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Real estate for reliable income

LondonMetric Property Plc
Annual Report and Accounts 2021

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Inside this report

Strategic report

An overview, purpose and strategy update
1

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Our £2.6 billion portfolio comprises a collection of excellent assets that offer reliable, predictable and growing income streams.

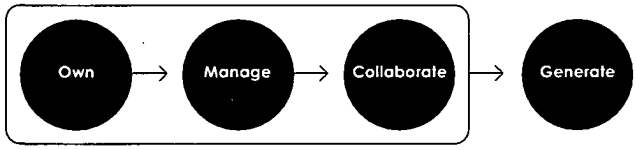
Andrew Jones
Chief Executive

Creating value
20

Total Accounting Return
+16.7%

Dividend Growth
+4.2%

Our purpose drives our income growth and value creation



A detailed analysis of our property activity
26

Our acquisitions activity focused on urban logistics and long income. We believe these sectors continue to offer strong long term growth prospects.

Valentine Beresford
Investment Director

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

Mark Stirling
Asset Director

A review of our financial performance
40

A review of our risks
64

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We are reporting another very strong set of results reflecting both earnings and NAV progression, which is testament to our resilient portfolio, considered investment decisions and proactive asset management actions.

Martin McGann
Finance Director

Our sustainability performance
47

Graphic removed **Environmental** Graphic removed **Social** Graphic removed **Governance**

Governance

How we govern the business
80

Patrick Vaughan
Chair

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Remuneration
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Detailed financial performance
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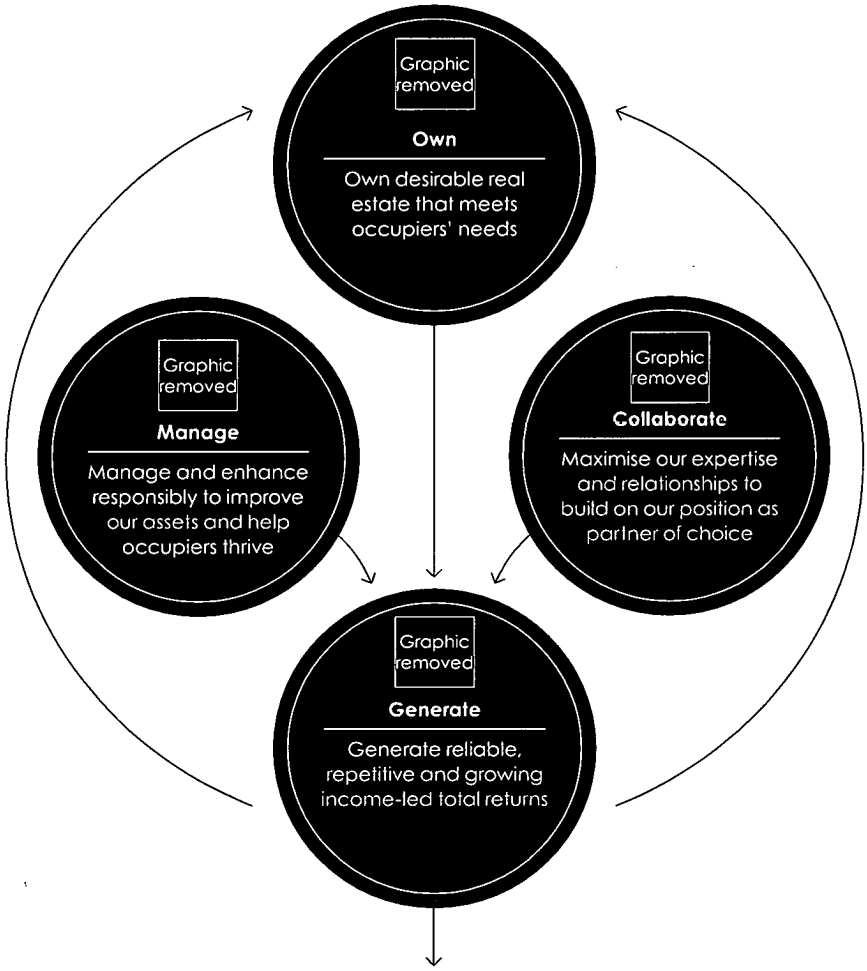
An overview, purpose and strategy update

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.



Driving strong financial performance

EPRA EPS[1]	Total accounting return[1]	Dividend per share	IFRS net assets
9.52p	+16.7%	8.65p	£1,731.3m
2020: 9.26p	2020: 2.9%	2020: 8.3p	2020: £1,431.8m

1 Alternative performance measures are financial measures which are not specified under IFRS but are used as they highlight the performance of the Group's property rental business. They are described in further detail in the Performance highlights section on page 10 and in the Financial review on page 40. Definitions can be found in the Glossary on page 184

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

OWN

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.
- Constantly refining the portfolio to ensure we continue to own assets that will deliver long term outperformance.

Highlights

38.5%

Urban logistics exposure as a proportion of our assets

£245m

Acquisitions in year

57%

Percentage of income subject to contractual uplifts

Amazon in Warrington

Our 357,000 sq ft regional distribution warehouse let to Amazon for a further 11 years.

See Property review page 26

Own desirable real estate

Positioning the portfolio to benefit from the medium and long term drivers of return and meeting the needs of our occupiers.

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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

+£5.3m

Additional income from lettings and rent reviews

13.2 years

Average lease lengths on lettings signed

423k sq ft

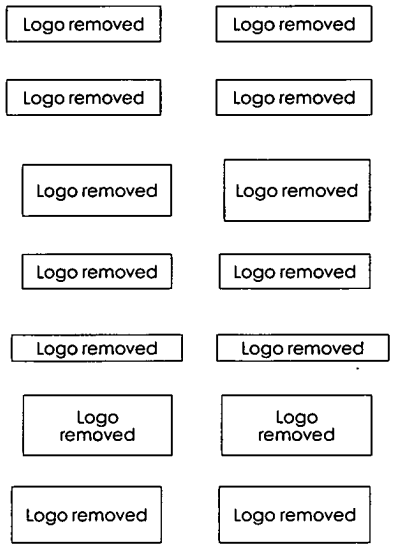
BREEAM Very Good/ Excellent certified developments completed in the year

Completion of Unit 2 at Bedford Link

We completed further distribution warehouse development totalling 172,000 sq ft, where we are under offer on letting the unit.

See Responsible Business and ESG review page 47

Occupier activity in the year



Manage and enhance responsibly

Securing and enhancing our strong income metrics as well as improving the quality and sustainability of our assets.

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COLLABORATE

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

+13.4%
Total Property Return, 1220 bps outperformance against IPD All Property

31
Employees

98.7%
Occupancy rate

Top 15 occupier feedback

"Very collaborative and always available to talk about how we can work in partnership. Our strongest landlord relationship and one we want to not only retain, but develop.

"Team are industry leaders and individually are great to deal with.

"Strong trustworthy relationship which allows quick and easy discussions to take place when opportunities arise.

See Responsible Business and ESG review page 47

Expertise and relationships

We have a highly talented, motivated and aligned team with strong stakeholder relationships.

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GENERATE

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
Net rental income

+16.7%
Total accounting return

11.4yrs
Portfolio WAULT

+3.1%
Like for like income growth

+2.8%
Growth in EPRA earnings per share

6 years
Of dividend progression

Our occupier base

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

See Our markets
page 20

See Property review
page 26

Some of our key customers

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Generate income growth

In a world of zero interest rates and negligible bond rates, high quality real estate can deliver reliable, repetitive and growing income.

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Performance highlights

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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 consolidated at 100%.

Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures 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.

EPRA has introduced three new measures of net asset value as disclosed in note 8 to the financial statements. EPRA NTA is considered to be the most relevant measure for the Group and replaces EPRA NAV as the primary measure of net asset value. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

Further details and reconciliations between EPRA measures and IFRS equivalents can be found in the Financial review on page 40 and in note 8 to the Group financial statements.

The definition of each EPRA measure can be found in the Glossary **page 184**

2 After post year end refinancing as detailed in the Financial review on page 46

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An overview, purpose and strategy update

Chair's statement

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Over the year, I'm pleased to report that our portfolio delivered further income growth, a strong valuation performance and significant outperformance

Patrick Vaughan
Chair

+196%

Total shareholder return over eight years since merger significantly outperformed the FTSE 350 Real Estate Super Sector average of 59%

+4.2%

Dividend per share

Due to the pandemic, we have had to work from home for most of the last financial year. Thanks to the incredible efforts of all of the team they have managed that difficulty, and delivered record results in testing conditions. I cannot thank them enough.

When we reported last year, I hoped that the world would be able to recover in the calendar year 2020. The coming of the variants put paid to that hope. Thankfully, the speed and effectiveness of the UK vaccine rollout, alongside extensive Government support schemes have allowed us to start to return to normal. We must offer our heartfelt thanks to the brilliant people who devised, mass produced and delivered vast numbers of high grade vaccines.

There are some parts of our lives that won't return to being as they were before. Covid-19 continues to challenge many long established practices and accelerated existing structural change. There is no doubt that some of the changes, such as routine internet shopping and working from home part time will continue to impact the way we live, work and socialise.

The enormous impact that the pandemic has had on commercial property is clear to see. No amount of economic stimulus and medical brilliance will undo some of the changes that Covid-19 has accelerated. As shopping and working patterns have shifted, a new economic reality has polarised sub-sector performance. Logistics and long income property continue to see highly supportive dynamics. There will be some shift back to physical shopping to animate our high streets and bring fun back to going out, but the shift to online shopping that was underway before Covid-19 has been accelerated by lockdowns and only part of that move will return to traditional shopping. It is unclear yet how office demand will evolve given the now proven ability of many to work successfully from home.

Notwithstanding potential inflationary pressures, Covid-19 has also prolonged the likely time horizon of very low interest rates. Well managed real estate is an asset class which we believe offers an outstanding ability to provide exceptional, compounding returns over the longer term.

The year also saw the finalisation of Brexit. The pandemic has rather taken the spotlight away from this major event, so its effects are still under reported. It will lead to demand for logistics space as firms rely less on 'just in time' and more on 'just in case'. The UK needs to be more self-reliant, which will be a very good thing. On the way to that state, there will be issues to overcome. I believe we are well placed to do so.

Our long term, disciplined approach, aligned to the winning sectors, has delivered a particularly strong performance in the year. Our total property return was 13.4% which significantly outperformed the IPD All Property index by 1,220 bps. Our total accounting return was 16.7%, rent collection levels exceeded 98%, EPRA earnings per share increased by 2.8% and EPRA net tangible assets per share rose by 11.7%. This performance and our confident outlook have allowed us to increase our dividend per share for the sixth year in a row, rising 4.2% and 110% covered by EPRA earnings. I am pleased to know that our team can go forward positively, without being distracted trying to collect unpaid rent.

Over the eight years since our merger, we have delivered a total shareholder return of 196%, significantly outperforming the FTSE 350 Real Estate Super Sector average of 59% as well as increasing our earnings by 144% to 9.52p per share.

During the year, our equity fundraising attracted overwhelming support from shareholders, for which I thank you. It has allowed us to execute on some high quality investment opportunities and enhance our portfolio further. We were also very well supported in the debt market, where post year end we managed to extend our debt maturity by 4.0 years to 8.2 years, which gives durability and diversity to our debt structure, at highly attractive borrowing rates.

Despite the pandemic, we have also maintained our strong stakeholder relationships. We recognise that the success of the Company depends on our people and I would again like to warmly thank the Board and all of our employees for their hard work in very difficult circumstances. We have also strengthened our Board during the year with the appointment of Kitty Patmore, who I would like to welcome on your behalf.

Looking forward, we believe the portfolio is stronger than ever. That will allow us to grow our income and asset value over the longer term. This, combined with the long experience of our team and our balance sheet discipline leaves the Company very well placed to deliver a sustainable and progressive dividend policy.

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Patrick Vaughan
Chair

27 May 2021

At a glance

We own structurally supported real estate underpinned by changing consumer shopping habits. Distribution represents 70.8% of the portfolio and our long income exposure has grown to 24.5%.

Our focus on distribution and long income[1]

Graph removed

Distribution

70.8%

1	Urban Logistics	38.5%
2	Regional Distribution	18.7%
3	Mega Distribution	13.6%
4	Long Income	24.5%
5	Retail Parks	2.9%
6	Offices	1.7%
7	Residential	0.1%

Assets by geography[1]

Graphic removed

Other
2.9%

North East & Yorkshire
5.8%

North West
6.1%

Midlands
35.5%

London & South East
43.0%

South West
6.7%

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

102 assets

6.5m sq ft

Value

£993.7m

Rent

£43.3m (£6.90 psf)

WAULT

7.9 years

Mega & Regional Distribution

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

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

Graphic removed

14 assets

5.7m sq ft

Value

£835.4m

Rent

£34.3m (£6.10 psf)

WAULT

14.0 years

Long Income

Grocery & Roadside
Consists of grocery, wholesale and roadside assets.

NNN Retail
Primarily discount, essential, electrical & home stores.

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

Leisure
Five out of town cinemas & one hotel.

