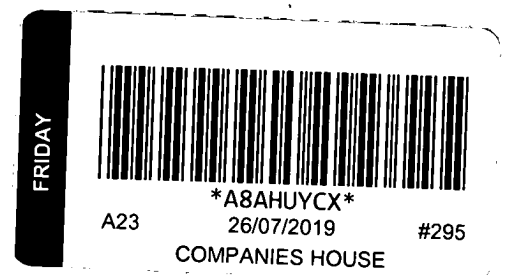


Company Registration No. 08524540

**LondonMetric Retail Distribution I Limited**

**Financial Statements**

**For the year ended 31 March 2019**



# **LondonMetric Retail Distribution I Limited**

## **Financial statements for the year ended 31 March 2019**

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# **LondonMetric Retail Distribution I Limited**

## **Financial statements for the year ended 31 March 2019**

### **Company information**

#### **Directors**

Martin McGann  
Andrew Jones  
Valentine Beresford  
Mark Stirling

#### **Company Secretary**

Jadzia Duzniak

#### **Registered Office**

1 Curzon Street  
London  
W1J 5HB

#### **Auditor**

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex  
RH6 0PA

# **LondonMetric Retail Distribution I Limited**

## **Directors' report**

The directors present their report with the audited financial statements for the year ended 31 March 2019.

The business activity and future development of the Company is discussed in the Strategic report on pages 4 and 5, along with the results and dividends.

### **Going concern**

The accounts have been prepared on a going concern basis. The Company is in a net asset position but has net current liabilities. The Company's parent, LondonMetric Property Plc, has confirmed its continuing financial support by way of an intercompany loan to be provided as and when required and therefore the directors consider the Company is in a position to meet its liabilities as they fall due for the foreseeable future.

### **Directors**

The present directors of the Company all of whom served throughout the year and subsequently, unless otherwise stated, are as shown on page 1.

None of the directors has a service agreement with the Company and they are not entitled to any compensation on termination of appointment or sale of the Company by the LondonMetric Property Plc group ("the Group").

The Group has arranged insurance cover in respect of legal action against its directors, which include the directors of the Company.

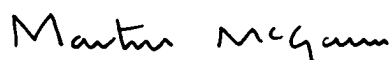
### **Auditor and disclosure of information to the auditor**

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

So far as each director is aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware. Each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board



**Martin McGann**

Director

22 July 2019

## **LondonMetric Retail Distribution I Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements 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 for that period. In preparing these 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

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 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.

# **LondonMetric Retail Distribution I Limited**

## **Strategic report**

The directors submit their strategic report for the year ended 31 March 2019. The directors in preparing this strategic report have complied with section 414c of the Companies Act 2006.

### **Business review and principal activities**

The principal activity of the Company is property investment. The directors do not anticipate any significant change in the principal activity in the foreseeable future. The Company is the owner of the following investment properties:

- Primark Distribution Centre, Thrapston
- Argos Distribution Centre, Marsh Leys, Bedford
- DSG Distribution Centre, Newark
- Next Distribution Centre, South Elmsall
- DHL Distribution centre, Gillette Way, Reading
- Clipper Logistics Distribution Centre, Ollerton

The Company is a wholly owned subsidiary of LondonMetric Property Plc.

### **Results and dividends**

The results for the Company show a pre-tax profit of £31,548,114 (2017/18: £32,132,348) which includes gains of £17,776,990 (2017/18: £18,534,937) arising from the revaluation and disposal of investment properties. Dividends of £21,880,848 (2017/18: £2,995,638) were paid during the year. The Company has net assets of £247,934,176 (2017/18: £238,266,910), bank borrowings of £127,632,651 (2017/18: £127,188,773) and amounts owing to group companies of £1,268,298 (2017/18: owing from £8,518,691).

### **Principal risks and uncertainties**

Through the Company's operations it is exposed to a variety of risks. The principal risks that are potentially material to the Company and the policies for managing these risks are summarised below.

