

The probability of this risk reducing further over the next 12 months has increased. We have an expectation of being able to source further high quality investment opportunities.

Graphic removed

Read more
Chief Executive's review **page 15**
Property review **page 26**

Commentary

- The macro environment is highly supportive of the right real estate that can generate long and strong income. We are actively executing on attractive long term investment opportunities alongside a high expectation of finding additional and compelling opportunities in the near term
- COVID-19 is accelerating structural shifts which are likely to become permanent. Within a two month period, for example, Tesco have doubled their online capacity to 1.2 million weekly slots
- At the year end we had £220 million in cash and undrawn facilities which provide flexibility and optionality. £75 million was from a new, three year revolving credit facility from HSBC completed in March. In March we also substituted assets into our secured Helaba facility so that it could be fully redrawn
- In May 2020 we raised £120 million through an equity placing to fund a pipeline of existing and potential investment opportunities
- In April we cancelled £350 million of interest rate swaps to provide additional earnings headroom
- All staff have worked remotely and uninterrupted through the lockdown period and a number of transactions have been executed including a £120 million equity placing, post year end acquisitions of £15 million, sales of £13 million and transactions agreed or in legals in excess of £80 million

Appetite

COVID-19 and its economic impact are outside the Company's control. We continue to focus on what we can control within the business. Our weighting in structurally supported sectors make us well-placed to continue to flourish in a recovery.

Change in the year

New principal risk

The timing and trajectory of the economic recovery is highly uncertain meaning this remains a high risk.

Graphic removed

Read more
Chief Executive's review **page 15**
Responsible Business review **page 45**

Risk

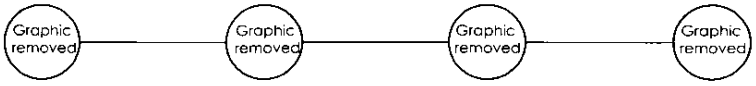
Principal risks continued

Graphic removed

Corporate risks

	Risk	Impact	Mitigation
3. Economic and political factors	Economic and political factors may lead to a market downturn or specific sector turbulence. Adverse outcome of international trade negotiations following Brexit.	– Suboptimal returns for shareholders – Occupier demand and solvency may be impacted – Asset liquidity may reduce – Debt markets may be impacted **Impact on strategy** Graphic removed	– We commission economic and market research to better understand the potential impact of economic factors on our tenants and preferred sectors – Our strong occupier relationships provide market intelligence and help us better understand our tenants needs – The majority of our portfolio is in resilient asset classes with sustained demand for logistics, convenience retail and long income – We regularly monitor tenant and contractor covenant strength – We limit speculative development exposure and letting risk – We maintain a high weighted average unexpired lease term reducing reletting risk – We have a low vacancy rate – Income granularity reduces the impact of single tenant risk – We have flexible funding arrangements with significant headroom in covenant levels
4. Human resources	There may be an inability to attract, motivate and retain high calibre employees.	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage. **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– Our staffing plan focuses on experience and expertise necessary to deliver strategy – Our organisational structure has clear responsibilities and reporting lines – Executive Directors and senior managers are incentivised in a similar manner. Both have significant unvested share awards in the Company. These incentivise long term performance and retention, providing stability in the management structure – Remuneration arrangements are designed to attract and retain high quality staff – Annual appraisals identify training requirements and assess performance – Specialist support is contracted where appropriate – 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 estate that meets occupiers' needs

Manage and enhance responsibly to improve our assets and help occupiers thrive

Maximise our expertise and relationships to build on our position as partner of choice

Generate reliable, repetitive and growing income-led total returns

No change
Increased risk
Decreased risk
New

Commentary

- We remain focused on fit for purpose distribution and long income assets, including convenience and discount retail, that allow us to take a longer term investment horizon to deliver reliable, repetitive and growing income
- Our portfolio metrics continue to be strong with occupancy at 99% and an average unexpired lease length of 11.2 years. Only 7% of rent expires within three years
- We increased contracted rent in the year from £90 million to £123 million
- We have further diversified our tenant base this year predominantly through the acquisition of A&J Mucklow
- At 31 March 2020 and after adjusting for the equity raise, the Group's gearing ratio for its unsecured and private placement debt facilities, which represent 76% of debt drawn, was 56% and significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.3 times, significantly higher than the minimum level of 1.5 times
- 54% of the Group's total debt facilities are flexible unsecured revolving credit facilities

Appetite

The Board monitor political and economic developments which are outside of its control. Focus remains on building and maintaining a robust 'all weather' portfolio.

Change in the year

Increased risk

Uncertainty remains over the outcome of international trade negotiations following the UK's exit from the EU. These could further negatively impact the economy in addition to the severe economic shock from COVID-19. We believe however that profound structural shifts in the retail landscape, accelerated by COVID-19, will be more important than the outcome of the trade negotiations in the medium to long term.

Graphic removed

Read more
Property review **page 26**

Commentary

- Our Executive Board was reduced in the year making it more reflective of Company size. Valentine Beresford and Mark Stirling stepped down at the AGM but remain as Investment Director and Asset Director respectively. Both are members of the Senior Leadership Team which is responsible for implementing strategy and running day to day operations
- Succession planning remains high on the Board's agenda for the coming year
- Our designated workforce Non Executive Director met a group of employees in the year to hear their views and concerns
- Flexible working was rolled out to all employees
- Ex-Mucklow staff share a similar ethos and have been successfully integrated into the Company

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 in the year

No significant change

There was no significant change in perceived risk during the year.

We do not anticipate this risk factor will change significantly in the next 12 months.

Graphic removed

Read more
Our people **page 54**
Nomination Committee report **page 97**
Remuneration Committee report **page 112**

Risk

Principal risks continued

Graphic removed

Corporate risks

	Risk	Impact	Mitigation
5. Regulatory and tax framework	Non-compliance with legal or regulatory obligations.	– Reputational damage – Potential loss of REIT status – Increased costs – Reduced access to debt and capital markets – Fines, penalties, sanctions **Impact on strategy** Graphic removed Graphic removed Graphic removed	– We monitor regulatory changes that impact our business with specialist support from lawyers and consultants – We consider the impact of legislative changes on strategy – We have allocated responsibility for specific obligations to individuals within the Senior Leadership Team – 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
6. Responsible business approach	Non-compliance with responsible business practices.	– Reputational damage – Suboptimal returns for shareholders – Asset liquidity may be impacted – Reduced access to debt and capital markets – Poor relationships with stakeholders **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– 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. We also consider our impact on the environment and local communities – Responsibility for specific obligations is allocated to Senior Leadership Team members – 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 consider environmental and climate change risk relating to our assets – We work with our occupiers to improve the resilience of our assets to climate change and a low carbon economy – Sustainability targets are set, monitored and reported – Contractors are required to conform to our responsible development requirements

Our strategic priorities

Graphic removed — Own desirable real estate that meets occupiers' needs

Graphic removed — Manage and enhance responsibly to improve our assets and help occupiers thrive

Graphic removed — Maximise our expertise and relationships to build on our position as partner of choice

Graphic removed — Generate reliable, repetitive and growing income-led total returns

- No change
- Increased risk
- Decreased risk
- New

Commentary

- The 2018 Code now applies to the Company
- A company-wide anti-bribery, anti-corruption, money laundering and corporate culture seminar was held in the year
- We continued to undertake health and safety site audits on our developments through an external specialist consultancy. These included our smaller developments at Swindon and Liskeard this year. Feedback has been positive and no significant issues were identified
- We moved the residency of our legacy offshore subsidiaries onshore to simplify the Group structure and operations

Appetite

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

Change in the year

No significant change

The Board considers this risk to have remained broadly consistent during the year. New regulations and evolving best practice will continue to impact the business.

We do not anticipate this risk factor will change significantly in the next 12 months.

Graphic removed

Read more
Responsible Business review **page 45**
Financial review **page 38**

Commentary

- We continue to meet with a large number of investors, seeing over 250 in the year
- We liaised with key A&J Mucklow investors as part of the corporate acquisition
- We sought investor views on changes to the Remuneration Policy and made adjustments based on feedback
- A COVID-19 Communities and Charity Committee is providing community and NHS assistance funded in part through the Board and key employees waiving 20% of their salary and fees for three months
- We have not drawn on any of the government's COVID-19 financial support measures
- Company-wide ESG training has been arranged
- We continue to score well in ESG benchmarks, such as maintaining our GRESB Green star and a GRESB score of 71% (up from 67% last year)
- 78% of developments completed or underway in the year are expected to achieve a BREEAM Very Good rating
- We continue to improve the environmental credentials of our buildings such as installing LED lighting (Primark) and expect to install 1.5MW of solar PV capacity in 2021
- We are undertaking a flood risk review of our entire portfolio and are looking at other climate related risks that could impact our portfolio including all material physical and transactional risks

Appetite

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

Change in the year

Increased risk

ESG significance continues to increase for stakeholders, particularly in relation to climate change.

We anticipate that ESG risk, particularly climate change risk, will continue to increase over the next 12 months.

Graphic removed

Read more
Responsible Business review **page 45**
Our stakeholders **page 87**
TCFD **page 59**
Full Responsible Business report can be found at **www.londonmetric.com**

Risk

Principal risks continued

Graphic removed

Corporate risks

	Risk	Impact	Mitigation
7. Systems, processes and financial management	Controls for safeguarding assets and supporting strategy may be weak.	– Compromised asset security – Suboptimal returns for shareholders – Decisions made on inaccurate information **Impact on strategy** Graphic removed Graphic removed Graphic removed	– The Company has a strong controls 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

Graphic removed

Property risks

	Risk	Impact	Mitigation
8. Investment risk	We may be unable to source affordable investment opportunities.	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk. **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities

Our strategic priorities

Graphic removed — Own desirable real estate that meets occupiers' needs

Graphic removed — Manage and enhance responsibly to improve our assets and help occupiers thrive

Graphic removed — Maximise our expertise and relationships to build on our position as partner of choice

Graphic removed — Generate reliable, repetitive and growing income-led total returns

No change
Increased risk
Decreased risk
New

Commentary

- Our IT systems have allowed us to remain fully operational during the COVID-19 shutdown
- Penetration, social engineering and disaster recovery testing was undertaken in the year. No significant issues were identified
- An integrated sales ledger invoicing system has been implemented
- Following our acquisition of A&J Mucklow we upgraded their IT infrastructure and successfully integrated their property and accounting records onto our systems
- Our corporate forecast model has been fully reviewed and rebuilt by BDO LLP to incorporate A&J Mucklow and to streamline its updating and flexing capacity

Appetite

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

Change in the year

No significant change

There was no significant change in perceived risk during the year.

We anticipate cyber risk may rise over the next 12 months as criminals look to exploit increased home working in response to COVID-19.

Graphic removed

Read more
Audit Committee report **page 104**

Commentary

- We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these
- COVID-19 is presenting opportunities to invest in high quality assets not generally available in a normalised market
- COVID-19 will impact the operational performance of some competitors and their ability to make investments in the near-term
- We remain disciplined and selective

Appetite

The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise.

Change in the year

Decreased risk

Our investment activity, particularly the acquisition of A&J Mucklow, enabled us to pivot further into our preferred sectors.

We anticipate this risk may reduce further over the next 12 months as a result of increased opportunities coupled with potentially less competition.

Graphic removed

Read more
Property review **page 26**
Mucklow in focus **page 18**

Risk

Principal risks continued

Graphic removed

Property risks

	Risk	Impact	Mitigation
9. Development risk	– Excessive capital may be allocated to activities with development risk – Developments may fail to deliver expected returns due to inconsistent timing with the economic and market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption	– Poorer than expected performance – Reputational damage **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– We only undertake short cycle and relatively de-risked 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, such as Bedford Link and Tyseley, phased – Development sites are acquired with planning consent whenever 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 process includes tendering and the use of highly regarded firms with proven track records – We review and monitor contractor covenant strength
10. Valuation risk	Investments may fall in value.	Pressure on NAV growth and potentially loan covenants. **Impact on strategy** Graphic removed	– Our portfolio is pivoted towards structurally supported sectors. – 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. This reduces 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 – The majority of our assets are single let and operationally light with little or no cost leakage – We monitor tenant covenants and trading performance

Our strategic priorities

Graphic removed — Own desirable real estate that meets occupiers' needs

Graphic removed — Manage and enhance responsibly to improve our assets and help occupiers thrive

Graphic removed — Maximise our expertise and relationships to build on our position as partner of choice

Graphic removed — Generate reliable, repetitive and growing income-led total returns

- No change
- Increased risk
- Decreased risk
- New

Commentary

- Our development exposure is small at 2.4% of the portfolio
- We work with a limited number of contractors which helps us to stay close to their operations. All have managed their cash flows and COVID-19 risks well to date
- The majority of sites have remained open or have reopened and are implementing COVID-19 social distancing measures which adhere to government guidelines
- Only one small development has a longstop date expiring within 12 months but is expected to complete before then
- Limited speculative development is planned in the foreseeable future
- Only 15% of our developments that completed in the year remain unlet and we have strong interest on the remaining units
- Phase I at Bedford Link is now fully let at an average rent ahead of budget
- No developments completing in the year were delayed or over budget
- Development budgets and cost monitoring procedures are fully integrated with the accounting system

Appetite

The Board is willing to take on limited new speculative development following letting progress made during the year.

Change in the year

No significant change

There was no significant change in perceived risk during the year.

Contractor insolvency risk and supply chain disruption may increase as a result of the impact of COVID-19 over the next 12 months. The Company has however limited exposure to development.

Graphic removed

Read more
Developments **page 36**
Bedford Link case study **page 33**
Tyseley case study **page 37**

Commentary

- Our year end coincided with the commencement of the Government instigated COVID-19 lockdown and increasing economic uncertainty
- Our preferred sector assets have performed well and maintained or increased in value with urban logistics providing the strongest valuation contribution
- Certain sectors of the retail market have seen material valuation falls and we expect values to weaken further. Our three remaining retail parks represent just 3.6% of the portfolio and delivered a total property return of -9.2%
- 55% of our income has contractual uplifts, 58% of which is inflation linked
- Asset management initiatives added £5 million to contracted rent including lettings on 2 million sq ft on average lease lengths of 12 years
- Rent reviews on 3 million sq ft delivered a 12% uplift on a five yearly equivalent basis, with urban logistics achieving average uplifts of 24%

Appetite

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

Change in the year

Increased risk

The impact of COVID-19 on the macro-economy has increased this risk. The majority of our portfolio remains strategically aligned to structurally supported sectors where the prospects for value preservation and growth are significantly higher than sectors which are not.

Graphic removed

Read more
Property review **page 26**
Financial review **page 38**

Risk

Principal risks continued

Graphic removed

Property risks

	Risk	Impact	Mitigation
11. Transaction and tenant risk	– Property purchases and asset management initiatives may be inconsistent with strategy – Due diligence may fail to highlight risks – Lettings may be made to inappropriate tenants – Tenant failure risk	Pressure on NAV, earnings and potentially loan covenants. **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– 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

Graphic removed

Financing risk

	Risk	Impact	Mitigation
12. Capital and finance risk	The Company has insufficient funds and available credit.	Strategy implementation is at risk. **Impact on strategy** Graphic removed Graphic removed Graphic removed Graphic removed	– 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. Chatham Financial provide specialist hedging advice

Our strategic priorities

Graphic removed — Own desirable real estate that meets occupiers' needs

Graphic removed — Manage and enhance responsibly to improve our assets and help occupiers thrive

Graphic removed — Maximise our expertise and relationships to build on our position as partner of choice

Graphic removed — Generate reliable, repetitive and growing income-led total returns

- No change
- Increased risk
- Decreased risk
- New

Commentary

- Our tenant default rate within the industry is low and we have no significant arrears
- Rent collection has been strong despite the challenging economic backdrop of COVID-19. As at the date of this report, 93% of rent due by 1 April has been received or is due to be collected monthly. Short term rental deferrals have been agreed on a further 2% and short term rental concessions with compensatory asset management initiatives on an additional 4%
- 18% of our rent is now paid monthly compared to 13% before the COVID-19 pandemic. As at the date of this report, we have collected 94% of monthly rent due over the two month period to 25 May

Appetite

The Board has no appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment opportunity or alternative site use.

Change in the year

Increased risk

The impact of COVID-19 has increased tenant failure risk.

Graphic removed

Read more
Chief Executive's review **page 15**
Property review **page 26**

Commentary

- We inherited a £60 million SWIP loan on our acquisition of A&J Mucklow fixed at 3.51% until 2031
- In March we entered into a 3 year loan with HSBC for £75 million on similar terms and pricing as our existing revolving credit facility. This diversifies our lender base ahead of refinancing the main facility within the next 18 months
- In May 2020 we extended Santander's participation in our main revolving credit facility by a year so that it matches that of the majority of syndicate members
- Our debt maturity at the year end was 4.7 years
- We have substantial headroom under our financial loan covenants. Loan to value is 35.9% (37.7% excluding disposals with delayed completion) and the interest cover on unsecured facilities is 4.3 times

Appetite

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. The Board has some appetite for interest rate risk and 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 in the year

No significant change

There was no significant change in perceived risk during the year.

We do not anticipate this risk factor will change significantly in the next 12 months.

Graphic removed

Read more
Financial review **page 38**

Governance

Inside this section

Introduction from the Chair 77

Board leadership and Company purpose

Board of Directors 80

Management team 82

Our activities 84

Our purpose and culture 86

Our stakeholders 87

Division of responsibilities

Leadership framework 93

Leadership roles and responsibilities 94

Composition, succession and evaluation

Nomination Committee report 97

Audit, risk and internal control

Audit Committee report 104

Remuneration

Remuneration Committee report 112

Directors' Remuneration Policy 119

Annual Report on Remuneration 130

Report of the Directors

Report of the Directors 140

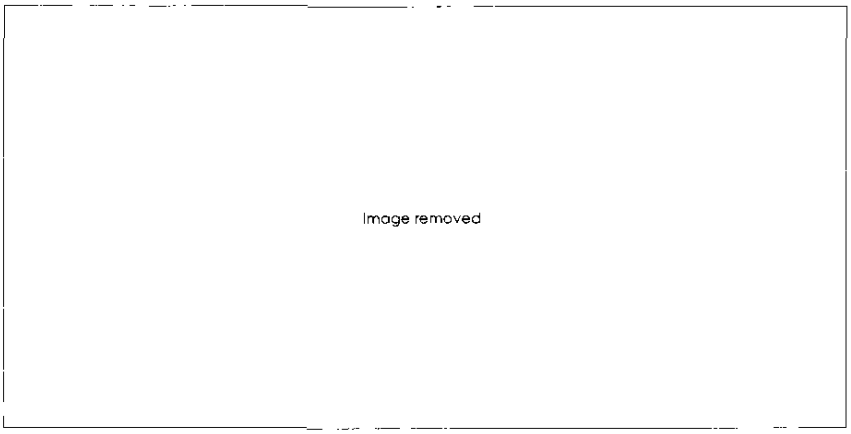
Directors' Responsibility Statement 144

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.

This report sets out the Company's governance policies and practices and explains how we discharge our duties, apply the principles and comply with the provisions of the Code.

Patrick Vaughan
Chair

Introduction from the Chair



As stewards of the Company, we are responsible to our shareholders, customers, employees and other stakeholders for its long term success.

Patrick Vaughan
Chair

Graphic removed

Read more on Mucklow in focus on **page 18**

Good governance principles and practices are at the heart of a well run business and drive its long term success. Your Board remains committed to leading by example and upholding the highest standards of governance that we have set in the past.

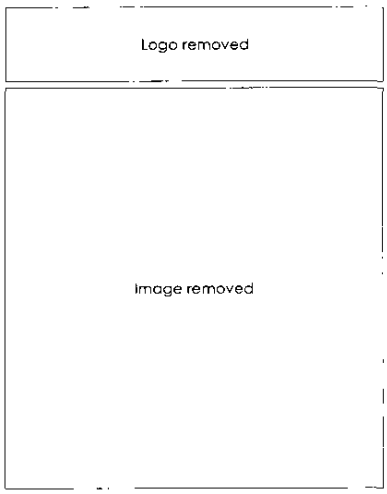
The Board provides leadership and direction to the business, establishes and fosters the culture, values and ethics within, and independently oversees management's execution of strategy within an acceptable risk management and internal control framework. As stewards of the Company, we are responsible to our shareholders, customers, employees and other stakeholders for its long term success.

We recognise that, as guardian of our culture, the Board plays a vital role in defining the way in which we do business and sets the tone for the Company. Its attitude and mindset to do what is right shapes the environment within which the executive team works and the way it behaves towards its stakeholders.

This culture permeates throughout the organisation by the close involvement of the Senior Leadership Team in day to day operations. It is my role as Chair to lead and manage the Board, and promote its culture and thinking beyond the boardroom and throughout the organisation.

We continued the work started last year to consider the new provisions and themes of the 2018 UK Corporate Governance Code ('Code'), which is effective for the first time this year. I am pleased to report that we have complied with the provisions throughout the year under review, except for Provision 19 in relation to the length of my tenure, which is fully explained in the Nomination Committee report on page 97.

Mucklow in focus
The most significant transaction in the year was the corporate acquisition of the A&J Mucklow Group as explained in the case study on page 18. This transaction was a fantastic opportunity to bring together like-minded individuals, cultures and real estate and we welcomed a small team of talented employees to LondonMetric.



Board changes and succession
As outlined last year and following a review of the size and composition of the Board, Valentine Beresford and Mark Stirling stepped down from the Board in July 2019 but remained as Investment and Asset Directors respectively and members of the Senior Leadership Team responsible for running the business. They continue to provide valuable contributions to Board discussions.

It was also agreed last year that Robert Fowlds, who joined in January 2019 as a Non Executive Director, would replace James Dean as Remuneration Committee Chair after serving 12 months as a member. James agreed to continue in his role until this time to facilitate an orderly transition.

Introduction from the Chair continued

This year, we have decided to retain James as Remuneration Committee Chair until the AGM to facilitate the implementation of the new Remuneration Policy and provide continuity for shareholder liaison. James will step down from the Remuneration Committee but continue as a Non Executive Director. Although his tenure could appear to compromise his independence under Provision 10 of the Code, the Board values his in depth property expertise, insights and the challenge and sound judgement he brings to meetings. We firmly believe he acts in an independent manner at all times and have treated him as such in our calculations of Board independence in accordance with the Code. The Nomination Committee will continue its search for a suitable replacement, prioritising candidates with a similar level of property expertise and experience.

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 that leading by example and creating an open, honest and inclusive working environment allows employees to fulfil their potential and successfully deliver our strategic objectives. The acceptable way of doing things has to be set from the top, particularly by the Senior Leadership Team.

Last year we took steps to define and document our purpose and values, as reflected on page 01. This year, the Board reviewed the alignment of its purpose, values and strategy with the culture and behaviour displayed throughout the organisation, which was assessed by the Senior Leadership Team's review of the results of the second staff survey and reported by the designated workforce Non Executive Director to the Board. The results of this survey are set out in the employee engagement section on page 90.

A third employee survey was completed by staff in March and the details are reflected in the Responsible Business review on page 55. The Board has reviewed the results and will consider the conclusions drawn and any recommendations for improvements to working practices over the next year.

Our culture is a key strength and we are proud of our high staff retention rates and contented workforce. Our employees have a clear understanding of our strategy and are engaged and committed to delivering it.

We have set out our purpose on page 01 and how this is delivered through our strategic priorities on page 14 and business model on page 22.

Graphic removed

Further reading on **pages 01 – 09**

Our purpose

To own and manage desirable [illegible] demands, delivers reliable, repetitive and growing income-led returns [illegible]

S172 Statement and understanding our stakeholders

The new Code and Miscellaneous Reporting Regulations require us to demonstrate how we have discharged our duty under S172 Companies Act 2006 and report our compliance formally in a statement, which we have set out on page 52.

This statement formalises and articulates practices we have been following implicitly for many years. We already recognise as a strategic priority the importance of building relationships with our stakeholders, as described on pages 06 to 07, and a responsibility the Board takes very seriously.

We are here not only to generate financial returns for shareholders but also to act responsibly and in the best interests of all of our stakeholders, the communities in which we operate and wider society.

Our commitment to being both a responsible employer and partner has been demonstrated during the recent unprecedented disruption caused to our everyday lives by the COVID-19 pandemic.

Our focus has been on the safety of our staff, occupiers and other stakeholders and we have worked closely with our tenants and sought to provide workable solutions to those most affected and in need. All employees have been successfully working remotely without interruption.

We have initiated an employee-led COVID-19 Communities and Charity Committee and have provided financial and other assistance and support to those in need, including the provision of short term rent free accommodation to Core Group to help with the construction of the Nightingale Hospital at the NEC in Birmingham. Further details on our support effort can be found on page 57.

On pages 87 to 92 we set out our key stakeholders, why they are important to us, how we engage with them and how they have influenced the Board's decisions. This, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct, is integral to the way the Board operates.

We value the support and engagement we have with all of our shareholders and are proud of our comprehensive investor relations programme. We have seen much greater focus this year from investors on the ESG agenda. We respond to all enquiries we receive and will be undertaking a company-wide training session on ESG matters when lockdown restrictions are lifted, to raise awareness and discuss specific initiatives and projects in hand.

Last year we appointed Andrew Livingston as the designated workforce Non Executive Director with responsibility for employee engagement matters in accordance with the Code. He has played an active role this year, hosting an informal lunch for a small group of employees away from the office environment providing a forum for employees to share their views, raise any concerns they may have and improve links between employees and the Board. He also reviewed the results of the employee surveys and fed back conclusions to the Board. Further details of employee engagement and well-being can be found on page 90 and in the Responsible Business review on pages 54 to 55.

Graphic removed

Read more on S172 Statement on **page 52**

Read more on Responsible Business review on **page 45**

Read more on employee and investor engagement on **page 87**

Diversity and inclusion
We look to employ and retain a diverse group of talented individuals with a wide range of skills, expertise and beliefs, and to operate in a working environment free of discrimination. We recognise that a diverse organisation brings a wide range of perspectives and avoids narrow thinking. The Company's Diversity and Inclusion Policy, which can be found on our website, guides new appointments and we actively engage with recruiters to promote diversity in candidate selection.

We continue to support initiatives including Real Estate Balance, to promote gender diversity in the real estate sector. Our low staff turnover is something we are proud of. However it also constrains the pace of change as opportunities are dependent upon staff vacancies arising as well as the availability of suitable candidates. To the extent that we have the opportunity, we are committed to improving diversity in its widest sense at all levels throughout the organisation.

There has been an ongoing commitment to strengthen female representation at Board level, which has increased from 9% in 2017 to 25% today, which is just marginally below the Hampton Alexander target of 33% to which we aspire. Female representation throughout the Company has increased this year to 45%.

Performance evaluation
This year, the evaluation of Board and Committee effectiveness was carried out internally. Next year we will commission a full external review in accordance with our three year cycle. The findings and recommendations of this year's review and progress against the recommendations made last year are summarised in the Nomination Committee report on page 97.

The Directors agreed that the Board and its Committees continue to work well together, in an open and supportive environment and with the right balance of skills, knowledge and experience to undertake its duties. I would like to extend my thanks to my fellow Board members for the valuable contribution they each make.

Remuneration Policy
This year the Remuneration Committee Chair has written to our largest shareholders as part of the consultation process on a new Remuneration Policy, which is set out in detail on page 119. The key issues raised by shareholders related to the post-cessation shareholding requirement, the alignment of pension contributions and the bonus deferral opt-out. The final proposed Policy, which we hope will be supported by our shareholders at the 2020 AGM, took into consideration all key issues raised and amended certain provisions accordingly. We believe the new Policy achieves a balance between fairly rewarding the Executive Directors as well as encouraging alignment with shareholders, and demonstrates our commitment to ensuring pay at LondonMetric is in line with the Code.

Reporting
This year, as part of our commitment to working with our wider stakeholder group to improve the environment, we have decided to use the authority in our Articles to move away from the paper version of this report and ask shareholders to instead view it electronically online by visiting our website. Those wishing to receive a hard copy report have been accommodated and this will be sent at least 20 working days before the AGM.

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.

Looking ahead
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. Most recently, our focus has been the threat of COVID-19 and the significant and widespread disruption this outbreak has brought to our everyday lives. Our flexible working policy meant that we were well equipped to continue our operations remotely and all employees have continued to work throughout the crisis. The health and well-being of our staff and their families is our top priority and we have and will continue to take whatever measures are necessary to safeguard employees. Having a clear strategy, experienced team and strong balance sheet, puts us in a good position to navigate through these unprecedented times.

We are proud to have a small, highly focused and close knit team of individuals at LondonMetric with strong real estate and financial expertise. We recognise that our success would not be possible without them.

On behalf of the Board, I would like to thank each and every one of our employees for their contribution and commitment over the past year. I am delighted to be continuing as Chair and look forward to the year ahead.

Signature removed

Patrick Vaughan
Chair

10 June 2020

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 July 2018, publicly available at www.frc.org.uk.

The Board considers that the Company has complied with the provisions set out in the Code throughout the year under review and to the date of this report, except for Provision 19 relating to the tenure of the Chair, which is fully explained in the Nomination Committee report on page 97. An explanation of how the Board has applied the principles of the Code is contained in the governance section that follows.

Board leadership and Company purpose

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.

Image removed

7 6 4 5 8 2 1 3

From left to right:
Andrew Livingston, Robert Fowlds, Suzanne Avery, James Dean, Rosalyn Wilton, Andrew Jones, Patrick Vaughan, Martin McGann.

1. Patrick Vaughan
Chair of the Board and Nomination Committee

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 Chair, becoming Non Executive Chair 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 (Chair)

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

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

4. 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

5. James Dean
Independent Director
Chair of Remuneration Committee

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 Chair of London & Lincoln Properties Ltd and Patrick Dean Ltd

Board Committees:
Remuneration Committee (Chair)

6. Robert Fowlds
Senior Independent Director

Appointed: 31 January 2019

Skills and experience:
Robert was appointed to the Board in 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

7. Andrew Livingston
Independent Director

Appointed: 31 May 2016

Skills and experience:
Andrew was appointed to the Board in 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

8. Rosalyn Wilton
Independent Director
Chair of Audit Committee

Appointed: 25 March 2014

Skills and experience:
Rosalyn was appointed to the Board of LondonMetric in March 2014, becoming Chair 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, Chair 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 Senior Leadership Team.

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 (Chair) and
Remuneration Committee

Board independence

Graph removed

71%

Female representation

Graph removed

25%

Board leadership and Company purpose

Management team

The Senior Leadership Team operates under the direction and leadership of the Chief Executive to deliver the approved strategic objectives and manage the day to day running of the business.

Our management team comprises departmental heads from all key business functions with a diverse range of skills and experience.

Throughout the recent disruption caused by the COVID-19 pandemic, the Senior Leadership Team has met remotely twice each week to discuss the key operational and financial aspects integral to the management of the business. This has worked extremely well and has facilitated talent development below Board level and communication between the different teams. There are informal and off site meetings at other times and due to the size of the organisation, the Executive Directors and Senior Leadership Team are involved in all significant business discussions and decisions.