Graphic removed

116 assets

2.7m sq ft

Value

£635.2m

Rent

£35.8m (£15.60 psf)

WAULT

14.2 years

Portfolio value

£2,584m

2020: £2,347m

WAULT

11.4 years

2020: 11.2 years

Total property return

+13.4%

2020: +5.1%

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1 Excludes income from post year end sales

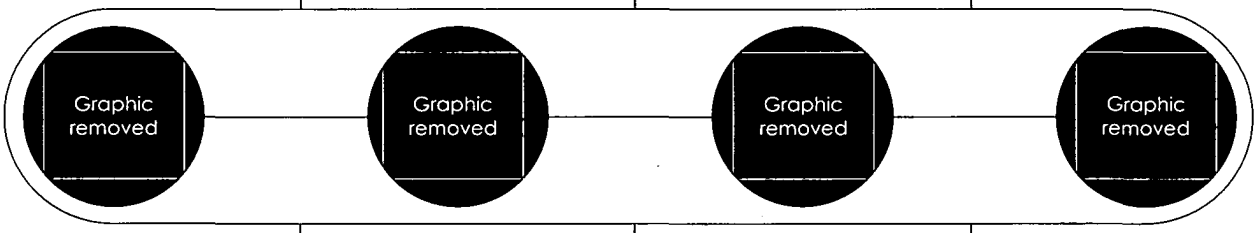
Our strategic priorities

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

OWN

Read more page 2

MANAGE

Read more page 4

COLLABORATE

Read more page 6

GENERATE

Read more page 8

An overview, purpose and strategy update

Chief Executive's review

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Aligned to logistics and long income, our portfolio is delivering an incredibly resilient performance which is demonstrated by our strong financial results

Andrew Jones
Chief Executive

95%

of portfolio in logistics and long income

Overview

We continue to live in a world of ongoing disruption and social change

The last year has been truly extraordinary with a global pandemic, a global recession and bold, unprecedented central Government intervention.

Technology and changing consumer behaviour were already having a profound impact, but Covid-19 has accelerated these shifts with trends that were expected to take years, occurring in just months and in some cases weeks. The behavioural changes that surged during lockdown have been well-mapped; working from home, online retailing, gaming, video on demand, online banking etc. These shifts were only possible due to an exponential increase in technological capability.

At long last, society has reopened and lives are returning to near normality. However, whilst humans need real interaction with each other to thrive, the world continues to evolve and digitise at a rapid rate and Covid-19 has added to the seismic shift in the tectonic plates. The scale of these changes can be discussed, but certain conclusions are uncontroversial.

Firstly, online retailing took a quantum and permanent leap. Previously high barriers of entry were toppled in a matter of weeks and consumers quickly realised the convenience, safety and security of online shopping. Consequently, online retail sales grew by over 40% in 2020, accounting for 28% of total sales and peaking at 36% during the start of 2021, a level higher than the first lockdown. The change in online grocery has been most apparent, accounting for over 15% of food shopping at its peak after doubling from pre-pandemic levels.

Secondly, an unusually large number of retailers have failed or are seriously wounded. Many will blame the pandemic, but the truth is that too many failed to embrace change with an excessive physical estate and they failed to pivot. The pandemic has exacerbated their difficulties and accelerated their demise. Supporting business models that work and starving those that do not is how economies adapt and evolve.

Thirdly, Covid-19 has materially changed the way we work and has accelerated ongoing trends towards home working. Each day, it is becoming more apparent that a substantially higher percentage of office workers will spend some of their week working from home. The pandemic has certainly not generated any new demand for offices.

Unsurprisingly, real estate performances have polarised further. Logistics, healthcare and grocery remain the standout performers, enjoying an ever-wider margin of victory. Conversely, the acceleration of secular declines in physical retail has seen downward repricing of high streets and shopping centres to levels that may now start to encourage alternative use or demolition. For offices, less space is needed and this new reality is yet to be reflected in their yields.

After years of denial, many companies are now experiencing the full force of these structural changes.They are realising that it's not just cyclical, it's permanent, and they aren't quite what they were and are now worrying what they might become.

We continue to focus on the mega trends and disciplined investing

Most of our real estate decisions are influenced by trends that originate outside the property sector but that are fundamentally shaping its future. We believe the secular trends affecting the sector are as big a deal today as they were before the vaccines arrived.

Our eyes are wide open to the changing landscape and so, whilst we have had to react to the pandemic, our overriding focus has been to regularly position the portfolio to benefit from the medium and long term drivers of return. After all, mega trends are generally not affected by short term or sporadic shocks, however profound.

At 95%, our portfolio's alignment to logistics and long income assets puts us on the right side of change and is delivering an incredibly resilient performance as demonstrated by our strong financials in the year.

We continue to pride ourselves on our process, discipline and rationality. Over the year, we acquired £245 million of assets and completed further developments in strong geographies, let to good occupiers on long leases with strong income growth prospects. Whilst we could have acquired much more, our rigorous approach tempered our activity, ensuring that we remain well positioned for the long term. We would prefer to engage in the pursuit of excellent returns than the pursuit of assets under management.

We are obsessive about owning the best assets and have always focused on 'winning the losers game' - selling the laggards and running the winners. Whilst this sometimes involves unattractive transaction costs and income interruption, we will always do the right thing for long term performance. In the year, we disposed of nearly £160 million of assets that have made their contribution but are unlikely to excel in the future.

We are well positioned with a structurally supported portfolio that will deliver on our 'collect, compound and compress' income approach.

Chief Executive's review

Own desirable real estate

Logistics continues to experience strong tailwinds and benefit from a weight of money

Link to strategic priorities: 1 2

Investment volumes for UK logistics in 2020 totalled £9 billion, reflecting a resilient Covid-19 performance, strong sector dynamics and a rotation of capital out of legacy real estate. The sector has benefitted from significant overseas money, partly driven by an improved outlook for the UK following Brexit and a stronger than expected economy. Therefore, unsurprisingly, yields have compressed further and evidence suggests that prime yields could fall further.

Occupational activity for logistics in 2020 saw another record year, with 43 million sq ft taken up. Whilst a recent report estimated that new warehouse supply could double this year to 40 million sq ft, much of this is pre-let and being immediately absorbed by pent up and new demand, as evidenced by vacancy rates which remain low at just ten months' supply. At the end of March 2021, a record 16 million sq ft of logistics was under offer, representing a 40% uplift on a year ago, and this year is set to be another very strong year. For the first time on record, supply for both second hand and speculatively built units have fallen below 12 months of demand.

It is clear that short term occupier requirements experienced during Covid-19 have turned into longer term needs as online penetration continues its inexorable upward trajectory. Furthermore, 'just in case' logistics infrastructures rather than 'just in time' strategies are adding an extra layer of demand. Whilst Brexit concerns may have eased, supply chains are having to deal with new issues, primarily border related, which are increasing the need for localised inventory. A recent survey suggested that the UK was one of the top European markets for manufacturers looking to expand their occupational space.

With this almost perfect storm, logistics continues to generate attractive rental growth. Whilst pockets of rent affordability concerns have been raised, rents remain largely affordable and still represent a very small proportion of a company's overall operational costs.

Rental growth remains particularly strong in urban logistics and we saw open market rent reviews on our urban assets of 17%. Warehouse demand continues to grow to meet ever rising consumer expectations of quicker and more accurate deliveries in an environment where the supply response is challenged due to competition from higher value alternative uses. A recent survey of online retailers reported that nearly two thirds have expansion in urban locations as a high priority.

The combination of further yield compression and strong rental growth is reflected in our total distribution property returns for the year of 18.3%, with urban assets again delivering another strong performance. Urban is our largest sub sector exposure, with c.£1 billion of assets and remains our strongest conviction call. Here, our ambitions remain undiminished despite fierce investment competition.

Reflecting this competition, we undertook £67 million of strategic urban disposals in the year, which will position the portfolio for better longer term success. These decisions are driven by a belief that, even in logistics, not all assets will outperform.

The sale proceeds were rotated into £124 million of high quality and fairly priced urban investments leveraging our occupier insights and sector contacts. Our experiences have shown that we are more likely to benefit from positive surprises from high quality assets in strong geographies where returns can be levered by time and compounding.

Urban Logistics acquisitions

£124m

12 assets with a WAULT of 16 years

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Urban Logistics exposure
as a percentage of the portfolio

38.5%

Total property return

+18.3%

on our distribution assets

Strategic priorities

1. Align portfolio to macro trends
2. Focus on long-let property with rental growth
3. Improve quality and sustainability of our assets and income
4. Enhance income and value through asset management and development
5. Remain rational and disciplined
6. Use the team's expertise and relationships
7. Generate reliable income with income growth
8. Strong focus on diversity and credit strength of occupiers

Own desirable real estate (continued)

Long income property is benefitting from zero interest rates and negligible bond yields

Link to strategic priorities: 1 2

The long income sector has had a strong year reflecting its defensive, long dated, growing and collateral backed cash flow characteristics. Long income assets with low operational requirements and let to high quality occupiers at yields 400bps higher than Government bonds are an attractive proposition and increasingly sought after in a yield starved world.

Our investment in this sector is a simple one that we take seriously. In contrast to the scoring system used in diving competitions, you are not awarded bonus points in business for 'degree of difficulty'. We believe this 'alternative' sector is and will continue to be less alternative and will be a stronger and larger component of many real estate investors' portfolios.

As proponents of the sector, we were pleased to see our 'all weather' long income assets prove highly resilient to the pandemic, reflecting their essential or non discretionary attributes and a low susceptibility to the migration of spend online. Their focus on grocery and convenience food, roadside services, discount, trade and DIY means that they will continue to benefit from the ongoing changes in the way people work, shop and live.

During the year, our long income properties achieved very high rent collection levels and a total property return of 8.3%.

We acquired £122 million of long income assets let on average for 18 years to strong credits such as Waitrose, BP and Co-op and benefitting from guaranteed rental growth. Growing investor demand and improved liquidity for long income saw us sell £75 million of long income properties where the rental growth outlook was less certain.

Despite the yield compression that this sector has experienced, we believe there is more to come as investors increasingly appreciate the simplicities of collecting rent and compounding returns.

Physical retail continues to reprice but remains largely a value trap

Link to strategic priorities: 1 2

The pandemic has acted as a catalyst for better integration of online and physical shopping and, like many of our customers, we do believe that some stores have a role to play in the retail supply chain as showrooms, click and collect, returns or fulfilment facilities.

However, many of the rents that retailers have committed to pay are completely inappropriate for the role that their shops are now performing. Therefore, we will continue to see retail rents resetting as leases expire, tenants operate break clauses or the premises are relet following the demise of the previous occupier. This is no longer a prediction, it is happening.

Therefore, whilst many will talk of repositioning opportunities or the offer of highly attractive yields, we remain of the opinion that the majority of UK retail is 'over-shopped' and 'under-demolished'. The simple truth is that retail stores remain at a fundamental and irreversible disadvantage to online competition. Savills estimates that 142 million sq ft of retail space in the UK, or 13% of all retail units, currently lie empty and that without intervention, as much as 25% of retail space could be redundant by the end of the decade. Furthermore, 40% of vacant units have been empty for three or more years.

The sector appears to be in a vicious circle as the longer the disruption continues, the less of the underlying cash flows will be reinvested into the assets to make them 'fit for purpose'. We see this creating a ticking capex timebomb as the assets that do survive will need investment and those that fail to invest will see value erosion accelerate.

This disruption has a lot further to go and we are living in a truly unprecedented world which makes it difficult to have a strong conviction on where it all lands. When something is too difficult to assess with a strong conviction, then we prefer to just move on to another opportunity. After all, these assets are often cheap for a reason and the correlation between price and value is far from perfect.

Generate income

The search for income continues to intensify

Link to strategic priorities: 7 8

We believe that income will be the defining characteristic of this decade's investing environment and that income-led total return strategies will continue to outperform.

The pandemic and a temporary recession have lowered interest rates further and ensured that they will inevitably stay lower for longer as governments and central banks are unlikely to take their foot off the quantitative easing accelerator.

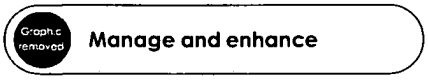
A world of zero interest rates, negligible bond rates and lower dividends is intensifying the demand for alternative assets that can deliver a reliable, repetitive and growing income. The wide availability of low cost debt, partially correlated to the 'lower-for-longer' promise, along with the re-emergence of inflationary pressures, continues to push demand towards real assets as capital seeks the combination of recurring cash flow and inflation protection.

Real assets typically benefit from strong collateral backed cash flows and these are highly attractive assets in today's backdrop. Consequently, there has been a migration from low yielding securities towards alternatives, which have become less alternative and are now a larger percentage of money managers' portfolios.

Amidst a bearish treasury market and a volatile equity market, there are green economic shoots taking hold. We believe that real estate will benefit disproportionately given its capacity to tap into both sides of the fixed income and equity spectrum. But smart investing will focus on structurally supported assets, credit strength as well as the reliability, sustainability and trajectory of income.

The strength and resilience of our own strategy is evidenced by our earnings and excellent rent collection. Collecting income is the bedrock of successful long term investing and, whilst many will focus on short term riches with higher risk strategies, we appreciate the true benefit of compounding lower risk and longer term returns. Everything worthwhile in investing comes from compounding and underestimation of persistent growth is a huge benefit to the patient investor.

Chief Executive's review



We continue to strengthen our income and the quality of our assets

Link to strategic priorities: 3 4

As I have said previously, each quarter of 2020/21 has felt like a year. As the pandemic ensued, we focused on ensuring that our balance sheet and cash flow were robust, maintaining our strong portfolio metrics and conservatively progressing developments.