#### **Strategic risks**

- The Company's commercial property portfolio is its largest asset and is exposed to market risk. The property market is cyclical and the United Kingdom is progressing with an exit from the EU. These factors may result in a fall in property values or assets may otherwise underperform against financial objectives. Performance depends on general economic conditions and the health of the retail sector in particular. The Company mitigates this risk through its investment selection and it continues to actively monitor market conditions, investment and tenant performance on an asset by asset basis.

#### **Financial risks**

- The Company may have insufficient resources to implement strategy and meet financial liabilities as they fall due. An appropriate mix of parent company funding and bank loan finance is maintained to counter this risk.
- Failure to comply with covenants could cause a default and accelerate the Company's bank loan. Appropriate cure rights are contained within the loan. Significant headroom is maintained within covenants and covenants are tested quarterly. Headroom is taken into consideration in decision making.
- A counterparty may expose the Company to credit risk, the risk that it may default on its contractual obligations resulting in a financial loss. Potential tenants are evaluated for creditworthiness and cash deposits are placed with major banks.
- The Company is exposed to market risk through interest rate fluctuations. It manages this risk by using interest rate derivatives including swaps and caps to manage its interest rate exposure as deemed appropriate by the directors.

# **LondonMetric Retail Distribution I Limited**

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

#### **Asset management risks**

- The Company is at risk of tenant failure. It mitigates this risk through holding a diversified portfolio, managing tenant concentration and undertaking due diligence including reviewing trading performance.

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that the KPIs relevant to understanding the development, performance and position of the business are profit before tax, net asset value and debt. The results are disclosed above.

### **Financial management policy**

The Company uses interest rate swaps and caps, from time to time, to manage its interest rate exposure and hedge future interest rate risk.

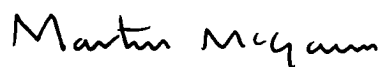
### **Creditor payment policy**

It is the Company's policy that suppliers are paid in accordance with those terms and conditions agreed between the Company and the supplier, provided that all terms and conditions have been complied with.

### **Charitable and political donations**

The Company did not make any charitable or political donations during the year.

On behalf of the Board



**Martin McGann**

Director

22 July 2019

# **Independent Auditor's Report to the members of LondonMetric Retail Distribution I Limited**

## **Opinion**

We have audited the financial statements of LondonMetric Retail Distribution I Limited ("the Company") for the year ended 31 March 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **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.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.



## **Independent Auditor's Report to the members of LondonMetric Retail Distribution I Limited (continued)**

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **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 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 Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Russell Field** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick, United Kingdom

Date: 22 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# LondonMetric Retail Distribution I Limited

## Profit and loss account Year ended 31 March 2019

	Notes	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Gross rental income		19,984,167	20,540,096
Property operating expenses		(2,623,908)	(2,688,491)
<b>Net rental income</b>		<b>17,360,259</b>	<b>17,851,605</b>
Administration expenses	2	(102)	(114)
Surplus arising on valuation of investment property	6	17,776,990	17,351,053
Profit on sale of investment property		-	1,183,884
<b>Operating profit</b>		<b>35,137,147</b>	<b>36,386,428</b>
Finance income	3	212,994	196,672
Finance costs	4	(3,737,210)	(10,138,656)
Change in fair value of derivative financial instruments	11	(64,817)	5,687,904
<b>Profit before tax</b>		<b>31,548,114</b>	<b>32,132,348</b>
Tax	5	-	-
<b>Profit after tax</b>		<b>31,548,114</b>	<b>32,132,348</b>

All activities during the current and prior year are derived from continuing operations.

There are no other items of comprehensive income or expense in the current or prior year and therefore no statement of comprehensive income is shown.