The team meets to discuss the evolution of strategy, financial and operating targets and performance, investment opportunities, allocation of capital and employee matters. It is supported by three sub-committees, each focusing on different areas of the business: the Investment, Asset Management and Finance Committees, which meet regularly and at least monthly. During the recent COVID-19 pandemic, all staff have been working remotely and Committees have met by way of video conference calls two or three times each week.

The members and respective roles of the Senior Leadership Team are listed below, along with the dates they joined the organisation.

1. Andrew Jones
Chief Executive

Graphic removed

Full biography **page 80**

Management Committees:
Investment Committee,
Asset Management Committee,
Finance Committee

2. Martin McGann
Finance Director

Graphic removed

Full biography **page 80**

Management Committees:
Finance Committee

Image removed

3. Valentine Beresford
Investment Director

Joined: 24 March 2010

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. 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.

Management Committees:
Investment Committee

4. Mark Stirling
Asset Director

Joined: 24 March 2010

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. 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.

Management Committees:
Asset Management Committee

5. Andrew Smith
Strategy Director

Joined: 6 May 2014

Skills and experience:
Andrew joined LondonMetric in May 2014 from The British Land Company PLC where he worked for nine years. Previously Andrew worked for Pillar. At British Land he was a senior member of the retail team and Head of Investment Portfolio Management. Since joining LondonMetric, Andrew has been increasingly responsible for the Company's strategy and portfolio management as well as its joint ventures, which he continues to fulfil.

Management Committees:
Investment Committee,
Asset Management Committee

6. Jadzia Duzniak
Company Secretary

Joined: 23 April 2007

Skills and experience:
Jadzia joined London & Stamford in 2007 prior to its IPO and became Company Secretary on merger with Metric in 2013. Jadzia is a qualified Chartered Accountant and her role extends to corporate finance and banking arrangements and transactions.

Management Committees:
Finance Committee

7. Jackie Jessop
Head of Finance

Joined: 1 March 2006

Skills and experience:
Jackie joined London & Stamford as Financial Controller on its inception in 2006 having worked previously for Pillar as Financial Controller. She became Head of Finance at LondonMetric in 2013. Jackie is a qualified Chartered Accountant and is responsible for all aspects of financial management and reporting.

Management Committees:
Finance Committee

8. Will Evers
Head of Long Income

Joined: 17 May 2010

Skills and experience:
Will joined Metric from inception in 2010 having previously worked at LaSalle Investment Management and Bear Stearns. Will's primary focus is to source and execute investment opportunities whilst having responsibility for the portfolio management and performance of the long income and retail portfolio.

Management Committees:
Investment Committee

Image removed

9. Nick Minto
Portfolio Management Executive

Joined: 15 June 2011

Skills and experience:
Nick joined Metric as an Investment Analyst in 2011. Following the merger in 2013, Nick's role has grown to incorporate wider corporate, strategy and portfolio management activity across the portfolio. Nick is day to day responsible for the portfolio management and performance of the logistics portfolio. More recently, the Company has supported Nick through an EMBA programme.

Management Committees:
Investment Committee

10. Gareth Price
Head of Investor Relations

Joined: 5 January 2015

Skills and experience:
Gareth joined LondonMetric in 2015 having previously worked in corporate broking at Cantor Fitzgerald and Oriel Securities. He supports the Executive Directors at shareholder roadshows and events and also heads our Responsible Business and Sustainability team.

Management Committees:
Finance Committee

11. Ritesh Patel
Forecasting and Corporate Finance

Joined: 21 November 2011

Skills and experience:
Ritesh is a Chartered Accountant and joined London & Stamford in 2011 having previously qualified with BDO LLP. Ritesh is responsible for the corporate forecasting model and also is an integral part of the banking and corporate finance team.

Management Committees:
Finance Committee

Board leadership and Company purpose

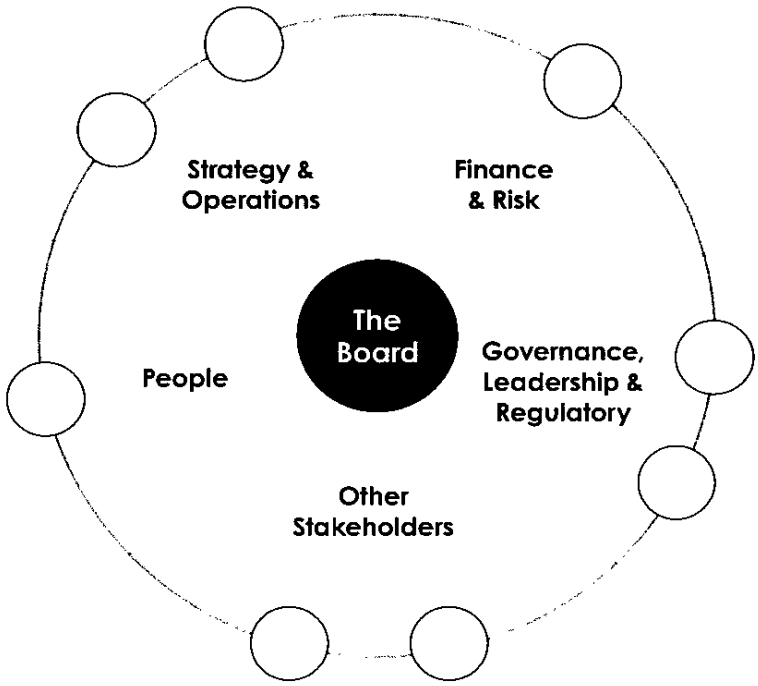
Our activities

Strategy & Operations

- Debated the property market outlook and trends, focusing on the logistics and long income sectors and the economic and political landscape at each meeting including Brexit and the COVID-19 pandemic
- Approved major capital expenditure and development projects including at Goole and Bedford
- Approved property acquisitions and disposals in excess of £10 million including the corporate acquisition of Mucklow, portfolios of IMO and Kwik Fit assets and disposals in Newark, South Elmsall and Doncaster
- Approved an increased equity holding in our DFS joint venture

Finance & Risk

- Reviewed quarterly performance against budgets and analyst consensus
- Reviewed the rolling three year financial forecasts, going concern and the Viability Statement
- Approved the full year and half year results and the Annual Report

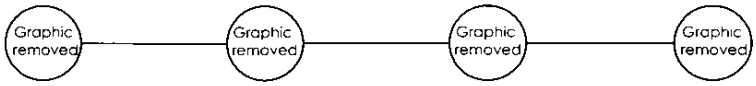


People

- Received updates on the integration of former Mucklow employees following the acquisition
- Andrew Livingston continued work as designated workforce Non Executive Director, including hosting an informal lunch outside of the office for a small group of employees
- Reviewed the culture of the business by considering the results of the annual staff survey
- Half yearly presentation of results to all staff
- Considered workforce remuneration policies and packages and alignment to Executive Directors
- Weekly updates from the Chief Executive during the COVID-19 pandemic and period of remote working

Other stakeholders

- Considered feedback from Executive Directors following shareholder meetings, roadshows and results presentations
- Shareholder consultation on the new Remuneration Policy proposals
- Considered S172 Statement and Directors' duty in relation to stakeholders and implications for decision making practices and processes
- Property tours of assets and developments in Birmingham and Bedford for Non Executive Directors and in Crawley, Frimley and Weybridge for investors
- Received Responsible Business update including progress against annual targets
- Approved electronic communication of Annual Report



Own desirable real estate that meets occupiers' needs

Manage and enhance responsibly to improve our assets and help occupiers thrive

Maximise our expertise and relationships to build on our position as partner of choice

Generate reliable, repetitive and growing income-led total returns

- Scrutinised the interim and annual property valuations
- Annual review of the internal control framework, risk register and mitigation strategies
- Risk dashboard considered at each Board meeting highlighting emerging risks including political, environmental, cyber and COVID-19
- Considered and approved quarterly dividend, scrip and PID
- Approved the buyback and cancellation of listed preference shares acquired as part of the Mucklow acquisition
- Received a debt update paper from the Finance Director on current and proposed financing arrangements and new LIBOR replacement regulations

Governance, Leadership & Regulatory

- Corporate governance update paper received, reviewing compliance with new provisions of the 2018 Code
- Approved tax strategy and Whistleblowing Policy
- Approved updated Committee terms of reference to incorporate the 2018 Code
- Internal Board and Committee performance evaluation and review of results
- Reviewed succession planning and considered tenure of James Dean and Patrick Vaughan as independent Non Executive Directors
- Approved appointment of Robert Fowlds as Remuneration Chair following this year's AGM
- Continued support to Real Estate Balance group promoting gender diversity in the sector

In addition to the regular work of the Board, the following key focus areas in 2020 and planned for 2021are listed below.

Key activities in 2020

Approved the corporate acquisition of A&J Mucklow Group and monitored the staff and systems integration processes

Further work on Company purpose and monitoring culture though employee surveys

Employee engagement by the designated workforce Non Executive Director

New Remuneration Policy and consultation with shareholders

Considered independence and tenure of Non Executive Directors and approved Robert Fowlds to succeed James Dean as Remuneration Committee Chair following AGM

Internal Board and Committee performance evaluation

Key focus in 2021

Continue work on succession planning for the Board and on improving diversity at all levels

Continue to monitor the impact of the COVID-19 pandemic on strategy and working practices

External review of Board and Committee performance

Board leadership and Company purpose

Our purpose and culture

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.

Our purpose sets out to employees, occupiers and others stakeholders what we do and why. It underpins our strategic priorities and long term direction. Our values articulate what we believe in and underpin our responsible approach to business. Our culture guides the way we work and our relationships with stakeholders.

We strive to operate in an open, honest and respectful manner, listening and engaging with stakeholders and acting with integrity to deliver our strategic objectives. We believe in a 'can do' attitude, doing the right thing for the long term, through empowerment, inclusion, openness and teamwork. The Board believes that the culture of the business, alongside its values, are the ultimate drivers of long term success.

As Chair of the Board, I am responsible for fostering the culture and values of the Board and wider organisation. When hosting Board meetings, I facilitate a collaborative atmosphere in which all Directors are able to voice their opinions and contribute to the debate. The ability for Board members to speak freely in a supportive environment is crucial for effective decision-making.

This culture and thinking permeates through the organisation through the close interaction of the Executive Directors and Senior Leadership Team in day to day activities. The tone is set from the top and delegated to the Senior Leadership Team who lead by example. Strong relationships have been formed by staff over several years of working together and processes are well understood and adhered to after many years of consistent application. Our culture is a key strength and we benefit from and are proud of our high staff retention rates and contented workforce.

Our employees have a clear understanding of our strategy and are engaged and committed to delivering it.

Last year we took steps to define and document our purpose and values, as reflected on pages 01 to 09. This year, the Board reviewed the alignment of its purpose, values and strategy with the culture and behaviour displayed throughout the organisation.

Culture was assessed by the Senior Leadership Team's review of the results of the second staff survey, which is explained in detail on page 90.

These results were presented to the Board by Andrew Livingston as the designated workforce Non Executive Director, who was pleased to note the top three responses from employees when asked to describe the Company's culture as being friendly, driven and collaborative.

If the Board is concerned that policy, practices or behaviour are not in line with the Company purpose, values or strategy it will seek assurance from the Senior Leadership Team that it has taken corrective action. There were no concerns raised in this regard in the year.

The Board and Senior Leadership Team also monitors staff turnover rates, whistleblowing incidents and customer satisfaction surveys to assess and support the alignment of culture and behaviour across the Group with its purpose, values and strategy.

Further details of the staff surveys and employee well-being can be found in the Responsible Business review on pages 54 and 55 and in the employee engagement section of this Governance report on page 90.

We strive to operate in an open, honest and respectful manner, listening and engaging with stakeholders and acting with integrity to deliver our strategic objectives.

Patrick Vaughan
Chair

Our purpose

What we do and why

Graphic removed

See **page 01**

Our values

What we believe in

Graphic removed

See **pages 02 – 09**

Our culture

The way we work

Graphic removed

See **pages 54 – 55 and page 90**

Board leadership and Company purpose

Our stakeholders

Our approach to business builds and maintains the trust of our key stakeholders, and underpins the delivery of our strategic priorities.

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 22 to 23.

We believe that in order to generate value and long term sustainable returns, we need to understand the views and take account of what is important to our key stakeholders.

We having been doing this for many years through effective and proactive engagement.

This year for the first time, the 2018 Code and Miscellaneous Reporting Regulations require us to provide more information about how the Board has considered the matters and its duty under Section 172 of the Companies Act 2006 and our statement in this regard is on page 52.

On pages 88 to 92, we set out our key stakeholders, why they are important to us, how we engage with them and how they have influenced the Board's decisions.

This, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct which is assessed on page 92, is integral to the way the Board operates.

This year the Board has considered the provisions of the 2018 Code and its compliance with S172, and has further considered how stakeholder interests are incorporated into its decision-making processes.

Board briefing papers and appraisals document stakeholder interests and views, ensuring the Board is fully informed when making decisions. Board and Committee minutes record the consideration of stakeholders in the decision making process where relevant, and an explanation of the Directors' duty under S172 will be provided on induction for all newly appointed Directors.

The most significant transaction in the year was the corporate acquisition of the A&J Mucklow Group. As explained in the case study on page 18, this transaction was a fantastic opportunity to bring together like-minded individuals, cultures and real estate and we welcomed a small team of talented employees to LondonMetric.

Other examples of how the Board has considered the interests of stakeholders in its decision-making process can be found in the stakeholder engagement table on pages 88 to 89 and in the employee engagement and shareholder engagement sections on page 90.

We believe that in order to generate value and long term sustainable returns we need to understand the views and take account of what is important to our key stakeholders.

Patrick Vaughan
Chair

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.

Graphic removed

Read more about our acquisition of A & J Mucklow Group on **page 18**

Read more about our employee engagement on **page 90**

Read more about our shareholder engagement on **page 90**

Board leadership and Company purpose

Our stakeholders continued

Graphic removed

Stakeholder engagement

	Why they are important to us	What is important to them	How we have engaged with them	How they influenced the Board's decision making
Our people Graphic removed Read more on pages 54 – 55	We employ a small dedicated and hardworking team of 33 employees. They are critical to our success and the delivery of our strategy and we strive to ensure they remain motivated and happy at work and create opportunities for development and progress.	– Flexible working – Opportunities for progression and career development – Diversity and inclusion – Fair and equal treatment and pay	– Third employee survey undertaken in the year and results of second considered by the Board – Designated workforce NED hosted an external lunch for a small group of employees – Companywide anti-bribery, anti-corruption, money laundering and corporate culture seminar – Flexible working rolled out to all employees – Mucklow office move and staff liaison – Annual one to one appraisal and review – Open door policy – Senior employees participate in LTIP – All staff events including half year and annual results presentations – Weekly updates from Chief Executive during COVID-19 pandemic	Integration of Mucklow employees and their well-being fully considered by the Board when considering relocation plans. Further detail given in the case study on page 18. Workforce NED met small teams of employees in the year. He listened to their views and concerns, and fed back results of staff survey to the Board.
Our occupiers Graphic removed Read more on page 53	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.	– Fit for purpose real estate – Acceptable lease terms – Well designed and sustainable buildings – Good tenant/landlord relationship	– Annual customer satisfaction survey – Annual inspection and feedback report for Mucklow assets – Dedicated CRM and asset management teams and regular ongoing customer discussions and meetings – Significant ongoing discussions during COVID-19 with concessions and support for a small minority of tenants who have been affected – New corporate website launched with enhanced occupier focus	Four Non Executive Directors accompanied senior management on tours of Mucklow assets in Birmingham and Bedford. These tours allow the Board to see things first hand from our occupiers' perspective and understand their needs.
Our suppliers Graphic removed Read more on page 56	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.	– Fair payment terms and prompt settlement – Good, effective and stable working relationship – Long term partnership	– Signatory to the UK Prompt Payment Code and our average payment time this year was just 14 days – Close involvement of development team with contractors – Annual contractor, project and supplier audits undertaken – Expected to have fully complied with responsible development requirements for those completed in the year	New corporate website launched in April with enhanced occupier focus.

	Why they are important to us	What is important to them	How we have engaged with them	How they influenced the Board's decision making
Our investors Graphic removed Read more on our investors on **page 56** Read more on the new Remuneration Policy on **page 119**	Understanding the views and priorities of our investors, lenders and partners is fundamental to the development of our strategy and their continued financial support.	– Financial and operational performance and progression – Dividend and dividend cover – Strategic priorities, investment plans and capital allocation – ESG considerations – Clear and accurate reporting	– Over 250 investors met at investor meetings, conferences, site visits and roadshows – Annual and half yearly results presentations – AGM usually attended by all Directors encouraging liaison – Comprehensive information provided on website, which was enhanced by the new corporate website – Head of Investor Relations responds to ESG enquiries from investors which have increased significantly in the year – Tours of assets in Crawley, Frimley and Weybridge alongside senior management – Liaised with all key Mucklow investors as part of the corporate acquisition – Significant shareholder contact in relation to COVID-19 – Major shareholders representing over 60% of issued share capital were consulted on our new Remuneration Policy	Chair of the Remuneration Committee wrote to shareholders advising them of proposed changes to the Remuneration Policy and encouraging liaison and feedback. Their views were taken into consideration with adjustments subsequently made to the final proposed new Policy.
Our communities Graphic removed Read more on **page 57**	Supporting and investing into the communities within which we work, including local businesses and residents, underpins our responsible approach to doing business and delivering our strategy.	– Environmental impact of our work – Disruption to daily lives and business operations – Impact on the local economy – Employment opportunities	– Communities Policy, Charity and Communities Working Group – Local community liaison at Bedford following occupation of completed units and ahead of Phase 2 of the development – Community consultations at New Malden, Weymouth and Orpington – Charitable giving by the Company and support for staff charitable events – COVID-19 Communities and Charity Committee established and specific charitable giving including to foodbanks and NHS Trust charities in Dagenham, Birmingham and Bedford – 20% salary waiver by the Board and senior executives for COVID-19 charitable giving – Working with local schools including at Kempton Challenger Academy – Encouraging strong community involvement by our contractors – Local authority liaison and dialogue – Certain unclaimed dividends donated to charity	A company-wide training session on ESG matters is planned to provide a forum to discuss and understand sustainability initiatives and projects in which the Group is involved. A briefing note and regular updates were provided to investment and asset management teams to assist their day to day activities.

Board leadership and Company purpose

Our stakeholders continued

Employee engagement

At the end of last year, we completed our second employee survey. The feedback was very positive with 100% of employees feeling proud to work for LondonMetric.

The survey covered three key areas:

1. The Company
2. The office environment
3. About me

Overall, we saw an improvement in the results compared with the previous year and 71% of the workforce were positive about the Company, an increase of 5%.

Employees were pleased with the changes made as part of the office refurbishment in 2019, with 89% of staff feeling positive about the office environment, an increase of 29% on the previous year.

The top three responses from employees when asked to describe the Company's culture was that it was friendly, driven and collaborative.

Andrew Livingston, the designated workforce Non Executive Director, presented the results to the Board for discussion as part of the wider employee engagement agenda.

In June, Andrew hosted an employee lunch for eight people across all disciplines of the Company.

The informal lunch was an opportunity to speak freely and discuss the survey and business in general.

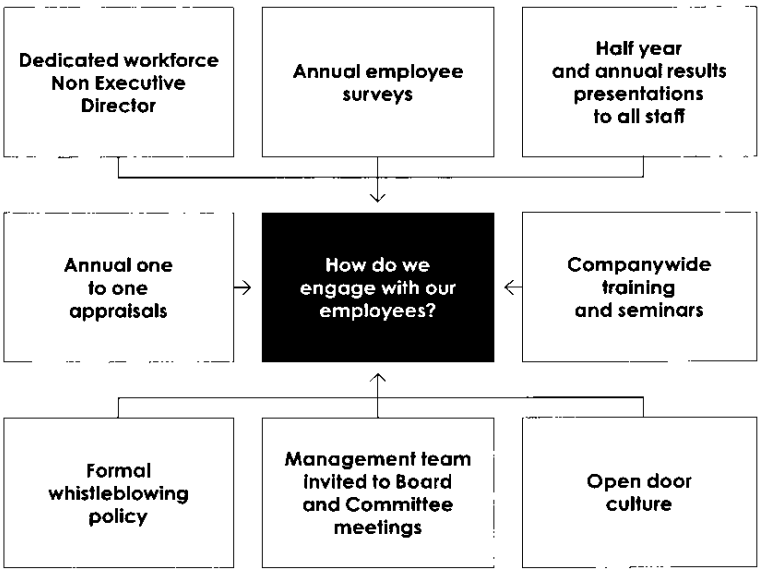
There are also many ad hoc occasions where other Non Executive Directors meet with employees, for example as part of our Board induction process and at property site visits. In addition, staff below Board level are encouraged to attend and present at Committee meetings.

The Company sent its third employee survey to all staff in March 2020. Responses were received from 82% of employees and the majority of results were ahead of the 2019 survey. All employees enjoyed working for the Company and 96% had confidence in the Senior Leadership Team. 71% of staff felt considered in decision-making, an increase on the 2019 score of 64%.

The results have been collated and reviewed by Andrew Livingston and the Board and will be further considered over the course of the year.

Further details are reflected in the Responsible Business review on page 55.

During the COVID-19 pandemic all employees have been working remotely. A supplement to the third survey was sent to staff in May to understand home working practices, arrangements and general staff well-being.



Shareholder engagement

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 Head of Investor Relations, hold meetings throughout the year to communicate the Company's strategy and performance.

In addition, this year the Chair of the Remuneration Committee consulted with our major shareholders representing over 60% of issued share capital on the proposed changes to the Remuneration Policy, which is discussed in detail in the Remuneration Committee report on page 112.

Investor meetings

The framework of investor relations is set around the financial reporting calendar, specifically the 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.

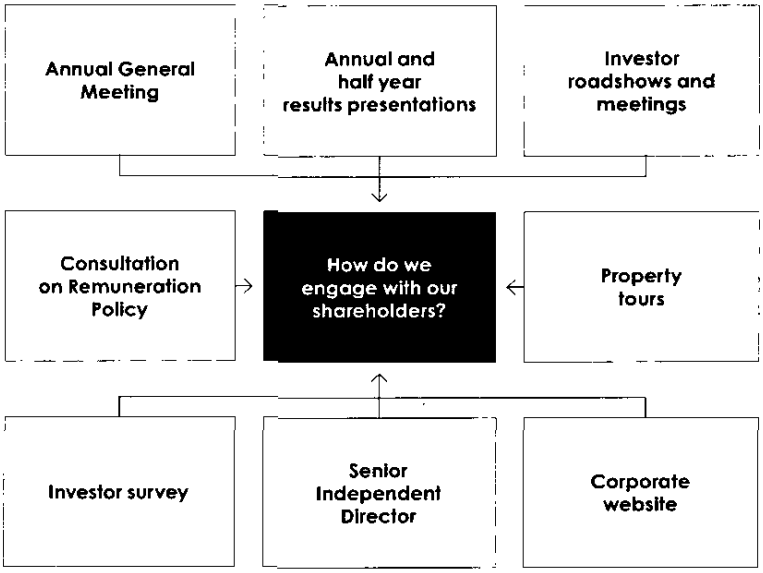
These meetings and roadshows seek to keep investors informed of the Company's performance and plans, answer questions they may have and understand their views.

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. In addition, we saw a significant increase in environmental, social and governance questions compared to previous years.

Graphic removed

For further reading on Our people see **pages 54 – 55**

For further reading on the new Remuneration Policy see **page 119**



Investor activity
During the financial year, the Company met with over 250 shareholders, analysts and potential investors.

The acquisition of A&J Mucklow involved significant shareholder dialogue with both their shareholder base as well as the Company's. Whilst there was some overlap in the shareholder base, a number of Mucklow shareholders were unfamiliar with LondonMetric. During the course of the acquisition, we met or spoke with all key Mucklow institutional and private wealth investors. There was also significant shareholder contact towards the end of the year in relation to COVID-19.

A breakdown by type of investor seen and location of meeting are shown in the charts on page 92. Meetings were held predominantly in the UK, with approximately 67% of investors seen in London, and a further 20% of investor meetings held overseas in Canada, Holland, South Africa and the United States. The Company will continue to engage with overseas investors to broaden its investor base further.

Reflecting the importance of retail/private wealth shareholders, the Company maintained its high level of regional roadshow activity including visits to Bristol, Cheltenham, Edinburgh, Glasgow, Liverpool, Manchester as well as a roadshow in the Isle of Man. It also hosted a number of private wealth group meetings. In total, private wealth meetings accounted for 36% of investors seen and the Company continues to place great importance on engaging with its private wealth shareholders. It also became a partner of the Property Chronicle magazine in which it contributed opinions and thoughts to editorial pieces targeted at private wealth readers.

The Company also presented at several conferences including participating in an EPRA/Bloomberg panel event.

We have worked hard to continue our close relationships with analysts in light of the continued contraction of analyst coverage across the equity markets. We continue to enjoy strong analyst coverage with 13 brokers covering us, which is unchanged on the prior year.

Investor site visits
Tours provide an opportunity to see our assets, understand strategy and meet the senior management team. During the year, two site visits were arranged for investors at the Company's distribution warehouses in Crawley, Frimley and Weybridge.

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.

As part of its ongoing shareholder engagement, the Company had intended to conduct its second biennial investor Responsible Business survey in March 2020. As a result of COVID-19 and the significant focus on the near term implications of the pandemic, it was decided to postpone this survey until a more appropriate date. The feedback, however, on Responsible Business from investor meetings and other conversations with our investors' ESG teams was very supportive of our activity and our achievements.

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. The Company undertook a complete website redesign in the year which included a clearer and more comprehensive investor relations page with additional features such as consensus analyst estimates for key company financials.

Board leadership and Company purpose

Our stakeholders continued

A live and on demand webcast of results and a CEO interview is posted twice a year on our website. Individual shareholders can also raise questions directly with the Company at any time through a facility on the website.

This year, as part of our commitment to working with our wider stakeholder group to improve the environment, we have decided to use the authority in our Articles to move away from the paper version of this report and ask shareholders to instead view it electronically online by visiting our website. Those wishing to receive a hard copy report have been accommodated and this will be sent at least 20 working days before the AGM.

Investor meetings

By location

Graph removed

1	Overseas	20%
2	London	67%
3	Site visit	2%
4	UK regional	11%

By type of investor

Graph removed

1	Specialist institution	34%
2	Broker	6%
3	Private wealth	36%
4	Generalist institution	24%

Annual General Meeting

Shareholders are encouraged to participate in the Annual General Meeting ('AGM') of the Company, which provides a forum for communication with both private and institutional shareholders alike.

In usual circumstances, the whole Board attends the AGM and is available to answer shareholder questions. This year, due to the COVID-19 pandemic, we are required to hold the meeting as a closed meeting and shareholders will not be able to attend.

Key shareholder events throughout the year

Q1
- Full year 2019 results presentation
- Pre-marketing meetings ahead of A&J Mucklow acquisitions
- Investor full year roadshow held post results in London, Amsterdam, Manchester, Liverpool and Birmingham

Q2
- Annual General Meeting of shareholders
- Investor roadshows in London, the Isle of Man, New York and Boston
- Site visit to Crawley

Q3
- Half year results presentation
- Half year investor roadshow post results
- Investor roadshow in London, Cape Town and Johannesburg

Q4
- Investor meetings in London, Bristol, Edinburgh, Glasgow, Boston and Toronto
- Site visits to Crawley, Frimley and Weybridge
- Investor conference calls on COVID-19

However, questions can be submitted to the Company before the meeting as described in the Notice of Annual General Meeting on page 191.

Details of the resolutions to be proposed and voting details can also be found in the Notice.

Details of the number of proxy votes for, against and withheld for each resolution will be disclosed in the AGM RNS announcement and on our website.

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

Promoting long term success

The Board is collectively responsible for the long term success of the business, having due regard to the views of its stakeholders and the environment within which it operates. We have had another successful year, with strong financial results and robust portfolio metrics. The portfolio has significantly grown in size and value as a result of the Mucklow acquisition and looking ahead, the combination of additional income from our development programme, asset management initiatives and acquisitions help to support sustainable earnings and dividends. Our strategy, activities and financial results are set out in the Strategic report on pages 01 to 75 and our long term focus and success story is evidenced by the Performance highlights and Key performance indicators on pages 10 and 24 respectively.

Real estate is an inherently long term cyclical business and the Board therefore takes a longer term view when making decisions. Some examples of this include:

- The Group's financial budgets cover a three year rolling period and are updated monthly and reported quarterly to the Board
- One Board meeting each year is dedicated to the discussion of the Group's longer term strategy
- The risk register and dashboard includes consideration of both short term and longer term emerging risks

Division of responsibilities

Leadership framework

Board Of Directors

Chair: Patrick Vaughan

The Board is collectively responsible for the long term success of the business, having due regard to the views of its stakeholders and the environment within which it operates. It provides leadership and direction, establishes and fosters the culture, values and ethics of the organisation, and independently oversees management's execution of strategy within an acceptable risk management and internal control framework. The work of the Board both complements and supports the work of the executive team. The Board is made up of a group of talented individuals with wide-ranging commercial experience from a range of industries and sectors including property, finance, banking, risk management, sustainability and retail.

Through this diversity, experience and deep understanding of the business, its culture and its stakeholders, the Board delivers sustainable value as set out in the Strategic report from page 01.

Our activities **pages 84 – 85**
Biographies **pages 80 – 81**
Roles & responsibilities **pages 94 – 96**

Board Committees

The Board has three Committees of Non Executive Directors to which it has delegated a number of its responsibilities. 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. The Chair of each Committee provides a verbal update on the matters discussed at each meeting to the Board.

Audit Committee

Chair: Rosalyn Wilton

The Audit Committee has oversight of the Group's financial and narrative reporting processes and monitors the integrity of the financial statements.

- Oversees financial reporting process
- Scrutinises significant judgements made by management
- Monitors effectiveness of risk management systems, internal control and viability
- Evaluates the external audit process
- Regulatory compliance oversight

Graphic removed

Audit Committee report **page 104**

Remuneration Committee

Chair: James Dean

- The Remuneration Committee determines and implements a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives whilst maintaining stability in the management of its long term business.
- Determines and implements Remuneration Policy
- Sets remuneration packages and incentives for Executive Directors and senior management
- Approves annual bonus and LTIP targets and outcomes
- Has oversight of workforce remuneration arrangements and alignment

Graphic removed

Remuneration Committee report **page 112**

Nomination Committee

Chair: Patrick Vaughan

The Nomination Committee ensures that the Board and its Committees have the right balance of skills, knowledge and experience, having due regard to succession planning and diversity.