Our assets have performed in line with or ahead of expectations. Rent collection was strong at 98% and this performance reflects the portfolio's resilience, the reliability of our income and the strength of our occupier relationships. Recognising the impact that the pandemic had on a few occupiers, we did offer rent free concessions in exchange for value enhancing asset management initiatives on 1% of our rent and forgave a further 0.4%. We also agreed some short term rental deferrals, all of which continue to be honoured.

Occupancy remains high at 98.7%, our gross to net income ratio of 98.6% continues to reflect our low operational costs and we continue to benefit from a high degree of contractual rental uplifts. During the year, we concluded 173 occupier initiatives, adding £5.3 million per annum of rent and delivering like for like income growth of 3.1%. Lettings were signed with a WAULT of 13.2 years, helping to increase the portfolio's WAULT from 11.2 years to 11.4 years.

We are pleased with progress at our developments. At Bedford, after successfully letting and completing phase one, we commenced the speculative build out of another 0.5 million sq ft and are in legals on letting 172,000 sq ft and in discussions on letting the last unit. At Tyseley, we also pre-let 120,000 sq ft to Amazon which will provide a state of the art last mile facility when it completes in the summer.

We continue to embed sustainability and high ESG standards across our activities driven by our own aspirations as well as those of our customers and occupiers. We maintained our GRESB green star over the year, formalised our Net Zero Carbon approach, installed further solar capacity at our properties and increased the proportion of the portfolio that is built to a BREEAM Very Good or Excellent standard.

We continue to benefit from our strong team and their relationships

Link to strategic priorities: 5 6

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

We maintain a highly rational and disciplined property approach, selling assets that don't meet our strict investment criteria and waiting patiently for attractive opportunities, even where this causes a short term disruption to our income. As a result, we continue to benefit from our decisions, as well as from some excellent execution and hard work across our investment and asset management teams.

Similarly, our finance team has performed strongly, delivering on our equity and debt strategy, as well as working closely with the property teams. £120 million of equity was raised through a significantly oversubscribed placing which enabled us to tap new and attractive investments that would seldom otherwise be available in a normalised market. Furthermore, we significantly refinanced £780 million of debt facilities which extended the maturity of our debt at attractive margins, further diversified our lending base and added a green financing framework to our borrowings.

Our response to the Covid-19 pandemic has focused on keeping our people safe and working closely with our occupiers and stakeholders. Our experienced team of 31 successfully and seamlessly transitioned to remote working and operated highly effectively in an intense period. It has been an amazing effort by all and reflects the strength of our team. Our recent employee survey again demonstrated our high levels of staff satisfaction, with all employees agreeing that they enjoy working at LondonMetric.

It was also pleasing to see that, despite the pandemic, we scored highly in our recent occupier survey, with an average score of 9.0 out of 10.0 for whether occupiers would recommend LondonMetric as a landlord. We will continue to put our occupiers at the forefront of our decision making.

Outlook

Despite a truly unprecedented year, lingering uncertainty and a fast changing environment, we believe that the macro backdrop is ideal for real estate, underpinned by almost zero interest rates, negligible bond yields and an ageing population.

It is clear that structural trends that have been accelerated by the pandemic are having a profound impact on future values across the sector with strategies that assume the world returns to its previous equilibrium severely disrupted. Therefore, in our view, continued access to reliable, repetitive and growing income requires investing in the winning sectors and the best credits.

This appreciation continues to frame our thoughts. Our pivot over the last eight years to logistics and long income has put us on the right side of change and getting the 'big' decisions right is fundamental to our strategy. But, in order to achieve sector leading returns, we are also conscious of making smart asset decisions and so, whilst many are motivated by 'fee driven' buying, we pride ourselves on process, discipline and rationality, opting to pass on supposedly 'unique' opportunities and instead focusing on quality.

Today, our £2.6 billion portfolio comprises a collection of excellent assets that offer reliable, predictable and growing income streams. Despite the recent strength in our capital values, we believe this is for all the right reasons; high occupancy, resilient cash flows and future rental growth.

For the time being, we think that pricing has further to travel and therefore, together with its strong income characteristics, we are optimistic about the portfolio's future performance. After all, when you own quality, time creates wealth.

We believe that a focus on quality, a strong personal alignment and an intense belief in the power of compounding will allow us to generate the best possible returns for the longest period of time and achieve our ambition to becoming a 'dividend aristocrat'.

An overview, purpose and strategy update

Responding to stakeholders during Covid-19

Graphic removed **Collaborate**

Occupiers

The uncertainty caused by the pandemic put operational and financial pressures on some of our occupiers. Despite this, our rent collection levels remained high, reflecting our close occupier relationships, ongoing dialogue with them during the difficult period and the operational importance of our buildings to their businesses.

Consequently, we provided appropriate and proportionate assistance to a small minority of our customers that were materially affected and most in need of short term cash flow help. This assistance took the form of monthly rather than quarterly rental payments, short term rental deferrals and rental concessions in return for asset management initiatives, namely lease extensions.

Whilst we had very few vacancies across our portfolio we were also able to offer short term and rent free accommodation to assist occupiers that were fulfilling contracts to help in the fight against the pandemic.

Despite the pressures that our occupiers faced, our recent occupier survey demonstrated that we saw no decline in occupier contentment with our average landlord recommendation score remaining high at 9.0/10.0.

Read more **page 57**

Investors

As a result of the pandemic, there was significantly greater investor engagement and requests for updates in the first quarter of the year.

Furthermore, in response to a number of potential property investment opportunities arising from the pandemic, there was further interaction in marketing our equity placing which we undertook to raise additional capital for imminent acquisitions.

In the year, we virtually met or spoke with 173 equity investors.

Read more **page 60 and pages 95 to 96**

Image removed

Logo removed

Contractors

Whilst we were on site with a limited number of projects at the early stages of Covid-19, it was clear that there were a number of risks that we had to carefully monitor and manage. In particular, we were conscious that the supply of labour and materials might be affected and that the Government might close construction sites.

As a business, we work hard to develop strong relationships with the contractors we appoint and the wider project teams. These relationships, together with incredibly hard work and commitment from our contractors ensured that we largely mitigated these risks and managed to keep projects broadly on time and within budget.

Read more **page 60**

Logo removed

Image removed

Communities

We set up a charities and communities committee to respond to Covid-19 and mainly target giving and support for communities local to our assets. Including contributions from the Board and other senior managers waiving salary, a fund of £127,000 was created, most of which has been spent on giving to causes such as local NHS trusts, foodbanks, care providers as well as national charities such as LandAid and Macmillan.

Read more **page 61**

People

Our initial focus was on keeping our people safe and seamlessly transitioning to remote working.

Our systems and processes allowed us to function highly effectively from home and we found that, despite it being an intense period, there was minimal disruption to our operations. In some ways, we were more productive than in the office and this is influencing our future set up as we look to more flexible working arrangements.

We also looked to bring all of our employees together through regular catch ups, remote charity and quiz events, online yoga sessions and weekly management communication.

The strength and closeness of our 31 strong team was reflected in the results of our employee survey where the company again scored highly.

Read more **pages 58 to 59 and pages 93 to 94**

The Board

The Board were kept regularly apprised of our operational performance and progress. In addition, they were specifically kept informed of our equity raise discussions, rent collection, acquisition pipeline and plans to speculatively build further warehousing at our Bedford project.

They were also involved in some of our charity fundraisings and, furthermore, agreed to waive 20% of salaries and fees for three months to add to LondonMetric's charitable funds.

Read more **page 81**

Board site visit 2021

Image removed

Our markets

Real estate is an attractive investment class underpinned by the search for income. Changes in consumer behaviour caused by technology have been accelerated by Covid-19 and this has resulted in an even greater polarisation of real estate sector performances. Owning the right real estate aligned to structural change has never been more important.

Structural trends in real estate

Image removed

Search for income intensifying

The pandemic has lowered interest rates further and ensured that they will inevitably stay lower for longer. Along with negligible bond rates and suppressed corporate dividends, this is intensifying the demand for alternative assets that can deliver reliable, repetitive and growing income.

There has been a migration from low yielding assets towards real assets such as property, which we believe is well placed to benefit from today's economic environment, particularly given its ability to provide an inflation hedge through rental uplifts.

Image removed

Demand for urban real estate increasing

As online adoption grows and consumer expectations rise, so the need for smaller warehousing space in urban areas increases to meet quicker and more accurate deliveries. Convenience stores complement online delivery as consumers seek to 'top up' shop locally in urban areas.

However, this demand for urban sites is competing with other alternative uses such as residential, student accommodation, car showroom and service stations as well as data centres. In an environment where the supply response is challenged, this is leading to strong underpinning of rents, real estate values and leading to high residual values.

Image removed

Technology continues to disrupt

Technology was already having a profound impact on consumer behaviour, but Covid-19 has accelerated these behavioural changes. Online retailing took a quantum leap with previously high barriers of entry toppled in weeks as consumers quickly realised the convenience, safety and security of online shopping.

Consequently, demand for logistics warehousing has remained strong at the expense of physical retail. Essential and convenience stores continue to complement online and these shopping formats are also seeing strong appetite from occupiers.

Image removed

Sustainability increasingly impacting decisions

Occupiers are increasingly conscious of the need to operate in more sustainable buildings as they work towards Net Zero Carbon goals. They are likely to consider sustainability factors to a far greater extent going forward when making leasing decisions.

Ensuring real estate is fit for purpose in the future requires buildings to be as energy efficient as possible, resilient to future climate change as well as encompassing technologies such as solar PV and battery storage.

Logistics

Strong investment volumes
Investment volumes for UK logistics in 2020 were strong at £9 billion, reflecting a resilient Covid-19 performance, strong sector dynamics and rotation of capital out of legacy real estate. The sector has benefitted from significant overseas money, an improved outlook for the UK following Brexit and a stronger than expected economy. Unsurprisingly, prime yields have compressed further.

Attractive demand/supply dynamics
2020 was another record year for take up at 43 million sq ft. Whilst a recent report estimated that new warehouse supply could double this year to 40 million sq ft, much of this is pre-let and absorbed by demand, as evidenced by vacancy rates which remain low at just ten months' supply. At the end of March 2021, a record 16 million sq ft of logistics was under offer, representing a 40% uplift on a year ago.

Urban logistics seeing strongest growth
Logistics continues to generate attractive rental growth but urban logistics is seeing the strongest rental growth due to a perfect condition of rising demand and falling supply with strong competition from more valuable alternative land uses. This is particularly the case around major conurbations, with the South East continuing to experience the highest rental growth.

Outlook remains highly supportive
It is clear that short term occupier requirements experienced during Covid-19 have turned into longer term needs as online penetration grows. 'Just in case' logistics infrastructures rather than 'just in time' strategies are adding to this demand. Whilst Brexit concerns have eased, supply chains are having to deal with new issues, primarily border related, which is increasing the need for localised inventory.

43m sq ft

2020 was a record year for take up at 43m sq ft compared to long term average of c.25m

16m sq ft

Record 16 million sq ft of logistics under offer at end of Q1 2021, 40% year-on-year uplift

Graphic removed

Long Income

50 bps

Prime long-let grocery yields compressed 50bps over the last year

Long income real estate in demand
Structurally supported long income assets with low operational requirements and let to high quality occupiers at yields 400bps higher than Government bonds are an attractive proposition and increasingly sought after. Driven by the pandemic, grocery stores in particular have seen significant investor demand with long-let grocery yields compressing 50 bps over the past year. Similarly, discount/essential stores long-let to strong credits have seen high investor demand, underpinned by their urban locations and relatively low rents.

Consumers valuing convenience
It is inevitable that the pandemic impact that grocery has benefitted from will subside. However, we believe that this impact will be most noticeably felt for large scale grocery. With a growing trend towards convenience and value, we expect that smaller store formats such as those occupied by Lidl, Aldi and Co-op will continue to benefit from structural changes in shopping. We also believe that investor appetite will continue to grow for similar convenience offerings such as petrol filling stations with convenience or coffee outlets attached.

Graphic removed

Creating value

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 wide access to capital markets. We also work closely with our joint venture partners to fulfil their business objectives.

Local communities
We recognise the importance of supporting and properly engaging with local communities. We work closely with local authorities, residents and businesses to ensure that our activities consider and bring benefits to local communities.

See the Responsible Business and ESG review **page 47**

See Our stakeholders **page 90**

The value we create

Our actions generate value and long term sustainable returns.

Total shareholder return outperformance (1yr)

+530bps

Outperformance against the FTSE 350 Real Estate Super Sector average

Total accounting return (1yr)

+16.7%

Over three years, we have delivered a total accounting return of 30.7%

EPRA EPS growth (1yr)

+2.8%

In the eight years post merger, EPRA earnings per share has grown from 3.9p to 9.52p per share

Dividend growth (1yr)

+4.2%

Sixth year of dividend progression

Sustainable improvements

+423k

Square feet of BREEAM Very Good/Excellent developments in the year

Community benefits

£127k

Covid-19 community fund

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 2021

13.4%

1,220 bps outperformance of IPD All Property

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Manage and enhance responsibly

We deliver real estate solutions that will help occupiers' businesses thrive. Our focus on ESG and Responsible Business is helping to grow and improve the quality of our income and the sustainability of our assets.