The notes on pages 11 to 20 form part of these financial statements

# LondonMetric Retail Distribution I Limited

## Balance sheet As at 31 March 2019

	Notes	31 March 2019 £	31 March 2018 £
<b>Non-current assets</b>			
Investment property	6	377,600,000	357,700,000
Fair value of derivative financial instruments	11	9,372	74,189
<b>Total non-current assets</b>		<b>377,609,372</b>	<b>357,774,189</b>
<b>Current assets</b>			
Trade and other receivables	7	77,111	8,537,764
Cash at bank and in hand		4,810,562	4,457,820
<b>Total current assets</b>		<b>4,887,673</b>	<b>12,995,584</b>
<b>Total assets</b>		<b>382,497,045</b>	<b>370,769,773</b>
<b>Current liabilities</b>			
Trade and other payables	8	(5,661,920)	(5,314,090)
<b>Total current liabilities</b>		<b>(5,661,920)</b>	<b>(5,314,090)</b>
<b>Total assets less current liabilities</b>		<b>376,835,125</b>	<b>365,455,683</b>
<b>Non-current liabilities</b>			
Borrowings	10	(127,632,651)	(127,188,773)
Amounts owing to Group undertakings	9	(1,268,298)	-
<b>Total non-current liabilities</b>		<b>(128,900,949)</b>	<b>(127,188,773)</b>
<b>Total liabilities</b>		<b>(134,562,869)</b>	<b>(132,502,863)</b>
<b>Net assets</b>		<b>247,934,176</b>	<b>238,266,910</b>
<b>Equity</b>			
Share capital	12	140,090,000	140,090,000
Retained earnings		107,844,176	98,176,910
<b>Total equity</b>		<b>247,934,176</b>	<b>238,266,910</b>

The financial statements of LondonMetric Retail Distribution I Limited (registered number 08524540) were approved by the Board of Directors and authorised for issue on 22 July 2019 and signed on its behalf by:

*Martin McGann*

**Martin McGann**  
Director

The notes on pages 11 to 20 form part of these financial statements

## LondonMetric Retail Distribution I Limited

### Statement of changes in equity Year ended 31 March 2019

	Share capital £	Retained earnings £	Total £
At 1 April 2018	140,090,000	98,176,910	238,266,910
Profit for the year	-	31,548,114	31,548,114
Dividends paid	-	(21,880,848)	(21,880,848)
<b>Total equity attributable to equity shareholders</b>	<b>140,090,000</b>	<b>107,844,176</b>	<b>247,934,176</b>

### Year ended 31 March 2018

	Share capital £	Retained earnings £	Total £
At 1 April 2017	112,090,000	69,040,200	181,130,200
Shares issued at par	28,000,000	-	28,000,000
Profit for the year	-	32,132,348	32,132,348
Dividends paid	-	(2,995,638)	(2,995,638)
<b>Total equity attributable to equity shareholders</b>	<b>140,090,000</b>	<b>98,176,910</b>	<b>238,266,910</b>

The notes on pages 11 to 20 form part of these financial statements

# LondonMetric Retail Distribution I Limited

## Notes to the financial statements Year ended 31 March 2019

### 1. Accounting policies

#### a) General information

LondonMetric Retail Distribution I Limited is a private limited company incorporated in England under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 4 and 5.

#### b) Statement of compliance

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements 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 presentation of a cash-flow statement, financial instruments, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of LondonMetric Property Plc. The group accounts of LondonMetric Property Plc are available to the public and can be obtained as set out in note 14.

#### c) Basis of preparation

The functional and presentational currency of the Company is sterling. The financial statements have been prepared under the historical cost convention, except for investment properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Impact of new and revised Standards

#### IFRS9 "Financial Instruments"

This standard deals with the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS9 has led to no changes in the carrying amounts of financial instruments or the classification and presentation of financial instruments.

# **LondonMetric Retail Distribution I Limited**

## **Notes to the financial statements (continued)**

**Year ended 31 March 2019**

### **1. Accounting policies (continued)**

#### **c) Basis of preparation (continued)**

##### **Impact of new and revised Standards (continued)**

##### **IFRS15 “Revenue from Contracts with Customers”**

The standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Company's income is from tenant leases and is outside the scope of the new standard. However, certain non-rental income streams, such as surrender premiums receivable are within the scope of the standard.

There has been no financial impact of the new standard to the Company.

The principal accounting policies adopted are set out below.