- Recommends appointments
- Board composition and succession
- Considers skills and diversity
- Leads performance evaluation

Graphic removed

Nomination Committee report **page 97**

Management Committees

Senior Leadership Team

Operates under the direction and leadership of the Chief Executive to deliver the approved strategic objectives and manage the day to day running of the business. It is supported by sub-committees, focusing on different areas of the business.

- Implementation of strategy
- Sets budgets and manages operational and financial performance
- Day to day management of the business and its principal risks
- Manage, appraise and develop staff
- Employee remuneration and well-being
- Manages allocation of capital
- Identifies and assesses business risks and implements mitigation strategies
- Responsible business activities

Graphic removed

Biographies **pages 82 – 83**

Investment Committee

Chair: Valentine Beresford

- Reviews investment and divestment opportunities and allocation of capital
- Approves transactions of less than £10 million and recommends higher value transactions to the Board

Asset Management Committee

Chair: Mark Stirling

- Reviews value enhancing operational activities and development opportunities

Finance Committee

Chair: Martin McGann

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

Division of responsibilities

Leadership roles and responsibilities

The following table sets out the key roles and responsibilities of Board members. The responsibilities of the Chair, Chief Executive, Senior Independent Director, Board and Committees are set out in writing, approved annually and are available on the Company's website at www.londonmetric.com.

Role	Responsibilities
Chair Patrick Vaughan	– 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	– 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 Senior Leadership Team
Finance Director Martin McGann	– Supports the Chief Executive in developing and implementing strategy and alignment to financial objectives – Stewardship of financial resources and risk management
Non Executive Directors Suzanne Avery James Dean Robert Fowlds Andrew Livingston Rosalyn Wilton	– 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	– Acts as a sounding board for the Chair and trusted intermediary for the other Directors – Available as a communication channel for shareholders if other means are not appropriate – Leads performance evaluation of Chair
Designated Workforce NED Andrew Livingston	– Liaison with employees and attendance at key employee and business events – Monitors the results of staff surveys and reports to the Board – Reviews messages received through the whistleblowing system
Company Secretary Jadzia Duzniak	– Advises the Board and is responsible to the Chair 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

Division of responsibilities

The roles of Chair and Chief Executive are separately held and their responsibilities are defined in writing and approved by the Board. There is a clear division of responsibilities between the Chair, who is responsible for leading the Board and monitoring its effectiveness and the Chief Executive, who is responsible for the day to day management of the Group and the implementation and delivery of the Board's agreed strategic objectives.

The Chair is responsible for ensuring a constructive working relationship between Executive and Non Executive Directors and for encouraging and fostering a culture of boardroom challenge and debate.

He sets the Board agenda and maintains regular contact with the Executive and Non Executive Directors outside of formal Board meetings, which ensures he is kept abreast of individual views, any issues arising and to foster an open and two way debate about Board, Committee and individual members' effectiveness.

The Chair will be hosting a dinner for the Non Executive Directors without the Executive Directors present to foster debate and challenge. This has been delayed due to the lockdown restrictions recently imposed.

Matters reserved for Board approval

To retain control of key decisions and to ensure there is a clear division of responsibilities between the running of the Board and the running of the business, certain matters are reserved for the Board's attention and approval.

These include the 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.

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.

Each of the Non Executive Directors, other than the Chair, 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 Chair, are independent Non Executive Directors. This balance ensures that no one individual or small group of individuals dominates the Board's decision making.

The Senior Independent Director is Robert Fowlds. He acts as a sounding board for the Chair and an intermediary to the other 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. During the year Robert met with the other Non Executive Directors, to appraise the performance of the Chair as part of the internal performance evaluation.

On appointment, Non Executive Directors are advised of the likely time commitment to fulfil the role. The ability of individual Directors to allocate sufficient time to discharge their responsibilities is considered as part of the annual evaluation process led by the Nomination Committee. The Board is satisfied that each of the Non Executive Directors devoted sufficient time to the Company's business during the year and has capacity to continue to do so.

Non Executive Directors are encouraged to communicate directly and openly with the Executive Directors and senior management between scheduled Board meetings to explore and challenge large and complex transactions and as part of each Director's contribution to the delivery of strategy. This ad hoc communication is supplemented by site visits and provides further opportunity to mix with senior management. During the year Suzanne Avery, James Dean, Robert Fowlds and Patrick Vaughan accompanied the Senior Leadership Team members and the Head of Investor relations on tours of the Mucklow portfolio in Birmingham and assets in Bedford.

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, routine or administrative matters, which this year included a separate meeting to approve the corporate acquisition of A & J Mucklow Group. 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 or lunch each year is dedicated to strategy to ensure it remains relevant and adapts to changing economic, market and environmental conditions.

At each Board meeting, the Chief Executive provides a review of the business, setting out progress against strategic objectives and discusses any issues arising.

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 87 to 92 and in the Responsible Business review on pages 52 to 57.

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

Selected members of the Senior Leadership Team attend Board meetings and present on topics of relevance, increasing the range of views and input. In addition, senior employees below Board level are invited to present to the Board and its Committees on operational and regulatory topics during the course of the year. This facilitates the open interaction of Non Executive Directors with senior managers throughout the organisation. This year the Strategy Director, Head of Investor Relations and Head of Finance attended Board or Committee meetings to discuss relevant operational topics.

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 on page 96.

Graphic removed

Read more on the acquisition of A&J Mucklow on **page 18**

Read more on Board membership and attendance at meetings on **page 96**

Read more on Our stakeholders on **page 87**

Division of responsibilities

Leadership roles and responsibilities continued

Membership and attendance

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

Member	Date appointed	Tenure (years)[3]	Independent	Board[2]
Chair				
Patrick Vaughan	13/1/2010	10	n/a	6 (6)
Executive Directors				
Andrew Jones	25/1/2013	7	No	6 (6)
Martin McGann	13/1/2010	10	No	6 (6)
Valentine Beresford[4]	n/a	n/a	n/a	1 (1)
Mark Stirling[4]	n/a	n/a	n/a	1 (1)
Non Executive Directors				
Suzanne Avery	22/3/2018	2	Yes	6 (6)
James Dean	29/7/2010	10	Yes	6 (6)
Robert Fowlds	31/1/2019	1	Yes	6 (6)
Andrew Livingston	31/5/2016	4	Yes	6 (6)
Rosalyn Wilton	25/3/2014	6	Yes	6 (6)
Percentage independent[1]			**71%**	

1 Based on Board members as at 31 March 2020
2 Bracketed numbers indicate the number of meetings the member was eligible to attend
3 Tenure is measured from the date of appointment to the LondonMetric Board and as at 31 March 2020, rounded to the nearest whole year
4 Stepped down from the Board on 11 July 2019

Information flow

The Chair, supported by the Company Secretary, ensures that the Directors receive clear and timely information on all relevant matters to enable them to discharge their responsibilities.

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 and to facilitate robust and informed decision-making.

The Board papers contain market, property, financial, risk and governance updates as well as other specific papers relating to agenda items. Specific briefing papers were provided to the Board and its Committees on the Mucklow acquisition and integration, responsible business, corporate governance, cyber security, tenant covenants and debt.

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.

Minutes of all Board and Committee meetings are circulated to all Directors after each meeting and are included in the next Board or Committee pack. A detailed action list is prepared by the Company Secretary, followed up by management and reviewed at the next 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 Chairs 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.

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.

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

Composition, succession and evaluation

Nomination Committee report

Image removed

The Committee's focus this year has been the independence of the Non Executive Directors and compliance with the provisions of the new Corporate Governance Code.

Patrick Vaughan
Nomination Committee Chair

Membership and attendance

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

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
Patrick Vaughan (Chair)	1/11/2012	7	2 (2)
Andrew Livingston	19/9/2018	2	2 (2)
Suzanne Avery	31/1/2019	1	2 (2)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2020, rounded to the nearest whole year

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

Key responsibilities

Board composition, succession and appointment
- 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
- Lead the process for new Board and Committee appointments and make recommendations regarding Board and Committee membership changes

Graphic removed
See pages 98 – 100

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

Graphic removed
See pages 100 – 101

Performance evaluation
- Lead the Board and Committee performance evaluation exercise

Graphic removed
See pages 101 – 103

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

Graphic removed
See page 103

Highlights in 2020

- Considered independence and tenure of Non Executive Directors and approved Robert Fowlds to succeed as Remuneration Chair following AGM
- Led internal Board and Committee performance evaluation

Focus in 2021

- Board succession planning and refreshment
- Promote diversity at all levels of recruitment and take into consideration for the next appointment to the Board
- Oversee talent development within the organisation
- External Board and Committee performance evaluation

Composition, succession and evaluation

Nomination Committee report continued

Dear Shareholder,

I am pleased to present the Nomination Committee's report for the year to 31 March 2020.

The Committee's focus this year has been the independence of the Non Executive Directors and compliance with the provisions of the 2018 Corporate Governance Code ('Code').

James Dean has served as a Non Executive Director and Remuneration Committee Chair for more than nine years which, under provision 10 of the new Code could appear to impair his independence. Arrangements for his succession were discussed and agreed last year and further considered and refined this year, as discussed in detail below. We are very pleased to announce that James has decided to continue his role as a Non Executive Director until a suitable replacement for him can be found, but will step down from the Remuneration Committee following the AGM. We believe he brings exceptional and extensive property expertise, sound judgement and constructive challenge to the Board and is a highly regarded, well respected and independent member of the team and therefore regard him as independent in accordance with the Code. From a governance perspective, 71% of the Board excluding the Chair comprises independent Non Executive Directors in accordance with the Code.

The Committee led an evaluation of Board and Committee performance as described on pages 101 to 103. The findings were collated, discussed and recommendations for improvements to processes agreed. I am pleased to report that the findings concluded that the Board and Committees continued to operate well. Next year we will commission an external evaluation of performance in accordance with the current governance regulations.

Looking forward, the Committee will continue to focus on the Board and Company's succession planning and oversee the development of talent within the organisation, promoting diversity in its widest sense.

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 drive succession planning and ensure that it is properly planned and managed to maintain stability in the leadership team and mitigate against business disruption.

Board composition and succession

The Committee discusses Board and Committee composition, size and structure at each meeting. This year, we have continued to focus on the independence of Non Executive Directors in light of the new 2018 Code.

Last year we considered the tenure of James Dean, Non Executive Director and Chair of the Remuneration Committee, and decided to appoint Robert Fowlds to succeed him as Committee Chair after he had served as a member of the Remuneration Committee for 12 months. It was also agreed that James would remain as Chair and a Non Executive Director until this time in order to facilitate an orderly transition. The Committee subsequently decided, having taken the advice of PwC, the Company's remuneration advisor, that James should remain as Committee Chair until the AGM to facilitate the implementation of the new Remuneration Policy and to provide continuity for shareholders throughout the communication and liaison process.

The Committee also considered James's independence as a Non Executive Director, having served for more than nine years on the Board. Both the Committee and Board highly value his in depth property expertise and the insight and challenge he brings, and strongly support his continuing service as a Non Executive Director, notwithstanding the fact that his tenure may be seen to compromise his independence under the terms of the Code. To avoid perceptions of non-independence, James will retire from the Committee in July 2020 although he will remain as a Non Executive Director of the Board until a suitable replacement is found. The Board firmly believes that James brings sound judgement and an independent approach to all Board matters and deem him independent in accordance with the Code.

The Committee also considered the size of the Board last year, and in July 2019, two Executive Directors, Valentine Beresford and Mark Stirling, stepped down from the Board but remained Investment and Asset Directors and members of the Senior Leadership Team responsible for running the day to day operations and implementing strategy. They continue to provide valuable contributions to Board discussions.

Following these changes, the membership of the Board, excluding the Chair, comprises a majority of independent Non Executive Directors and is fully compliant with Provision 11 of the 2018 Code.

The Committee will continue its search for James's ultimate replacement, prioritising candidates with a similar level of property expertise and experience.

I have served as a Director for ten years, the first three years as Chief Executive and as your Chair for the last seven, since our merger with Metric in 2013. The length of my tenure, being more than nine years, does not comply with Provision 19 of the Code. However, taking into consideration Board responses to the performance evaluation exercise undertaken this year, the Nomination Committee concluded that it was in the best interests of the Company for me to continue in office and maintain the appropriate stability in the leadership team.

Having worked in the UK property market for 50 years and being co-founder and CEO of three listed property companies before being appointed as Chair, the Board advise me that they value my notable experience and industry knowledge, and do not feel my independence, objectivity and judgement is compromised by my length of service.

The Nomination Committee will continue its search for my successor but cannot set a time limit on this as appointing the right candidate with the necessary expertise, character and beliefs 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 Senior Leadership Team, to ensure we retain and recruit a pipeline of talent and suitable future leaders to serve as the next generation of Directors and support the Company's longer term plans.

The Senior Leadership Team 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, both Executive and Non Executive, in and outside of meetings, through presentations, property tours and one to one sessions to discuss specific issues.

Although there are no immediate vacancies at Board or Senior Leadership Team 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.

With this in mind and following the recent performance evaluation exercise described in detail on page 101, it was decided that other members of the Senior Leadership Team would attend investor roadshows and presentations. This would increase awareness of investors' views and insights throughout the organisation, allow investors to see the calibre of the management team and to support succession planning for the Executive Directors.

Graphic removed

Further information on the Company's commitment to developing and supporting employees is included in the Responsible Business review on **page 54**

A balanced Board

Board composition

Graph removed

1	Chair	1	12%
2	Non Executive Directors	5	63%
3	Executive Directors	2	25%
	Total	8	

Board independence

Graph removed

1	Independent	5	71%
2	Non independent	2	29%
	Total	7	

Board tenure

Graph removed

1	0-3 years	2	25%
2	3-6 years	2	25%
3	6-10 years	4	50%
	Total	8	

Board gender diversity

Graph removed

1	Male	6	75%
2	Female	2	25%
	Total	8	

Board skills (%)

Graph removed

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

Composition, succession and evaluation

Nomination Committee report continued

Board appointment, induction and training

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

Last year, Robert Fowlds was appointed as a Non Executive Director and details of his appointment and induction processes can be found in last year's Annual Report. There have been no further Board appointments this year.

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.

The selection process for new appointments to the Board is described in the flow chart below.

Appointment and induction process

1. Selection of external search agency
2. Discussion of candidate specification and required skills with agency
3. Considerations include relevant property experience, diversity and cultural fit
4. Review of potential candidates by agency
5. Shortlist of candidates provided for initial interviews with Nomination Committee and Executive Directors
6. Final selection of candidates circulated with CVs for consideration
7. Committee recommends candidate to the Board
8. Induction programme organised by the Finance Director
9. Proposed election by shareholders at the first AGM following appointment

Oversight of the training needs of individual Directors is the responsibility of the Chair. 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, information updates were provided through briefing papers prepared by senior management and external advisors on regulatory and accounting updates, the Mucklow acquisition and integration, responsible business, corporate governance and the 2018 Code, cyber security, tenant covenants and debt. This was complemented by property tours to assets in Bedford and Birmingham as described on page 95, providing insight into business operations, customers and communities and an opportunity to engage with senior management.

Diversity

The Board recognises the importance of diversity and the benefits it brings to the organisation in terms of skills and experience, wider perspectives, fresh ideas 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.

It acknowledges that performance is, to a large extent, determined by the quality of recruitment and the development and commitment of employees.

The Board sets the tone on diversity and gives full consideration to achieving a diverse working environment when appointing new Directors. It applies the principles of the Company's Diversity and Inclusion Policy, which is publicly available on our website, when considering any new appointments.

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, including pay, benefits, training and promotion, regardless of background, gender, age, religion, disability, nationality, ethnicity, sexual orientation or marital status.

We actively engage with recruiters to promote a diverse candidate selection 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 continues to support the Real Estate Balance group, whose objective is to improve gender diversity by promoting and supporting the development of a female talent pipeline.

The Board also recognises that diversity is not limited to just gender and supports the Parker recommendation that FTSE 250 boards should have at least one director from an ethnic minority background by 2024. However, it does not believe quotas are appropriate given the size of the Company and has chosen not to set formal targets.

Ultimately, all appointments to the Board and throughout the Company are based on merit and suitability for the role, as an appointment on any other basis would not be in the best interests of shareholders or the Company. We realise that the diversity of recruitment will be subject to the availability of suitable candidates and vacancies within the organisation. 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 charts on page 101 reflect the gender diversity of the Board, Senior Leadership Team and across the Company. The Board supports the aspirational targets of the Hampton Alexander Review of 33% female representation on FTSE 350 company boards and senior leadership teams by 31 December 2020, and has made good progress. There has been an ongoing commitment to strengthen female representation at Board level, which has increased from 9% in 2017 to 25% today.

We believe that the current Board composition brings suitable diversity of skills, experience and thought to lead the business and although we strive to meet the Hampton Alexander target, can only do so when a suitable vacancy exists and an appropriate candidate can be

found. Our Senior Leadership Team manages the day to day running of the business and comprises departmental heads from all key business functions with a diverse range of skills and experience. Currently 22% of the members, excluding the Executive Directors, are female and although we are working towards compliance with the Hampton Alexander targets, the gender balance of the team is likely to remain a challenge, as increasing its size is not considered an effective solution and there are no natural succession changes anticipated at the present time.

However, the Committee is focusing on development of the talent pipeline to the Senior Leadership Team and improving diversity within it. 45% of all employees are female and the culture of the organisation promotes inclusion and equal opportunity. The latest staff survey, discussed on page 55, reinforces this culture with all employees feeling proud and happy to work at LondonMetric and recommend the Company to others.

In addition, Andrew Livingston, as the designated workforce Non Executive Director, provides a valuable insight into the behaviour throughout the organisation and helps to assess employees well-being through his interaction with staff across all business functions.

Further information on the Company's commitment to promoting diversity and inclusion is included in the Responsible Business review on page 54.

Board performance 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.

In line with our three year cycle, both last year and this year's review and evaluation of performance was undertaken internally. The Board is committed to undertaking an external evaluation next year.

Progress against the key points arising from last year's review is reflected in the table to the right.

A questionnaire based evaluation was undertaken this year in January 2020, led by me as the Chair of the Committee and focused on the key aspects of good governance.

The findings were collated and summarised by the Company Secretary and tabled for discussion by the Committee, who reported their findings to the Board. The key findings are summarised on pages 102 to 103.

Gender balance

Board

Graph removed

1	Male	6	75%
2	Female	2	25%
	Total	8	

Senior leadership team

Graph removed

1	Male	7	78%
2	Female	2	22%
	Total	9	

All employees

Graph removed

1	Male	18	55%
2	Female	15	45%
	Total	33	

Senior leadership team and direct reports

Graph removed

1	Male	14	70%
2	Female	6	30%
	Total	20	

As Chair of the Company, I conduct one to one discussions or meetings with each of the Non Executive Directors.

All Committees also carry out an annual review of their performance against their roles and responsibilities as set out in their terms of reference.

The Senior Independent Director led a meeting of the Non Executive Directors to appraise my performance.

Feedback was positive and noted continued good leadership both in and out of meetings, and facilitation of boardroom discussion and debate in an open and constructive way.

Recommendation in 2019		Progress in 2020
Succession planning for the Board	→	Robert Fowlds to replace James Dean as Remuneration Committee Chair following AGM
Annual strategy meeting to be a standing calendar item	→	Annual strategy lunch held in the year
Periodic information on tenant covenant reviews to be provided	→	Provided at the Audit Committee planning meeting in March
More regular updates of corporate governance matters to be provided	→	Comprehensive corporate governance update briefing paper prepared for Board by Finance Director in March
A bi-annual dinner for Non Executive Directors to facilitate informal discussion	→	To be rearranged in 2021 after the COVID-19 restrictions have been lifted

Composition, succession and evaluation

Nomination Committee report continued

2020 Performance evaluation findings

1
Board objectives and strategy

- Strategy and objectives are clear and dynamic, supported by the Board and agreed with management
- Management are strategy focused and a high percentage of Board time is spent reviewing and assessing strategy at each meeting
- The management team were praised for providing appropriate written and oral updates on the property, retail and logistics markets, trends and economic updates at meetings
- Comprehensive market updates, competitor analysis, investor feedback and resources, both in terms of people and finances, are integral to discussions and downside risks of changes in strategy are highlighted
- An annual strategy specific meeting to facilitate a deeper review, which may not be practical at each meeting, is beneficial

2
Performance

- Board takes collective responsibility for performance through an ownership culture
- Board reporting is regular and timely and provided in a comprehensive yet succinct matter, making it easy to review and digest
- Detailed reviews of individual investment performance post acquisition was suggested as helpful

3
Relationships with shareholders

- The Company's relationship with shareholders continues to be a key focus for the Chief Executive, supported by a widening group of senior colleagues
- There is an extensive programme of investor meetings and strongest investor coverage amongst UK REITs
- Feedback on investor engagement at meetings by the Chief Executive is both regular and informative
- Directors agreed shareholder relationships are strong, possibly best in class and investor sentiment is positive and highly supportive of strategy, evidenced by its strong share price performance

4
Risk management

- The Board is risk aware and gets early warning signals of problems that may adversely affect the business
- Directors are satisfied that risks are taken into account in all decision making processes
- Risk management is considered at each Board meeting via a risk dashboard. Emerging risks and uncertainties are also raised as part of the Chief Executive's overview and market briefings to the Board
- The process for identifying and reporting risk is sound, suitable and relevant to the business
- There is good debate at each meeting on market risk and impact on strategy
- Management was praised for its analysis and review of the Mucklow acquisition, particularly the identification of risks, the integration process and the provision of regular and informative updates

5
The Board and its Directors

- Board is cohesive and combines management support with appropriate challenge
- Board and Committees operate effectively with good transparency
- Appropriate allocation of time is devoted to consideration of pertinent matters
- Attendance at meetings is very good and on the whole the pace and format of meetings encourages debate and interjection by Non Executive Directors
- Discussions are open and constructive with appropriate challenge, although discussions held between individual Directors outside of Board meetings should not be a substitute for Boardroom debate
- Board culture and approach is prudent and conservative
- Directors noted the importance of keeping up to date with market and regulatory developments and found the updates provided by the Company's advisors to be important in this regard
- Non Executive Directors value the opportunity to visit assets on an opt-in basis when opportunities arise and to meet key individuals
- Board lunches continue to be a welcome part of the Board schedule to facilitate further discussion and build bonds

6
Board composition and succession

- Board and Committees are well balanced and have a broad range of skills and experience to discharge their duties and face current and future challenges
- Diverse perspectives make the Board, as a collective, greater than the sum of its individual parts
- Directors have a deep interest in the business, its people, purpose and ambition
- Robert Fowlds was seen as an excellent addition to the Board
- Management are considered to be exceptionally well connected, respected and trusted and well positioned to see market opportunities and challenges
- Non Executive Directors have real confidence in the management team, who are responsive and accessible

7
Board Committees

- Committees are very well supported by external advisors and continue to have open and good working relationships with them, although greater transparency, control and understanding of advisory fees would be welcomed
- The Finance Director and team provide good and detailed information to the Audit Committee
- A challenge for the Nomination Committee is balancing independence and diversity with the desire to protect the Company's culture, retain the wealth of experience and stay small
- Diversity of thinking is paramount and should continue to be at the forefront of Nomination Committee discussions and decisions

8
Chair

- The Chair continues to be praised for his exceptional guidance to the management team and leadership of the Board
- He listens, encourages Directors to share their views and fosters an inclusive, thorough and open debate before decisions are made
- Meetings with other Non Executive Directors are arranged although not regular or frequent and considered beneficial
- His continuing service beyond nine years was considered beneficial to the Company although succession planning arrangements and proposals are necessary

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. The Directors agreed that the Chair 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.

No significant issues or areas of weakness were noted. The Board welcomed the recommendations for continued development to its practices and procedures noted below and will report progress at future meetings.

Areas of focus for 2021

- Involvement of other Senior Leadership Team members in the investor relations programme
- Dinners to be arranged for Non Executive Directors only and for the whole Board, outside of scheduled meetings, to facilitate informal discussion and debate
- Discussions between individual Directors outside of scheduled meetings to be relayed at Board meetings
- Continue with succession planning for the Board

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 and valuable 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.

All Directors will offer themselves for re-election at the forthcoming AGM on 22 July 2020 and I encourage shareholders to support us and vote in favour of these resolutions.

Signature removed

Patrick Vaughan
Chair of the Nomination Committee

10 June 2020

Audit, risk and internal control

Audit Committee report

Image removed

The Committee continues to assist the Board and ensure that stakeholder interests are protected by monitoring the processes that support the integrity and accuracy of financial reporting.

Rosalyn Wilton
Audit Committee Chair

Membership and attendance

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

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
Rosalyn Wilton (Chair)	25/3/2014	6	5 (5)
Andrew Livingston	31/5/2016	4	5 (5)
Suzanne Avery	22/3/2018	2	5 (5)
Robert Fowlds	31/3/2019	1	5 (5)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2020, rounded to the nearest whole year
2 Bracketed numbers indicate the number of meetings the member was eligible to attend

Key responsibilities

Financial reporting
- Monitor the integrity of the financial reporting process
- Scrutinise the full and half year financial statements
- Consider and challenge the key financial judgements

Graphic removed
See pages 106 – 108

Risk management and internal control
- Oversee the internal control processes
- Assess the need for an internal audit function
- Review the risk management framework
- Ensure risks are carefully identified, assessed and mitigated

Graphic removed
See pages 108 – 109

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

Graphic removed
See pages 109 – 110

Regulatory compliance
- Review the Viability Statement and going concern basis of preparation
- Consider whether the Annual Report is 'fair, balanced and understandable'
- Monitor compliance with applicable laws and regulations

Graphic removed
See pages 110 – 111

Highlights in 2020

→
- Considered accounting for the acquisition of A&J Mucklow Group as a business combination
- Reviewed adoption of IFRS 16 Lease Accounting and disclosures
- Reviewed implementation of 2018 Code and the S172 Statement

Focus in 2021

→
- Continue to monitor the integrity of financial reporting
- Monitor the impact of the COVID-19 pandemic on strategy and working practices

Dear Shareholder,

I am pleased to present the Audit Committee report on behalf of the Board, which describes the work we have undertaken and our key areas of focus this year.

Our remit is unchanged from previous years, primarily to oversee and independently challenge the integrity of the financial reporting processes at LondonMetric which support and ensure the accuracy of the financial results. Alongside this, we review the risk management framework and internal control procedures in place to ensure they remain robust and are implemented effectively.

At our planning meeting in March, we undertook a comprehensive review of the principal and emerging risks facing the Company as discussed on pages 60 to 75. This included updates on cyber security and responsible business, and also the impact of the COVID-19 pandemic and lockdown restrictions in place.

The business implications of the pandemic and disruption were further discussed by the Board and have been a priority for the Executive Directors and Senior Leadership Team, who have adapted to changes in remote working practices without disruption.

We will continue to monitor the impact this pandemic may have on our strategy and working practices over the coming year.

Each year we also consider the independence and effectiveness of the external audit plan and team to ensure they provide the appropriate level of challenge and support to the executive team.

Following our review, on pages 109 to 110, we have recommended the reappointment of Deloitte LLP ('Deloitte') at the AGM in July. Deloitte have been in office for seven years now and we will be required to re-tender the audit after they have served for ten years.

As reported throughout the Strategic report and as summarised in the case study on page 18, the corporate acquisition of the A&J Mucklow Group was the most significant transaction in the year and dominated much of the management team's focus and time.

We have reviewed the accounting implications of the acquisition and have concluded that it has been correctly reflected as a business combination in accordance with IFRS 3, as set out in our review of significant financial judgements on page 107.

In addition to its recurring business, the Committee also received briefing papers and considered the implementation of the 2018 Corporate Governance Code, which became effective for the first time this year, and the Board's responsibility under S172 of the Companies Act 2006 and its S172 Statement which addresses this on page 52.

Membership

The Committee comprised throughout the year of four independent Non Executive Directors. There were no membership changes this year.

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 Code. Andrew Livingston also brings financial acumen and a wealth of corporate, retail and management expertise.

The Board considers that the Committee as a whole has considerable commercial and industry specific knowledge and competence to enable it to discharge its duties through the positions members currently or have previously held.

Biographies of the Committee members which set out the relevant skills, knowledge and sector experience they bring can be found on pages 80 and 81.

Meetings

The Committee met five times last year, following an annual programme which is agreed at the start of the year.

Meetings are aligned to the Company's financial reporting timetable, with the May and November meetings 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 reviews risk management and internal control processes and considers the year end audit plan.

The Group's external auditor, independent property valuers, Finance Director and Head of Finance attend meetings by invitation, as well as other members of the Senior Leadership Team who present on specialist topics. We find this extremely useful as, not only does it allow us to focus on important and topical issues, but it exposes us to the pool of talent within the organisation below Board level. This year, the Head of Investor Relations presented an update on responsible business and the Head of Finance joined meetings and discussed significant accounting matters and cyber security.

Time is allocated for the Committee to meet the external auditor and property valuers independently of management.

In addition to formal Committee meetings, I have regular contact and meetings with the Finance Director and Senior Leadership Team. This allows me to gain a good understanding of key and emerging issues in advance of Committee meetings, facilitating informed and constructive debate.

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.

As Chair of the Committee, I report to the Board any matters considered and conclusions reached after each meeting.

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 and concluded that the Committee continued to operate effectively and provided the appropriate level of independent challenge and scrutiny.

Audit, risk and internal control

Audit Committee report continued

Our work in 2020

Throughout the year, the Committee acted in accordance with its Terms of Reference, which were last reviewed and updated in March 2020 and can be found at www.londonmetric.com

The work undertaken this year has included the consideration, review and approval of the following:

Financial reporting	– Interim and full year results announcements and Annual Report – Accounting treatment of significant transactions and areas of judgement including the corporate acquisition of A&J Mucklow Group – The valuation process, the half yearly valuations and the independence of the Group's valuers – Implementation of IFRS 16 Lease Accounting – Processes undertaken to ensure that the financial statements are fair, balanced and understandable
Risk management and internal control	– The Group's risk register, principal and emerging risks including cyber security and COVID-19 – The adequacy and effectiveness of the Group's internal controls – 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 the external auditor – Performance of the external auditor and effectiveness of the audit process – Auditor's fee – Reappointment of Deloitte LLP as external auditor – Non audit services and ratio of fees
Regulatory compliance	– Committee's composition, performance, terms of reference and constitution – The implementation of the new 2018 Code – S172 Statement and stakeholder engagement – Responsible business including climate change – Tax strategy and whistleblowing policy

Financial reporting

One of our principal responsibilities is 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 and practices 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; and
- Compliance with relevant accounting standards and other regulatory reporting requirements including the Code.

The significant matters considered by the Committee, discussed with the external auditor and addressed during the year are set out on page 107.

Further details can be found in note 1 to the financial statements on pages 158 to 159.

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 page 146.

Property valuations

Reporting Issue

The property valuation as the largest item on the balance sheet remains a critical part of the Group's reported performance. It continues to be the most significant matter for consideration, being a key determinant of the Group's profitability, net asset value, total property return and a variable element of remuneration.