Additional income

+£5.3m

from occupier transactions in 2021

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

98.7%

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

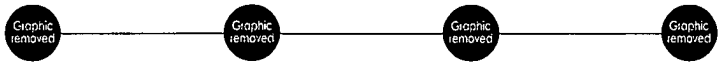
£123.3m

+6%

Creating value

Key performance indicators

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



1. Align portfolio to macro trends
2. Focus on long-let property with rental growth
3. Improve quality and sustainability of our assets and income
4. Enhance income and value through asset management and development
5. Remain rational and disciplined
6. Use the team's expertise and relationships
7. Generate reliable income with income growth
8. Strong focus on diversity and credit strength of occupier

Objective	Deliver long term shareholder returns	Maximise long term total accounting return	Maximise property portfolio returns
	Graphic removed Graphic removed Graphic removed Graphic removed	Graphic removed Graphic removed Graphic removed Graphic removed	Graphic removed Graphic removed
KPI	Graph removed	Graph removed	Graph removed
Performance	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the eight years post merger was 196%, over three times that of the FTSE 350 Real Estate Super Sector index movement of 59%. 12 month TSR delivered 28.7% compared to the FTSE 350 Real Estate Super Sector return of 23.4%.	Total Accounting Return ('TAR') of EPRA net tangible assets per share movement together with dividend paid in the year. 12 month TAR delivered a return of 16.7%. The full calculation can be found in Supplementary note viii on page 180.	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD. 12 months TPR delivered a return of 13.4% compared to the IPD All Property benchmark of 1.2%.
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 2017 LTIP award vested in full in the year and the TSR component of the 2018 LTIP award is expected to vest in full. The three year TSR for the 2018 LTIPs was 40.9% compared to the FTSE 350 Real Estate Super Sector excluding agencies and operators of -11.5%.	Under the Remuneration Policy 37.5% of LTIP awards are subject to TAR growth compared with the FTSE 350 Real Estate Super Sector excluding agencies and operators. The TAR component of the 2017 LTIP award vested in full in the year and the TAR component of the 2018 LTIP award is expected to vest in full. The three year TAR for the 2018 LTIPs was 30.7% compared to the FTSE 350 Real Estate Sector excluding agencies and operators of -11.6%.	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.
2021/22 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.

See Financial review **page 40**

Risk management
The achievement of our seven KPIs is influenced by the identification and management of risks which might otherwise prevent the attainment of our strategic priorities.

The relationship between our principal risks, strategic priorities and KPIs is reviewed in the Risk management section.

See Risk management **page 64**

Remuneration
The table on page 123 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.

See Remuneration Committee report **page 116**

ESG and Sustainability
Our Responsible Business and ESG review on page 47 sets out our performance over the year including information on our Net Zero Carbon ambitions, green financing undertaken, EPC ratings, BREEAM rating on our portfolio and developments, carbon reduction performance and stakeholder engagement.

See Responsible Business and ESG review **page 47**

Deliver sustainable growth in EPRA earnings

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EPRA earnings per share from operational activities have grown by 2.8% over the last 12 months.

In the eight years post merger, EPRA earnings per share has grown by 144% from 3.9p to 9.52p 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 97% bonus payout.

25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 53% of the EPRA EPS component of the 2017 LTIP award vested in the year and 100% of the EPRA EPS component of the 2018 LTIP award is expected to vest.

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

Drive like for like income growth

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The movement in the contracted rental income on properties owned through the period increased by 3.1%.

Additional income was generated from asset management activity following lettings, regears and rent reviews of £5.3 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

Graphic removed

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Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 11.4 years as at 31 March 2021.

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

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Occupancy rate of investment portfolio at 31 March 2021 was 98.7%, reducing our vacancy to 1.3%.

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%.

A detailed analysis of our property activity

Overview

We invest in real estate that can deliver repetitive, reliable and growing income returns. Our actions aim to continuously improve the portfolio's quality, sustainability and income.

Image removed

We continue to focus on strengthening our portfolio metrics and are signing long leases and delivering good rental growth. Our portfolio delivered a strong total return in the year with very high levels of rent collection.

Mark Stirling
Asset Director

Occupancy (portfolio)

99%

WAULT (lettings)

13 years

Image removed

Our acquisition activity focused on urban logistics and long income. We believe these sectors continue to offer strong long term prospects with highly reliable income and income growth.

Valentine Beresford
Investment Director

Acquisitions & Disposals

£404m

WAULT (acquisitions)

17 years

Delivering strong total property returns, driven by distribution

Over the year, the portfolio delivered a strong total property return of 13.4%, significantly outperforming the IPD All Property index of 1.2%:

- Distribution delivered 18.3% with urban and regional seeing the strongest performance;
- Long income delivered 8.3%; and
- Offices delivered 0.3% and retail parks delivered 3.8%.

Outperformance was driven by both management actions and through capturing rental reversion which helped to deliver strong capital growth of 8.0%:

- Distribution delivered a 13.7% capital return; and
- Long income delivered a 2.6% capital return.

The investment portfolio's EPRA topped up net initial yield is 4.6% and the equivalent yield is 5.1% with a like for like valuation yield compression of 27 bps over the year.

ERV growth of 1.6% for the portfolio was driven by distribution which saw a 3.2% increase; urban logistics and regional distribution saw growth of 3.5% and 5.0% respectively, whilst mega was flat.

Very strong rent collection despite Covid-19

Despite the uncertainty caused by the Covid-19 pandemic, our assets have performed in line with or ahead of expectations which reflects their alignment to structurally supported sectors.

Our rent collection during the year was strong, with 98.1% of rent demanded in the year collected. We did, however, recognise the negative impact that the pandemic has had on a few of our occupiers and offered rent free concessions in exchange for value enhancing asset management initiatives on 1.1% of our rent. In addition, we forgave a further 0.4% leaving just 0.4% of rent unpaid.

Our collection rates for the first quarter of the new financial year are equally strong and we have collected 99% of March quarterly and monthly rents due.

Most of the rent that remains unpaid relates to companies in administration, some of which is associated with a property where we are obtaining vacant possession for a new letting to Lidl.

Of the total rent demanded in the year, £1.5 million is subject to deferred payment arrangements, all of which are being honoured.

Our portfolio metrics continue to reflect our focus on income

The portfolio's WAULT increased from 11.2 years to 11.4 years, continuing to provide good income security with only 8.4% of income expiring within three years.

Occupancy remains high at 98.7% and our gross to net income ratio of 98.6% continues to reflect the portfolio's very low operational requirements.

In the year, we undertook 173 occupier initiatives adding £5.3 million per annum of rent and helping to deliver like for like income growth of 3.1%. These consisted of:

- Contractual rental uplifts which apply to 57% of our income, where 46 fixed and RPI linked reviews were settled delivering £0.5 million of increased rent at an average of 8% above passing on a five yearly equivalent basis;
- Open market rent reviews, where 26 reviews were settled delivering £1.0 million of increased rent at an average of 18% above passing on a five yearly equivalent basis; and
- Leasing activity, where we signed 101 new leases and regears, mostly on urban logistics, delivering £3.8 million of increased rent with a WAULT of 13.2 years.

Post year end, we are in legals and discussions on lettings, which represent an additional £4.4 million per annum of rent, mainly relating to our Bedford Link development.

Total property return

Graph removed

1	All property	13.4%
2	Distribution	18.3%
3	Long income	8.3%

Rent collection for FY 2021

Graph removed

1	Collected	98.1%
2	Asset Managed	1.1%
3	Forgiven/unpaid	0.8%

Lease expiry profile

Graph removed

1	0-3 years	8.4%
2	4-10 years	34.5%
3	11-15 years	26.6%
4	16-20 years	21.6%
5	> 20 years	8.9%

A detailed analysis of our property activity

Overview

Investment activity continues to improve the portfolio's quality and resilience

In the year, we acquired £245 million of assets. Over half were urban logistics with the remainder primarily grocery-led convenience and roadside properties.

These properties are let to strong credits for an average of 17.1 years and acquired at a NIY of 4.6% and a reversionary yield of 5.1%, with 87% of income subject to contractual rental uplifts. Reflecting our geographical focus, 53% of acquisitions were in London and the South East and a further 21% were in the Midlands.

Post year end, we have acquired a further £68 million of urban warehousing and long income properties.

Disposals in the year totalled £159 million and were at a NIY of 5.7%. The assets had a WAULT of nine years and offered less certainty of income and rental growth.

Long income assets accounted for just under half of total disposals, whilst urban logistics accounted for c.40% of total disposals. Whilst we continue to build our urban portfolio, we are prepared to sell where the market's future return expectation exceeds ours.

The balance of our disposals related to non core assets and consisted of:

- Two offices in Bristol and Birmingham let to Regus and Highways England which were let for a further nine years;
- Two retail assets in Kings Heath, Birmingham and the Isle of Man; and
- Four residential flats.

Post year end, we have sold a further £22 million of properties consisting of:

- Two long income assets for £12 million; and
- An office for £10 million let to Beiersdorf in Birmingham which completes in September.

We have now sold 12 former Mucklow assets for £62 million, including nearly half of the Mucklow office portfolio. These properties delivered a total annualised return of 10.6% since acquisition.

Continued alignment to structurally supported distribution and long income

Assisted by a strong capital performance and further net investment into the sector, our distribution platform increased in value to £1,829 million, representing 70.8% of the portfolio and up from 69.8% last year.

The urban logistics sector is our key conviction call and is our largest weighting, representing 38.5% of the portfolio. Over the year, our weighting to mega distribution fell further to 13.6%, due to the completion of a mega warehouse sale that exchanged in the prior year.

Long income increased slightly to represent 24.5% of the portfolio, following the significant net investment into grocery and roadside assets, with this sub-sector now dominating our long income exposure.

The remaining 4.7% of the portfolio is deemed non core and split between eight offices, five retail parks and four London residential flats.

Including post year end activity, distribution now represents 72% of the portfolio, long income represents 24% and the remaining non core assets account for 4%.

£2.6bn portfolio

Graph removed

1	Urban Logistics	38.5%
2	Regional Distribution	18.7%
3	Mega Distribution	13.6%
4	Long Income	24.5%
5	Retail Parks	2.9%
6	Offices & Residential	1.8%

Investment activity in the year

Graph removed

1	Urban Logistics	£123.5m
2	Long Income – Grocery & Roadside	£107.6m
3	Long Income – Other	£14.2m

Graph removed

1	Urban Logistics	£66.6m
2	Long Income – Grocery & Roadside	£19.5m
3	Long Income – Other	£55.0m
4	Office & Residential	£12.4m
5	Retail Parks	£5.4m

* Includes £35.7 million of acquisitions, predominantly urban, that exchanged in the year but that complete post year end

** Excludes £64.4 million of disposals, predominantly larger box distribution, that exchanged in the previous year but completed in the year. Includes £15.2 million of disposals that exchanged in the year but completed post year end

We continue to focus on income diversification and occupier credit

Our investment and asset management actions over a number of years have increased the resilience of our portfolio by not only investing in structurally supported sectors but also by improving our income's diversification, granularity and security. We are very mindful of the credit strength of our occupiers and this focus has been reflected in our strong rent collection.

We have a diverse occupier base by type of activity:

- Third Party & Retail Logistics accounts for 37% of income;
- Business Services & Trade accounts for 32%, spread across a broad range of sectors;
- Grocery & Roadside accounts for 12%
- Electrical, Home & Discount Stores account for 12%; and
- Leisure & Other sectors account for 3% and 4% respectively.

Our top ten occupiers represent 36% of contracted income, compared to 36% in 2020 and 51% in 2019. In the year, we significantly increased our exposure to Amazon and Waitrose who are two of our ten largest occupiers.

Contracted rent increased over the year from £123.3 million to £124.3 million which, together with post year end investment activity, rises to £126.5 million.

Our latest occupier survey again demonstrated strong contentment

Our occupier survey was carried out in March 2021 and we received very good feedback despite the difficult economic backdrop.

Our top occupiers numbering 89 and representing over 80% by income were contacted and responses were received from occupiers representing 55% of income.

We scored an average of 9.0 out of 10.0 in terms of whether occupiers would recommend us as a landlord, with our top 15 occupiers scoring us higher at 9.3.

In terms of how well our properties meet our occupiers' needs, we scored 8.3 out of 10.0 which shows an increase on our 2019 and 2018 survey scores.

Occupier base by type of occupier (% of rental income)

Graph removed

1	**Third Party & Retail Logistics**	**37%**
	Third Party Logistics / Parcel	14%
	Online & Omni Retail	14%
	Store only Retail	9%
2	**Business Services & Trade**	**32%**
	Manufacturing & Packaging	13%
	Aerospace, Auto & Transport	5%
	Building, Trade & DIY	4%
	Food, Healthcare & Chemicals	4%
	TMT	4%
	Education	2%
3	**Grocery & Roadside**	**12%**
	Grocery	8%
	Roadside	4%
4	**Electrical, Home & Discount Stores**	**12%**
	Electrical & Home	9%
	Essential/Discount	3%
5	**Leisure & Other**	**7%**
	Leisure	3%
	Other	4%

Top ten occupiers (%)*

Graph removed

Income from top ten occupiers

36%

2020: 36%
2019: 51%

* Excludes income from post year end sales

Overview

We continue to improve our ESG focus, particularly on environmental matters

Our aim is to minimise the environmental impact of our business, maximise energy efficiency and improve the resilience of our properties. We recognise the importance of a comprehensive ESG focus and each year set specific corporate targets.

As part of our environmental focus, during the year, we:

- Extended ESG related personal objectives for all employees;
- Established a Net Zero Carbon framework; and
- Put in place £450 million of debt facilities with a green financing framework that specifically targets building improvements.

Over the year, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey. Our score of 65% continues to compare favourably against the peer score of 61% and is significantly up from the 34% achieved in 2014.