##### **Estimates and judgements**

The preparation of financial statements in conformity with FRS101 requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The most critical accounting policies in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgements. These relate to property valuation and derivative financial instruments and are discussed in the policies below. The fair value estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

#### **d) Property portfolio**

##### **i) Investment properties**

Investment properties are properties owned or leased 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. 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.

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 rental income, 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. Gains or losses arising from changes in the fair value of investment properties are recognised in the profit or loss in the period in which they arise.

In accordance with IAS 40 “Investment Property”, no depreciation is provided in respect of investment properties.

## **LondonMetric Retail Distribution I Limited**

### **Notes to the financial statements (continued)** **Year ended 31 March 2019**

#### **1. Accounting policies (continued)**

##### **d) Property portfolio (continued)**

##### **i) Investment properties (continued)**

Investment property is recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the Company;
- There are no material conditions precedent which could prevent completion; and
- The cost of the investment property can be measured reliably.

All costs directly associated with the purchase of an investment 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 capitalised in the carrying value of the property.

##### **ii) Tenant leases**

Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 "Leases" for all properties leased to tenants and has determined that such leases are operating leases.

##### **iii) Net rental income**

Revenue comprises rental income.

Rental income from investment property leased out under an operating lease is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents, such as turnover rents, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to profit or loss.

##### **iv) Sale of investment properties**

Disposals of investment properties are recognised in the period within which control of the property is transferred, which is typically on completion.

Surpluses on sales of investment properties are calculated by reference to the carrying value at the previous period-end valuation date, adjusted for subsequent capital expenditure.

##### **e) Financial assets and financial liabilities**

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual terms of the instrument. Unless otherwise indicated, the carrying amounts of the financial assets and liabilities are a reasonable approximation of their fair values.

## **LondonMetric Retail Distribution I Limited**

### **Notes to the financial statements (continued)**

**Year ended 31 March 2019**

#### **1. Accounting policies (continued)**

##### **e) Financial assets and financial liabilities (continued)**

###### **i) Financial assets**

The Company classifies its financial assets at amortised cost only if the asset is held in a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. All of the Company's financial assets fall within the financial assets at amortised cost classification.

Financial assets at amortised cost comprise trade and other receivables, intra-group loans and cash and cash equivalents. They are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for expected credit losses. 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.

###### **ii) Financial liabilities**

Financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

###### **iii) Derivative financial instruments**

The Company 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 profit or loss.

###### **f) Finance costs**

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.

###### **g) Finance income**

Finance income includes interest receivable on funds invested, measured at the effective rate of interest on the underlying sum invested.

###### **h) Dividends**

Dividends on equity shares are recognised when they become legally payable.

###### **i) Tax**

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 periods to the extent applicable and applicable.



# LondonMetric Retail Distribution I Limited

## Notes to the financial statements (continued) Year ended 31 March 2019

### 1. Accounting policies (continued)

#### j) Going concern

The financial statements have been prepared on a going concern basis. This is discussed further in the Directors' report on page 2.

#### k) Operating lease commitments

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company, the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

### 2. Administration expenses

#### a) Employees

There were no employees directly employed by the Company during the current or prior year.

#### b) Audit fees

The auditor's remuneration for the current and prior year was borne by the ultimate parent company. Fees attributable to the audit of the Company were £4,000 (2017/18: £3,800). There were no non-audit fees payable by the Company to BDO LLP and its associates in the current or prior year.

#### c) Directors' remuneration

The directors received no remuneration in respect of their services to the Company during the current or prior year. All of the directors are also directors of LondonMetric Property Plc, the Company's ultimate holding company, and the remuneration of these directors is disclosed in the financial statements of that company.