Property valuations are inherently subjective as they are based on assumptions and judgements made by external valuers and underpinned by transactional market evidence, which may not prove to be accurate. In a market where trends are volatile and fast changing, this empirical data may be less relevant and valuations may become more subjective.

It remains a principal recurring risk for the Group as reported in the Risk management section on pages 72 to 73. The Group and its share of joint ventures has property assets of £2.3 billion as reflected in the Financial review and as detailed in Supplementary note ix on page 186.

The Committee's role

All investment properties, including those held in joint ventures, are externally valued each half year by three independent property valuers, CBRE Limited, Savills (UK) Limited and Cushman & Wakefield Debenham Tie Leung 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 results.

The key judgements applied and any issues raised with management were considered to ensure that the valuers remained independent and objective throughout the process and had not been subjected to undue influence from management. Supporting market evidence was provided to enable the Committee to benchmark assets and conclude that the assumptions applied were appropriate. We reviewed key assumptions including future rental growth, market yield, capital expenditure, letting timeframes, void costs and incentive packages and were content with those applied.

Any valuations requiring a greater level of judgement were debated, 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 should key assumptions change.

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.

The COVID-19 pandemic has led to a heightened degree of uncertainty surrounding our year end valuations and our three external valuers have included material uncertainty clauses in their valuation reports which is in line with RICS guidance.

→ 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.

Significant transactions

Reporting Issue

The Group transacted on £793 million of property acquisitions and sales in the year, as discussed in detail in the Property review on page 26. Certain transactions are large and/or complex in nature and require management to make judgements when considering the appropriate accounting treatment including how and when a transaction should be recognised. There is an inherent risk that an inappropriate approach could lead to a material misstatement in the Group's financial statements.

The most significant transaction this year was the corporate acquisition of A&J Mucklow Group, a largely distribution and industrial REIT with a complementary portfolio of assets located predominantly in the West Midlands. The acquisition was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. The entire issued share capital was acquired for a total consideration of £413.0 million, representing cash of 204.5p and 2.19 LondonMetric shares for each Mucklow share held, which resulted in 138.6 million new shares in the Company being issued.

The Committee's role

The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to the corporate acquisition, which were presented in Board and Committee briefing papers and discussed at meetings.

As part of this transaction, the Group acquired a significant portfolio of assets along with external fixed rate debt and a team of employees located in Birmingham. The business has continued to be supported by a small team of dedicated employees in Birmingham, who have extensive knowledge of the Mucklow portfolio and operations.

Accounting for the transaction as a business combination under IFRS 3 requires us to fair value the assets acquired and consideration paid. As reflected in note 15 to the financial statements, this resulted in goodwill arising as the consideration paid generated a surplus of £48.3 million over the fair value of assets acquired.

As this goodwill was created predominantly by the strong performance of the LondonMetric share price up to the final offer price being determined and was not supported by separately identifiable assets, it has been fully impaired and charged to the income statement in the year.

Full details of the acquisition and integration process can be found in the case study on page 18 and details of the net assets acquired is provided in note 15 to the financial statements on page 174.

→ Conclusion

Having considered the details of the transaction, the nature of operations post the Group's acquisition and the view of the external auditor, the Committee was satisfied that the acquisition represented a business combination in accordance with IFRS 3 and the goodwill arising was correctly charged to the income statement in the year.

Audit, risk and internal control

Audit Committee report continued

The Committee also reviewed the impact of adopting IFRS 16 Lease Accounting, which requires lessees to recognise operating leases on the balance sheet as both a right of use asset and an associated liability.

The Group's only operating leases are at its London office in Curzon Street and a small number of property head leases. The Committee reviewed and agreed with the accounting treatment applied, as set out in notes 1 and 16 to the financial statements.

Risk management and internal control

The Board takes seriously its responsibility for establishing and maintaining the Company's framework of risk management and internal control and for identifying the emerging and 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 its decision making process and key to long term sustainable success and growth.

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 60 to 75.

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 ensures that new and emerging risks are identified early on with appropriate action taken to remove or reduce their likelihood and impact.

This year has been particularly turbulent, both politically and economically, with the implications of Brexit still being negotiated and implemented. The Board's focus has rightly focused on broader market conditions and property trends.

More recently the COVID-19 pandemic has dominated much of the Board's time, with a focus on new remote working arrangements, our tenants and rent collection, working capital and capital allocation. This is discussed in detail in the Risk management section on pages 64 to 65.

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 an in depth review of the risk register and reports its findings to the Board.

The risk register was last updated and presented to the Audit Committee in March 2020.

In addition, the Committee received a cyber security update paper from the Finance Director, which described the penetration, social engineering and disaster recovery testing undertaken in the year to ensure that the IT infrastructure and systems in place continue to be robust and fit for purpose in an ever changing technological environment.

Risk register

As in previous years, 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 Senior Leadership Team is responsible for the ongoing identification and assessment of risks. Short reporting lines and a small team facilitates the early identification of risks and development of mitigation strategies. The Committee concluded that risks were properly categorised, understood and acted upon as necessary.

The Audit Committee also 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 which was last updated and presented to the Committee in March 2020.

The report highlighted improvements made to financial accounting and reporting processes following the acquisition of A&J Mucklow Group as a result of the systems migration exercise recently undertaken.

Both offices in London and Birmingham are now operating from one secure IT environment and on the same accounting and property management platforms.

Further improvements were made in the year to our forecast model, enhancing its capabilities and flexibility, facilitating sensitivity analysis.

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;
- Weekly cash flow forecasting that is reviewed by the Senior Leadership Team;
- An integrated financial and property management system;
- A simple and transparent organisational structure with clearly defined roles, responsibilities and limits of authority that facilitates effective and efficient decision making;
- Most staff work in close proximity to the Senior Leadership Team members, who are involved in all day to day operations and decision making, facilitating supervision and monitoring;
- Disciplined monthly meetings of the management committees below Board;
- The maintenance of a risk register and risk dashboard highlighting movements in principal and emerging risks and mitigation strategies; and
- A formal whistleblowing policy and annual performance reviews to enable staff to voice concerns

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.

Internal audit

The Group does not have a dedicated internal audit function and the Committee reviews the requirement for one each year. Due to the size of the organisation, relatively simple structure of the Group and close involvement of the Senior Leadership Team 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, which during the year included testing of IT systems and security including penetration tests and disaster recovery testing.

The Committee agreed that external assurance would be sought for any complex, specialist or high risk issue.

External audit

Deloitte has been the external auditor for the past seven years since 2013 following a formal tender process. Georgina Robb, our current lead partner was appointed for the 2018 year end.

Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every 20 years.

The Committee anticipates that the next competitive tender will be conducted no later than 2023 and the next partner rotation no later than 2023.

We have no contractual obligation to remain with Deloitte as auditor and the choice of audit firm will be kept under review to allow sufficient time for the re-tender process.

The Company has complied with the provisions of the Competition and Markets Authority Order 2014 in relation to audit tendering and the FRC's Ethical Standard which became effective in March 2020 in relation to provision of non audit services for the year under review.

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 approved.

This year, the key risk areas identified were in relation to the valuation of property and accounting for the acquisition of the A&J Mucklow Group. 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.

As part of their work, the Committee allocates time to meet privately with the auditor without management present.

Effectiveness

The Committee assesses the effectiveness of the external audit process by its review of the following:

- Audit plan and deliverables;
- Independence and objectivity;
- 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 views of management, which included feedback received following the audit clearance meeting held between management and the audit team.

Audit, risk and internal control

Audit Committee report continued

Audit and non audit fees

Year to 31 March	2020 £000	2019 £000	2018 £000
Audit fees	184	122	115
Review of interim results	30	28	27
Other non audit fees	–	–	2
Total	**214**	**150**	**144**
Ratio of non audit fees (including interim review) to audit fees	16%	23%	25%

Audit fees paid to the external auditor in respect of joint ventures totalled £16,000 at share (2019: £22,000 at share)

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. 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 auditor including bookkeeping, preparing financial statements, design and implementation of financial information systems, valuation, remuneration and legal services.

All taxation services and remuneration advice is provided separately by PwC. Corporate due diligence work is undertaken by BDO LLP, which included the work associated with the Mucklow acquisition in the year.

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 auditor and to ensure the objectivity of their audit report.

The table above 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.

Having undertaken its review, in the opinion of the Audit Committee, this year's audit was appropriately planned, executed and of a consistently high quality.

There continues to be a constructive working relationship between management and Deloitte, who provide appropriate professional challenge and remain independent and objective.

As such, the Committee has recommended to the Board that Deloitte be appointed for another year. A resolution to this effect will be proposed at the AGM in July.

Regulatory compliance

S172 (1) Statement

The Board of Directors, both individually and collectively, is aware of its duty under Section 172 Companies Act to act in the way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to:

- The likely consequences of decisions in the long term;
- The interests of its employees;
- The Company's relationships with suppliers, customers and others;
- The impact of Company's operations on the community and environment
- The Company's reputation and maintaining high standards of business conduct; and
- The need to act fairly as between members of the Company

These considerations have underpinned our normal business practices for many years, but the new requirement to report on them has formalised some of our processes, as described in more detail on page 52.

The Committee continues to focus on the long term success of the business and its stakeholders through its work on the following key areas:

- Assessing whether the Annual Report is fair, balanced and understandable to provide shareholders and other stakeholders with clear information on the Company and its long term outlook. Our review is set out on page 111
- Reviewing the appropriateness of the going concern assumption and assessing the Company's viability and longer term prospects. Our work is set out on page 111 and the Board's Viability Statement is on page 63
- Ensuring the Company's risk management framework is sufficiently robust to safeguard its future for the benefit of its stakeholders

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 158 and its Viability Statement is set out on page 63.

Fair, balanced and understandable
At the request of the Board, the Audit Committee considered whether this Annual Report was a fair, balanced and understandable assessment of the Group's position and prospects.

In reaching its decision, the Committee considered the procedures in place and adopted by management in preparing the Annual Report, which included the following:

- The establishment of a team of experienced senior managers, drawn from finance, investor relations and property with clear responsibilities for the 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;
- A technical briefing update given by the external auditor covering corporate governance and accounting regulations attended by relevant staff in January 2020;
- Early input from Chief Executive and Senior Leadership Team 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.

In carrying out its review, the Committee had considered the following:

Fair
- Does it include relevant transactions and balances?
- Does it include the required regulatory disclosures?
- Does it provide shareholders information to assess the Group's position and performance, business model and strategy?
- Is it honest, reporting success and opportunities alongside challenges to the business?

Balanced
- Is it consistent throughout with sufficient linkage?
- Is there an appropriate mix of statutory and alternative performance measures?
- Are alternative performance measures explained and reconciled to the financial statements?

Understandable
- Is it written in straightforward language and without unnecessary repetition?
- Does it use diagrams, charts, tables and case studies to break up lengthy narrative?
- Is there a clear contents page to aid navigation and sufficient signposting?

The Committee concluded that the Annual Report was fair, balanced and understandable, allowing the Board to make its statement on page 144.

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.

Our policies on anti-corruption, diversity and inclusion are available on our website. During the year, a companywide training session was arranged covering anti-bribery and anti-corruption principles and practices as well as anti-money laundering and corporate culture.

Responsibility for reviewing and monitoring whistleblowing rests with the Board and the Committee will report to the Board any incidents that are brought to its attention. During the year under review, there were no whistleblowing incidents to report to the Board.

Finally, I would like to take this opportunity to thank my fellow Committee members, management team and Deloitte for their support and guidance during the year.

Due to the COVID-19 pandemic, this year's AGM will be a closed meeting in accordance with the latest guidance and so I will not be attending. However, I would welcome any questions from shareholders by email as outlined in the Notice on page 191.

Signature removed

Rosalyn Wilton
Chair of the Audit Committee

10 June 2020

Remuneration

Remuneration Committee report

Image removed

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 Chair

Membership and attendance

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

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
James Dean (Chair)	1/10/2010	10	7 (7)
Rosalyn Wilton	14/7/2016	4	7 (7)
Suzanne Avery	19/9/2018	2	7 (7)
Robert Fowlds	31/1/2019	1	7 (7)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2020, rounded to the nearest whole year

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

Key responsibilities

Remuneration Policy
- Setting and reviewing the Group's overall Remuneration Policy and strategy

Graphic removed
See page 119

Remuneration packages and payouts
- Determining and reviewing individual remuneration packages
- Approving salaries, bonuses and LTIP awards

Graphic removed
See page 130

Variable incentives
- Determining and reviewing the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements and approving targets and outcomes

Graphic removed
See page 130

Highlights in 2020

- Reviewed proposed new Remuneration Policy taking into consideration views of management, advisors and major shareholders, following an extensive consultation exercise
- Considered wider workforce pay when setting Executive Directors' and the Senior Leadership Team's remuneration
- Considered the impact of acquiring A & J Mucklow, being a material corporate event, on the LTIP and annual bonus performance targets for 2020
- COVID-19 considerations including share price fall and impact on 2020 LTIP award and 20% salary waiver by the Board and senior executives for COVID-19 charitable giving

Focus in 2021

- Oversee the implementation of the 2020 Remuneration Policy following shareholder approval at the AGM

Remuneration

Introduction from the Chair

This report is structured as follows:

Chair's introduction	page 113
Directors' Remuneration at a glance	page 116
Implementation of Policy next year	page 117
Directors' Remuneration Policy	page 119
Annual Report on Remuneration	page 130

Chair's introduction

I am pleased to present the Remuneration Committee's report on Directors' remuneration for the year to 31 March 2020.

It was agreed last year that Robert Fowlds, who joined in January 2019 as a Non Executive Director, would take on the role of Chair after serving as a member of the Committee for 12 months. However, the Board subsequently decided that, having commenced the process, it was in the best interests of shareholders and the Company for me to oversee the development and implementation of the new Remuneration Policy and provide the necessary insight and continuity throughout the shareholder liaison process. Following the AGM in July, I will step down from the Remuneration Committee but remain as a Non Executive Director until a suitable replacement can be found.

Valentine Beresford and Mark Stirling stepped down from the Board in July 2019 but remained as Investment and Asset Directors respectively and members of the Senior Leadership Team. Their remuneration included in the table on page 131 has been pro-rated for their time as Executive Directors.

The primary role of the Remuneration Committee is unchanged from previous years, namely 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 Group's Remuneration Policy ('Policy') is designed to be simple and transparent and one which aligns executive pay and incentives with the Company's goals. It aims to encourage and reward exceptional overall and individual performance.

The Policy we have operated for the past three financial years was approved by shareholders at the 2017 AGM and our new Policy, which is presented on pages 119 to 129, is being put forward for a binding vote at the forthcoming AGM. We are not proposing any significant changes to the current framework, which we believe continues to incentivise management to support the delivery of business strategy and the creation of shareholder value. The proposed refinements take account of the changes to the UK Corporate Governance Code and feedback from shareholders and is explained in further detail in the Directors' Remuneration Policy report.

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.

This year we are 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 taken these into consideration when developing the new Policy. We extended the remit of the Committee last year to set the remuneration of the Senior Leadership Team. It has also had oversight of the remuneration arrangements of the wider workforce and their alignment with the Executive Directors' arrangements. The employee voice was strengthened last year by the appointment of Andrew Livingston as designated workforce Non Executive Director and his work this year is discussed on page 90.

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 127. Success against our strategic objectives is measured using our key performance metrics which underpin the variable elements of remuneration, being EPRA Earnings per Share ('EPS'), Total Property Return ('TPR'), Total Accounting Return ('TAR') and Total Shareholder Return ('TSR').

Performance during the year

The Company has delivered strong returns to shareholders this year despite the continued political and economic uncertainty. Its focus on investing in the structurally supported and resilient sectors of distribution and long income assets, which together represent 94% of the portfolio, has delivered earnings growth and a progressive and well covered dividend for shareholders.

Introduction from the Chair continued

EPRA earnings per share has grown by 5.6% to 9.3p, driven by a 24% increase in net rental income to £116 million. The 1.8% fall in EPRA net assets per share to 171.7p was largely a result of the one off transaction costs of 2.5p relating to the acquisition of A&J Mucklow.

As reported in the Strategic report, this major corporate acquisition in the year contributed £15.5 million to EPRA earnings and added 64 complementary assets worth £454.7 million to the portfolio. Operational portfolio metrics remain robust with occupancy increasing to 98.6%, average lease lengths of 11.2 years and 55% of income being subject to contractual rental uplifts. Once again, the Group's total property return of 5.1% outperformed the IPD Quarterly Universe Index of -0.5% by 560 bps.

The Company has remained fully operational throughout the COVID-19 pandemic and has collected, or is collecting monthly, 93% of rents due by 1 April. It has agreed short term rent deferrals and concessions with compensatory asset management initiatives on a further 6%.

Shareholder support for the Company's investment strategy was evidenced by the successful and over-subscribed equity raise in May, securing £120 million for attractive investment opportunities that the Company has identified, even in these challenging times.

Taking into account the Company's sustained 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 pages 132 to 134 including income quality and growth, portfolio alignment to structurally supported sectors, optimisation of funding arrangements, maintaining and enhancing stakeholder relationships, meeting 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 Chief Executive and Finance Director to be at 97.5% and 95% respectively 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 exceeded the minimum shareholding requirement of 700% of salary. Their annual bonuses will be paid in June 2020.

LTIP vesting
Vesting of the LTIP awards granted to Executive Directors in 2017 is dependent on Company performance over the three year period to 31 March 2020.

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 9.3p, and TAR and TSR over the three year period both being in the top quartile of the measurement index, 88% of awards granted are expected to vest in June 2020, subject to continued service.

Despite the current impact of COVID-19, the average share price has risen 22% over the vesting period. Given this strong performance, the Committee is satisfied that the amount payable under the variable incentive plan is a fair reflection of the underlying performance of the business and appropriate. As such, no discretion was exercised by the Committee in relation to this outcome.

LTIP awards
The Group's LTIP arrangements seek to align executive pay with the delivery of long term growth in shareholder value. This year 829,736 share awards were granted to the Executive Directors and 1,184,522 LTIP and deferred bonus share awards vested. The Directors disposed of 558,403 shares to settle tax liabilities and retained the remaining 626,119 shares which increased their holding in the Company to a total of 7.0 million shares as reflected in the table on page 137.

The former Executive Directors were granted 609,744 share awards and 878,520 LTIP and deferred bonus share awards vested, of which they disposed of 414,150 shares to settle tax liabilities.

Base salaries
The Board of Directors and certain key employees are waiving 20% of salaries and fees for three months, providing additional funds for the Company's wider COVID-19 charity giving. Pay reviews for the whole workforce have been postponed until September 2020 as a result of the pandemic and current economic uncertainty.

Policy renewal
Last year, the Committee conducted a comprehensive review of its executive remuneration framework with the assistance of its remuneration advisors, PwC.

In October 2019, we consulted extensively with our major shareholders representing over 60% of issued share capital as well as proxy voting agencies on the proposed Policy.

The Committee concluded that the current framework, which had overwhelming shareholder support and approval in 2017, continued to support the successful delivery of strategy and drive the exceptionally high levels of business performance achieved over the past three years.

Therefore, we proposed only a few minor improvements to comply with the remuneration principles introduced in the 2018 Corporate Governance Code, as listed on page 115.

The key improvements made were as follows:

- Strengthening the Company's Post-Cessation Shareholding Requirement ('PCSR') to 200% of salary for two years following cessation of employment from the current requirement to hold 100% of salary for one year;
- Aligning pension contributions of both newly appointed and current Executive Directors with that of the wider workforce; and
- Enhancing the Company's malus and clawback triggers to align with best practice.

Responses to the shareholder consultation were largely positive. The table opposite outlines the initial proposals outlined at the start of the process, the feedback received from shareholders, and the final proposal which took account of shareholder views.

The Committee feels that the Policy to be proposed at the 2020 AGM achieves a balance between fairly rewarding and incentivising the Executive Directors as well as encouraging continued alignment with shareholders and compliance with the Code.

Looking forward

Our focus next year will be to oversee the implementation of the new Policy following shareholder approval and to continue to monitor emerging trends and best practice in corporate governance.

Finally, as I hand over to my colleague Robert, I would like to thank my fellow Committee members for all their hard work and support throughout my time as Chair.

Signature removed

James Dean
Chair of the Remuneration Committee

10 June 2020

Initial proposal	Feedback from shareholders	Final proposal and rationale
Increase the PCSR to 200% of salary for the first year and 100% of salary for the second year following cessation of employment.	Shareholders appreciated the increase and recognised that market practice is moving towards a two year post employment period. Some shareholders commented that the level of shareholding, in particular in the second year, should be higher than the proposed level.	PCSR increased to holding 200% of salary for two years post cessation of employment. This is the median in-employment shareholding level for the FTSE 250 and therefore appropriate.
To align pension contributions for newly appointed Executive Directors to that of the workforce.	Some shareholders expected the alignment to also apply to current Executive Directors.	The Committee also decided to align pension contributions for the current Executive Directors with the workforce by reducing them from 15% to 12.5% in June 2021 and to 10% in June 2022.
Maintain the opt-out deferral under the current Policy for annual bonuses.	Shareholders understood the underlying rationale behind the opt-out bonus deferral given that shareholder alignment is already achieved through the large personal shareholdings of the Executive Directors. However, some shareholders mentioned that the deferral mechanism has benefits other than allowing Executive Directors to build up a shareholding and alignment to shareholder value. In particular, that deferred bonuses help to facilitate malus and clawback.	The Committee felt that given the large shareholdings of the Executive Directors, the in-employment shareholding requirement of 700% of salary, and the enhanced PCSR as well as the clawback and holding period under the LTIP provide ample protections against the triggers which would normally require application of malus or clawback. As such, the Committee believes the opt-out bonus deferral remains appropriate but will factor in a more robust malus and clawback mechanism on shares held post cessation. The Committee notes that for new Executive Directors, mandatory bonus deferral would or already applies until a stretching shareholding requirement of 400% of salary is met.
Introduction of corporate failure as a malus and clawback trigger.	Shareholders unanimously supported the additional protections and recognised the Committee's approach to best practice governance.	As originally proposed.

Remuneration

Directors' Remuneration at a glance

Earnings for the financial year

Remuneration for Executive Directors	Salary £000	Benefits £000	Pension £000	Bonus £000	LTIP £000	**Total 2020[2] £000**	Total 2019 £000	Illustrative change in value of shares owned and outstanding share awards[1] £000
Andrew Jones	544	26	82	878	1,297	**2,827**	2,703	615
Martin McGann	363	28	54	485	702	**1,632**	1,559	385

1 Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 241.2p and the lowest closing price was 137.0p. The number of shares and share awards was calculated based on the year end total

2 Full details of Directors' remuneration for the year including Valentine Beresford and Mark Stirling, who both stepped down from the Board, as well as all Non Executive Directors can be found in the table on page 131

Annual bonus plan – targets and outcomes

Performance measure	Payout target 25%	50%	100%	Actual	% awarded
EPRA EPS	8.8p	8.9p	9.1p	9.3p	100%
TPR	1.0%	1.1%	1.2%	5.1%	100%

Combining these outcomes with the personal objectives gives the following payouts:	£000	% of maximum
Andrew Jones	878	97.5
Martin McGann	485	95

2017 LTIPs vesting – targets and outcomes

Performance measure	Payout target 25%	100%	Actual	% awarded
TSR	1.9%	55.2%	58.9%	100%
TAR	1.2%	25.0%	30.6%	100%
EPRA EPS	9.1p	9.5p	9.3p	53%

The estimated number of shares vesting are as follows:	Number
Andrew Jones	612,747
Martin McGann	331,746

The level of LTIP vesting in 2020 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%	5 June 2019	534,747	204.2p	1,092
Martin McGann	165%	5 June 2019	294,989	204.2p	602

Shareholding of the Executive Directors

Graph removed

Remuneration

Implementation of Policy next year

Summary of Policy and proposed changes	Implementation in the year to 31 March 2021

Base salary

An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from 1 June or when there is a change in position or responsibility.

When determining an appropriate level of salary, the Committee considers multiple factors including pay increases to other employees, remuneration within comparable property companies, and the general performance of the Company and individual.

Proposed changes from current Policy: None

The Committee and Board believes that during the current COVID-19 pandemic it is not appropriate to contemplate pay reviews and increases and therefore determined that the pay review shall take place in September. Base salaries for the Executive Directors therefore remain unchanged as shown in the table below. In addition, the Directors are waiving 20% of their salary for three months, providing additional funds for the Company's wider COVID-19 charity giving.

Executive Director	Base salary (£)
Andrew Jones	£545,870
Martin McGann	£365,000

Pension

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

Proposed changes from current Policy: Newly appointed Executive Directors will be given a pension contribution of 10% of salary in line with employees.

Executive Directors will receive the 15% of salary supplement in lieu of pension this year. Thereafter and in line with the new Policy proposed for approval at this year's AGM, pension contributions will reduce to 12.5% and 10% for periods commencing 1 June 2021 and 1 June 2022 respectively.

Proposed changes from current Policy: Contributions paid to current Executive Directors will reduce to 12.5% and 10% of salary for periods commencing 1 June 2021 and 1 June 2022 respectively in line with employees.

Benefits

The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.

Proposed changes from current Policy: None

In line with the Policy, each Executive Director receives:

- *Car allowance*
- Private medical insurance
- Life insurance
- Permanent health insurance

Annual bonus

Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy of growth in EPRA EPS and TPR.

At least half of the bonus will be linked to the key property and financial metrics.

Non financial targets are set to measure individual strategic performance and contribution to the achievement of portfolio management initiatives and other operational management objectives.

The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum.

Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash.

For those who are yet to meet the minimum shareholding requirement, up to 100% of the annual bonus will be paid in deferred shares vesting after three years.

Proposed changes from current Policy: None

The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% of salary for the Finance Director. The performance conditions and their weightings for the annual bonus are as follows:

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

The Committee believes that the EPRA EPS target and details of the personal objectives for the coming year are commercially sensitive and accordingly these are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.

Remuneration

Implementation of Policy next year continued

Summary of Policy and proposed changes	Implementation in the year to 31 March 2021

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; and
- 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.

Proposed changes from current Policy: None

The Committee is aware of the volatility the COVID-19 pandemic can have on the Company's share price and will assess, for any future awards granted, whether a reduction in quantum is warranted.

The Committee will also take a view upon vesting as to whether there have been any windfall gains under the LTIP and will take appropriate action if required.

Performance measure	Weighting	Threshold (25% vesting)	Maximum[1] (100% vesting)
Total shareholder return (TSR)	37.5%	Equal to index	Equal to upper quartile ranked company
Total accounting return (TAR)	37.5%	Equal to index	Equal to upper quartile ranked company
EPRA EPS growth	25%	RPI plus 0% over three years	RPI plus 4% over three years

1 Straight line interpolation between threshold and maximum

TSR and TAR are relative measures measured against the FTSE 350 Real Estate Sector excluding agencies and operators (the Index). Under the TSR element, there will be no payout if TSR is negative. The Committee determined that the indices would not be weighted.

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.

Proposed changes from current Policy: Increased post-cessation shareholding requirement from 100% of salary for 1 year following cessation to 200% of salary for 2 years following cessation

The shareholding requirement is:

- Chief Executive – 700% of salary
- Other Executive Directors and certain members of the Senior Leadership Team – 700% of salary
- Newly appointed Executive Directors – 400% of salary

Key elements and time period

Graph removed

Remuneration

Directors' Remuneration Policy

The previous Remuneration Policy for the Group which was approved by shareholders at the AGM on 11 July 2017 for a period of three years is nearing expiry. This section outlines the 2020 Remuneration Policy which, subject to shareholder approval, will take effect for three years from the 2020 AGM on 22 July 2020.

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.

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.

Policy review
PwC, the Company's remuneration advisor reviewed the current Policy to ensure it continued to remain fit for purpose and aligned to the most recent regulatory developments including the 2018 Code. They took into consideration changes to business strategy over the three year Policy period, pay-outs earned by the Executive Directors and the level of investor support when identifying any areas for possible consideration and change.

2018 Corporate Governance Code
We are required to comply with the new 2018 Code for the first time this year and as such, it has been a major factor influencing the design of the 2020 Policy.

Under the headings prescribed under provision 40 of the 2018 Code, the following table shows the alignment between the Policy and Code.

Changes to the Remuneration Policy
Following a review of the Policy, the Committee concluded that the current Policy worked well, created alignment with stakeholders and the balance of metrics currently used supported business strategy. The following changes are proposed to bring the Policy further in line with corporate governance best practice.

Element	Current Policy	Proposed change	Rationale for change
Post-cessation shareholding requirement	Post-cessation shareholding requirement of 100% of salary for 12 months following cessation.	Post-cessation shareholding requirement of 200% of salary for two years following cessation of employment.	To create further alignment between shareholders and the executives.
Pensions	Contribution of 15% of salary for Executive Directors (new and current).	New Executive Director pensions to be in line with other employees. Contribution of 12.5% of salary for Executive Directors effective from June 2021 and 10% from June 2022, which is aligned with all employees.	To align the Policy with the Corporate Governance Code and the expectation of shareholders around equality of pension contributions.
Malus and clawback	The following triggers are already contained in the Policy: • Material misstatement • Calculation error in incentives • Fraud or misconduct • Reputational damage	In addition to the current Policy, the Committee is proposing to add Corporate Failure as a trigger for malus and clawback.	To align the Policy with the Board Effectiveness Guidance under the Code.

Remuneration

Directors' Remuneration Policy continued

2018 Corporate Governance Code

Provision 40 element	How the Remuneration Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Performance measures and targets under the LTIP are disclosed before grant and performance targets for the annual bonus are disclosed retrospectively. Both the annual bonus and LTIP measures are based on core elements of the strategy and therefore there is a clear link to all stakeholders between their delivery and Executive Director reward. This alignment and transparency allows us to effectively engage with shareholders and the workforce on remuneration.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Remuneration Policy is designed with simplicity in mind and its operation aligns with that of the majority of the FTSE 350 and is therefore easy to understand.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The selection of performance measures and calibration of targets ensures that incentives will only pay-out where strategic goals have been met. The mix of relative and absolute performance measures help to balance the effect of external market factors (whether positive or negative). The Remuneration Policy contains strict minimum shareholding requirements as well as a post-cessation of employment shareholding requirement which ensures that the wealth of Executive Directors is linked to the long-term stability and growth of the share price which discourages short-term excessive risk taking which could negatively impact on long-term value. The Policy contains sufficient flexibility to adjust payments through malus and clawback and an overriding discretion on the part of the Committee to depart from formulaic outcomes if it appears that the criteria on which the award was based does not reflect the underlying performance of the Company.
Predictability –the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Remuneration Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The remuneration package is weighted in favour of variable pay. This combined with the Committee's approach to target setting including the use of relative performance measures means that total remuneration will be reduced in the event of poor performance. Pay-outs at maximum will only be available for delivery of the strategy and strong underlying performance.
Alignment to culture – incentive schemes should drive behaviour consistent with company purpose, values and strategy.	The overall structure of the Remuneration Policy including the incentive schemes is consistent with the principles of the Policy which encourage share ownership. Furthermore, the elements of the Executive Director remuneration package is cascaded further down the organisation, as is the culture of share ownership.