We also maintained our:

- BBB rating by MSCI;
- Gold Award by EPRA sBPR; and
- Inclusion in the FTSE4Good Index.

Further reporting on ESG is provided on **pages 47 to 63**

Our Net Zero Carbon ('NZC') framework

We set three specific NZC ambitions as part of our longer term target of becoming NZC well before the UK's target date of 2050. These ambitions will be refined regularly to meet latest industry guidance.

Graphic removed

1. Our operations will be net zero by 2023

Operationally, we continue to make good progress and have achieved an 88% reduction in our absolute landlord energy consumption since 2015 with significant like for like energy reductions also achieved.

We will continue to implement further reductions where possible and ensure that our energy supplies are all from renewable sources, aligned to industry procurement best practice. Furthermore, by 2023, we have committed to offset residual carbon to ensure our operations are NZC.

Graphic removed

2. We will continue to reduce emissions from development activity and new developments will be NZC by 2030

Our development activity continues to focus on building highly efficient buildings. All of our large completed developments in the year were certified as BREEAM Very Good or Excellent and our major developments on site at Bedford Link and Tyseley are also expected to be BREEAM Excellent.

As part of our efforts to reduce carbon on developments, we are measuring embodied carbon and challenging our supply chains to minimise waste and select low carbon materials.

At Bedford Link, we have reduced embodied carbon over the different phases of development. We have looked to learn from the build out of phase one and this learning is expected to generate a c.25% reduction in embodied carbon from on site carbon reduction measures and amendments to material specification.

750 kW of solar PV capacity is envisaged across units 1 and 2.

From 2022, we will introduce shadow carbon pricing on select flagship developments such that carbon is either offset or an equivalent value is reinvested into green initiatives.

Graphic removed

3. We will assist occupiers to help them meet their NZC targets and, from 2035, we will offset any of their residual carbon

As part of our drive to upgrade the quality of our assets, we continue to explore and progress energy efficiency initiatives including solar PV, LED lighting upgrades, roof works and electric vehicle charging.

In our recent occupier survey, 73% of occupiers have now upgraded LED lighting installed. This level is higher than our own data suggested and reflects the quick payback achievable from LEDs, where in some cases energy consumption has been reduced by up to 40%.

Our activity in the year has increased the proportion of assets built to a BREEAM Very Good or Excellent standard from 20% to 26%. We have also increased the proportion of our assets with an EPC 'A - C' rating from 71% to 74%. Furthermore, 1.5 MW of solar PV was added with further solar opportunities identified.

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings we own. An important part of this focus is measuring emissions from all occupiers and, in the year, we increased occupier energy data coverage to over 40%.

From 2035, we will aim to offset any occupier residual carbon at our buildings.

GRESB

Green Star maintained

Net Zero

Carbon framework set in the year

26%

Percentage of assets BREEAM Very Good/Excellent

A detailed analysis of our property activity

Distribution

Our warehouses provide critical infrastructure to our occupiers and continue to benefit from attractive supply/demand dynamics.

Overview

Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, we increased our exposure to distribution over the year from £1,638 million to £1,829 million. As at 31 March 2021, this sector accounted for 70.8% of our overall portfolio with urban logistics the largest sub-sector weighting.

The average WAULT on these assets is 11 years, which is unchanged over the year. Occupancy remains high at 98.1%, also unchanged from the previous year, with all of our regional and mega assets now fully let and just 3.3% vacancy on our urban assets.

Our distribution assets performed well over the year, delivering a total property return of 18.3% and driven by strong yield compression, rental growth and further gains on development activity.

Urban and regional delivered strong returns of 20.1% and 17.3% respectively, whilst mega distribution delivered a return of 14.8%.

With stronger organic rental growth in urban logistics, we continue to prefer inflation linked/fixed rental uplifts on our larger box assets and open market rent review on our urban assets.

Increased alignment to urban logistics

In urban logistics, rental growth remains strongest, driven by severely restricted supply and strong occupier demand. Urban logistics has been our strongest conviction call and one that prompted our acquisition of Mucklow in 2019, which materially increased our urban platform.

Over the year, the value of our urban assets increased from £831 million to £994 million, accounting for 54% of distribution assets and totalling c.100 properties. At eight years, the WAULT on our urban assets is significantly lower than mega or regional, but these assets benefit from higher alternative use values and better income growth prospects, with average ERVs 9% higher than average passing rents of £6.90 psf.

All of our distribution investment activity in the year related to urban warehousing. Whilst strong investor appetite continues to reduce the number of compelling investment opportunities, we did acquire £124 million of long-let assets. Strong market pricing did, however, prompt us to sell £67 million of shorter let buildings in poorer geographies.

Including post year end activity, over 50% of our urban portfolio is now located in London and the South East with a further 34% in the Midlands.

Distribution Portfolio

As at 31 March 2021	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]	£993.7m	£483.5m	£351.9m
WAULT	7.9 yrs	13.1 yrs	15.2 yrs
Average rent (psf)	£6.90	£6.40	£5.70
ERV (psf)	£7.50	£7.30	£5.60
Topped up NIY	4.4%	4.0%	3.8%
Contractual uplifts	37%	76%	100%
Total property return in 2021	**20.1%**	**17.3%**	**14.8%**

1 including developments

Distribution Portfolio[1]

Graph removed

1	Urban Logistics	54%
2	Regional Distribution	27%
3	Mega Distribution	19%

1 Including developments

Image removed

A detailed analysis of our property activity

Distribution

Distribution investment activity

Acquisitions

All Urban Logistics

£124m

12 assets with a WAULT of 16 years

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Post year end £53.1 million of urban logistics was acquired, including:

- 115,000 sq ft for £43.8 million, let to Reynolds for 23 years in Waltham Cross.
- 28,000 sq ft for £5.3 million, let to HTC Group for four years in Croydon.
- 19,000 sq ft for £3.0 million, let to Deralam Laminates for four years in Dunstable.

Image removed

137,000 sq ft new urban warehouse

Acquired for £20.5 million and let for 15 years to LSE Group Holdings, the UK's largest pure online retailer of home lighting. It has a low site density and is well located in Irlam, Manchester, between the M60 and M6. Built to a BREEAM Very Good standard.

Image removed

122,000 sq ft new urban warehouse

Acquired for £18.1 million and let for 15 years to ERIKS, with whom LondonMetric has a strong existing relationship. It is well located in Oldbury close to J2 of the M5. Built to a BREEAM Very Good standard.

Other acquisitions

- 73,000 sq ft of warehousing acquired for £10.4 million and let mainly to IKEA for 6 years in Warrington.
- 66,000 sq ft warehouse acquired for £23.9 million and let to TalkTalk for 26 years in Milton Keynes, near the city centre.
- 46,000 sq ft new warehouse acquired for £5.5 million and let to Heartbeat Manufacturing for 16 years in Redditch; built to BREEAM Very Good standard.
- 42,000 sq ft warehouse acquired for £7.3 million and let to Speedy Hire for 10 years in Milton Keynes.
- 37,000 sq ft of vacant warehousing acquired for £13.5 million in Streatham and Brent Cross, London, with c.75% pre-let for 20 years to Jacuna Kitchens, a dark kitchens operator.
- 32,000 sq ft warehouse acquired for £10.9 million and let at a rent of £13.40 psf to Ocado for 8 years in Walthamstow.
- 20,000 sq ft warehouse acquired for £7.7 million and let to Ford for 15 years in Alperton, London near Park Royal.
- 14,000 sq ft highly reversionary warehouse acquired for £3.2 million and let to Royal Mail in Epsom for 5 years.
- 7,000 sq ft highly reversionary warehouse acquired for £2.5 million and let for 15 years in Colliers Wood, London.

Disposals

All Urban Logistics

£67m

9 shorter let assets with WAULT of 8 years

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Logo removed

Logo removed

Image removed

500,000 sq ft portfolio disposal

Six distribution warehouses sold for £57.3 million in various locations including Worcester, Leamington Spa, Royston, and Huyton. The assets are let to Hamleys, CEVA, ITAB, Transmec and Grupo Antolin (an automotive supplier to JLR), and have a WAULT to first break of 7.5 years.

Other disposals

- 25,000 sq ft warehouse sold for £3.4 million in Edinburgh with three years left to break.
- 21,000 sq ft warehouse sold for £3.5 million let to Fenton Packaging in Hemel Hempstead with a WAULT of less than a year.
- 12,000 sq ft warehouse sold for £2.4 million in Birmingham with a WAULT of less than a year.

Urban logistics acquisitions in Oldbury

LondonMetric acquired the unit in Oldbury, Birmingham, for £18.1m in the year. It is let on a 15 year lease to ERIKS, an international industrial service provider with whom we have a strong existing relationship.

Located in a highly urban area between two major motorway junctions on the M5 in Oldbury, it provides excellent transport links.

The warehouse will have one of the most advanced management systems in the UK.

Image removed

122,000 sq ft urban logistics warehouse

The unit is a 122,000 sq ft warehouse built on a six acre site. It is newly constructed, has 12 dock level doors and two level access doors with an extensive yard and Grade A office space.

Completed at the start of 2021, ERIKS are fitting the building out and it is expected to be operational in summer 2021. ERIKS will use the warehouse for their new industrial fulfilment hub, supporting customers in the UK and Ireland. It will also act as their new UK HQ into which they are consolidating their operations.

The building is built to a BREEAM Very Good specification, has 10% natural roof lights and four electric charging points.

ERIKS will pay a rent of £6.50 psf which is subject to five yearly annually compounding RPI uplifts between 1% and 3%.

Highly automated building

ERIKS have committed to a multi-million pound investment in an automated stock inventory system and racking with the latest warehouse management technology which will control automated vertical picking systems, rapid transit conveyors and integrated vision and weighing equipment.

30%
reduction in pick times

Intelligent inventory management

Graphic removed

4.0
Industry 4.0 enabled

110%
increase in productivity

Graphic removed

Delivering significant productivity

This system will dramatically increase capability to fulfil deliveries with accuracy, greater speed and efficiency and ERIKS' goal is to deliver 100% pick accuracy, with full traceability.

The robust 'I4.0' configured IT infrastructure with real-time monitoring will significantly increase productivity by 110%.

The new computerised system will offer customers far greater visibility of orders, from sale through to delivery,

400
metres of high speed conveyors

3x
the traceability

Graphic removed

1 Goods scan-in and weigh-check
2 Pick scan-check at multiple stages
3 Pack scan and weigh-check

21
automated vertical lifts

A detailed analysis of our property activity

Distribution

Distribution asset management activity

Distribution lettings and regears

Distribution lettings and regears in the year were signed on 1.1 million sq ft. These deals added £4.2 million per annum of income, with a WAULT of 9.8 years and incentives equivalent to four months' rent free.

New lettings were signed on 0.5 million sq ft adding £4.0 million per annum of rent with a WAULT of 9.6 years. All deals apart from one were on urban warehouses and included:

- 141,000 sq ft to Pets at Home at our previously vacant regional warehouse in Stoke;
- 120,000 sq ft to Amazon at our Tyseley development where they have signed a 15 year pre-let;
- 38,000 sq ft to Network Rail at Star Gate in Birmingham;
- 34,000 sq ft to online pharmacy Echo at a recently refurbished property in Greenford;
- 30,000 sq ft to National Grid at Nexus Point in Birmingham, where we have relet a vacant and recently refurbished warehouse on a ten year lease; and
- 16,000 sq ft to Nicoman at our completed development at Tyseley.

Regears were signed across 0.6 million sq ft generating additional income of £0.2 million per annum and increasing the WAULT from six years to ten years. These regears included:

- 78,000 sq ft in Thorne;
- 70,000 sq ft in Barton;
- 51,000 sq ft in Ashby-de-la Zouch;
- 49,000 sq ft at Star Gate in Birmingham;
- 48,000 sq ft in Fareham, where we also settled a rent review;
- 41,000 sq ft in Milton Keynes; and
- 35,000 sq ft in Wednesbury.

Distribution rent reviews

Distribution rent reviews in the year were settled across 3.0 million sq ft, adding £1.2 million per annum of income at 12% above previous passing rent*. These consisted of:

- 23 urban reviews settled at 15% above passing rent*, with open market reviews achieving 17% uplifts on average;
- Three regional reviews settled at 19% above passing rent*, with two open market reviews settled with DHL and Royal Mail achieving 27% uplifts; and
- Two mega reviews, both contractual uplifts, settled at 8% above passing rent*.

Unsurprisingly, open market rent review increases in urban logistics were strongest in London and the South East at an average uplift of 28% and as high as 39%.

- On a five yearly equivalent basis

Distribution lettings and regears
(Additional Income p.a.)

+£4.2m

Distribution rent reviews
(Additional Income p.a.)

+£1.2m

Key occupier activity

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Distribution rent review uplifts (%)

Graph removed

Letting at our urban logistics development in Tyseley

Phase 2 overview

120,000 sq ft

Pre-letting to Amazon

Our Tyseley development was acquired through the purchase of Mucklow in 2019. 135,000 sq ft of urban logistics was developed as part of phase one and completed in summer 2019, leaving further development potential of up to 180,000 sq ft on the remaining six acres.

In December 2020, we agreed a pre-let on the site to Amazon for a new 15 year lease. Amazon required significant room for vehicle parking and movement which significantly reduced the warehousing space to 120,000 sq ft, representing a very low site cover of 24%. In return for a lower rentalised area, they agreed a higher rent.