### 3. Finance income

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Interest received on intercompany loan balance	202,774	194,393
Bank interest receivable	10,220	2,279
	<u>212,994</u>	<u>196,672</u>

### 4. Finance costs

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Interest payable on bank loan	3,293,332	3,450,366
Amortisation of loan issue costs	443,878	496,174
Interest capitalised	-	(11,224)
Swap breakage costs	-	6,203,340
	<u>3,737,210</u>	<u>10,138,656</u>

# LondonMetric Retail Distribution I Limited

## Notes to the financial statements (continued) Year ended 31 March 2019

### 5. Tax

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
<b>Current tax</b>		
Current tax on profit for the year	-	-
<b>Total tax on ordinary activities</b>	-	-

### Factors affecting tax for the year

The tax charge differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Profit on ordinary activities before tax	31,548,114	32,132,348
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017/18: 19%)	5,994,142	6,105,146
Effects of: REIT tax exemption	(5,994,142)	(6,105,146)
<b>Total tax on ordinary activities</b>	-	-

### Factors that may affect future tax charges

The Company is a member of a REIT group, as part of the LondonMetric Property Plc group. As a result, no UK corporation tax should be due on future income or capital gains in respect of investment properties within the REIT group.

# LondonMetric Retail Distribution I Limited

## Notes to the financial statements (continued) Year ended 31 March 2019

### 6. Investment property

Investment property consist of land and buildings held for rental income and capital growth, and land and properties held for or in the course of redevelopment.

	Freehold £	Long Leasehold £	Total 31 March 2019 £
At 1 April	321,200,000	36,500,000	357,700,000
Additions	1,065	-	1,065
Revaluation gain	12,176,990	5,600,000	17,776,990
	<u>333,378,055</u>	<u>42,100,000</u>	<u>375,478,055</u>
Tenant lease incentives, letting fees and accrued rental income	2,121,945	-	2,121,945
At 31 March	<u>335,500,000</u>	<u>42,100,000</u>	<u>377,600,000</u>
Property held at valuation			
- cost	261,244,429	30,685,866	291,930,295
- valuation gain	74,255,571	11,414,134	85,669,705
At 31 March	<u>335,500,000</u>	<u>42,100,000</u>	<u>377,600,000</u>

	Freehold £	Long Leasehold £	Total 31 March 2018 £
At 1 April	342,055,000	38,825,000	380,880,000
Acquisitions including costs	39,643,938	-	39,643,938
Other additions	809,109	2,264	811,373
Disposals	(74,057,817)	(7,075,000)	(81,132,817)
Revaluation gain	12,601,053	4,750,000	17,351,053
	<u>321,051,283</u>	<u>36,502,264</u>	<u>357,553,547</u>
Tenant lease incentives, letting fees and accrued rental income	148,717	(2,264)	146,453
At 31 March	<u>321,200,000</u>	<u>36,500,000</u>	<u>357,700,000</u>
Property held at valuation			
- cost	259,121,419	30,685,866	289,807,285
- valuation gain	62,078,581	5,814,134	67,892,715
At 31 March	<u>321,200,000</u>	<u>36,500,000</u>	<u>357,700,000</u>

## LondonMetric Retail Distribution I Limited

### Notes to the financial statements (continued) Year ended 31 March 2019

#### 6. Investment property (continued)

##### Valuation

At 31 March 2019, the Company's investment property was externally valued by the Royal Institution of Chartered Surveyors (RICS) Registered Valuers of CBRE Limited ("CBRE") Chartered Surveyors, at £377,600,000 (31 March 2018: £357,700,000).

The valuation was prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There has been no change in the valuation technique in the year. The total fees earned by CBRE from the Company represent less than 5% of their total UK revenues. The valuer has continuously been the signatory of valuations for the Company since September 2013 and has therefore carried out valuation and professional services on behalf of the Company for more than five years.

At 31 March 2019 and the prior year end no contractual obligations had been entered into which had not been provided for in the financial statements.

#### 7. Trade and other receivables

	31 March 2019 £	31 March 2018 £
Amounts due from tenants	56,030	12,408
Amounts owing from group undertakings	-	8,518,691
Prepayments and accrued income	8	6,665
Other debtors	21,073	-
	<u>77,111</u>	<u>8,537,764</u>

All amounts fall due for payment in less than one year.

Trade receivables comprise rental income which is due on contractual quarter days with no credit period.