Executive Directors' Remuneration Policy Table

Base salary

Purpose and link to strategy	Provide a competitive level of fixed pay to attract and retain Executive Directors of the required calibre to deliver the Group's strategy. Level of pay reflects individuals' skills, seniority and experience and complexity of the role.
Operation	An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from 1 June or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • Pay increases to other employees • Remuneration practices within comparable property companies • Any change in scope, role and responsibilities • The general performance of the Company and each individual • The experience of the relevant Director • The economic environment Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved.
Maximum opportunity	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to the Group and validated against other property companies, so that they are competitive against the market. *The Committee intends to review the comparator group each year and will add or remove* companies as it considers appropriate. In general, salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the scope and responsibilities of the role, including significant changes in Group size and/or complexity or if it is necessary to remain competitive to retain a Director. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.
Performance measures	The Directors are subject to an annual performance assessment, the outcome of which is taken account of in setting base salaries.

Pension

Purpose and link to strategy	Provide a competitive post-retirement benefit to attract and retain individuals.
Operation	The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy. This allowance will be a non-consolidated allowance and will not impact any incentive calculations.
Maximum opportunity	The maximum contribution for current Executive Directors is 15% of salary, reducing to 12.5% of salary in June 2021 and 10% of salary in June 2022. New Executive Directors will have a pension contribution in line with other employees. No element other than base salary is pensionable.
Performance measures	None.

Remuneration

Directors' Remuneration Policy continued

Executive Directors' Remuneration Policy Table continued

Benefits

Purpose and link to strategy	Provide a comprehensive and competitive benefit package to aid recruitment and the retention of high quality Executive Directors.
Operation	Each Executive Director receives the following: • Car allowance • Private medical insurance • Life insurance • Permanent health insurance The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other employees on broadly similar terms may therefore be offered.
Maximum opportunity	Car allowance is £20,000 per annum for each Executive Director. Other benefits are provided at the market rate and therefore the cost will vary from year to year based on the cost from third party providers.
Performance measures	None.

Annual bonus

Purpose and link to strategy	Incentivise the achievement of annual financial targets consistent with the Group's business plan for the relevant financial year with particular focus on total property return (TPR) and EPRA earnings per share (EPS) as well as the delivery of agreed personal objectives.
Operation	Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy of growth in EPRA EPS and TPR. At least half of the bonus will be linked to the key property and financial metrics. Non financial targets are set to measure individual strategic performance and contribution to the achievement of portfolio management initiatives and other operational management objectives. Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash. For those who are yet to meet the minimum shareholding requirement, up to 100%, and at least 50%, of the annual bonus will be paid in deferred shares vesting over three years. No further performance conditions will apply to these shares other than continued employment and dividend equivalents are paid out at the end of the vesting period. The annual bonus contains malus and clawback provisions as noted on page 128.
Maximum opportunity	The current maximum bonus for the Chief Executive is 165% of salary and 140% of salary for other Executive Directors. Target bonus is 82.5% of salary for the CEO and 70% of salary for the other Executive Directors, representing 50% of the maximum opportunity. The threshold for the bonus is 25% of the maximum opportunity. In exceptional circumstances, such as recruitment, the Committee may award a bonus opportunity of up to 175% of salary. However, the maximum bonus limit for current Executive Directors will be capped at 165%, i.e. no exceptional awards will be made to existing Executive Directors.
Performance measures	Performance is assessed against target financial and non financial measures which may vary each year depending on the annual priorities of the business. At least half of the bonus payment is subject to financial and/or property performance targets. The Committee will set challenging annual targets consistent with the Group's business strategy that are appropriately stretching, but achievable. The Committee is of the opinion that due to the commercial sensitivity of annual targets, targets will be disclosed retrospectively. The Committee retains discretion to make downward or upward adjustments to the amount of bonus payable resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance.

Executive Directors' Remuneration Policy Table continued

Long term incentives

Purpose and link to strategy	Incentivise and reward the delivery of long term Group performance and sustained growth in line with business strategy, thereby building a shareholding in the Group and aligning Executive Directors' interests with shareholders'.
Operation	The LTIP rules were approved by the shareholders at the 2013 AGM. Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. If the Committee decides that the selected strategic metrics are commercially sensitive for future grants, details will be disclosed retrospectively in the Annual Report on Remuneration. 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. The LTIP contains malus and clawback provisions as noted on page 128.
Maximum opportunity	Annual awards with a maximum value of up to 200% of salary for the Chief Executive and 165% of salary for other Executive Directors based on the market value at the date of grant set in *accordance with the rules of the LTIP.* 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.
Performance measures	For the awards to be made in the year to 31 March 2021, the following three year performance measures will apply to the award: • 37.5% Total Shareholder Return (TSR) exceeding the TSR of the FTSE 350 Real Estate Super Sector Index (excluding agencies and operators) • 37.5% on relative Total Accounting Return (TAR) • 25% on EPRA EPS growth versus a base target plus RPI The Committee may change the balance of the measures, or use different measures for subsequent awards as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. In exceptional circumstances the Committee retains the discretion to: • vary, substitute or waive the performance conditions applying to LTIP Awards if it considers it appropriate and the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions • make downward or upward adjustments to the amount vesting under the LTIP award resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance

Remuneration

Directors' Remuneration Policy continued

Shareholding guidelines

Minimum shareholding requirement

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

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

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

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

Post cessation shareholding requirement

There is a post cessation shareholding requirement for the Executive Directors, who must retain shares equivalent in value to 200% of salary for two years post cessation of employment.

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

Non Executive Directors' Remuneration Policy Table

Fees and benefits

Purpose and link to strategy	To attract and retain suitably qualified Non Executive Directors by ensuring fees are competitive. Non Executive Directors are not eligible to receive benefits other than travel, hospitality related or other incidental benefits linked to the performance of their duties as a Director.
Operation	The Board is responsible for setting the remuneration of the Non Executive Directors. The Remuneration Committee is responsible for setting the Chair's fees. Non Executive Directors are paid an annual fee and additional fees for the Chair of Committees and for the Senior Independent Director. The Company retains the flexibility to pay fees for the membership of Committees. The Chair does not receive any additional fees for membership of Committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non Executive Directors and the Chair do not participate in any variable remuneration arrangements or other benefits arrangements.
Maximum opportunity	The fees for Non Executive Directors and the Chair are broadly set at a competitive level against the comparator group. In general the level of fee increase for the Non Executive Directors and the Chair will be set taking account of any change in responsibility. The aggregate fee for Non Executive Directors and the Chair will not exceed £1 million. The Company will pay reasonable expenses incurred by the Non Executive Directors and Chair and may settle any tax incurred in relation to these.

Recruitment remuneration arrangements for Executive Directors

Remuneration element	Recruitment Policy
Salary, Benefits and Pension	These will be set in line with the policy for existing Executive Directors.
Annual Bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 165% of salary (175% of salary in exceptional circumstances).
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
Maximum Variable Remuneration	The maximum variable remuneration which may be granted in normal circumstances is 365% of salary (375% of salary in exceptional circumstances). This excludes in both cases the value of any buyouts.
'Buyout' of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment (the lapsed valued) will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied • any other terms and conditions having a material effect on their value The Committee may then grant up to the same value as the lapsed value under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences and schooling.

Service contracts and payment for loss of office

Remuneration element	Treatment on cessation of employment
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith to discharge an existing legal obligation, or by way of damages for breach of such an obligation or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, Benefits and Pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.
Cash bonus	**Good leaver:** performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year. **Other reason:** no bonus payable for year of cessation. **Discretion:** the Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • to determine whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders

Remuneration

Directors' Remuneration Policy continued

Service contracts and payment for loss of office continued

Remuneration element	Treatment on cessation of employment
Deferred share awards	**Good leaver:** all subsisting deferred share awards will vest. **Other reason:** lapse of any unvested deferred share awards. **Discretion:** the Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • to vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure
LTIP	**Good leaver:** pro-rated to time and performance in respect of each subsisting LTIP award. **Other reason:** lapse of any unvested LTIP awards. **Discretion:** the Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will pro-rate awards for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders

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

Change of control

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

Illustration of application of Remuneration Policy

The charts below show the application of the Remuneration Policy in its first year and provide an indication of the potential remuneration for each element of remuneration for each of the two current Executive Directors under various scenarios.

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 comparison, we have also shown the actual single figure for the year to 31 March 2020.

Andrew Jones

Graph removed

Martin McGann

Graph removed

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.

	Link to remuneration		Link to strategy
Key performance indicators	**Annual bonus**	**LTIP**	
Total shareholder return		**37.5%**	○○○○
Total accounting return		**37.5%**	○○○○
EPRA earnings per share	**35%**	**25%**	○○○○
Total property return	**35%**		○○○○

Graphic removed — Own desirable real estate that meets occupiers' needs

Graphic removed — Manage and enhance responsibly to improve our assets and help occupiers thrive

Graphic removed — Maximise our expertise and relationships to build on our position as partner of choice

Graphic removed — Generate reliable, repetitive and growing income-led total returns

Remuneration

Directors' Remuneration Policy continued

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

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

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

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

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

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

Service contracts and payment for loss of office
The service contracts for the Executive Directors were reviewed and revised following the merger in 2013 of London & Stamford and Metric Property. Service contracts are terminable by either party with notice of 12 months. The Committee considers this appropriate for all existing and newly appointed Directors.

The Non Executive Directors do not have service contracts but are appointed under letters of appointment.

Each Non Executive is subject to an initial three year term followed by annual re-election at the Company's AGM.

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

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

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

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

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

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

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

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

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

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

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

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. Andrew Jones was a Non Executive Director of The Unite Group Plc until 9 May 2019 and earned fees of £4,000 in the year to 31 March 2020. There were no new appointments in the year. None of the other Executive Directors held external appointments during the year.

Statement of consideration of shareholder views

Following a thorough review of the current Remuneration Policy, the Committee carried out an extensive consultation seeking to engage with our top shareholders representing over 60% of issued share capital as well as proxy voting agencies, on the changes featured in the proposed Policy. We recognise the heightened attention placed on executive pay this year from both a political and corporate governance perspective, and have proposed a Policy which the majority of shareholders were supportive of during the consultation process.

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

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, Finance Director and the Senior Leadership Team for the year to 31 March 2020.

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.

	Participation		
Element of pay	**Chief Executive**	**Finance Director**	**Senior Leadership Team**
LTIP	200% of salary	165% of salary	40% to 165% of salary
Annual bonus	165% of salary	140% of salary	65% to 140% of salary
Pension	15% of salary	15% of salary	10% to 15% of salary

Non Executive Directors' fees

The fees for Non Executive Directors and the Chair 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 Chair will not exceed £1 million.

The base fees for Non Executive Directors, excluding the Chair, remain unchanged and are reflected in the table below. The Chair's letter of appointment set his fees for the period to 31 March 2021.

Chair	£200,000
Base Non Executive Director fee	£49,500
Senior Independent Director additional fee	£5,000
Additional fee for Audit/Remuneration Committee Chair	£10,000
Additional fee for Audit/Remuneration Committee membership	£5,000

Remuneration

Annual Report on Remuneration

On the following pages we set out the Annual Report on Remuneration for the year ending 31 March 2020 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 2021.

This report is subject to an advisory vote at the forthcoming AGM on 22 July 2020 and complies with the 2018 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 prerequisite 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 to 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 in 2017 by the Remuneration Committee following a competitive tender process. Total fees paid to PwC in respect of remuneration advice to the Committee were £156,500 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 Chair of the Committee reports to the Board on proceedings and outcomes following each Committee meeting.

Meetings and activities

The Committee met on seven 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	Set challenging EPS targets for the 2019 LTIP awards and annual bonus for the year to 31 March 2020
	Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2019
	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 2020
Salary	Determined to defer the salary review in light of the COVID-19 pandemic until September
Governance	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
Remuneration Policy	Conducted an independent review of the appropriateness of the current Remuneration Policy and shaped the proposed Policy
	Sought to consult with over 60% of the shareholder base on the proposed changes to the Policy

Single total figure of remuneration for each Director (audited)

Director	Salary and fees 2020 £000	Salary and fees 2019 £000	Benefits[1] 2020 £000	Benefits[1] 2019 £000	Pension[2] 2020 £000	Pension[2] 2019 £000	Total Fixed 2020 £000	Total Fixed 2019 £000	Annual bonus[3] 2020 £000	Annual bonus[3] 2019 £000	LTIP[4] 2020 £000	LTIP[4] 2019 £000	Total Variable 2020 £000	Total Variable 2019 £000	Total 2020 £000	Total 2019 £000
Executive																
Andrew Jones	**544**	533	**26**	24	**82**	80	**652**	637	**878**	797	**1,297**	1,269	**2,175**	2,066	**2,827**	2,703
Martin McGann	**363**	350	**28**	26	**54**	52	**445**	428	**485**	444	**702**	687	**1,187**	1,131	**1,632**	1,559
Valentine Beresford[5]	**104**	337	**7**	25	**16**	55	**127**	417	**139**	467	**–**	724	**139**	1,191	**266**	1,608
Mark Stirling[5]	**104**	368	**7**	25	**16**	55	**127**	448	**134**	467	**–**	724	**134**	1,191	**261**	1,639
Non Executive																
Patrick Vaughan[6]	**215**	230	**14**	11	**–**	–	**229**	241	**–**	–	**–**	–	**–**	–	**229**	241
Suzanne Avery	**59**	57	**–**	–	**–**	–	**59**	57	**–**	–	**–**	–	**–**	–	**59**	57
James Dean	**64**	63	**–**	–	**–**	–	**64**	63	**–**	–	**–**	–	**–**	–	**64**	63
Robert Fowlds	**64**	9	**–**	–	**–**	–	**64**	9	**–**	–	**–**	–	**–**	–	**64**	9
Andrew Livingston	**54**	56	**–**	–	**–**	–	**54**	56	**–**	–	**–**	–	**–**	–	**54**	56
Alec Pelmore	**–**	53	**–**	–	**–**	–	**–**	53	**–**	–	**–**	–	**–**	–	**–**	53
Philip Watson	**–**	58	**–**	–	**–**	–	**–**	58	**–**	–	**–**	–	**–**	–	**–**	58
Rosalyn Wilton	**69**	68	**–**	–	**–**	–	**69**	68	**–**	–	**–**	–	**–**	–	**69**	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 2020 paid fully in cash as minimum shareholding requirements met

4 2017 LTIP awards expected to vest in June 2020 for the performance period to 31 March 2020. 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 2020. 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 2020 accounts for £264,000 for Andrew Jones and £143,000 for Martin McGann as reflected in the table on page 136. The estimated figures disclosed in the previous Annual Report for 2019 vesting have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used was 187.2p and the actual share price on vesting was 207.2p. The differences in value were: Andrew Jones £141,000, Martin McGann £76,000, Valentine Beresford £81,000 and Mark Stirling £81,000

5 Amounts reflected in the table for Valentine Beresford and Mark Stirling represent the time apportioned part of their total remuneration for the period they were Executive Directors of the Company

6 Private Medical Insurance benefit has continued at the discretion of the Remuneration Committee since becoming Non Executive Chair

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 2020

The annual bonus performance targets set for the year to 31 March 2020 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 2020 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	70%	28%	97.5%	161%	878
Martin McGann	70%	25%	95%	133%	485
Valentine Beresford[1]	70%	25%	95%	133%	139
Mark Stirling[1]	70%	22%	92%	129%	134

1 The bonus reflected in the table for Valentine Beresford and Mark Stirling represents the time apportioned part of their total bonus for the period they were Executive Directors of the Company

Remuneration

Annual Report on Remuneration continued

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	<8.8p	8.8p	8.9p	9.1p	9.3p	100%
Total property return ('TPR')	35%	Growth in TPR against IPD Quarterly Universe index	Positive growth	TPR matches index 1.0%	TPR is 1.1 times index 1.1%	TPR is 1.2 times index 1.2%	5.1%	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 substantially achieved their individual personal objectives and approved payouts for all Directors as reflected in the table on page 131.

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 2020.

Objective	Assessments
Andrew Jones	
• Portfolio focus to maximise both EPS and NAV growth	• Increase in EPRA EPS from 8.8p to 9.3p, providing cover for an increase in the dividend for the year • Decrease in EPRA NAV per share from 174.9p to 171.7p largely due to one off costs of A&J Mucklow of 2.5p
• Recycling capital with sell down of non core assets	• Investment in preferred urban logistics sector increased from 27% to 35% in the year • Reduced exposure to megasheds and increase in quality of long income assets
• Focus on income quality to deliver opportunities for sustainable and progressive earnings	• Growth in earnings in the year of 5.6%, supporting a continuation in dividend progression • Increase in contracted rent from £90 million to £123 million
• Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers ('PCM'), occupiers and analysts	• Over 250 investor meetings in the year and strong share price performance • Continuing focus on PCMs which account for 36% of the register • Strong portfolio metrics demonstrate occupier contentment with occupancy increasing to 98.6% • Increased granularity of income. Top ten tenants account for 36% of rents, improved from 51% • Focused programme in support of key analysts
• Continue to realign the team in line with our evolving portfolio strategy	• Continuing focus on the right team with the right skills. Effective integration of Mucklow employees into the LondonMetric team
• Reinforce the position of the Company as leading investor/partner of choice in logistics	• Reinforcement of growth characteristics of urban logistics continues to be well received in the market and by stakeholders • Effective shift in logistics from megasheds to urban logistics
• To provide oversight to the delivery of development schemes during the year	• Completion of 436,000 sq ft of development during the year producing £3.5 million of annual rent with a further 425,000 sq ft under construction
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Third staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and would recommend LondonMetric as an employer • Very low staff turnover rate of 6%
• Maintain and improve our ranking in the EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 71% ahead of last year and peer group average of 67%

Objective	Assessments
Martin McGann	
• Optimising the funding structure to support the real estate strategy	• Incorporation of Mucklow SWIP facility into LondonMetric • Arrangement of new HSBC facility in the year • Increased debt provided diversification in the year • Headroom of £220 million at the year end
• Deliver risk management/corporate governance agenda to increasing satisfaction of stakeholders	• Implemented new 2018 Corporate Governance Code into processes and reporting • Continued focus on risk dashboard at Board meetings • Consideration of emerging risks including the recent COVID-19 pandemic
• Focus on income quality to deliver growth in our sustainable earnings	• Growth in EPRA earnings in the year of 5.6%, supporting a continuation in dividend progression • Increase in contracted rent from £90 million to £123 million
• Maintain and improve our ranking in the EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 71% ahead of last year and peer group average of 67%
• Delivery of development schemes on schedule and on budget, with lettings at or above target rents and within agreed timescales	• Completion of 436,000 sq ft of development during the year producing £3.5 million of annual rent with a further 425,000 sq ft under construction
• Maintain appropriate LTV, cost of finance and debt maturity metrics	• Lower average cost of debt of 2.9% (2019: 3.1%) • LTV of 35.9% which reduces to 30.9% after year end equity raise • New HSBC facility mitigating refinancing risk in the near term
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Third staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and would recommend LondonMetric as an employer • Very low staff turnover rate of 6%
Valentine Beresford	
• Continue to reposition portfolio with the objective of maintaining distribution at c.70% and reducing retail bias to 10%	• Investment in preferred urban logistics sector increased from 27% to 35% in the year • Reduced exposure to megasheds and increase in quality of long income assets
• Sell down non core, ex-growth and underperforming assets	• Residential portfolio reduced to 5 flats with 2 currently under offer, 26 flats sold in the year
• Continue to strengthen team and integrate whole Investment team into broader Company business	• Continued strong performance and fine tuning of the team to ensure right people with right skills • Integration of Mucklow staff has enhanced the team
• Promote Company as 'partner of choice' with developers, vendors and agents	• 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	• Completion of 436,000 sq ft of development during the year producing £3.5 million of annual rent with a further 425,000 sq ft under construction
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Third staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and would recommend LondonMetric as an employer • Very low staff turnover rate of 6%
• Maintain and improve our ranking in the EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 71% ahead of last year and peer group average of 67%

Remuneration

Annual Report on Remuneration continued

Objective	Assessments
Mark Stirling	
• Portfolio focus to deliver both income and capital growth versus IPD benchmark	• Strong portfolio metrics with total property return of 5.1% exceeding the IPD benchmark of -0.5% • Like for like income growth of 4%
• Continuing focus on asset management to lengthen and strengthen our rent roll	• Asset management activity delivered 130 occupier transactions and rent of £5.2 million • Average lease lengths on new lettings of 11.6 years
• Continuing to increase and improve our development pipeline through new opportunities and new planning consents	• New forward funded development schemes at Goole and Wallingford in the year along with additional Mucklow development at Tyseley
• Maintain our high occupancy	• Occupancy increased to 98.6% (2019:97.8%)
• Retain our position as partner of choice amongst key retailers	• Our relationships with key retailers continue to be essential both within our logistics and long income portfolios and the strength of those relationships has been evidenced in our rent collection statistics
• Delivery of development schemes on schedule and on budget, with lettings at or above target rents and within agreed timescales	• Completion of 436,000 sq ft of development during the year producing £3.5 million of annual rent with a further 425,000 sq ft under construction
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Third staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and would recommend LondonMetric as an employer • Very low staff turnover rate of 6%
• Maintain and improve our ranking in the EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 71% ahead of last year and peer group average of 67%

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 8 June 2016 and held at 31 March 2019, vested on 10 June 2019. One third of the deferred shares granted on 16 June 2017 and held at 31 March 2019, vested on 18 June 2019. Further shares representing one third of the June 2017 awards are expected to vest in June 2020.

Deferred shares are held in an Employee Benefit Trust which at 31 March 2020 held 4,330,731 shares. Outstanding deferred bonus shares held by the Executive Directors are set out in the table below.

							Entitlement to ordinary shares
	Date of grant	Face value on grant[1] £000	At 1 April 2019	Awarded in the year	Notional dividend shares	Released in the year	**At 31 March 2020**
Andrew Jones	8 June 2016	291	70,434	–	1,643	(72,077)	**–**
	16 June 2017	376	162,622	–	10,208	(82,755)	**90,075**
Martin McGann	8 June 2016	159	38,519	–	899	(39,418)	**–**
	16 June 2017	209	90,551	–	5,683	(46,080)	**50,154**
Valentine Beresford	8 June 2016	168	40,562	–	946	(41,508)	**–**
	16 June 2017	220	95,354	–	5,986	(48,524)	**52,816**
Mark Stirling	8 June 2016	168	40,562	–	946	(41,508)	**–**
	16 June 2017	220	95,354	–	5,986	(48,524)	**52,816**

1 Face value is the weighted average share price over the five business days immediately preceding the date of the award. 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 2020 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%	5 June 2019	534,747	204.2p	**1,092**
Martin McGann	165%	5 June 2019	294,989	204.2p	**602**
Valentine Beresford	165%	5 June 2019	304,872	204.2p	**623**
Mark Stirling	165%	5 June 2019	304,872	204.2p	**623**

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 to 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 to 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, 1 April 2018 and 1 April 2019 has been set at 7.77p, 8.16p, 8.54p and 8.77p respectively. The Group's three year financial forecast was taken into account when setting these targets along with consideration of strategic goals and priorities, proposed investment and development plans, gearing levels and previous years' results. Targets are considered challenging yet achievable in order to adequately incentivise management and are in line with the Company's strategic aim of delivering long term growth for shareholders.

Remuneration

Annual Report on Remuneration continued

Long Term Incentive Plan (continued)

Awards expected to vest in the year to 31 March 2021 in relation to the three year performance period commencing 1 April 2017 are summarised below.

Performance measure	Weighting	Basis of calculation	Range (0%)	(25%)	(100%)	Actual performance	% awarded
Total shareholder return ('TSR')	37.5%	Growth in TSR against FTSE 350 Real Estate Index	<1.9%	1.9%	55.2%	58.9%	100%
Total accounting return ('TAR')	37.5%	Growth in TAR against FTSE 350 Real Estate Index	<1.2%	1.2%	25.0%	30.6%	100%
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<9.1p	9.1p	9.5p	9.3p	53%

Director	Maximum number of shares	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	696,303	88%	612,747	1,033	264	**1,297**
Martin McGann	376,984	88%	331,746	559	143	**702**

1 The face value is based on the average share price for the three months to 31 March 2020 of 211.8p

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

								Number of shares under award[1]	
Director	Date of grant	Face value on grant	At 1 April 2019	Granted in year	Notional dividend shares	Vested in year	Lapsed in year	**At 31 March 2020**	Performance Period
Andrew Jones	8.6.2016	160.7p	720,568	–	8,660	(612,552)	(116,676)	–	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	667,925	–	28,378	–	–	**696,303**	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	582,698	–	24,757	–	–	**607,455**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	–	534,747	22,719	–	–	**557,466**	1.4.2019 to 31.3.2022
Martin McGann	8.6.2016	160.7p	390,122	–	4,688	(331,640)	(63,170)	–	1.4.2016 to 31.3.2019
	16.6.2017	168.6p	361,620	–	15,364	–	–	**376,984**	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	315,477	–	13,403	–	–	**328,880**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	–	294,989	12,533	–	–	**307,522**	1.4.2019 to 31.3.2022

1 Awards granted as nil cost options

The LTIP awards granted to Valentine Beresford and Mark Stirling on 8 June 2016 with a performance period 1 April 2016 to 31 March 2019 vested in the year. Both Valentine Beresford and Mark Stirling received 349,228 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 137.

There were no movements in Directors' shareholdings between 31 March 2020 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 2020 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 below.

	Overall beneficial Interest 31 March 2020 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2019 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	**Total interests as at 31 March 2020**	Share ownership as % of salary[1]	Shareholding guideline met	Number of shares pledged as at 31 March 2020
Executive Directors								
Andrew Jones	**4,196,699**	3,791,072	1,861,224	90,075	**6,147,998**	1352%	Yes	3,446,072
Martin McGann	**2,785,052**	2,564,560	1,013,386	50,154	**3,848,592**	1342%	Yes	2,341,585
Non Executive Directors								
Patrick Vaughan	**11,200,000**	12,250,000						
Suzanne Avery	**22,750**	22,750						
James Dean	**20,000**	20,000						
Robert Fowlds	**104,000**	104,000						
Andrew Livingston	**106,558**	68,898						
Rosalyn Wilton	**100,000**	100,000						

1 Based on the Company's share price at 31 March 2020 of 175.9p and the beneficial interests of the Directors

2 Former Executive Directors, Valentine Beresford and Mark Stirling, held beneficial interests of 2,991,860 and 2,485 522 ordinary shares in the prior year

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 2020, 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.

Graph removed

Graph removed

Remuneration

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 2020.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2020	2,827	97.5	88
2019	2,703	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 Chair 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	0%	6%	10%
Other employees (excluding Chief Executive)	0%	31%	12%

The Committee and Board believes that during the current COVID-19 pandemic it is not appropriate to contemplate pay reviews and increases and therefore determined that the pay review shall take place in September. Base salaries and fees therefore remain unchanged.

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.

	Pay ratio		
Year	25th percentile	50th percentile	75th percentile
2020	42:1	16:1	8:1
2019	34:1	12:1	8:1

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 2019 and 2020 figures in the table above.

The Chief Executive's single figure of remuneration for 2020 and 2019 used for the calculation ratio is as detailed on page 131. 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 are 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 Senior Leadership Team 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.

Upon stepping down from the Board, Valentine Beresford and Mark Stirling remained employees of the Company and as such in accordance with the Remuneration Policy and respective share plan rules they remain entitled to vesting of deferred bonus shares and LTIP awards which have already been granted. These awards will vest in line with their original schedules.

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.

	2020 £m	2019 £m	% change
Employee costs[1]	**11.3**	9.6	17.7%
Dividends[2]	**64.2**	55.6	15.5%

1 Figures taken from note 4 Administrative costs on page 163 and are stated before any amounts capitalised and exclude share scheme costs

2 Figures taken from note 7 Dividends on page 165

Statement of voting at AGM

At the AGM on 11 July 2019, the Annual Report on Remuneration was approved with votes from shareholders representing 72% 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.

	2019 Annual Report on Remuneration		*2017 Directors' Remuneration Policy*	
	Votes cast	%	Votes cast	%
For	595,906,739	99.08	492,623,371	98.92
Against	5,505,016	0.92	5,370,453	1.08
Withheld	18,987		5,053,433	
Total	**601,430,742**		**503,047,257**	

Statement of implementation of Remuneration Policy for the year ending 31 March 2020

The table on pages 117 to 118 illustrates how we intend to implement our Policy over the next financial year and gives details of remuneration payments and targets.

Myself and my successor Robert are 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 at this year's AGM.

Signature removed

James Dean
Chair of the Remuneration Committee

10 June 2020

Report of the Directors

Image removed

I am pleased to present the Report of the Directors together with the audited financial statements for the year ended 31 March 2020.

Martin McGann
Finance Director

Annual General Meeting

The Annual General Meeting ('AGM') of the Company will be held at 10 am on 22 July 2020. Due to the COVID-19 pandemic the AGM this year will be held as a closed meeting convened at our offices in Curzon Street with the minimum quorum of two shareholders, being two members of the Board, and shareholders will not be permitted to attend in person this year as to do so would be inconsistent with Government guidance. Further details on how to vote and participate in the AGM are included in the Notice of Meeting on pages 191 to 195 along with the proposed resolutions.

The Board considers that the resolutions proposed 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 18,535,059 shares representing approximately 2.0% of the existing issued ordinary share capital of the Company as at 9 June 2020.

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	Graphic removed	See pages 01 – 75
Principal risks Risk management section of Strategic report	Graphic removed	See pages 60 – 75
Internal financial control Audit Committee report	Graphic removed	See page 109
Viability Statement	Graphic removed	See page 63
Directors' details Directors' biographies	Graphic removed	See pages 80 and 81
Directors' interests Remuneration Committee report	Graphic removed	See page 137
Details of long term incentive schemes Remuneration Committee report	Graphic removed	See pages 135 – 136 and on page 123
Stakeholder engagement Our stakeholders section of the Governance report and Responsible Business review	Graphic removed	See pages 87 – 92 and pages 52 – 57
Section 172 Statement	Graphic removed	See page 52
Greenhouse gas emissions Responsible Business review	Graphic removed	See page 51
Diversity Nomination Committee report	Graphic removed	See page 100
Financial instruments Note 14	Graphic removed	See page 173
Financial risk management policies Note 14	Graphic removed	See pages 171 – 172
Interest capitalised Note 5	Graphic removed	See page 164
Shareholder waivers of dividends Report of the Directors	Graphic removed	See page 142
Related party transactions Note 20	Graphic removed	See page 176
Post balance sheet events Note 21	Graphic removed	See page 176

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 75 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 loss for the year attributable to equity shareholders of £5.7 million (2019: profit of £119.7 million). The first two quarterly dividends for 2020 totalling 4.0p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 2.0p was paid following the year end on 16 April 2020 as a PID. The Directors have approved a fourth quarterly dividend of 2.3p per share payable on 22 July 2020 to shareholders on the register at the close of business on 19 June 2020, of which 0.75p will be paid as a PID.