Rent is £1.6 million per annum, inflation linked, delivering a yield on cost of 6.0%.

Logo removed

Amazon's new 'last mile' delivery station

- Will serve customers based in the Birmingham area.
- Create more than 60 permanent jobs, in addition to hundreds of driver opportunities.
- Packages will be shipped to this delivery station from neighbouring Amazon fulfilment and sortation centres, loaded into delivery vehicles and delivered to customers.
- The development has sufficient available power to support a full Electric Vehicle delivery fleet which aligns with Amazon's plans to build the most sustainable transportation fleet in the world.

Building features

The development is expected to complete and be fully operational in summer 2021 and is expected to have the following features:

- BREEAM Excellent building;
- Solar PV with 105 kW capacity;
- Space for 341 vans, all with future EV charging capacity;
- 126 staff parking spaces; and
- 40 cycling spaces.

Location

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

Image removed

A detailed analysis of our property activity

Long income

Our long income assets offer long dated income with income growth aligned to grocery, roadside, trade and essential/ discount shopping.

Our long income assets are typically single tenant assets with low operational requirements that are benefitting from the changes in the way people live and shop. They are insulated from structural dislocation, predominantly focused on grocery, wholesale, roadside services, discount and essential retail, trade and DIY.

The value of our long income assets is £635 million, representing 24.5% of our portfolio. They are 100% let to strong occupiers with a WAULT of 14.2 years, average rents of £15.60 psf and a topped up NIY of 5.4%. Average asset size is c.£5 million with 63% of income subject to contractual rental uplifts.

Long income portfolio split[1]

Graph removed

1	Grocery & Roadside	45%
2	NNN Retail	28%
3	Trade, DIY & Other	19%
4	Leisure	8%

Long income portfolio breakdown

As at 31 March 2021	1 Grocery & Roadside	2 NNN Retail	3 Trade, DIY & Other	4 Leisure[2]
Value[1]	£285.4m	£175.7m	£122.0m	£52.1m
WAULT	16.5 years	9.8 years	14.1 years	20.8 years
Average Rent (psf)	£18.40	£20.70	£8.50	£17.10
Topped up NIY	4.7%	6.5%	5.0%	6.2%
Contractual uplifts	89%	29%	52%	100%
Total property return in 2021	**7.9%**	**10.0%**	**14.1%**	**-13.8%**

1 Including developments

2 Leisure consists of five out of town cinemas let to Odeon and one Premier Inn hotel

Grocery & Roadside

Grocery-led convenience forms c.70% of this segment with the remainder made up of convenience stores with attached petrol filling stations, drive through coffee outlets and automated car washes, all located in high density urban areas. We have been significant net acquirers in this segment.

Key occupiers

Aldi	Euro Garages
BP	Lidl
Co-op	M&S
Costco	Waitrose

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NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 49% of the assets are located in London and the South East, with the largest located in New Malden, London. These assets typically benefit from high alternative use values.

Key occupiers

B&M	Halfords
Currys PC World	Home Bargains
DFS	Pets at Home
Dunelm	The Range

Image removed

Trade, DIY & Other

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

Key occupiers

Howdens	Safestore
Jewson	Selco
Kwik Fit	Topps Tiles
MKM	Wickes

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Long income investment activity

Acquisitions – £121.8 million

£121.8 million of long income assets were purchased at a NIY of 4.9% and a reversionary yield of 5.3%. They were mainly grocery and roadside assets, had a WAULT of 18.3 years and mostly benefitted from contractual rental uplifts.

They have strong residual value supported by alternative use, principally residential and, in some cases, the vacant possession value is above the purchase price.

Grocery acquisitions consisted of:

- £62.0 million sale and leaseback portfolio let to Waitrose in Keynsham, Malmesbury, Paddock Wood, Towcester and Yateley. The assets are also used for online fulfilment; and
- £5.9 million M&S Food Hall development in Derby.

Convenience service station acquisitions consisted of:

- £12.5 million portfolio of four Co-op assets in Basingstoke, Dagenham and South Wales;
- £10.8 million portfolio of BP/M&S assets in Brentwood, Pevensey and Lewes;
- £5.4 million sale and leaseback of two London assets let to TG Convenience;
- £5.0 million Co-op asset in Lymington;
- £4.0 million asset let to MFG in Worcester; and
- £2.0 million asset in Rushden let to Euro Garages with a drive through Starbucks.

Other acquisitions included:

- £9.6 million sale and leaseback portfolio of five London service centres let to Kwik Fit; and
- £4.6 million Wickes store in Wigston.

Disposals – £74.5 million

£74.5 million* was sold at a NIY of 5.6% and with a WAULT of 10.9 years, consisting of:

- An asset in Leicester predominantly let to B&Q, sold for £26.3 million;
- M&S food stores in Haslemere and Ferndown, sold for £14.7 million at a NIY of 4.0%;
- 13 Kwik Fit service centres, sold for £10.8 million at yields c.100bps better than paid at purchase;
- Two Wickes stores in Derby and Halesowen, sold for £9.9 million;
- A NNN retail asset in Llanelli, sold for £9.2 million (LondonMetric share: £4.6 million);
- An Aldi store in Hull, sold for £4.1 million;
- A Matalan unit in Leicester, sold for £3.4 million; and
- An IMO car wash, sold for £0.7 million.

7.4 years

WAULT arbitrage on investment activity

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Post year end, £14.9 million of assets were acquired at a NIY of 6.0% and with a WAULT of 11 years. They consist of a Range store in Truro for £6.6 million, a portfolio of Halfords Autocentres for £5.8 million and a trade park in Bognor Regis for £2.5 million. We have also disposed of £12.2 million with a WAULT of 9 years, consisting of an M&S Foodhall in Derby and a NNN Retail asset in North Shields.

* The properties in Leicester, Halesowen and Hull, along with three of the Kwik Fits were sold as a £40.9 million portfolio to Realty Income. Combined, they delivered an ungeared IRR of 8% pa and were sold at a 7% premium to book value.

Long income – asset management activity

Lettings and regears

In the year, we signed 11 deals with an overall WAULT of 21.1 years.

Ten of the deals were regears where leases were extended by five years to 21 years:

- On our five Odeon cinemas, in response to the pandemic, we agreed to extend leases by four years in return for a rent free period;
- On our NNN retail portfolio, we signed ten year lease extensions on three of our six DFS stores in exchange for a rebase of the rent. These assets were historically over rented and the new 19 year term certain significantly extends our security of income; and
- On two Co-op stores, we signed a nine year lease extension. which lengthens the leases on those properties to 20 years.

We signed one new lease with Lidl for 25 years at our repositioned asset in Orpington.

Rent reviews

Rent reviews were settled on 39 assets in the year generating an uplift of £0.3 million at 9% above previous passing on a five yearly equivalent basis.

Nearly all of these reviews were RPI or fixed uplifts, mostly relating to our Grocery and Roadside assets.

21.1 years

WAULT on regear and letting activity

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A detailed analysis of our property activity

Developments

In the year, we completed 445,000 sq ft of developments representing £3.2 million of additional rent per annum at a yield on cost of 5.9%. A further 470,000 sq ft is under development that is expected to generate £4.1 million of additional rent per annum, reflecting a yield on cost of 7.3%.

Completed in the year	Area sq ft '000	Income £m	Yield on cost %
Croda, Goole (funding)	232	1.3	5.2
Bedford (Unit 2)[1]	172	1.3	7.3
Wallingford (funding)	22	0.3	5.0
Weymouth (Aldi)	19	0.3	5.7
Total	**445**	**3.2**	**5.9**
Under construction at year end			
Bedford (Unit 1)[1]	350	2.5	8.5
Tyseley (Phase 2)	120	1.6	6.0
Total	**470**	**4.1**	**7.3**

1 Anticipated yield on cost and rents.

Croda funding

Completed development in the year of a 232,000 sq ft distribution warehouse pre-let to Croda for 20 years which was forward funded. The building is BREEAM Very Good.

Bedford - Unit 1

We are in discussions on a pre-let of the unit. The building is expected to complete in Q4 2021 and be BREEAM Excellent, with a 500kW solar PV scheme envisaged.

Bedford - Unit 2

Construction completed of a 172,000 sq ft distribution warehouse. We are under offer on a pre-let with an ecommerce packaging company on a long lease. The building is BREEAM Excellent, with a 250kW solar PV scheme envisaged.

Tyseley

Construction underway of a 120,000 sq ft distribution warehouse. The warehouse has been pre-let to Amazon on a new 15 year lease with inflation linked rent reviews. The building is expected to be BREEAM Excellent and a solar PV scheme is envisaged. Completion of the building is expected in summer 2021. The warehouse has a low site cover of 24% and forms part of a wider scheme which extends to over 250,000 sq ft.

Weymouth

A 19,000 sq ft convenience store let to Aldi completed in July 2020. The building is BREEAM Very Good and a 11kW solar PV system was installed. There is further development potential at the site of up to 70,000 sq ft.

Wallingford funding

We completed the forward funding development of a 22,000 sq ft trade counter in Wallingford let to MKM and Howdens with a WAULT of 18 years. The building is BREEAM Good.

Completed in year

445k sq ft

In construction

470k sq ft

Other smaller redevelopment opportunities

Many of our long income assets are well located in suburban locations with strong alternative use, such as residential, and have the potential to be repurposed over time. We continually look to upgrade existing long income assets and exploit potential opportunities.

Near term developments include reconfiguration of:

- A 51,000 sq ft long income NNN retail asset in New Malden, London, which is predominantly let to Dixons and where planning has been received to accommodate an additional convenience food store;
- A 48,000 sq ft asset in Orpington, London, previously let to Carpetright, where we have agreed a new 25 year lease with Lidl to accommodate them alongside a smaller Carpetright unit. Planning has been received and works have commenced; and
- A 32,000 sq ft long income trade asset in Ashford, Surrey, where we are securing vacant possession and where planning is in progress to accommodate an additional store let to Lidl on a 25 year lease.

Logo removed

Building on the success of Phase 1

Following the completion of Phase 1 in 2019, where 188,000 sq ft of urban warehousing was built and let, we started construction of a further 0.5 million sq ft.

At the start of the year, despite Covid-19, along with our development partner Graftongate, we commenced speculative construction of Unit 2, totalling 172,000 sq ft. In taking that decision, we took confidence from the strength of the occupational market and the very low availability of comparable warehousing nearby. At the same time, we commenced enabling works for the final and larger Unit 1.

As occupational demand increased further over the year, we decided to speculatively develop Unit 1 as well, which totals c.350,000 sq ft of warehousing and completes construction in Q4 2021.

Construction of Unit 2 completed in February and is under offer to an ecommerce packaging company on a long lease and we expect to conclude that letting shortly.

Delivering a high quality logistics park

Once complete, this will be one of our flagship assets totalling 0.7 million sq ft of five high quality BREEAM Very Good or Excellent buildings. It is expected to generate £5.2 million per annum of rent and deliver a yield on cost of 7.5%.

Throughout, our contractor Winvic, along with the wider project team, have performed to very high standards with excellent community engagement. They have also helped us to advance our Responsible Business credentials, with a c.25% expected reduction in carbon from the development of Unit 1 and Unit 2, the planned installation of solar PVs and electric vehicle charging. This should facilitate our occupiers to deliver net zero carbon at the building.

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A review of our financial performance

Financial review

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Our financial results this year are exceptionally strong, with IFRS reported profit of £257.3 million and EPRA earnings per share increasing 2.8% to 9.52p.

We were delighted with the support of investors, as both our £120 million equity placing and £380 million private placement were significantly oversubscribed.

Martin McGann
Finance Director

The Covid-19 pandemic has dominated every aspect of our business and personal lives this past year. Our employees, tenants and other stakeholders have all faced unprecedented challenges with enforced lockdown restrictions impacting the way we live and work.

Despite this backdrop, we are reporting another very strong set of results reflecting both earnings and NAV progression, which is testament to our resilient portfolio, considered investment decisions and proactive asset management actions. Our banking relationships have helped us agree new debt facilities and refinance existing short dated unsecured loans.

EPRA earnings per share increased by 2.8% to 9.52p, driven by a 6.4% increase in net rental income and a 13.8% reduction in net finance costs. Earnings growth includes a full year's contribution from the A&J Mucklow Group, which we acquired in June 2019.

Rent collection has been a key priority and our collection rates have been exceptionally good, with 98.1% of rent due in the year collected.

We have continued to pay a dividend throughout the pandemic and to grow the total dividend. Our dividend for the year of 8.65p is 1.1 times covered by EPRA earnings and represents a 4.2% increase over last year.

IFRS reported profit is £257.3 million compared to a loss of £5.7 million last year and is predicated on a very strong portfolio performance and revaluation uplift of £173.7 million. The reported loss last year included one-off costs relating to the Mucklow acquisition of £57.2 million and a revaluation loss of £12.0 million.

IFRS net assets have increased by 20.9% to £1,731.3 million. Our portfolio continues to be well positioned to weather any ongoing disruption, with 95.3% of our assets in the structurally supported logistics and long income sectors.

EPRA has introduced new reporting metrics for net asset value this year and we have adopted EPRA net tangible assets ('NTA') as our primary measure and key performance indicator to replace EPRA net asset value. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

EPRA NTA per share increased 11.7% this year to 190.3p (2020: 170.3p per share).

Our financial position was strengthened by the £120 million equity placing in May 2020, which alongside asset disposals and the portfolio revaluation gain, has helped to reduce LTV to 32.3% (2020: 35.9%).