#### 8. Trade and other payables

	31 March 2019 £	31 March 2018 £
Rents invoiced in advance	3,343,273	4,160,122
VAT payable	424,862	607,673
Interest payable	582,351	487,561
Trade creditors and other accruals	1,311,434	58,734
	<u>5,661,920</u>	<u>5,314,090</u>

Trade payables are interest free and have settlement dates within one year. The directors consider that the carrying amount of trade and other payables approximates their fair value.

#### 9. Amounts owing to Group undertakings

Intercompany loans have no fixed repayment terms and are interest bearing at the LondonMetric Property Plc group's weighted average cost of debt. LondonMetric Property Plc has agreed that it will not demand repayment of the intercompany loan balance within the next twelve months.

# LondonMetric Retail Distribution I Limited

## Notes to the financial statements (continued) Year ended 31 March 2019

### 10. Bank loans

	31 March 2019 £	31 March 2018 £
Secured bank loans	130,000,000	130,000,000
Unamortised finance costs	(2,367,349)	(2,811,227)
	<u>127,632,651</u>	<u>127,188,773</u>

The Company has a £130,000,000 loan from Helaba which was fully drawn as at 31 March 2019. The average interest rate payable was 2.58% (31 March 2018: 2.46%).

The bank loan is secured by fixed charges over the Company's investment property with a carrying value of £377,600,000 (31 March 2018: £357,700,000) and is repayable in July 2024.

In addition to the principal payment noted above the Company is committed to the following future undiscounted interest payments of:

	31 March 2019 £	31 March 2018 £
Within one year	3,369,316	3,204,110
Within two to five years	13,449,646	12,825,218
Greater than five years	1,058,665	4,222,402
	<u>17,877,627</u>	<u>20,251,730</u>

### 11. Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations.

The Company uses interest rate swaps and caps, from time to time, to manage its interest rate exposure and hedge future interest rate risk. 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.

# LondonMetric Retail Distribution I Limited

## Notes to the financial statements (continued) Year ended 31 March 2019

### 11. Derivative financial instruments (continued)

Details of the Company's derivative financial instruments that were in place are provided below.

	Protected rate	Expiry	Market value 31 March 2019 £	Market value 31 March 2018 £
<b>Non-current assets</b>				
£19.62 million cap <sup>(1)</sup>	2.00%	November 2021	9,372	74,189
<b>Total all derivative financial instruments</b>			<b>9,372</b>	<b>74,189</b>
Movement (debited)/credited to profit and loss account <sup>(2)</sup>			(64,817)	5,687,904

All derivative financial instruments are interest rate derivatives.

<sup>(1)</sup> The cap increased from £18.15 million in July 2018 and the cap rate fell from 4% to 2%.

<sup>(2)</sup> The fair value movement in the year ended 31 March 2018 included movements in relation to interest rate caps, swaps and swaptions that either expired or were terminated during that year.

### 12. Share capital

	31 March 2019 £	31 March 2018 £
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	140,090,000	140,090,000

The Company has one class of ordinary shares, which carry no right to fixed income.

In the prior year, 28,000,000 ordinary shares of £1 each were issued at par on 31 July 2017.

Dividends of £11,713,115 (8.36 pence per share) and £10,167,733 (7.26 pence per share) were paid on 13 August 2018 and 5 February 2019 respectively.

In the prior year a dividend of £2,995,638 (2.67 pence per share) was paid on 21 July 2017.

### 13. Operating leases

#### The Company as lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 March 2019 £	31 March 2018 £
Less than one year	18,620,941	16,207,827
Between one and five years	77,552,075	67,135,421
Greater than five years	178,697,370	142,602,907
	<b>274,870,386</b>	<b>225,946,155</b>

### 14. Controlling party information

The immediate and ultimate parent company is LondonMetric Property Plc. Copies of the consolidated accounts of LondonMetric Property Plc can be obtained from its registered office at 1 Curzon Street, London W1J 5HB and its website [www.londonmetric.com](http://www.londonmetric.com).