The total dividend charge for the year to 31 March 2020 was 8.3p per share, an increase of 1.2% over the previous year. Of the total dividend charge for 2020 of 8.3p, 6.75p 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 1.55p 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 2020 was undertaken by CBRE Limited, Savills (UK) Limited and Cushman & Wakefield Debenham Tie Leung Limited on the basis of fair value which amounted to £2,346.5 million including the Group's share of joint venture property as reflected in the Financial review on page 38.

Share capital
As at 31 March 2020, there were 841,498,022 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 138,615,684 ordinary shares as part of the consideration for the acquisition of A&J Mucklow Group on 27 June 2019 and a further 2,890,498 ordinary shares under the terms of its Scrip Dividend Scheme. Since the year end the Company issued a further 118,163 ordinary shares in relation to the third quarterly dividend scrip alternative.

On 7 May 2020 the Company issued 66,666,666 new ordinary shares at a price of 180p per share, as a result of a successful equity placing. The placing was met with a high level of demand from both existing shareholders and potential new investors and the Board decided to increase the size of the equity raise from approximately £100 million to £120 million.

A placing is an issue of shares directly to certain shareholders. There are regulatory restrictions on placings designed to protect the rights of existing shareholders which the Company adhered to.

At the Annual General Meeting in 2019, the Company was granted authority to allot shares up to a maximum amount of £27,975,917 (representing approximately one third of the Company's issued share capital following the completion of the acquisition of A&J Mucklow Group) and to allot shares up to a maximum nominal value of £4,196,388 (representing approximately 5% of the Company's issued share capital following the completion of the acquisition of A&J Mucklow Group) without having to first offer those shares to existing shareholders. The Company was also granted authority to allot further shares up to a maximum nominal value of £4,196,388 (representing approximately 5% of the Company's issued share capital following the completion of the acquisition of A&J Mucklow Group) without having to first offer those shares to existing shareholders, where such authority is used only for the purposes of financing a transaction which the Directors determine to be an acquisition (the 'Acquisition Authority'). The Company used the full Acquisition Authority granted to it to issue the shares in connection with the placing, with the remaining placing shares issued under the former non-pre-emptive allotment authority.

The shares issued in connection with the placing represented a 7.9% increase to the issued share capital of the Company prior to the placing and a 9.6% increase to the issued share capital of the Company in the three year period preceding the placing (with the placing being the only non-pre-emptive issue of equity securities by the Company in such three year period). In accordance with the Pre-Emption Group's Statement of Principles, this equates to a 2.9% increase to the issued share capital of the Company prior to the placing and a 4.6% increase to the issued share capital of the Company in the three year period preceding the placing and is therefore below the level stipulated by the Pre-Emption Group.

The placing raised gross proceeds of approximately £120 million and the net cash received after deducting costs was £116.6 million, which will be used to fund pipeline acquisition opportunities. The price reflected a 1.5% discount to the previous day's share price and a discount of 3.4% to the intra-day price of 186.3p at the time the placing price was agreed.

There is only one class of share in issue and there are no restrictions on the size of a holding or on the transfer of shares. None of the shares carry any special rights of control over the Company. There were no persons with significant direct or indirect holdings in the Company other than those listed as substantial shareholders on page 142.

Report of the Directors continued

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 2019 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 2020, the Trustees of the LondonMetric Long Term Incentive Plan held 4,330,731 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.

Directors
The present membership of the Board and biographical details of Directors are set out on pages 80 and 81. The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 137.

In accordance with the UK Corporate Governance Code and in line with previous years, all of the Directors will offer themselves for re-election by the shareholders at the forthcoming AGM on 22 July 2020. 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.

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	80,520,871	8.86
Rathbones	49,706,941	5.47
Troy Asset Management	49,339,102	5.43
The Vanguard Group Inc	40,404,981	4.45
Standard Life Aberdeen	39,661,287	4.37
Cohen & Steers Inc	36,687,125	4.04
Ameriprise Financial Inc	29,676,758	3.27

Stakeholders
The Group's long-term sustainable success is dependent on its relationships with key stakeholders. In the Governance report on pages 87 to 92, we outline the ways in which we have engaged with our key stakeholders and how they have influenced the Board's decision making.

Employees
At 31 March 2020 the Group had 33 employees including the Executive 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 a company-wide anti-bribery, anti-corruption, money laundering and corporate culture seminar and weekly updates from the Chief Executive throughout the lockdown period.

The Board recognises the importance of attracting, developing and retaining the right people. 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.

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.

Andrew Livingston was appointed as the designated workforce Non Executive Director last year to act as a liaison between the Board and employees and a channel through which staff can share their views and raise concerns.

Further details of how we engage with employees can be found in the Governance report on page 90 and the Responsible Business review on pages 54 to 55.

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 Responsible Business report can be downloaded. An overview of our responsible business activity can be found on pages 45 to 59 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.

This year, as part of our commitment to working with our wider stakeholder group to improve the environment, we have decided to use the authority in our Articles to move away from the paper version of this report and ask shareholders to instead view it electronically online by visiting our website. Those wishing to receive a hard copy report have been accommodated and this will be sent at least 20 working days before the AGM.

Greenhouse gas reporting
In accordance with Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on page 51.

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 2020 was 14 days (2019: 15 days).

Charitable and political contributions
During the year, the Group made charitable donations of £22,958 (2019: £12,252). No political donations were made during the year (2019: £nil).

Post year end and in response to the COVID-19 pandemic, we have provided assistance to our occupiers and have raised funds for local community charities located close to our assets and developments. In addition, the Board of Directors and certain key employees are waiving 20% of their salaries and fees for three months, providing additional funds for our wider COVID-19 charity giving.

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 22 July 2020.

On behalf of the Board

Signature removed

Martin McGann
Finance Director

10 June 2020

We have applied the principles of good governance contained in the UK Corporate Governance Code 2018 (the 'Code') throughout the year under review and our compliance statement is on page 79.

Further details on how we have applied the Code can be found in the Governance section on pages 76 to 139 and should be read as part of this report.

Report of the Directors

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 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

Signature removed

Martin McGann
Finance Director

10 June 2020

Signature removed

Andrew Jones
Chief Executive

10 June 2020

Financial statements

Inside this section

Independent Auditor's report	146
Group financial statements	154
Notes forming part of the Group financial statements	158
Company financial statements	177
Notes forming part of the Company financial statements	179
Supplementary information	183
Glossary	189
Notice of Annual General Meeting	191
Financial calendar	196
Shareholder information	196

The Group financial statements that follow in this section have been prepared in accordance with IFRS.

The Company financial statements have been prepared in accordance with FRS 101.

The Independent Auditor's report that supports the financial statements is reflected on page 146.

Martin McGann
Finance Director

To the members of LondonMetric Property Plc

Independent Auditor's report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of LondonMetric Property Plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2020 and of the Group's loss 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 Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- 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; and
- the related Group notes 1 to 21 and Company notes i to ix.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investment property; and • Accounting for significant, unusual and complex property transactions: Acquisition of A&J Mucklow Group Limited. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £28.8 million which was determined on the basis of 2% of equity. For testing balances that impacted EPRA earnings we used a lower materiality of £3.7 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 loss before tax.
Significant changes in our approach	Consistent with last year, in identifying key audit matters, we considered the property transactions of the Group, owing to the potential complexity and judgement in accounting for such transactions. In the current year, our key audit matter is focused on one particular transaction, being the acquisition of A&J Mucklow Group Limited.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and 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.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. 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 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 60 to 75 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on pages 60 to 62 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 63 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.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

To the members of LondonMetric Property Plc

Independent Auditor's report continued

5. 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.

5.1. Valuation of Investment and development Property

Key audit matter description	The Group owns a portfolio of largely distribution property assets, which is valued at £2,274 million (2019: £1,688 million) as at 31 March 2020. 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 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. As detailed in note 9, the valuer has included a 'material valuation uncertainty' in their valuation report. This is on the basis that market activity is being impacted in many sectors by the COVID-19 pandemic such that as at the valuation date they consider that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value, and that a higher degree of caution should be attached to their valuation. Refer to page 107 (Audit Committee report), pages 158 to 159 (accounting policy) and note 9 on page 167 (financial disclosures).
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Assessed management's process for reviewing and assessing the work of the external valuer and development appraisals. • Assessed the competence, capabilities and objectivity 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. • 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. • Considered the changes made to key valuation input assumptions at a macro-level in light of the potential impact of the COVID-19 pandemic on the properties held by the Group and benchmarked these against changes being made in the wider market and against relevant market evidence including specific property sales and other external data. • Met with the external valuers of the portfolio to discuss the results of their work and, for a sample of properties of audit interest, we further challenged the yield assumptions and valuation, including where relevant the impact of COVID-19 on the sector and asset and the valuation adjustments reflected as a result. • We obtained an understanding of the relevant controls over the valuation process. • 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. • 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. • Assessed management's assessment and disclosure of the impact of Brexit and COVID-19 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	While we note the increased estimation uncertainty in relation to the property valuation as a result of COVID-19, and as disclosed in note 9, we considered the assumptions applied in arriving at the fair value of the Group's property portfolio to be appropriate.

5.2. Accounting for significant, unusual and complex property transactions: Acquisition of A&J Mucklow Group Limited

Key audit matter description	On 27 June 2019, the Group acquired A&J Mucklow Group Limited. There was a judgement in determining whether this constituted a business combination under IFRS 3 or an asset acquisition. Management assessed that the acquisition was a business combination under IFRS 3. There is also a level of complexity and judgement on the part of management in the determination of appropriate fair value. If the fair value of net assets acquired is less than consideration paid then goodwill arises, and there is additional complexity in determining whether indicators of impairment exist for any such goodwill. A significant proportion of the net assets upon acquisition was the investment properties held by A&J Mucklow Group Limited at 27 June 2019 and these were subject to an external valuation. Refer to page 107 (Audit Committee report), page 159 (accounting policy) and note 15 on page 174 (financial disclosures).
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Assessed whether the acquisition constituted a business combination under IFRS 3 by understanding and assessing the nature and fact pattern of the acquisition. • Performed substantive procedures on the debt and properties acquired during the acquisition and also agreed the A&J Mucklow Group Limited acquired balances to the audited financial statements for the period ended 27 June 2019. • Assessed the competence, capabilities and objectivity of the external valuer and read their terms of engagement with A&J Mucklow Group Limited to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. • Obtained the external valuation report 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. • Reviewed the legal due diligence report for matters arising of audit relevance. • To test the consideration of the transaction, traced the admission of new shares and payment of cash paid as consideration for the transaction to relevant supporting documentation. • Performed an assessment as to whether the goodwill asset recognised upon acquisition is supported by cash flows from a relevant cash generating unit (CGU).
Key observations	We concluded that A&J Mucklow Group Limited acquisition had been appropriately accounted for.

To the members of LondonMetric Property Plc

Independent Auditor's report continued

6. Our application of materiality

6.1. 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	Parent company financial statements
Materiality	£28.8 million (2019: £23.9 million) We consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £3.7 million (2019: £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 and the impairment of goodwill.	£20.2 million (2019: £18.6 million)
Basis for determining materiality	Materiality for the Group is based on 2% (2019: 2%) of shareholders' equity at 31 March 2020. For EPRA Earnings the basis used is 5% of EPRA earnings (2019: 5% EPRA earnings) of that measure on a forecasted basis.	Materiality for the Company is based on 1.7% of net assets (2019: 2% of net assets).
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.	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 the most appropriate basis for materiality.

Graph removed

Shareholders' equity

£1,432m

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%).

In determining performance materiality, we considered the following factors:

a. Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and

b. Our risk assessment, including our assessment of the Group's overall control environment.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.4 million (2019: £1.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Our full scope audit is performed on 100% (2019: 100%) of the Group's net assets, revenue and loss before tax.

The audit work in response to the risks of material misstatement was performed directly by the Group engagement team. Our audit also included testing of the consolidation process.

The Company is located in London, UK and audited directly by the Group audit team. For the purpose of testing the acquisition of A&J Mucklow Group Limited, we identified KPMG as component auditors to report on the opening balances of A&J Mucklow Group Limited at the date of the acquisition, directing and supervising their work through meetings and reviews of work papers. KPMG reported to us on a materiality of £12.7 million which is based on a percentage of Group materiality. By the year end date, A&J Mucklow Group Limited was fully integrated into LondonMetric Property Plc and was no longer considered a separate component.

8. 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; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **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.

9. 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.

10. 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 and non-compliance with laws and regulations 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.

To the members of LondonMetric Property Plc

Independent Auditor's report continued

11. 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.

11.1. 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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 of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, financial instruments and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Investment and development property valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT regime, tax legislation and pensions legislation.

11.2. 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 the matter in more detail and also 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- 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; and
- 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

12. 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the 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 Report of the Directors.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. 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.

14. Other matters

14.1. 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 seven years covering the years ending 31 March 2014 to 31 March 2020.

14.2. 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).

15. 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

10 June 2020

Group income statement

For the year ended 31 March

	Note	2020 £m	2019 £m
Gross revenue	3	**113.4**	86.8
Gross rental income		**112.3**	85.1
Property operating expenses		**(1.2)**	(1.2)
Net rental income		**111.1**	83.9
Property advisory fee income		**1.1**	1.7
Net income		**112.2**	85.6
Administrative costs	4	**(15.8)**	(13.7)
Impairment of goodwill on acquisition of subsidiaries	15	**(48.3)**	–
Acquisition costs	15	**(8.9)**	–
(Loss)/profit on revaluation of investment properties	9	**(3.8)**	75.9
(Loss)/profit on sale of investment properties		**(4.9)**	0.6
Share of losses of joint ventures	10	**(8.9)**	(6.4)
Operating profit		**21.6**	142.0
Finance income		**0.7**	0.4
Finance costs	5	**(29.0)**	(22.9)
(Loss)/profit before tax		**(6.7)**	119.5
Taxation	6	**(0.2)**	0.2
(Loss)/profit for the year and total comprehensive income		**(6.9)**	119.7
Attributable to:			
Equity shareholders		**(5.7)**	119.7
Non-controlling interest	20	**(1.2)**	–
Earnings per share			
Basic	8	**(0.7)p**	17.2p
Fully diluted	8	**(0.7)p**	17.1p
EPRA earnings per share			
Basic	8	**9.3p**	8.8p
Fully diluted	8	**9.2p**	8.7p

All amounts relate to continuing activities.

The notes on pages 158 to 176 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2020 £m	2019 £m
Non current assets			
Investment properties	9	**2,273.6**	1,688.0
Investment in equity accounted joint ventures	10	**54.1**	98.9
Other tangible assets		**0.4**	0.4
		2,328.1	1,787.3
Current assets			
Trading properties		**1.1**	–
Trade and other receivables	11	**7.8**	5.8
Cash and cash equivalents	12	**81.8**	20.6
		90.7	26.4
Total assets		**2,418.8**	1,813.7
Current liabilities			
Trade and other payables	13	**42.6**	36.4
Non current liabilities			
Borrowings	14	**926.7**	558.9
Derivative financial instruments	14	**4.7**	1.6
Lease liabilities	16	**5.9**	–
		937.3	560.5
Total liabilities		**979.9**	596.9
Net assets		**1,438.9**	1,216.8
Equity			
Called up share capital	17	**84.2**	70.0
Share premium	18	**106.3**	100.8
Capital redemption reserve	18	**9.6**	9.6
Other reserve	18	**488.4**	221.7
Retained earnings	18	**743.3**	814.7
Equity shareholders' funds		**1,431.8**	1,216.8
Non-controlling interest		**7.1**	–
Total equity		**1,438.9**	1,216.8
Net asset value per share	8	**171.0p**	174.7p
EPRA net asset value per share	8	**171.7p**	174.9p

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2020 and were signed on its behalf by:

Signature removed

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 158 to 176 form part of these financial statements.

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2019		**70.0**	**100.8**	**9.6**	**221.7**	**814.7**	**1,216.8**	**–**	**1,216.8**
Loss for the year and total comprehensive income		**–**	**–**	**–**	**–**	**(5.7)**	**(5.7)**	**(1.2)**	**(6.9)**
Share issue on acquisition	15	**13.9**	**–**	**–**	**269.5**	**–**	**283.4**	**–**	**283.4**
Purchase of shares held in trust		**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**	**–**	**(7.2)**
Vesting of shares held in trust		**–**	**–**	**–**	**4.4**	**(4.4)**	**–**	**–**	**–**
Share based awards		**–**	**–**	**–**	**–**	**2.9**	**2.9**	**–**	**2.9**
Investment from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**8.7**	**8.7**
Distribution to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Dividends	7	**0.3**	**5.5**	**–**	**–**	**(64.2)**	**(58.4)**	**–**	**(58.4)**
At 31 March 2020		**84.2**	**106.3**	**9.6**	**488.4**	**743.3**	**1,431.8**	**7.1**	**1,438.9**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2018		69.7	96.1	9.6	222.5	751.6	1,149.5	–	1,149.5
Profit for the year and total comprehensive income		–	–	–	–	119.7	119.7	–	119.7
Purchase of shares held in trust		–	–	–	(4.8)	–	(4.8)	–	(4.8)
Vesting of shares held in trust		–	–	–	4.0	(3.7)	0.3	–	0.3
Share based awards		–	–	–	–	2.7	2.7	–	2.7
Dividends	7	0.3	4.7	–	–	(55.6)	(50.6)	–	(50.6)
At 31 March 2019		70.0	100.8	9.6	221.7	814.7	1,216.8	–	1,216.8

The notes on pages 158 to 176 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	2020 £m	2019 £m
Cash flows from operating activities		
(Loss)/profit before tax	**(6.7)**	119.5
Adjustments for non cash items:		
Loss/(profit) on revaluation of investment properties	**3.8**	(75.9)
Loss/(profit) on sale of investment properties	**4.9**	(0.6)
Share of post tax loss of joint ventures	**8.9**	6.4
Movement in lease incentives	**(5.7)**	(5.0)
Impairment of goodwill on acquisition	**48.3**	–
Share based payment	**2.9**	2.7
Net finance costs	**28.3**	22.5
Cash flows from operations before changes in working capital	**84.7**	69.6
Change in trade and other receivables	**(3.0)**	0.4
Change in trade and other payables	**(13.0)**	–
Cash flows from operations	**68.7**	70.0
Interest received	**0.2**	0.1
Interest paid	**(24.0)**	(16.2)
Tax (paid)/received	**(0.2)**	0.3
Cash flows from operating activities	**44.7**	54.2
Investing activities		
Purchase of subsidiary undertakings net of cash acquired	**(119.6)**	–
Purchase of investment properties	**(185.2)**	(159.0)
Capital expenditure on investment properties	**(18.1)**	(27.6)
Lease incentives paid	**(3.9)**	(3.2)
Sale of investment properties	**112.2**	261.0
Investments in joint ventures	**(0.3)**	(5.1)
Distributions from joint ventures	**15.7**	17.5
Purchase of tangible assets	**–**	(0.4)
Cash flows from investing activities	**(199.2)**	83.2
Financing activities		
Dividends paid	**(58.4)**	(50.6)
Distribution to non-controlling interest	**(0.4)**	–
Purchase of shares held in trust	**(7.2)**	(4.8)
Vesting of shares held in trust	**–**	0.3
New borrowings and amounts drawn down	**304.9**	360.0
Repayment of loan facilities	**(21.1)**	(445.0)
Financial arrangement fees and break costs	**(2.1)**	(2.9)
Cash flows from financing activities	**215.7**	(143.0)
Net increase/(decrease) in cash and cash equivalents	**61.2**	(5.6)
Opening cash and cash equivalents	**20.6**	26.2
Closing cash and cash equivalents	**81.8**	20.6

The notes on pages 158 to 176 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2020

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 196. 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 75.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

c) Going concern

Given the significant impact of COVID-19 on the global economy in which the Group is operating, the Board has paid particular attention to the appropriateness of the going concern basis in preparing these financial statements.

The going concern assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance and are discussed in detail on pages 60 to 75.

A key consideration is the Group's financial position, cash flows and liquidity, including its continued access to debt facilities and its headroom under financial loan covenants. As reported in the Viability Statement on page 63, the Group's unsecured facilities and private placement loan notes, which together represent 76% of total Group borrowings including its share of joint ventures, contain gearing and interest cover covenants. At 31 March 2020, the Group had substantial headroom within these covenants. After adjusting for the equity raise, gearing was 56%, substantially lower than the maximum limit of 125% and its interest cover ratio was 4.3 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 37% and rents by 58% before banking covenants are breached.

Group borrowings, undrawn facilities and hedging are described in note 14 and in the Financial review on pages 38 to 44.

In May 2020, the Group successfully completed an equity raise of £120 million, strengthening the balance sheet and financial position.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance including the impact of COVID-19 which is explained in detail in the Viability Statement on page 63. Key assumptions included in the sensitivity analysis are as follows:

- rents decline by 15% across the portfolio
- capital values fall by 15% across the portfolio
- there are no new developments or uncommitted capital expenditure
- asset sales that have exchanged or are in legals do not complete
- no new financing is assumed

Throughout this downside scenario the Group has sufficient cash reserves to continue in operation and remain compliant with banking covenants. On the basis of this review, together with available market information and the Directors' experience and knowledge of the portfolio, they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2020.

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 page 107 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.

1 Significant accounting policies (continued)

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.

The COVID-19 pandemic has led to a heightened degree of uncertainty surrounding our year end valuations and our three external valuers have included material uncertainty clauses in their valuation reports which is in line with the RICS guidance.

Significant transactions
Some property transactions are large or complex and require management to make judgements when considering the appropriate accounting treatment. These include acquisitions of property through corporate vehicles, which could represent either asset acquisitions or business combinations under IFRS 3. There is a risk that an inappropriate approach could lead to a misstatement in the financial statements.

The acquisition of A&J Mucklow Group on 27 June 2019 has been treated as a business combination in accordance with IFRS 3 using the acquisition method.

The cost of the acquisition is measured as the fair value of the consideration paid for the business. Acquisition costs are recognised in the income statement as incurred. Any excess of the cost over the Group's interest in the fair value of the identifiable net assets acquired is treated as goodwill, which is initially recognised as an asset at cost and subsequently tested for impairment. Further information is provided in note 15.

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 16 as discussed further below.

Name	Description
IFRS 16	Leases
IFRS 9 (amendments)	Financial instruments
IAS 28 (amendments)	Long term Interests in Associates and Joint Ventures
IAS 19 (amendments)	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRSs: 2015 – 2017 cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRS 16 Leases
IFRS 16 was issued in January 2016 and became effective for the Group from 1 April 2019. It has been adopted retrospectively in accordance with the transition provisions of the standard, with the cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives have not been restated.

The standard requires lessees to recognise assets (the right to use the leased item) and liabilities (a financial liability to pay rentals) on the balance sheet for most leases. The accounting for lessors under IFRS 16 is substantially unchanged from its predecessor, IAS 17.

As a lessee, the Group holds two types of operating leases:

- Head leases – a limited number of investment properties owned by the Group are situated on land held through leasehold arrangements where ground rent is payable by the Group as lessee
- Office leases – the lease of the Group's head office in London

The impact of adopting IFRS 16 has been to recognise at 31 March 2020 a £5.9 million non current lease liability and £5.7 million right of use asset included in investment property as a non current asset.

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 17	Insurance contracts
IFRS 3 (amendments)	Definition of a Business
IAS 1 & IAS 8 (amendments)	Definition of Material
IFRS 7, IFRS 9 & IAS 39 (amendments)	Interest Rate Benchmark Reform
IAS 1 (amendments)	Classification of Liabilities as Current or Non Current
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37 and IAS 38

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.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

1 Significant accounting policies (continued)

ii) Joint ventures
Joint ventures are those entities over whose activities the Group has joint control.

Joint ventures 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 the consolidated income statement incorporates the Group's share of joint venture profits after tax.

The Group's joint ventures 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.

iii) Non-controlling interest
The Group's non-controlling interest represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets.

The Group consolidates the results and net assets of its subsidiary in these financial statements and reflects the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet.

iv) Alternative performance measures
Our portfolio is a combination of properties that are wholly owned by the Group and part owned through joint venture arrangements or where a third party holds a non-controlling interest. Management reviews the performance of the Group's proportionate share of assets and returns, and considers the presentation of information on this basis helpful to stakeholders as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the financial statements.

v) Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets and liabilities acquired and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are recognised in the income statement as incurred.

Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement.

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.

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 the income statement.

1 Significant accounting policies (continued)

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 2020

2 Segmental information

As at 31 March				2020			2019
Property value	**100% owned £m**	**Share of JV £m**	**Non-controlling interest £m**	**Total £m**	100% owned £m	Share of JV £m	Total £m
Distribution	**1,597.0**	**–**	**(3.3)**	**1,593.7**	1,282.9	9.7	1,292.6
Long income	**475.2**	**88.9**	**(11.6)**	**552.5**	257.0	132.5	389.5
Retail parks	**83.3**	**–**	**–**	**83.3**	87.0	–	87.0
Office	**55.1**	**–**	**–**	**55.1**	–	–	–
Residential	**1.4**	**3.5**	**–**	**4.9**	1.3	16.0	17.3
Development	**57.0**	**–**	**–**	**57.0**	59.8	–	59.8
	2,269.0	**92.4**	**(14.9)**	**2,346.5**	1,688.0	158.2	1,846.2
Head lease and right of use assets				**5.7**			–
				2,352.2			1,846.2

For the year to 31 March				2020			2019
Gross rental income	**100% owned £m**	**Share of JV £m**	**Non-controlling interest £m**	**Total £m**	100% owned £m	Share of JV £m	Total £m
Distribution	**76.3**	**–**	**(0.2)**	**76.1**	63.7	0.6	64.3
Long income	**25.7**	**6.1**	**(1.1)**	**30.7**	15.0	9.4	24.4
Retail parks	**7.1**	**–**	**–**	**7.1**	6.4	–	6.4
Office	**3.2**	**–**	**–**	**3.2**	–	–	–
Residential	**–**	**0.2**	**–**	**0.2**	–	0.4	0.4
	112.3	**6.3**	**(1.3)**	**117.3**	85.1	10.4	95.5

For the year to 31 March				2020			2019
Net rental income	**100% owned £m**	**Share of JV £m**	**Non-controlling interest £m**	**Total £m**	100% owned £m	Share of JV £m	Total £m
Distribution	**75.5**	**–**	**(0.2)**	**75.3**	62.9	0.6	63.5
Long income	**25.7**	**6.1**	**(1.1)**	**30.7**	14.8	9.2	24.0
Retail parks	**6.7**	**–**	**–**	**6.7**	6.1	–	6.1
Office	**3.2**	**–**	**–**	**3.2**	–	–	–
Residential	**–**	**–**	**–**	**–**	0.1	0.1	0.2
	111.1	**6.1**	**(1.3)**	**115.9**	83.9	9.9	93.8

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's chief operating decision makers and for which discrete financial information is available. Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates almost entirely in the UK and no geographical split is provided in information reported to the Board. We have reclassified the operating segments this year following the acquisition of A&J Mucklow Group as discussed in note 15. A new though comparatively small office sector has been introduced and long income now includes convenience and leisure as one of its sub categories.

3 Gross revenue

For the year to 31 March	**2020 £m**	2019 £m
Gross rental income	**112.3**	85.1
Property advisory fee income	**1.1**	1.7
	113.4	86.8

This year, no individual tenant contributed more than 10% of gross rental income. Last year, 22% of the Group's gross rental income was receivable from two tenants.

4 Administrative costs

a) Total administrative costs

For the year to 31 March	2020 £m	2019 £m
Staff costs	**12.1**	10.4
Auditor's remuneration	**0.2**	0.2
Depreciation	**0.7**	0.1
Other administrative costs	**2.8**	3.0
	15.8	13.7

b) Staff costs

For the year to 31 March	2020 £m	2019 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**10.3**	8.6
Less staff costs capitalised	**(2.1)**	(1.9)
	8.2	6.7
Social security costs	**0.8**	0.7
Pension costs	**0.2**	0.3
Share based payment	**2.9**	2.7
	12.1	10.4

The long term share incentive plan ('LTIP') that was created 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 £2.9 million (2019: £2.7 million).

The Company awarded 2,034,253 LTIP shares during the year, 1,439,480 of which were awarded to the current and former Executive Directors as shown in the Remuneration Committee report. The cost of acquiring the shares expected to vest under the LTIP of £7.2 million has been charged to reserves this year (2019: £4.8 million).

Employee costs of £2.1 million (2019: £1.9 million) have been capitalised in respect of time spent on development projects.

The emoluments and pension benefits of the current and former Executive Directors, who are also the key management personnel of the Company, are set out in aggregate in the table below. Further details of the emoluments of the Executive Directors can be found in the Remuneration Committee report on page 112.

	2020 £m	2019 £m
Salary and fees	**1.7**	2.2
Benefits	**0.1**	0.1
Pension	**0.2**	0.2
Annual bonus	**2.3**	2.2
Long term incentives	**3.5**	3.0
Short term employee benefits	**7.8**	7.7

In accordance with the disclosure requirements of IAS 24 Related party disclosures for key management personnel, short term employee benefits were £7.8 million (2019: £7.7 million) and share based payments were £2.3 million (2019: £2.1 million).

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2020 Number	2019 Number
Property and administration	**34**	28

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

4 Administrative costs (continued)

d) Auditor's remuneration

For the year to 31 March	**2020 £000**	2019 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**179**	117
Audit of subsidiary financial statements, pursuant to legislation	**5**	5
Other fees:		
Audit related assurance services	**30**	28
Total fees for audit and other services	**214**	150

In addition to the above audit fees, £35,600 (2019: £48,200) 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 £10,400 (2019: £33,700).

5 Finance costs

For the year to 31 March	**2020 £m**	2019 £m
Interest payable on bank loans and related derivatives	**22.8**	16.3
Debt and hedging early close out costs	**0.2**	–
Amortisation of loan issue costs	**1.5**	1.4
Interest on lease liabilities	**0.1**	–
Commitment fees and other finance costs	**2.1**	1.9
Total borrowing costs	**26.7**	19.6
Less amounts capitalised on the development of properties	**(0.9)**	(1.1)
Net borrowing costs	**25.8**	18.5
Fair value loss on derivative financial instruments	**3.2**	4.4
Total finance costs	**29.0**	22.9

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value loss on derivative financial instruments of £3.2 million (2019: £4.4 million) and early close out costs of £0.2 million (2019: nil).