This level of gearing provides flexibility to take advantage of investment opportunities whilst maintaining significant headroom under banking covenants.

Post year end in April, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. The placement, which was upsized from an initial £150 million due to demand, has a blended maturity of 11.1 years, coupon of 2.27% and a £50 million tranche that is subject to a green use of proceeds framework.

Also in April, we entered into two new revolving credit facilities with three and five year terms for £225 million and £175 million respectively, both of which incorporate a green framework.

Taken together with the placement, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity. Our debt maturity has lengthened from 4.2 years at the year end to 8.2 years and our hedging has increased from 45% at year end to 83%.

Following the refinancing, we have substantial headroom of £338 million (2020: £220 million) and our average debt cost is low at 2.6% (2020: 2.9%).

IFRS net assets

£1.7bn

2020: £1.4bn

IFRS reported profit

£257m

2020: £(5.7)m

EPRA earnings per share

9.52p

2020: 9.26p

Income statement

EPRA earnings for the Group and its share of joint ventures are detailed as follows:

For the year to 31 March	100% owned £m	JV £m	NCI £m	2021 £m	100% owned £m	JV £m	NCI £m	2020 £m
Gross rental income	**121.3**	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	**(1.6)**	**(0.2)**	**–**	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	**119.7**	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	**0.9**	**(0.4)**	**–**	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	**(15.8)**	**–**	**–**	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs	**(21.5)**	**(1.2)**	**0.2**	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other	**(0.1)**	**–**	**0.2**	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

Net rental income

Growing our earnings and delivering dividend progression for our shareholders continues to be a strategic priority.

Supporting this is the growth in underlying net rental income which increased 6.4% to £123.3 million this year, largely due to the Mucklow portfolio contributing fully and delivering gross rental income of £26.2 million compared with £20.5 million for nine months last year.

Other movements in net rental income are reflected in the table opposite.

Additional income from lettings, rent reviews and regears of existing properties and developments generated additional rent of £3.3 million this year, which included £1.2 million additional surrender premium receipts.

Income from net acquisitions of £5.3 million included the additional Mucklow contribution of £5.7 million and the impact of other net disposals which reduced income by £0.4 million compared to the previous year.

Property costs have increased by £0.4 million reflecting additional transactional charges for rent reviews and lettings compared to last year. However, our property cost leakage remains low at 1.4% (2020: 1.2%).

Net rental income

£123.3m

2020: £115.9m

	£m	£m
Net rental income 2020		115.9
Additional rent from existing properties[1]		1.4
Additional rent from developments[1]		1.9
Additional rent from acquisitions[1]	13.4	
Rent lost through disposals[1]	(8.1)	
Additional rent from net acquisitions		5.3
Increase in rent provision[2]		(0.8)
Increase in property costs		(0.4)
Net rental income 2021		**123.3**

1 Properties held, developments completed and acquisitions and disposals since 1 April 2019

2 Represents increases in provisions against Group trade debtors of £0.5 million (as reflected in note 11 to the financial statements) and against MIPP JV rent debtors of £0.3 million

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 ('JV') and excludes any non-controlling interest ('NCI') 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 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. These are adopted throughout this report and are key business metrics supporting the level of dividend payments.

EPRA has introduced three new measures of net asset value as disclosed in note 8 to the financial statements. EPRA NTA is considered to be the most relevant measure for the Group and replaces EPRA NAV as the primary measure of net asset value. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

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 184.

Financial review

Quarter commencing	March 2020 %	June 2020 %	September 2020 %	December 2020 %	**Total for 2021 %**	March 2021 %
Rent received	94.0	99.3	99.3	99.6	**98.1**	99.0
Asset management initiatives	4.7	–	–	–	**1.1**	–
Rent forgiven	0.9	0.4	0.3	–	**0.4**	–
Outstanding arrears	0.4	0.3	0.4	0.4	**0.4**	1.0
Total	100.0	100.0	100.0	100.0	**100.0**	100.0

Rent collection

Rent collection levels across the real estate sector have been significantly impacted by the Covid-19 pandemic.

Our collection rates have been exceptionally strong and reflect the tireless efforts of our dedicated team who have worked closely with customers to proactively support those who have been most affected by lockdown restrictions implemented in the year.

We have agreed deferred payment plans and initiatives on a case by case basis, which offer short term rental concessions in exchange for value enhancing asset management initiatives and have permitted monthly rental payments for some tenants.

The table above shows our rent collection statistics by quarter. In respect of the full year to March 2021, we have collected 98.1% of rents due and just 0.8% remains unpaid or has been forgiven, some of which relates to a property where we are securing vacant possession for a new letting to Lidl. The remaining 1.1% has been subject to asset management initiatives.

Of the total rent demanded in the year, £1.5 million is subject to deferred payment arrangements, all of which are being honoured.

However, we have assessed the recoverability of our year end trade debtor and lease incentive balances in accordance with IFRS 9 and have increased our rent provision by £0.8 million to £1.4 million.

This reflects a Group provision against trade debtors at 31 March 2021 of £0.9 million, comprising an allowance for specific trade debtors of £0.1 million and an expected credit loss charge of £0.8 million, and also a provision of £0.5 million against joint venture debtors.

This level of provisioning takes into account the ongoing disruption and challenges our tenants face as lockdown restrictions ease and the continued uncertainty caused by the global pandemic anticipated over the next 12 months.

Administrative costs

Administrative costs have reduced marginally by £0.1 million to £15.8 million this year and are stated after capitalising staff costs of £2.2 million (2020: £2.1 million) in respect of time spent on development projects.

EPRA cost ratio

We continue to use the EPRA cost ratio to measure our effective management of operational costs. Having fallen 60 bps over the year to 13.6%, it remains one of the lowest in our sector.

For the year to 31 March	**2021 %**	2020 %
EPRA cost ratio including direct vacancy costs	**13.6**	14.2
EPRA cost ratio excluding direct vacancy costs	**13.0**	13.3

The ratio reflects total operating costs as a percentage of gross rental income. The full calculation is shown in Supplementary note iv.

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 £22.5 million, a decrease of £3.6 million over last year. This reflected lower interest charges as the average interest rate payable over the year was lower than in the previous year, due primarily to the cancellation in April 2020 of £350 million interest rate swaps that hedged our unsecured facilities at a cost of £4.9 million. This reduced the proportion of our drawn debt hedged and our average cost of debt, which at the year end were 45% (2020: 77%) and 2.5% (2020: 2.9%) respectively.

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

Share of joint ventures

EPRA earnings from joint venture investments were £3.5 million, a decrease of £0.5 million over the comparative period as reflected in the table below.

For the year to 31 March	**2021 £m**	2020 £m
Metric Income Plus Partnership (MIPP)	**3.6**	4.0
LMP Retail Warehouse JV (DFS)	**–**	0.1
LSP London Residential Investments (Moore House)	**(0.1)**	(0.1)
EPRA earnings	**3.5**	4.0

As reported last year, our interest in DFS is now consolidated in the Group accounts and our partner's 18% share reflected as a non-controlling interest.

Income from our MIPP joint venture fell by £0.4 million due to an increase in the rent provision for one property where we are securing vacant possession for a new letting to Lidl, and the development of a property in Orpington, where we have agreed a new 25 year lease with Lidl, alongside a smaller Carpetright unit.

The Group received net management fees of £0.5 million for acting as property advisor to each of its joint ventures, which have fallen by £0.1 million as a result of movements in property valuations and sales.

IFRS reported profit/(loss)

For the year to 31 March	100% owned £m	JV £m	NCI £m	2021 £m	100% owned £m	JV £m	NCI £m	2020 £m
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5
Revaluation of property	**169.9**	**3.4**	**0.4**	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Fair value of derivatives	**4.7**	**0.1**	**–**	**4.8**	(3.2)	(0.4)	–	(3.6)
Profit/(loss) on disposal	**0.8**	**(0.1)**	**–**	**0.7**	(4.9)	(2.3)	–	(7.2)
Debt/hedging break costs	**(7.5)**	**–**	**–**	**(7.5)**	(0.2)	–	–	(0.2)
IFRS reported profit before exceptional costs	**251.1**	**6.9**	**(0.7)**	**257.3**	59.2	(8.9)	1.2	51.5
Impairment of goodwill	**–**	**–**	**–**	**–**	(48.3)	–	–	(48.3)
Acquisition costs	**–**	**–**	**–**	**–**	(8.9)	–	–	(8.9)
IFRS reported profit/(loss)	**251.1**	**6.9**	**(0.7)**	**257.3**	2.0	(8.9)	1.2	(5.7)

Taxation

As the Group is a UK REIT, any income and capital gains from our qualifying property rental business are exempt from UK corporation tax. Any UK income that does not qualify as property income within the REIT regulations is subject to UK tax in the normal way.

The Group's tax strategy is compliance oriented: to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise. There were no issues raised in the year.

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 2020 ahead of the deadline of 31 March 2021 and has already paid a large part of its expected PID for the year to 31 March 2021. The balance is expected to be paid in July 2021 as part of the fourth quarterly dividend. In accordance with REIT regulations, £6.7 million was withheld from distributions and paid directly to HMRC in the year.

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

IFRS reported profit

A full reconciliation between EPRA earnings and IFRS reported profit is provided in the table above and also in note 8(a) to the financial statements.

The Group's reported profit for the year was £257.3 million compared with £51.5 million in the previous year before exceptional goodwill and acquisition costs. The £205.8 million increase was primarily due to the property revaluation being £185.7 million higher, profit on disposals being £7.9 million higher and increased EPRA earnings of £11.1 million.

Property sales in the year generated a £0.7 million profit over book value compared with a loss of £7.2 million last year. The total profit over original cost was £29.3 million, representing a return of 16.4%. Disposals are discussed in detail in the Property review.

The favourable movement in the fair value of derivatives of £4.8 million is offset by the swap break cost of £4.9 million and prepaid finance costs written off of £2.6 million, resulting in a charge of £2.7 million in the year compared to a total charge of £3.8 million last year.

Dividend

The Company has continued to declare quarterly dividends and has offered shareholders a scrip alternative to cash payments.

In the year to 31 March 2021, the Company paid the third and fourth quarterly dividends for 2020 and the first two quarterly dividends for 2021 at a total cost of £75.6 million or 8.5p per share as reflected in note 7 to the financial statements.

The Company issued 1.5 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £3.2 million to £72.4 million.

The first two quarterly payments for the current year of 2.1p per share were paid as Property Income Distributions ('PIDs') in the year.

The third quarterly dividend was paid as a PID in April 2021 and the Company has approved a fourth quarterly payment of 2.35p in July 2021, of which 2.25p will be a PID.

The total dividend payable for 2021 of 8.65p represents a 0.35p or 4.2% increase over the previous year.

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 2021; and
- The outlook for 2022

At the year end the Company had distributable reserves of £1,006.7 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.

Financial review

Balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	2021 £m	100% owned £m	JV £m	NCI £m	2020 £m
Investment property	**2,504.6**	**94.4**	**(11.4)**	**2,587.6**	2,273.6	92.4	(14.9)	2,351.1
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	2,505.7	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2
Gross debt	**(839.5)**	**(37.5)**	**–**	**(877.0)**	(932.7)	(42.1)	–	(974.8)
Cash	**51.4**	**3.4**	**(0.2)**	**54.6**	81.8	5.1	(0.8)	86.1
Other net liabilities	**(39.1)**	**(0.5)**	**5.2**	**(34.4)**	(34.3)	(0.6)	8.6	(26.3)
EPRA NTA	**1,678.5**	**59.8**	**(6.4)**	**1,731.9**	1,389.5	54.8	(7.1)	1,437.2
Derivatives	**–**	**(0.6)**	**–**	**(0.6)**	(4.7)	(0.7)	–	(5.4)
IFRS net assets	**1,678.5**	**59.2**	**(6.4)**	**1,731.3**	1,384.8	54.1	(7.1)	1,431.8

Balance sheet

EPRA net tangible assets ('NTA') replaces EPRA net assets this year as a key performance indicator that reflects 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 NTA is detailed in the table above and in note 8(c) to the financial statements. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

IFRS reported net assets have increased 20.9% in the year to £1,731.3 million, largely as a result of the revaluation gain of £173.7 million and equity raise proceeds of £116.6 million.

Both IFRS NAV per share and EPRA NTA per share have increased by 11.9% and 11.7% in the year to 191.3p and 190.3p per share respectively. The movement in EPRA NTA and EPRA NTA per share is reflected in the table below.

	EPRA NTA £m	EPRA NTA per share p
EPRA NTA at 1 April 2020	1,437.2	170.3
EPRA earnings	85.6	9.5
Dividends[2]	(75.6)	(8.4)
Property revaluation	173.7	19.3
Equity raise	116.6	–
Other movements[1]	(5.6)	(0.4)
At 31 March 2021	**1,731.9**	**190.3**

1 Other movements include debt break costs (£7.5 million) and share based awards (£2.0 million), offset by scrip share issue savings (£3.2 million) and profit on sales (£0.7 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 8.5p as reflected in note 7 to the financial statements

The increase in EPRA NTA per share was principally due to the property revaluation gain of 19.3p per share, as EPRA earnings per share covered the dividend paid in the year.

The movement in EPRA NTA per share, together with the dividend paid in the period, results in a total accounting return of 28.5p per share or 16.7%.

Total accounting return is a key performance indicator and component of the variable element of Directors' remuneration arrangements.