6 Taxation

For the year to 31 March	**2020 £m**	2019 £m
Current tax		
UK tax charge/(credit) on profit	**0.2**	(0.2)

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	**2020 £m**	2019 £m
(Loss)/profit before tax	**(6.7)**	119.5
Tax (credit)/charge at the standard rate of corporation tax in the UK of 19% (2019: 19%)	**(1.3)**	22.7
Effects of:		
Tax effect of income not subject to tax	**(0.2)**	(23.7)
Share of post tax losses of joint ventures	**1.7**	1.2
Land remediation tax credit	**–**	(0.4)
UK tax charge/(credit) on profit	**0.2**	(0.2)

The current tax charge relates to tax arising on income attributable to the Group's non-controlling interest, other 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	2020 £m	2019 £m
Ordinary dividends paid		
2018 Third quarterly interim dividend: 1.85p per share	–	12.8
2018 Fourth quarterly interim dividend: 2.35p per share	–	16.3
2019 First quarterly interim dividend: 1.9p per share	–	13.2
2019 Second quarterly interim dividend: 1.9p per share	–	13.3
2019 Third quarterly interim dividend: 1.9p per share	**13.2**	–
2019 Fourth quarterly interim dividend: 2.5p per share	**17.4**	–
2020 First quarterly interim dividend: 2.0p per share	**16.8**	–
2020 Second quarterly interim dividend: 2.0p per share	**16.8**	–
	64.2	55.6
Quarterly dividend payable		
2020 Third quarterly interim dividend: 2.0p per share	**16.7**	
2020 Fourth quarterly interim dividend: 2.3p per share	**20.8**	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2020 of 2.0p per share, wholly as a Property Income Distribution ('PID'), on 16 April 2020 to ordinary shareholders on the register at the close of business on 13 March 2020.

The fourth quarterly interim dividend for 2020 of 2.3p per share, of which 0.75p is payable as a PID, will be payable on 22 July 2020 to shareholders on the register at the close of business on 19 June 2020. 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 2021.

During the year the Company issued 2.9 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.8 million to £58.4 million.

8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations of the European Public Real Estate Association ('EPRA'). The EPRA earnings measure highlights the underlying performance of the property rental business.

The earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year.

The net asset per share calculation uses the number of shares in issue at the year end and excludes the actual number of shares held by the Employee Benefit Trust at the year end.

Further EPRA performance measures are reflected in the Supplementary notes on pages 183 to 188.

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 £m	JV £m	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
Gross rental income	**112.3**	**6.3**	**(1.3)**	**117.3**	85.1	10.4	95.5
Property costs	**(1.2)**	**(0.2)**	–	**(1.4)**	(1.2)	(0.5)	(1.7)
Net rental income	**111.1**	**6.1**	**(1.3)**	**115.9**	83.9	9.9	93.8
Management fees	**1.1**	**(0.5)**	–	**0.6**	1.7	(0.8)	0.9
Administrative costs	**(15.8)**	**(0.1)**	–	**(15.9)**	(13.7)	–	(13.7)
Net finance costs[1]	**(24.9)**	**(1.5)**	**0.3**	**(26.1)**	(18.1)	(2.1)	(20.2)
Other	**(0.2)**	**–**	**0.2**	**–**	0.2	–	0.2
EPRA earnings	**71.3**	**4.0**	**(0.8)**	**74.5**	54.0	7.0	61.0

1 Group net finance costs reflect net borrowing costs of £25.8 million (note 5) less early close out costs of £0.2 million (note 5) and finance income of £0.7 million

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

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 £m	JV £m	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
EPRA earnings	**71.3**	**4.0**	**(0.8)**	**74.5**	54.0	7.0	61.0
Revaluation of investment property	**(3.8)**	**(10.2)**	**2.0**	**(12.0)**	75.9	(11.5)	64.4
Fair value of derivatives	**(3.2)**	**(0.4)**	**–**	**(3.6)**	(4.4)	(0.3)	(4.7)
(Loss)/profit on disposal	**(4.9)**	**(2.3)**	**–**	**(7.2)**	0.6	(1.6)	(1.0)
Debt and hedging early close out costs	**(0.2)**	**–**	**–**	**(0.2)**	–	–	–
Impairment of goodwill	**(48.3)**	**–**	**–**	**(48.3)**	–	–	–
Acquisition costs	**(8.9)**	**–**	**–**	**(8.9)**	–	–	–
IFRS reported profit/(loss)	**2.0**	**(8.9)**	**1.2**	**(5.7)**	126.1	(6.4)	119.7

b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	2020 £m	2019 £m
Basic and diluted earnings	**(5.7)**	119.7
EPRA adjustments above	**80.2**	(58.7)
EPRA earnings	**74.5**	61.0

For the year to 31 March	Weighted average number of shares (millions)	Weighted average number of shares (millions)
Ordinary share capital	**806.7**	698.4
Shares held in the Employee Benefit Trust	**(2.5)**	(2.8)
Weighted average number of ordinary shares – basic	**804.2**	695.6
Employee share schemes	**6.0**	5.2
Weighted average number of ordinary shares – fully diluted	**810.2**	700.8
Earnings per share		
Basic	**(0.7)p**	17.2p
Fully diluted	**(0.7)p**	17.1p
EPRA earnings per share		
Basic	**9.3p**	8.8p
Fully diluted	**9.2p**	8.7p

c) Net assets per share attributable to equity shareholders

As at 31 March	2020 £m	2019 £m
Equity shareholders' funds	**1,431.8**	1,216.8
Fair value of derivatives	**4.7**	1.6
Fair value of joint ventures' derivatives	**0.7**	0.3
EPRA net asset value	**1,437.2**	1,218.7

As at 31 March	Number of shares (millions)	Number of shares (millions)
Ordinary share capital	**841.5**	700.0
Number of shares held in the Employee Benefit Trust	**(4.3)**	(3.4)
Number of ordinary shares	**837.2**	696.6
Net asset value per share	**171.0p**	174.7p
EPRA net asset value per share	**171.7p**	174.9p

9 Investment properties

a) Investment properties

As at 31 March	2020 Completed £m	2020 Under development £m	2020 Total £m	2019 Completed £m	2019 Under development £m	2019 Total £m
Opening balance	**1,628.2**	**59.8**	**1,688.0**	1,635.0	42.6	1,677.6
Acquisitions	**634.2**	**31.9**	**666.1**	147.0	12.7	159.7
Capital expenditure	**10.2**	**11.2**	**21.4**	14.1	16.3	30.4
Disposals	**(113.1)**	**(0.3)**	**(113.4)**	(247.2)	(0.5)	(247.7)
Property transfers	**50.3**	**(50.3)**	**–**	21.0	(21.0)	–
Revaluation movement	**(7.3)**	**3.5**	**(3.8)**	66.2	9.7	75.9
Movement in tenant incentives and rent free uplifts	**9.5**	**0.1**	**9.6**	(7.9)	–	(7.9)
Property portfolio	**2,212.0**	**55.9**	**2,267.9**	1,628.2	59.8	1,688.0
Head lease and right of use assets	**5.7**	**–**	**5.7**	–	–	–
	2,217.7	**55.9**	**2,273.6**	1,628.2	59.8	1,688.0

Investment properties are held at fair value as at 31 March 2020 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE'), Savills (UK) Limited ('Savills') and Cushman & Wakefield Debenham Tie Leung Limited ('Cushman & Wakefield'). The valuation of property held for sale at 31 March 2020 was £67.8 million (2019: £10.6 million), including £64.5 million distribution assets and £3.3 million long income assets.

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, Savills and Cushman & Wakefield 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.

The COVID-19 pandemic has led to a heightened degree of uncertainty surrounding our year end valuations and our three external valuers have included material uncertainty clauses in their valuation reports which is in line with the RICS guidance.

Long term leasehold values included within investment properties amount to £176.9 million (2019: £109.4 million). All other properties are freehold.

Included within the investment property valuation is £72.1 million (2019: £62.5 million) in respect of unamortised lease incentives and rent free periods.

The historical cost of all of the Group's investment properties at 31 March 2020 was £1,884.0 million (2019: £1,295.6 million).

Capital commitments have been entered into amounting to £28.9 million (2019: £19.7 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £2.1 million (2019: £1.9 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £9.9 million (2019: £10.4 million) have been classified within investment property as acquisitions.

At 31 March 2020, investment properties included £5.7 million for the head lease right of use assets which have been recognised following adoption of IFRS 16 on 1 April 2019.

b) Valuation technique and quantitative information

Asset type	Fair value 2020 £m	Valuation technique	ERV Weighted average (£ per sq ft)	ERV Range (£ per sq ft)	Net initial yield Weighted average %	Net initial yield Range %	Reversionary yield Weighted average %	Reversionary yield Range %
Distribution	**1,597.0**	Yield capitalisation	6.60	4.00-20.10	4.5	1.9-7.9	4.9	2.4-8.1
Long income	**475.2**	Yield capitalisation	13.00	3.00-87.20	5.3	3.6-13.2	4.8	2.3-10.1
Retail parks	**83.3**	Yield capitalisation	14.86	7.00-20.70	7.5	6.2-11.7	7.1	6.0-11.6
Offices	**55.1**	Yield capitalisation	17.52	11.80-38.50	5.8	2.9-8.4	6.5	5.4-8.2
Development	**55.9**	Residual	6.78	5.50-16.00	5.8	4.2-7.3	5.1	4.2-7.0
Residential	**1.4**	Comparison	n/a	n/a	n/a	n/a	n/a	n/a

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

9 Investment properties (continued)

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 2020. The fair value at 31 March 2020 represents the highest and best use.

i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant 'unobservable' inputs. There have been no changes in valuation techniques since the prior year.

Yield capitalisation – for commercial investment properties, market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the net initial yields and the fair market values per square foot derived from recent market transactions.

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

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group's investment properties by £59.5 million or £58.1 million respectively.

An increase or decrease of 25 bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £90.9 million or £100.1 million respectively.

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, Savills and Cushman & Wakefield 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 2020, 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%
LSP London Residential Investments Limited	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, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP

The principal activity of 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, sold two properties in the year for £6.0 million (Group share: £3.0 million).

LSP London Residential Investments Limited disposed of 26 residential flats at Moore House for £25.4 million (Group share: £10.2 million) in the year. Three further flats were sold post year end, reducing the number now held to five.

The Group increased its interest in the DFS joint venture from 45% to 82% in April 2019 by acquiring its partner's interest. The external debt facility with M&G was repaid in full and the Group's interest in LMP Retail Warehouse JV Holdings Limited is now accounted for as a subsidiary and consolidated in these financial statements. The remaining partner's 18% share is reflected as a non-controlling interest. Further information is provided in note 20(b).

At 31 March 2020, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE and Savills. The valuation of property held for sale by joint ventures at 31 March 2020 was £3.9 million (Group share: £1.5 million), (2019: £5.8 million and Group share £2.8 million).

10 Investment in joint ventures (continued)

The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2020 £m	2019 £m
Opening balance	**98.9**	117.6
Additions at cost	**0.3**	5.1
Share of loss in the year	**(8.9)**	(6.4)
Disposals[1]	**(20.5)**	–
Distributions received[2]	**(15.7)**	(17.4)
	54.1	98.9

1 The disposal in the year related to the increased investment in the LMP Retail Warehouse JV from 45% to 82% which has been subsequently accounted for as a subsidiary and non-controlling interest as reflected in note 20(b)

2 Comprises profit distributions of £12.3 million and repayment of partner loans of £3.4 million

The Group's share of the profit after tax and net assets of its joint ventures is as follows:

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	Total 2020 £m	Group share 2020 £m
Summarised income statement					
Gross rental income	**11.8**	**0.5**	**0.3**	**12.6**	**6.3**
Property costs	**(0.2)**	**–**	**(0.2)**	**(0.4)**	**(0.2)**
Net rental income	**11.6**	**0.5**	**0.1**	**12.2**	**6.1**
Administrative costs	**(0.1)**	**–**	**–**	**(0.1)**	**(0.1)**
Management fees	**(0.9)**	**–**	**(0.2)**	**(1.1)**	**(0.5)**
Revaluation	**(20.3)**	**–**	**(0.3)**	**(20.6)**	**(10.2)**
Finance cost	**(2.7)**	**(0.2)**	**–**	**(2.9)**	**(1.5)**
Derivative movement	**(0.7)**	**–**	**–**	**(0.7)**	**(0.4)**
Profit/(loss) on disposal	**0.2**	**–**	**(6.1)**	**(5.9)**	**(2.3)**
(Loss)/profit after tax	**(12.9)**	**0.3**	**(6.5)**	**(19.1)**	**(8.9)**
Group share of (loss)/profit after tax	**(6.4)**	**0.1**	**(2.6)**	**(8.9)**	
EPRA adjustments:					
Revaluation	**20.3**	**–**	**0.3**	**20.6**	**10.2**
Derivative movement	**0.7**	**–**	**–**	**0.7**	**0.4**
(Profit)/loss on disposal	**(0.2)**	**–**	**6.1**	**5.9**	**2.3**
EPRA earnings	**7.9**	**0.3**	**(0.1)**	**8.1**	**4.0**
Group share of EPRA earnings	**4.0**	**0.1**	**(0.1)**	**4.0**	
Summarised balance sheet					
Investment properties	**177.7**	**–**	**8.9**	**186.6**	**92.4**
Other current assets	**0.9**	**–**	**0.1**	**1.0**	**0.5**
Cash	**5.6**	**–**	**5.7**	**11.3**	**5.1**
Current liabilities	**(2.9)**	**–**	**(0.1)**	**(3.0)**	**(1.5)**
Bank debt	**(84.3)**	**–**	**–**	**(84.3)**	**(42.1)**
Unamortised finance costs	**0.9**	**–**	**–**	**0.9**	**0.4**
Derivative financial instruments	**(1.3)**	**–**	**–**	**(1.3)**	**(0.7)**
Net assets	**96.6**	**–**	**14.6**	**111.2**	**54.1**
Group share of net assets	**48.3**	**–**	**5.8**	**54.1**	

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

10 Investment in joint ventures (continued)

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	Total 2019 £m	Group share 2019 £m
Summarised income statement					
Gross rental income	13.2	7.7	0.8	21.7	10.4
Property costs	(0.5)	–	(0.5)	(1.0)	(0.5)
Net rental income	12.7	7.7	0.3	20.7	9.9
Administrative costs	(0.1)	–	–	(0.1)	–
Management fees	(1.1)	(0.3)	(0.3)	(1.7)	(0.8)
Revaluation	(13.5)	(7.5)	(3.4)	(24.4)	(11.5)
Finance income	0.3	–	–	0.3	0.1
Finance cost	(2.7)	(1.9)	–	(4.6)	(2.2)
Derivative movement	(0.7)	–	–	(0.7)	(0.3)
Loss on disposal	–	–	(3.9)	(3.9)	(1.6)
Loss after tax	(5.1)	(2.0)	(7.3)	(14.4)	(6.4)
Group share of loss after tax	(2.6)	(0.9)	(2.9)	(6.4)	
EPRA adjustments:					
Revaluation	13.5	7.5	3.4	24.4	11.5
Derivative movement	0.7	–	–	0.7	0.3
Loss on disposal	–	–	3.9	3.9	1.6
EPRA earnings	9.1	5.5	–	14.6	7.0
Group share of EPRA earnings	4.6	2.4	–	7.0	
Summarised balance sheet					
Investment properties	202.1	91.4	40.0	333.5	158.2
Other current assets	0.6	–	0.1	0.7	0.4
Cash	4.5	1.1	1.9	7.5	3.5
Current liabilities	(3.4)	(0.9)	(0.2)	(4.5)	(2.2)
Bank debt	(80.5)	(46.6)	–	(127.1)	(61.2)
Unamortised finance costs	1.0	0.1	–	1.1	0.5
Derivative financial instruments	(0.6)	–	–	(0.6)	(0.3)
Net assets	123.7	45.1	41.8	210.6	98.9
Group share of net assets	61.9	20.3	16.7	98.9	

11 Trade and other receivables

As at 31 March	**2020 £m**	2019 £m
Trade receivables	**5.8**	0.9
Amounts receivable from property sales	**–**	3.8
Prepayments and accrued income	**1.1**	1.0
Other receivables	**0.9**	0.1
	7.8	5.8

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 2020, trade receivables of £69,800 were overdue and considered at risk (2019: £44,600). Based on the IFRS 9 Expected Credit Loss model, an impairment provision of £340,000 (2019: £140,000) has also been made against trade receivables.

12 Cash and cash equivalents

Cash and cash equivalents include £5.4 million (2019: £5.7 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	2020 £m	2019 £m
Trade payables	**4.2**	2.3
Amounts payable on property acquisitions and disposals	**0.4**	2.1
Rent received in advance	**19.8**	14.7
Accrued interest	**1.9**	0.9
Other payables	**4.1**	6.5
Other accruals and deferred income	**12.2**	9.9
	42.6	36.4

The Group has financial risk management policies in place to ensure that all payables are settled within the required credit timeframe.

14 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	2020 £m	2019 £m
Secured bank loans	**192.7**	130.0
Unsecured bank loans	**740.0**	435.0
	932.7	565.0
Unamortised finance costs	**(6.0)**	(6.1)
	926.7	558.9

Certain bank loans at 31 March 2020 are secured by fixed charges over Group investment properties with a carrying value of £529.7 million (2019: £377.6 million). Secured fixed rate debt acquired as part of the acquisition of A&J Mucklow Group was reflected at fair value on acquisition in accordance with IFRS 3, increasing secured bank loans by £2.7 million as disclosed in note 15.

b) Financial risk management

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's financial risk management objectives are to minimise the effect of risks it is exposed to through its operations and the use of debt financing.

The principal financial risks to the Group and the policies it has in place to manage these risks are summarised below:

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

The Group mitigates financial loss from tenant defaults by dealing with only creditworthy tenants. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Cash is placed on deposit with a diverse mix of institutions with suitable credit ratings and rates of return and for varying periods of time. The credit ratings of the banks are monitored and changes are made where necessary to manage risk.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures with a maximum exposure equal to the carrying amount of these instruments. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

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. The Group's funding sources are diversified across a range of banks and institutions. Weekly cash flow forecasts are prepared for the Senior Leadership Team to ensure sufficient resources of cash and undrawn debt facilities are in place to meet liabilities as they fall due.

The Group had cash reserves of £81.8 million (2019: £20.6 million) and available and undrawn bank loan facilities at 31 March 2020 of £133.8 million (2019: £363.8 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.

As at 31 March 2020	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**	**Total £m**
Bank loans	**24.4**	**120.5**	**588.0**	**332.8**	**1,065.7**
Derivative financial instruments	**1.6**	**1.6**	**–**	**–**	**3.2**
	26.0	**122.1**	**588.0**	**332.8**	**1,068.9**

As at 31 March 2019	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	17.8	17.8	213.0	437.7	686.3
Derivative financial instruments	0.8	0.8	0.8	–	2.4
	18.6	18.6	213.8	437.7	688.7

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.

The Group uses interest rate swaps, caps and fixed rates to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan.

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2020 including the cost of amortising finance arrangement fees, was 2.9% (2019: 3.1%). A 1% increase or decrease in interest rates during the year would have increased or decreased the Group's annual profit before tax by £1.6 million or £1.0 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

As at 31 March	Measured at amortised cost 2020 £m	Measured at amortised cost 2019 £m	Measured at fair value 2020 £m	Measured at fair value 2019 £m
Current assets				
Cash and cash equivalents (note 12)	**81.8**	20.6	**–**	–
Trade receivables (note 11)	**5.8**	0.9	–	–
Other receivables (note 11)	**0.9**	0.1	–	–
	88.5	21.6	–	–
Non current liabilities				
Derivative financial instruments (see 14c (iii))	**–**	–	**4.7**	1.6
Borrowings (note 14a)	**926.7**	558.9	**–**	–
Current liabilities				
Trade payables (note 13)	**4.2**	2.3	**–**	–
Accrued interest (note 13)	**1.9**	0.9	**–**	–
Other accruals (note 13)	**12.2**	9.9	**–**	–
Other payables (note 13)	**4.1**	6.5	**–**	–
	949.1	578.5	**4.7**	1.6

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 2020.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2020 are provided below:

As at 31 March	Average rate 2020 %	Average rate 2019 %	Notional amount 2020 £m	Notional amount 2019 £m	Fair value 2020 £m	Fair value 2019 £m
Interest rate caps – expiry						
Less than one year	**–**	3.0	**–**	10.0	**–**	–
One to two years	**2.0**	–	**19.6**	–	**–**	–
Two to five years	**–**	2.0	–	19.6	–	–
	2.0	2.3	**19.6**	29.6	–	–

As at 31 March	Average rate 2020 %	Average rate 2019 %	Notional amount 2020 £m	Notional amount 2019 £m	Fair value 2020 £m	Fair value 2019 £m
Interest rate swaps – expiry						
Less than one year	–	2.0	**–**	10.0	**–**	–
One to two years	**–**	–	–	–	**–**	–
Two to five years	**1.1**	1.1	**350.0**	350.0	**(4.7)**	(1.6)
	1.1	1.1	**350.0**	360.0	**(4.7)**	(1.6)
Total fair value					**(4.7)**	(1.6)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2020 by Chatham Financial.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

15 Business combination

On 27 June 2019, the Company acquired the entire issued share capital of A&J Mucklow Group, a distribution and industrial REIT with a complementary portfolio of assets located predominantly in the West Midlands. The acquisition was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. On 24 September 2019, following the repurchase and cancellation of its listed preference shares for £1.1 million, A&J Mucklow Group plc was re-registered as a private limited company, changing its name to A&J Mucklow Group Limited.

The portfolio was acquired for a total consideration of £413.0 million, representing cash of £129.4 million or 204.5p per ordinary share acquired, and 138.6 million new ordinary shares issued at 204.6p, being the closing share price of the Company on 27 June 2019, totalling £283.6 million.

The fair value of assets acquired was £364.7 million as reflected in the table below. The resulting goodwill on acquisition was £48.3 million, which has been fully impaired in the period as the future cash flows arising in the form of rental income were fully incorporated into the fair value of the assets acquired.

The goodwill arising includes exceptional transaction costs of £6.5 million which were incurred by Mucklow pre acquisition and the fair value adjustments noted in the table below. In addition, and most significantly, the Company's strong share price performance and its premium to the previously reported EPRA NAV at 31 March 2019 upon which the offer was based, increased the fair value of the consideration paid, which is calculated with reference to the Company's share price at completion, thereby creating goodwill. The share price increased to 204.6p on completion of the transaction, representing a 17% premium to EPRA NAV at 31 March 2019.

	Book value £m	Fair value of trading properties £m	Fair value of fixed rate debt £m	Fair value of preference shares £m	**Fair value £m**
Investment properties	453.6	–	–	–	**453.6**
Property, plant and equipment	0.1	–	–	–	**0.1**
Trading properties	0.1	1.0	–	–	**1.1**
Trade and other receivables	2.7	–	–	–	**2.7**
Cash and cash equivalents	9.8	–	–	–	**9.8**
Total assets	466.3	1.0	–	–	**467.3**
Trade and other payables	(18.8)	–	–	–	**(18.8)**
Current tax liabilities	(0.7)	–	–	–	**(0.7)**
Borrowings	(79.8)	–	(2.9)	(0.4)	**(83.1)**
Total liabilities	(99.3)	–	(2.9)	(0.4)	**(102.6)**
Fair value of net assets acquired	367.0	1.0	(2.9)	(0.4)	**364.7**
Cash consideration					**129.4**
Equity instruments					**283.6**
Fair value of consideration paid					**413.0**
Goodwill on acquisition					**48.3**

The cost of the acquisition as reflected in the Group cash flow statement of £119.6 million reflects the cash consideration of £129.4 million less the £9.8 million Mucklow cash balance.

Acquisition costs incurred by the Company of £9.1 million have been paid in the period (£8.9 million charged to the income statement and £0.2 million to other reserves). In addition and subsequent to completion, the Group paid Mucklow acquisition costs of £6.5 million and repaid the HSBC £20 million banking facility in full.

The acquisition has contributed £20.5 million to gross rental income, £15.5 million to EPRA earnings and £31.1 million to retained profit since acquisition. Had A&J Mucklow Group been part of the Group since 1 April 2019, the combined gross rental income, EPRA earnings and retained profit for the Group at 31 March 2020 would have been £118.4 million, £79.4 million and £2.1 million respectively.

16 Leases

The Group's minimum lease rentals receivable under non cancellable operating leases, excluding joint ventures, are as follows:

As at 31 March	2020 £m	2019 £m
Less than one year	**113.6**	77.9
Between one and five years	**421.6**	303.9
Between six and ten years	**399.6**	296.0
Between 11 and 15 years	**240.7**	217.8
Between 16 and 20 years	**121.5**	102.3
Over 20 years	**32.5**	38.7
	1,329.5	1,036.6

The Group's minimum lease payments under non cancellable operating leases in accordance with IAS 17, are as follows:

As at 31 March	2020 £m	2019 £m
Less than one year	–	0.3
Between one and five years	–	2.8
	–	3.1

As set out in note 1, the Group has adopted IFRS 16 from 1 April 2019 and has recognised a right of use asset for its head office lease and other head lease obligations. These leases are accounted for as finance leases and the Group's minimum lease payments are due as follows:

As at 31 March	Minimum lease payments £m	Interest £m	Present value of minimum lease payments 2020 £m	2019 £m
Less than one year	**0.7**	**(0.1)**	**0.6**	–
Between one and five years	**1.9**	**(0.3)**	**1.6**	–
Over five years	**7.4**	**(3.7)**	**3.7**	–
	10.0	**(4.1)**	**5.9**	–

17 Share capital

As at 31 March	2020 Number	2020 £m	2019 Number	2019 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	**841,498,022**	**84.2**	699,991,840	70.0

As reported in note 15, the Company issued 138,615,684 ordinary shares as part of the consideration for the acquisition of A&J Mucklow Group on 27 June 2019. In addition, the Company issued 2,890,498 ordinary shares under the terms of its Scrip Dividend Scheme during the year.

Post year end in April, the Company issued a further 118,163 ordinary shares under the terms of its Scrip Dividend Scheme and in May, the Company issued 66,666,666 new ordinary shares in connection with the equity raise.

In June 2019, the Company granted options over 2,034,253 ordinary shares under its Long Term Incentive Plan. In addition, 2,111,973 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2016 vested along with 420,394 ordinary shares in the Director's Deferred Bonus Plan. The average share price on vesting was 207.2p.

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 112 to 139 on the basis of materiality.

Notes forming part of the Group financial statements continued

For the year ended 31 March 2020

18 Reserves

The Group statement of changes in equity is shown on page 156.

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, Metric Property Investments Plc and A&J Mucklow Group Plc by the Company, the cost of the Company's shares held in treasury and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

19 Analysis of movement in net debt

	2020			2019		
As at 31 March	**Cash and cash equivalents £m**	**Borrowings £m**	**Net debt £m**	Cash and cash equivalents £m	Borrowings £m	Net debt £m
Opening balance	**20.6**	**558.9**	**538.3**	26.2	643.6	617.4
Cash movement	**61.2**	**304.9**	**243.7**	(5.6)	(85.0)	(79.4)
Debt acquired	**–**	**60.0**	**60.0**	–	–	–
Loan issue costs paid	**–**	**(1.5)**	**(1.5)**	–	(1.1)	(1.1)
Fair value of debt acquired	**–**	**2.9**	**2.9**	–	–	–
Amortisation of loan issue costs	**–**	**1.5**	**1.5**	–	1.4	1.4
	81.8	**926.7**	**844.9**	20.6	558.9	538.3

20 Related party transactions

a) Joint ventures

Management fees and profit distributions receivable from the Group's joint venture arrangements in which it had an equity interest during the year were as follows:

		Management fees		Profit distributions	
For the year to 31 March	Group interest	**2020 £m**	2019 £m	**2020 £m**	2019 £m
LSP London Residential Investments	40.0%	**0.2**	0.3	**8.3**	10.5
Metric Income Plus Partnership	50.0%	**0.9**	1.1	**4.0**	4.5
LMP Retail Warehouse JV Property Unit Trust[1]	–	**–**	0.3	**–**	2.5
		1.1	1.7	**12.3**	17.5

1 45% interest in the prior year as explained in note 20(b)

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

b) Non-controlling interest

The Group's non-controlling interest represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets. On 26 April 2019, LMP Retail Warehouse JV Holdings Limited acquired its joint venture partner's 45% interest in LMP Retail Warehouse JV Property Unit Trust, which subsequently transferred its assets to LMP Retail Warehouse JV Holdings Limited.

The Group's interest increased from 45% to 82%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet.

As at the year end, the non-controlling interest share of losses and net assets was £1.2 million and £7.1 million respectively, with distributions of £0.4 million paid during the year.

21 Post balance sheet events

Post period end, the Group has acquired £14.8 million of urban logistics and long income assets, and has sold two distribution centres for £16.9 million. Further information is provided in the Property review.

On 3 April 2020, we cancelled £350 million interest rate swaps that hedged our unsecured facilities. On 7 May 2020, the Group successfully completed the placing of 66.7 million new ordinary shares raising gross proceeds of £120 million at an issue price of 180.0p per share.

Company balance sheet

As at 31 March

	Note	2020 £m	2019 £m
Non current assets			
Investment in subsidiaries and joint ventures	iii	**1,278.6**	785.0
Investment properties	iv	**1.9**	–
Amounts due from subsidiary undertakings		**46.6**	–
Other tangible assets		**0.3**	0.4
		1,327.4	785.4
Current assets			
Trade and other receivables	v	**570.0**	566.4
Cash at bank		**71.1**	14.5
		641.1	580.9
Total assets		**1,968.5**	1,366.3
Current liabilities			
Trade and other payables	vi	**11.5**	10.8
Non current liabilities			
Borrowings	vii	**736.8**	431.3
Derivative financial instruments	vii	**4.7**	1.6
Lease liabilities	viii	**2.1**	–
		743.6	432.9
Total liabilities		**755.1**	443.7
Net assets		**1,213.4**	922.6
Equity			
Called up share capital		**84.2**	70.0
Share premium		**106.3**	100.8
Capital redemption reserve		**9.6**	9.6
Other reserve		**176.5**	(6.2)
Retained earnings		**836.8**	748.4
Equity shareholders' funds		**1,213.4**	922.6

The Company reported a profit for the financial year to 31 March 2020 of £70.1 million (2019: £133.1 million).

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2020 and were signed on its behalf by:

Signature removed

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 179 to 182 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2019	**70.0**	**100.8**	**9.6**	**(6.2)**	**748.4**	**922.6**
Profit for the year	**–**	**–**	**–**	**–**	**70.1**	**70.1**
Share issue on acquisition	**13.9**	**–**	**–**	**269.5**	**–**	**283.4**
Purchase of shares held in trust	**–**	**–**	**–**	**(7.2)**	**–**	**(7.2)**
Vesting of shares held in trust	**–**	**–**	**–**	**4.4**	**(4.4)**	**–**
Share based awards	**–**	**–**	**–**	**–**	**2.9**	**2.9**
Reserve transfer of impairment in subsidiary	**–**	**–**	**–**	**(84.0)**	**84.0**	**–**
Dividends	**0.3**	**5.5**	**–**	**–**	**(64.2)**	**(58.4)**
At 31 March 2020	**84.2**	**106.3**	**9.6**	**176.5**	**836.8**	**1,213.4**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2018	69.7	96.1	9.6	39.7	626.8	841.9
Profit for the year	–	–	–	–	133.1	133.1
Purchase of shares held in trust	–	–	–	(4.8)	–	(4.8)
Vesting of shares held in trust	–	–	–	4.0	(3.7)	0.3
Share based awards	–	–	–	–	2.7	2.7
Reserve transfer of impairment in subsidiary	–	–	–	(45.1)	45.1	–
Dividends	0.3	4.7	–	–	(55.6)	(50.6)
At 31 March 2019	70.0	100.8	9.6	(6.2)	748.4	922.6

The notes on pages 179 to 182 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2020

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 and joint ventures

Investments in subsidiary undertakings and joint ventures 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 £70.1 million (2019: £133.1 million).

Audit fees in relation to the Company only were £172,695 in the year (2019: £116,380).

iii Fixed asset investments

	Subsidiary undertakings £m
At 1 April 2019	785.0
Additions	750.5
Disposals	(172.9)
Impairment of investment	(84.0)
At 31 March 2020	**1,278.6**

The carrying value of the Company's investments was impaired by £84.0 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies and joint venture investments.

The Company is incorporated in England and is the ultimate holding company of the Group with the subsidiary undertakings and joint venture investments detailed in the tables below. Except where disclosed, the Group owns the entire share capital of each undertaking comprising of ordinary shares. All subsidiaries are consolidated in the Group's consolidated financial statements.

Audit exemption taken for subsidiaries

Certain UK subsidiaries are exempt from the requirement of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Subsidiaries for which Section 479A Companies Act 2006 exemption taken	Country of incorporation or registration	Companies House registered number	Nature of business
Metric Property Investments Limited	England	07172804	Intermediate holding company
Metric Property Finance 1 Limited	England	07403434	Intermediate holding company
Metric LP Income Plus Limited[1]	England	07780077	Intermediate holding company
LSI (Investments) Limited	England	03539331	Property investment
LSI Developments Limited	England	05697367	Property investment
LondonMetric Saturn Limited	England	08336260	Property investment
LondonMetric Saturn II Limited	England	08565264	Property investment
LondonMetric Retail Distribution II Limited	England	08644584	Property investment
LondonMetric Liverpool Limited	England	09335885	Property investment
LondonMetric Swindon Limited	England	08989820	Property investment
LondonMetric Distribution Limited	*England*	*09269541*	*Property investment*

1 Undertakings held indirectly by the Company

Notes forming part of the Company financial statements continued

For the year ended 31 March 2020

iii Fixed asset investments (continued)

Subsidiaries for which Section 479A Companies Act 2006 exemption taken	Country of Incorporation or registration	Companies House registered number	Nature of business
LondonMetric Retail Limited	England	09062484	Property investment
LondonMetric Edinburgh Limited	England	09891503	Property investment
LondonMetric Derby Limited	England	08568072	Property investment
LondonMetric Crawley Limited	England	10120420	Property investment
LondonMetric Leisure Limited	England	11357686	Property investment
Metric Property Launceston Limited	England	07271573	Property investment
Metric Property Coventry Limited	England	07347027	Property investment
Metric Property Kirkstall Limited[1]	England	07455382	Property investment
LondonMetric Logistics Limited	England	10882805	Property investment
LondonMetric Bognor Regis Limited	England	09409081	Property investment
A & J Mucklow (Nominees) Limited[1]	England	01232337	Administrative company
A & J Mucklow (Properties) Limited[1]	England	00758764	Property investment
A & J Mucklow (Halesowen) Limited[1]	England	04848576	Property investment
A & J Mucklow & Co Limited[1]	England	00384508	Property trading

Subsidiaries for which Section 479A Companies Act 2006 exemption not taken	Country of Incorporation or registration	Nature of business
LondonMetric Retail Distribution I Limited	England	Property investment
Metric Property Finance 2 Limited[2]	England	Dormant
A & J Mucklow Group Limited	England	Intermediate holding company
Penbrick Limited[1]	England	Property investment
A & J Mucklow (Investments) Limited[1]	England	Property investment
Goresbrook Property Limited[2]	England	Dormant
Barr's Industrial Limited[1,2]	England	Dormant
Belfont Homes (Birmingham) Limited[1,2]	England	Dormant
A & J Mucklow (Birmingham) Limited[1,2]	England	Dormant
A and J Mucklow (Lands) Limited[1,2]	England	Dormant
A & J Mucklow (Estates) Limited[1,2]	England	Dormant
A & J Mucklow (Ettingshall Estate) Limited[1,2]	England	Dormant
A & J Mucklow (Lancashire) Limited[1,2]	England	Dormant
A & J Mucklow (Wollescote Estate) Limited[1,2]	England	Dormant
A & J Mucklow (Callowbrook Estate) Limited[1,2]	England	Dormant
London & Stamford Property Limited[3]	Guernsey	Intermediate holding company
LondonMetric Management Limited	Guernsey	Management company
L&S Highbury Limited[2]	Guernsey	Property investment
LMP Green Park Cinemas Limited[2]	Guernsey	Property investment
LMP Thrapston Limited[2]	Guernsey	Property investment
LMP Bell Farm Limited[2]	Guernsey	Property investment
LMP Omega II Limited[2]	Guernsey	Property investment
LMP Dagenham Limited[2]	Guernsey	Property investment
LMP Retail Warehouse JV Holdings Limited[2,4]	*Guernsey*	*Property investment*

1 Undertakings held indirectly by the Company
2 Exempt from the requirement to file audited accounts
3 In the process of being liquidated
4 The Company owns 100% of the voting rights and 100% of the A ordinary shares representing 81.88% of the beneficial interest in the share capital

iii Fixed asset investments (continued)

Subsidiaries for which Section 479A Companies Act 2006 exemption not taken	Country of incorporation or registration	Nature of business
LSP RI Moore House Limited[5]	Guernsey	Property investment
LSP London Residential Investments Limited[5]	Guernsey	Intermediate holding company
LSP London Residential Holdings Limited[5]	Guernsey	Intermediate holding company

5 The Company owns ordinary shares representing 40% of the beneficial interest in the share capital

All of the undertakings listed above are tax resident in the UK with the exception of LSP RI Moore House Limited, LSP London Residential Investments Limited and LSP London Residential Holdings Limited which are tax resident in Guernsey.

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, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP.

iv Investment property

At 31 March 2020, investment properties included £1.9 million for the head lease right of use assets which have been recognised following adoption of IFRS 16 on 1 April 2019.

v Trade and other receivables

As at 31 March	2020 £m	2019 £m
Prepayments and accrued income	**0.4**	0.6
Amounts due from subsidiary undertakings	**569.6**	565.8
	570.0	566.4

All amounts under receivables fall due for payment in less than one year. Based on the IFRS 9 Expected Credit Loss model, an impairment provision of £9.8 million (2019: £0.4 million) was recognised on amounts due from Group undertakings, which are unsecured and repayable on demand.

vi Trade and other payables

As at 31 March	2020 £m	2019 £m
Trade payables	**0.2**	0.1
Other accruals and deferred income	**7.9**	7.6
Other payables	**3.4**	3.1
	11.5	10.8

vii Borrowings and financial instruments

Non current financial liabilities

As at 31 March	2020 £m	2019 £m
Unsecured bank loans	**740.0**	435.0
Unamortised finance costs	**(3.2)**	(3.7)
	736.8	431.3

Notes forming part of the Company financial statements continued

For the year ended 31 March 2020

vii Borrowings and financial instruments (continued)

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 £m	Derivative financial instruments £m	2020 £m	2019 £m
Less than one year	**19.2**	**1.6**	**20.8**	15.2
One to five years	**560.0**	**1.6**	**561.6**	218.9
More than five years	**258.8**	**–**	**258.8**	306.7
	838.0	**3.2**	**841.2**	540.8

Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a reasonable 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	
Interest rate caps – expiry	**2020 %**	2019 %	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Less than one year	**–**	3.0	**–**	10.0	**–**	–
	–	3.0	**–**	10.0	**–**	–

As at 31 March	Average rate		Notional		Fair value	
Interest rate swaps – expiry	**2020 %**	2019 %	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Less than one year	**–**	2.0	**–**	10.0	**–**	–
Two to five years	**1.1**	1.1	**350.0**	350.0	**(4.7)**	(1.6)
	1.1	1.1	**350.0**	360.0	**(4.7)**	(1.6)
Total fair value					**(4.7)**	(1.6)

Further information on financial risk management policies and practices can be found in note 14 to the Group financial statements.

viii Leases

As set out in note 1 to the Group financial statements, the Company has adopted IFRS 16 from 1 April 2019 and has recognised a right of use asset for its head office lease obligations. These leases are accounted for as finance leases and the Group's minimum lease payments are due as follows:

As at 31 March	Minimum lease payments £m	Interest £m	Present value of minimum lease payments 2020 £m	2019 £m
Less than one year	**0.6**	–	**0.6**	–
Between one and five years	**1.5**	–	**1.5**	–
	2.1	–	**2.1**	–

ix Related party transactions

Related party transactions for the Company are as noted for the Group in note 20 to the Group financial statements.

Supplementary information (not audited)

i EPRA summary table

	2020	2019
EPRA earnings per share	**9.3p**	8.8p
EPRA net asset value per share	**171.7p**	174.9p
EPRA triple net asset value per share	**171.0p**	174.7p
EPRA vacancy rate	**1.4%**	2.2%
EPRA cost ratio (including vacant property costs)	**14.2%**	15.0%
EPRA cost ratio (excluding vacant property costs)	**13.3%**	14.1%
EPRA net initial yield	**4.3%**	4.3%
EPRA 'topped up' net initial yield	**5.0%**	4.7%

The definition of these measures can be found in the Glossary on page 189.

ii EPRA proportionally consolidated income statement

For the year to 31 March	Group £m	JV £m	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
Gross rental income	**112.3**	**6.3**	**(1.3)**	**117.3**	85.1	10.4	95.5
Property costs	**(1.2)**	**(0.2)**	**–**	**(1.4)**	(1.2)	(0.5)	(1.7)
Net rental income	**111.1**	**6.1**	**(1.3)**	**115.9**	83.9	9.9	93.8
Management fees	**1.1**	**(0.5)**	**–**	**0.6**	1.7	(0.8)	0.9
Administrative costs	**(15.8)**	**(0.1)**	**–**	**(15.9)**	(13.7)	–	(13.7)
Net finance costs	**(24.9)**	**(1.5)**	**0.3**	**(26.1)**	(18.1)	(2.1)	(20.2)
Other	**(0.2)**	**–**	**0.2**	**–**	0.2	–	0.2
EPRA earnings	**71.3**	**4.0**	**(0.8)**	**74.5**	54.0	7.0	61.0

iii EPRA proportionally consolidated balance sheet

As at 31 March	Group £m	JV £m	Non-controlling interest £m	2020 £m	Group £m	JV £m	2019 £m
Investment property	**2,273.6**	**92.4**	**(14.9)**	**2,351.1**	1,688.0	158.2	1,846.2
Trading property	**1.1**	**–**	**–**	**1.1**	–	–	–
	2,274.7	**92.4**	**(14.9)**	**2,352.2**	1,688.0	158.2	1,846.2
Gross debt	**(932.7)**	**(42.1)**	**–**	**(974.8)**	(565.0)	(61.2)	(626.2)
Cash	**81.8**	**5.1**	**(0.8)**	**86.1**	20.6	3.5	24.1
Other net liabilities	**(34.3)**	**(0.6)**	**8.6**	**(26.3)**	(24.1)	(1.3)	(25.4)
EPRA net assets	**1,389.5**	**54.8**	**(7.1)**	**1,437.2**	1,119.5	99.2	1,218.7
Derivatives	**(4.7)**	**(0.7)**	**–**	**(5.4)**	(1.6)	(0.3)	(1.9)
IFRS net assets	**1,384.8**	**54.1**	**(7.1)**	**1,431.8**	1,117.9	98.9	1,216.8
Loan to value	**35.7%**	**40.0%**	–	**35.9%**	31.8%	36.5%	32.2%
Cost of debt	**2.9%**	**3.1%**	–	**2.9%**	3.1%	3.5%	3.1%
Undrawn facilities	**133.8**	–	**–**	**133.8**	363.8	9.7	373.5

Supplementary information (not audited) continued

iv EPRA cost ratio

For the year to 31 March	2020 £m	2019 £m
Property operating expenses	**1.2**	1.2
Administrative costs	**15.8**	13.7
Share of joint venture property costs, administrative costs and management fees	**0.8**	1.3
Less:		
Joint venture property management fee income	**(1.1)**	(1.7)
Ground rents	**(0.1)**	(0.1)
Total costs including vacant property costs (A)	**16.6**	14.4
Group vacant property costs	**(0.9)**	(0.7)
Share of joint venture vacant property costs	**(0.1)**	(0.2)
Total costs excluding vacant property costs (B)	**15.6**	13.5
Gross rental income	**112.3**	85.1
Share of joint venture gross rental income	**6.3**	10.4
Share of non-controlling interest gross rental income	**(1.3)**	–
	117.3	95.5
Less:		
Ground rents	**(0.1)**	(0.1)
Total gross rental income (C)	**117.2**	95.4
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**14.2%**	15.0%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**13.3%**	14.1%

v EPRA net initial yield and 'topped up' net initial yield

As at 31 March	2020 £m	2019 £m
Investment property – wholly owned	**2,267.9**	1,688.0
Investment property – share of joint ventures	**92.4**	158.2
Trading property	**1.1**	–
Less development properties	**(57.0)**	(59.8)
Less residential properties	**(4.9)**	(17.3)
Less non-controlling interest	**(14.9)**	–
Completed property portfolio	**2,284.6**	1,769.1
Allowance for:		
Estimated purchasers' costs	**155.4**	120.3
Estimated costs to complete	**18.7**	14.8
EPRA property portfolio valuation (A)	**2,458.7**	1,904.2
Annualised passing rental income	**102.1**	74.5
Share of joint ventures	**6.0**	9.4
Less development properties	**(1.9)**	(1.1)
Less residential properties	**–**	(0.2)
Annualised net rents (B)	**106.2**	82.6
Contractual rental increase across the portfolio	**16.0**	6.6
'Topped up' net annualised rent (C)	**122.2**	89.2
EPRA net initial yield (B/A)	**4.3%**	4.3%
EPRA 'topped up' net initial yield (C/A)	**5.0%**	4.7%

vi EPRA Vacancy rate

As at 31 March	20120 £m	2019 £m
Annualised estimated rental value of vacant premises	**1.7**	1.9
Portfolio estimated rental value[1]	**124.4**	90.1
EPRA vacancy rate	**1.4%**	2.2%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at 31 March	Group 2020 £m	JV 2020 £m	Non-controlling interest £m	Total 2020 £m	Group 2019 £m	JV 2019 £m	Total 2019 £m
Opening valuation	**1,688.0**	**158.2**	–	**1,846.2**	1,677.6	164.4	1,842.0
Acquisitions[1,2]	**635.3**	**(41.2)**	**(17.0)**	**577.1**	147.0	9.3	156.3
Developments[3]	**43.1**	–	–	**43.1**	29.0	5.3	34.3
Capital expenditure[4]	**10.2**	**0.3**	**(0.2)**	**10.3**	14.1	0.9	15.0
Disposals	**(113.4)**	**(15.1)**	**0.3**	**(128.2)**	(247.7)	(11.1)	(258.8)
Revaluation	**(3.8)**	**(10.2)**	**2.0**	**(12.0)**	75.9	(11.5)	64.4
Lease incentives	**9.6**	**0.4**	–	**10.0**	(7.9)	0.9	(7.0)
Head lease right of use asset	**5.7**	–	–	**5.7**	–	–	–
Closing valuation	**2,274.7**	**92.4**	**(14.9)**	**2,352.2**	1,688.0	158.2	1,846.2

1 Group acquisitions in the period include £634 2 million completed investment properties as reflected in note 9 and trading property of £1.1 million
2 DFS upweight from 45% to 82% has been reflected in this table as an acquisition by the Group and offset as a disposal by the joint venture
3 Group developments include acquisitions and capital expenditure on properties under development as reflected in note 9
4 Capital expenditure on completed properties

viii Total accounting return

For the year to 31 March	2020 pence per share	2019 pence per share
EPRA net asset value		
– at end of year	**171.7**	174.9
– at start of year	**174.9**	165.2
(Decrease)/increase	**(3.2)**	9.7
Dividend paid	**8.4**	8.0
Net increase	**5.2**	17.7
Total accounting return	**3.0%**	10.7%

Supplementary information (not audited) continued

ix Portfolio split and valuation

As at 31 March	2020 £m	2020 %	2019 £m	2019 %
Mega distribution	**349.6**	**14.9**	427.1	23.1
Regional distribution	**419.5**	**17.9**	385.5	20.9
Urban logistics	**824.6**	**35.1**	480.0	26.0
Distribution	**1,593.7**	**67.9**	1,292.6	70.0
Long income	**552.5**	**23.5**	389.5	21.2
Retail parks	**83.3**	**3.6**	87.0	4.7
Offices	**55.1**	**2.4**	–	–
Investment portfolio	**2,284.6**	**97.4**	1,769.1	95.9
Development[1]	**57.0**	**2.4**	59.8	3.2
Residential	**4.9**	**0.2**	17.3	0.9
Total portfolio	**2,346.5**	**100.0**	1,846.2	100.0
Head lease and right of use assets	**5.7**		–	
	2,352.2		1,846.2	

1 Represents regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office £1.1 million and other land £1.1 million at 31 March 2020. Split of prior period comparatives was regional distribution £22.6 million (1.2%), urban logistics £23.9 million (1.3%), long income £13.3 million (0.7%)

x Investment portfolio yields

	2020			2019		
As at 31 March	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	**3.9**	**4.6**	**5.1**	3.9	4.3	4.9
Long income	**5.0**	**5.6**	**5.9**	5.4	5.6	5.6
Retail parks	**6.7**	**7.5**	**7.3**	6.1	6.3	6.2
Offices	**5.8**	**5.8**	**6.5**	–	–	–
Investment portfolio	**4.3**	**5.0**	**5.5**	4.3	4.7	5.1

xi Investment portfolio – Key statistics

As at 31 March 2020	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	**12,623**	**10.8**	**9.6**	**98.1**	**6.30**
Long income	**2,754**	**13.3**	**12.5**	**100.0**	**14.70**
Retail parks	**432**	**8.6**	**7.2**	**97.0**	**16.10**
Offices	**218**	**6.0**	**5.0**	**99.8**	**15.60**
Investment portfolio	**16,027**	**11.2**	**10.2**	**98.6**	**7.90**

xii Total property returns

For the year to 31 March	All property 2020 %	All property 2019 %
Capital return	**–**	3.9
Income return	**5.1**	4.9
Total return	**5.1**	9.0

xiii Contracted rental income

As at 31 March	2020 £m	2019 £m
Distribution	**77.3**	59.0
Long income	**33.9**	23.6
Retail parks	**6.8**	5.9
Offices	**3.4**	–
Investment portfolio	**121.4**	88.5
Development – distribution	**1.3**	–
Development – long income	**0.6**	1.0
Commercial portfolio	**123.3**	89.5
Residential	**–**	0.2
Total portfolio	**123.3**	89.7

xiv Rent subject to expiry

As at 31 March 2020	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	**9.7**	**22.0**	**49.4**	**75.5**	**85.6**	**100.0**
Offices	**13.4**	**22.5**	**91.7**	**100.0**	**100.0**	**100.0**
Long income	**0.7**	**4.0**	**34.5**	**64.0**	**90.7**	**100.0**
Retail parks	**5.7**	**18.2**	**63.2**	**87.3**	**100.0**	**100.0**
Commercial portfolio	**7.1**	**16.8**	**47.1**	**73.6**	**88.2**	**100.0**

xv Contracted rent subject to RPI or fixed uplifts

As at 31 March	2020 £m	2020 %	2019 £m	2019 %
Distribution	**46.1**	**58.7**	42.4	71.8
Long income	**19.7**	**57.2**	12.8	52.0
Retail parks	**1.1**	**15.7**	1.3	22.6
Offices	**0.3**	**8.5**	–	–
Commercial portfolio	**67.2**	**54.5**	56.5	63.2

xvi Top ten assets (by value)

As at 31 March 2020	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	**1,062**	**5.7**	**100**	**20.5**	**20.5**
Eddie Stobart, Dagenham	**454**	**4.1**	**100**	**23.5**	**23.5**
Primark, Thrapston	**783**	**4.3**	**100**	**12.5**	**12.5**
Argos, Bedford	**657**	**4.1**	**100**	**14.0**	**14.0**
Tesco, Croydon	**191**	**1.9**	**100**	**8.1**	**8.1**
Amazon, Warrington	**357**	**2.1**	**100**	**11.7**	**11.7**
DHL, Reading	**230**	**1.8**	**100**	**5.3**	**5.3**
Ollerton, Clipper	**364**	**2.0**	**100**	**17.5**	**17.5**
Oak Furniture, Swindon	**357**	**1.9**	**100**	**15.6**	**15.6**
New Malden	**51**	**1.9**	**100**	**11.6**	**7.0**

Supplementary information (not audited) continued

xvii Top ten occupiers

As at 31 March 2020	Contracted rental income £m	Market capitalisation £bn	Contracted rental income[2] %
Primark[1]	10.0	13.7	8.4
DFS	5.3	0.4	4.4
M&S	4.5	1.8	3.8
Argos[1]	4.2	4.2	3.5
Eddie Stobart	4.1	–	3.4
Dixons Carphone	3.3	0.9	2.7
Odeon[1]	3.2	0.3	2.7
DHL[1]	3.1	28.5	2.6
Amazon	2.6	946.0	2.2
Clipper Logistics	2.3	0.2	2.0
Top ten	42.6		35.7
Other commercial	76.6		64.3
Total commercial	119.2		100.0

1 Market capitalisation of Parent Company
2 Excludes income from sales that had exchanged but not completed by the year end

Glossary

A&J Mucklow Group or A&J Mucklow or Mucklow
A&J Mucklow Group Plc acquired on 27 June 2019 and re-registered as A&J Mucklow Group Limited on 24 September 2019

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 period

EPRA NAV per Share
Balance sheet net assets excluding fair value of derivatives, divided by the number of shares in issue at the balance sheet date

EPRA NNNAV per Share
EPRA NAV per share adjusted to include the fair value of financial instruments, debt and deferred taxes at the balance sheet date

EPRA net initial yield
Annualised rental income based on cash rents passing at the balance sheet date, less non recoverable property operating expenses, expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

EPRA topped up net initial yield
EPRA net initial yield adjusted for expiration of rent free periods or other lease incentives such as discounted rent periods and stepped rents

EPRA Vacancy
The Estimated Rental Value (ERV) of immediately available vacant space as a percentage of the total ERV of the Investment Portfolio

Equivalent Yield
The weighted average income return expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

Estimated Rental Value (ERV)
The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property

European Public Real Estate Association (EPRA)
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

Glossary continued

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, i.e. physical, internet, mobile, social media, telephone, catalogue etc

Passing Rent
The gross rent payable by tenants under operating leases, less any ground rent payable under head leases

Property Income Distribution (PID)
Dividends from profits of the Group's tax-exempt property 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.

Following Government guidance in relation to COVID-19, it is proposed that the Annual General Meeting be convened with the minimum quorum of shareholders present (which will consist of two members of the Board) in order to conduct the business of the meeting. The format of the meeting in practice will be functional only to comply with relevant legal requirements. Instead of attending the Annual General Meeting, shareholders are asked to exercise their votes by submitting their proxy electronically or by post, as explained below. They are also encouraged to appoint the chair of the meeting (who will be a Director who is able to attend the Annual General Meeting) to vote on their behalf. As it will not be possible to ask questions during the Annual General Meeting this year, shareholders are invited to submit questions in advance by emailing info@londonmetric.com by 10.00am on 20 July 2020. Answers will be published on our website shortly after the Annual General Meeting.

Notice is hereby given that the Annual General Meeting of the members of LondonMetric Property Plc (Registered number 7124797) will be held at One Curzon Street, London, W1J 5HB on 22 July 2020 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. Voting on all resolutions will be by way of poll.

1. That the Annual Report and Accounts for the year ended 31 March 2020 be considered and approved.
2. That the Annual Report on Remuneration in the form set out in the Annual Report and Accounts for the year ended 31 March 2020 be approved.
3. That the Directors' Remuneration Policy in the form set out in the Annual Report and Accounts for the year ended 31 March 2020 be approved.
4. That Deloitte LLP be reappointed as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
5. That the Directors be authorised to determine the remuneration of the auditor.
6. That Patrick Vaughan be re-elected as a Director.
7. That Andrew Jones be re-elected as a Director.
8. That Martin McGann be re-elected as a Director.
9. That James Dean be re-elected as a Director.
10. That Rosalyn Wilton be re-elected as a Director.
11. That Andrew Livingston be re-elected as a Director.
12. That Suzanne Avery be re-elected as a Director.
13. That Robert Fowlds be re-elected as a Director.
14. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the '2006 Act'), in substitution for all existing authorities:

    a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together 'Relevant Securities') up to an aggregate nominal amount of £30,276,095 (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 14b below in excess of £30,276,095; and

    b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to a maximum aggregate nominal amount of £60,552,190 (such amount to be reduced by any Relevant Securities allotted or granted under paragraph 14a 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 14a and 14b 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.
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 14 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not

Notice of Annual General Meeting continued

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 14b of resolution 14 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) up to an aggregate nominal amount of £4,541,414,

   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 up to an aggregate nominal amount of £4,541,414; 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 90,828,285;

   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

Signature removed

Jadzia Duzniak
Company Secretary

10 June 2020

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) We are asking shareholders to adhere to the current Government guidelines and not attend the Annual General Meeting in person. We recommend appointing the chair of the meeting as your proxy to vote on your behalf. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the chair (or another person) as your proxy 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) You will not have received a hard copy proxy form for the Annual General Meeting in the post. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ('IVC') which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and in any event, no later than 10.00 am on 20 July 2020. You may request a hard copy proxy form directly from the Registrars, Link Asset Services by emailing enquiries@linkgroup.co.uk or by post at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. To be valid, any hard copy proxy form must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 am on 20 July 2020.

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 20 July 2020. 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.

If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Asset Services by email at: enquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

(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 20 July 2020. 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 20 July 2020. 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.

Notice of Annual General Meeting continued

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 9 June 2020 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 908,282,851 ordinary shares carrying one vote each.

(xiv) Members satisfying the thresholds in Section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to:

a. the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting; or

b. any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

(xv) Given the circumstances, if you are a shareholder and would like to ask the Board a question, please email your question to info@londonmetric.com by 10.00 am on 20 July 2020. Answers will be published on our website following the AGM. 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:

a. to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b. the answer has already been given on a website in the form of an answer to a question; or

c. 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:

a. copies of the Executive Directors' service contracts with the Company; and

b. copies of letters of appointment of Non Executive Directors; and

c. a copy of the Articles of Association of the Company.

Should a shareholder wish to inspect any of these documents please submit a request to info@londonmetric.com.

(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.

(xix) Voting on all resolutions at the Annual General Meeting will be by way of poll. The Company believes that this is the best way of representing the view of as many shareholders as possible in the voting process.

Explanatory notes:
The information below is an explanation of the business to be considered at the Annual General Meeting.

Resolution 1 – To receive the Annual Report and Accounts
The Chair will present the Annual Report and Accounts for the year ended 31 March 2020 to the meeting. Resolution 1 is to consider and approve the Report of the Directors, the financial statements and the Independent 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 2020.

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 last 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 Accounts.

Resolution 3 – Directors' Remuneration Policy
Resolution 3 is an ordinary resolution to approve the new Directors' Remuneration Policy (which will replace the Company's existing Remuneration Policy). Shareholders are invited to approve the Directors' Remuneration Policy which is set out on pages 119 to 129 of the Annual Report and Accounts. The Policy, which sets out the Company's forward looking policy on Directors' remuneration, is subject to a binding shareholder vote by ordinary resolution at least every three years.

Once the Directors' Remuneration Policy has been approved, all payments by the Company to the Directors and any former Directors must be made in accordance with the Policy (unless a payment has separately been approved by shareholder resolution).

If the Company wishes to change the Directors' Remuneration Policy, it will need to put the revised Policy to a shareholder vote again before it can implement any payments pursuant to the amended Policy. If the Directors' Remuneration Policy remains unchanged, the 2006 Act requires the Company to put the Policy to shareholders for approval again no later than 22 July 2023.

Resolutions 4 and 5 – Reappointment of auditors
Resolution 4 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 5 authorises the Directors to set their remuneration.

Resolutions 6 to 13 – Re-election of Directors
Resolutions 6 to 13 deal with re-election of the Directors. Biographies of each of the Directors seeking re-election can be found on pages 80 and 81 of the Annual Report and Accounts. The Board has confirmed, following a performance review, that all Directors standing for re-election continue to perform effectively and demonstrate commitment to their role.

Resolution 14 – 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 £30,276,095 (representing approximately one third of the Company's issued ordinary share capital as at 9 June 2020) during the period up to the conclusion of the next Annual General Meeting of the Company. Such authority is sought in paragraph 14a of Resolution 14.

In accordance with the guidelines issued by the Investment Association, paragraph 14b of Resolution 14 will allow Directors to allot, including the shares referred to in paragraph 14a of Resolution 14, 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 £60,552,190, representing approximately two thirds of the issued ordinary share capital of the Company as at 9 June 2020.

Your Board considers it appropriate to seek this additional allotment authority at the Annual General Meeting in order to take advantage of the flexibility it offers. However, the Board has no present intention of exercising either authority. If they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the Investment Association.

As at the date of this Notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolutions 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) £4,541,414 (representing 45,414,143 shares.). This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company as at 9 June 2020.

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) 4,541,414 (representing 45,414,143 shares) 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 as at 9 June 2020.

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 90,828,285 shares (representing approximately 10% of the Company's issued ordinary share capital as at 9 June 2020) 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 9 June 2020 (the latest practicable date before publication of this Notice), there were share awards over 7,083,484 ordinary shares in the capital of the Company representing approximately 0.78% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these awards would represent approximately 0.78% of the Company's issued ordinary share capital.

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	10 June 2020
Annual General Meeting	22 July 2020

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

Cushman & Wakefield Debenham Tie Leung Limited
1 Colmore Square
Birmingham B4 6AJ

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
The Registry
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.

Find us online

www.londonmetric.com

LondonMetric Property Plc
One Curzon Street
London W1J 5HB
United Kingdom

Telephone +44 (0) 20 7484 9000
Fax +44 (0) 20 7484 9001