The strong growth this year is significantly ahead of last year and over a three year period places us in the top quartile of the FTSE 350 Real Estate Super Sector.

The full calculation can be found in supplementary note viii.

Equity raise

In May 2020, we successfully raised gross proceeds of £120 million through an equity placing that was substantially oversubscribed.

A total of 66.7 million new ordinary shares were issued at a price of 180.0p per share, representing a discount of 1.5% to the previous day's closing share price.

The net proceeds after issue costs of £116.6 million were used to acquire income producing assets as set out in the Property review.

EPRA net tangible assets per share

190.3p

2020: 170.3p

Group cash flow

During the year, the Group's cash balances decreased by £30.4 million as reflected in the table below.

For the year to 31 March	2021 £m	2020 £m
Net cash from operating activities	**99.6**	63.2
Net cash used in investing activities	**(46.4)**	(193.7)
Net cash (used in)/from financing activities	**(83.6)**	191.7
Net (decrease)/increase in cash and cash equivalents	**(30.4)**	61.2

The net cash inflow from operating activities of £99.6 million reflects an increase of £20.8 million compared to last year, after adjusting for exceptional acquisition costs paid last year of £15.6 million. This was primarily due to changes in working capital of £18.6 million.

The Group spent £229.0 million acquiring property in the year and received net cash proceeds of £210.2 million from property disposals and joint ventures. Capital expenditure on asset management and development activities cost the Group £27.7 million and interest received was £0.1 million.

Cash outflows from financing activities reflect net loan repayments of £93.0 million, dividend and distribution payments of £73.8 million, financing costs of £27.6 million and share purchases and awards of £5.8 million, offset by the net proceeds from the equity raise of £116.6 million. Further detail is provided in the Group cash flow statement.

Portfolio valuation

Our property portfolio including share of joint ventures grew by £237.1 million or 10.1% in the year to £2.58 billion as reflected in the table opposite.

The Group invested £212.4 million in the year in our preferred sectors, acquiring £94.6 million distribution and £117.8 million long income assets.

We completed 35 commercial property disposals and four residential flat sales generating net proceeds of £206.1 million at share and reducing the book value of property by £205.4 million (including the cost of lease incentives written off of £6.1 million).

During the year, we also exchanged to sell four assets for £15.2 million and to acquire three assets for £35.7 million, all of which will be accounted for on completion next year. Further information is provided in the Property review.

Property values have increased by £173.7 million in the year, driven by both management actions and through capturing rental reversion, representing 43% and 57% of the uplift respectively. The portfolio has delivered a strong total property return of 13.4%, significantly outperforming the IPD All Property Index of 1.2%, with distribution assets delivering the largest increase of 18.3%. A breakdown of the property portfolio by sector is reflected in the table opposite.

Investment in our preferred sectors of distribution and long income has increased to 95.3%, from 93.8% in March 2020. Our development exposure remains modest at 2.3% of the portfolio and includes the last remaining 350,000 sq ft unit at Bedford and our 120,000 sq ft Tyseley development site acquired as part of the Mucklow portfolio.

Our forward funded pre-let developments in Goole and Wallingford, our convenience store in Weymouth pre-let to Aldi and one of our distribution units in Bedford completed in the year and have been transferred to investment properties.

The Group had capital commitments of £93.3 million as reported in note 9 to the financial statements, relating primarily to remaining expenditure at Bedford and Tyseley.

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

Portfolio movement in the year

	100% owned £m	JV £m	NCI £m	2021 £m	2020 £m
Opening valuation	2,269.0	92.4	(14.9)	2,346.5	1,846.2
Acquisitions[1]	212.4	–	–	212.4	577.1
Developments[2]	37.9	–	–	37.9	43.1
Capital expenditure[3]	4.9	0.3	(0.1)	5.1	10.3
Disposals	(200.8)	(1.8)	3.3	(199.3)	(128.2)
Revaluation	169.9	3.4	0.4	173.7	(12.0)
Lease incentives[4]	7.3	0.1	(0.1)	7.3	10.0
Property portfolio value	2,500.6	94.4	(11.4)	2,583.6	2,346.5
Head lease and ROU assets	5.1	–	–	5.1	5.7
Closing valuation	2,505.7	94.4	(11.4)	2,588.7	2,352.2

1 Group acquisitions include purchase costs and represent completed investment properties as shown in note 9 to the financial statements

2 Group developments include acquisitions and capital expenditure on properties under development as reflected in note 9 to the financial statements

3 Capital expenditure on completed properties

4 Comprises incentives and rent frees of £13.4 million (2020: £15.4 million) less amounts written off on disposal of £6.1 million (2020: £5.4 million)

Property portfolio by sector

As at 31 March	2021 £m	2021 %	2020 £m	2020 %
Distribution	1,777.3	68.8	1,593.7	67.9
Long income	629.4	24.3	552.5	23.5
Retail Parks	73.9	2.9	83.3	3.6
Offices	41.1	1.6	55.1	2.4
Investment portfolio	2,521.7	97.6	2,284.6	97.4
Development[1]	59.8	2.3	57.0	2.4
Residential	2.1	0.1	4.9	0.2
Property portfolio value	2,583.6	100.0	2,346.5	100.0
Head lease and right of use assets	5.1		5.7	
	2,588.7		2,352.2	

1 Represents urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%) at 31 March 2021. Split of prior year comparatives was regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office and other land £2.2 million.

Property portfolio

£2.6bn

2020: £2.3bn

Distribution

70.8%

2020: 69.8%

Financial review

Financing

The key performance indicators used to monitor the Group's debt and liquidity position are shown in the table opposite. The Group and joint venture split is shown in Supplementary note iii on page 178.

Net debt has decreased by £66.3 million in the year, as proceeds from disposals and the equity raise exceeded property acquisitions in the year. Loan to value has fallen to 32.3% (2020: 35.9%) and our average debt cost at the year end remained low at 2.5% (2020: 2.9%).

Post year end, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. The placement, which was upsized from an initial £150 million due to demand, has a blended maturity of 11.1 years, coupon of 2.27% and a £50 million tranche that is subject to a green use of proceeds framework. The additional funds raised will be used to repay our £130 million secured facility with Helaba, extending the maturity by eight years on an unsecured basis and at a lower all in cost of debt. Alongside this, we entered into two new revolving credit facilities for £400 million, which also incorporates a green framework.

Taken together with the placement, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity. These new facilities demonstrate the strength of our banking relationships and have lengthened our debt maturity from 4.2 years at the year end to 8.2 years and increased our hedging from 45% to 83%. Following this refinancing, we have substantial headroom of £338 million (2020: £220 million), providing operational optionality and flexibility and ample cover for our contracted capital commitments of £93.3 million, and our average debt cost remains low at 2.6%. The new facilities have the same financial covenants as existing unsecured and private placement loans.

As at the date of this report, we have total debt facilities of £1.2 billion, including 35% or £0.4 billion unsecured revolving credit facilities, providing operational flexibility at low average costs.

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 together account for 92% of our total debt facilities as at the date of this report and following the refinancing, and contain gearing and interest cover financial covenants. At 31 March 2021, the Group's gearing ratio as defined within these funding arrangements was 46% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 5.5 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 43% and rents by 65% before banking covenants are breached.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging and fixed rate arrangements. However, in April this year we took advantage of the low interest environment and cancelled £350 million interest rate swaps that hedged our unsecured facilities and were due to expire in 2022. This reduced the proportion of our drawn debt hedged to 45% at the year end, mainly through our fixed coupon private placement and Scottish Widows' debt and has contributed to interest cost savings in the year and a lower average cost of debt of 2.5% at the year end. Following the refinancing post year end, the proportion of debt hedged by fixed coupon private placement facilities and existing fixed rate debt has increased to 83%.

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

As at 31 March	Proforma post refinancing £m	2021 £m	2020 £m
Gross debt	**877.0**	**877.0**	974.8
Cash	**54.6**	**54.6**	86.1
Net debt	**822.4**	**822.4**	888.7
Loan to value[1]	**32.3%**	**32.3%**	35.9%
Cost of debt[2]	**2.6%**	**2.5%**	2.9%
Undrawn facilities	**283.0**	**170.5**	133.8
Average debt maturity	**8.2 years**	**4.2 years**	4.7 years
Hedging[3]	**83%**	**45%**	77%

1 LTV at 31 March 2021 includes the impact of sales and acquisitions that exchanged in the year of £15.2 million and £35.7 million respectively (2020: sales of £64.4 million), and excludes the fair value debt adjustment of £2.5 million (2020: £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 drawn

Average debt maturity

Graph removed

1	Debt expiring within 0-5 years	25%
2	Debt expiring within 5-10 years	37%
3	Debt expiring 10+ years	38%

Total facilities

Graph removed

1	Private placement	57%
2	Unsecured RCF	20%
3	Unsecured Wells Fargo facility	15%
4	Secured SWIP fixed rate debt	5%
5	MIPP joint venture	3%

Responsible Business and ESG review

Overview and progress	48
Environmental	50
Social (including Section 172 Statement)	56
Governance (including TCFD)	62

Our Responsible Business activities are embedded into our investment, asset management, development and corporate activities and aim to deliver on our ESG targets. We work with all our stakeholders to bring benefits to society more widely

Martin McGann
Finance Director & Responsible Business Board representative

Image removed

Responsible Business and ESG review

Our Responsible Business activities aim to address the material ESG risks and opportunities that impact our business.

The Company recognises the need to consider and address all environmental, social and governance issues relevant to its business. It has put in place a Responsible Business framework that, in essence, seeks to mitigate climate change and other sustainability risks, identify and progress environmental and stakeholder related opportunities as well as provide a high standard of corporate governance.

Responsible Business is embedded across all of its corporate, investment, asset and development activities with a clear policy in place and ESG targets set every year. As well as meeting regulation, environmental improvements are starting to translate into real asset value enhancement as occupiers value these improvements more highly than before and valuers begin to differentiate assets based on environmental criteria.

Progress against our targets 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 ESG performance is reported to the Board at regular intervals with the Audit Committee responsible for overseeing ESG progress.

Executive Directors and all employees are set individual ESG targets with remuneration partly linked to achieving those targets. We continually review our approach to ESG and look to improve on our disclosure each year.

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 climate change and the impact of transitioning to a low carbon economy.

Key progress in 2021

- Net Zero Carbon framework formalised.
- Further like for like reduction in our carbon footprint.
- 100% of main developments BREEAM Very Good/Excellent.
- Significant reduction in embodied carbon seen on developments.
- Portfolio EPC & BREEAM improvements.

Read more pages 50

Graphic removed

Social

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

Key progress in 2021

- Green debt financing put in place.
- Strong occupier and investor ESG feedback from surveys.
- Continued high staff satisfaction levels from recent survey.
- Covid-19 charity fund created with good community involvement.

Read more pages 56

Graphic removed

Governance

The Board is committed to upholding high standards of corporate governance. In particular, it ensures that appropriate health and safety procedures and supply chains are in place.

Key progress in 2021

- Employee wide ESG objectives set and ESG corporate workshop held.
- 100% compliance by contractors with our RDR checklist.
- Health and safety audits undertaken on projects, with health and safety policy updated.
- Annual contractor compliance audit.

Read more pages 62

ESG benchmarking and progress against our targets

We have maintained ratings in external benchmarks, made good progress against our internal ESG targets and have put in place green financing solutions

External benchmarking

Logo removed

Maintained our Green Star

Achieved a score of 65% in the 2020 Global Real Estate Sustainability Benchmark survey, maintaining our Green Star status. This score is up from 34% in 2014 and continues to exceed the peer average of 61%.

Logo removed

Continued inclusion in the FTSE4Good Index

In the latest assessment, we achieved a score of 3.4 out of 5.0 compared to 2.6 for the peer group and continue to be included in the index.

Logo removed

BBB rating

In the latest assessment we continued to be rated BBB, which is in line with the sector average.

Logo removed

Maintained our Gold

In EPRA's last review, we maintained our Gold Award in their Sustainability Best Practice Recommendation assessment.

Logo removed

Maintained score in line with sector

Our investor Responsible Business survey identified ISS as an important ESG benchmark. We continue to respond and improved our score.

Our ESG targets

Targets achieved in 2021

79%

with the remainder partially achieved or in progress

Our 19 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;
- Formalising a Net Zero Carbon framework;
- Working in partnership with occupiers to 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 and policies;
- Developing community and other stakeholder relationships; and
- Setting employee wide ESG objectives.

We made good progress against these targets with 79% achieved, a further 16% partially achieved and 5% in progress.

A full review of performance against our 2021 targets will be detailed in our Responsible Business and ESG report for FY 2021 which will be available on our website.

Many of the targets remain relevant for next year and are being rolled forward with modifications to better align with our new Net Zero Carbon framework. Once set, these updated targets will be available on our website.

Green financing

Sustainability linked refinancing

£450m

across our debt facilities

Over the year, we undertook significant debt refinancings across over two thirds of our debt facilities.

£50 million of Green Notes

As part of a £380 million private debt placement with UK and US investors, a £50 million green tranche was agreed on a 15 year term maturity. This tranche is subject to a green framework under which spend will be allocated to buildings which have high sustainability standards.

The green notes were priced two basis points inside the equivalent non green 15 year tranche and represented the first tranche of its kind announced by a UK REIT.

£400 million of new revolving credit facilities with a green framework

Simultaneously with the completion of the private placement, we announced the completion of two new revolving credit facilities totalling £400 million.

These facilities have a green framework structured in accordance with the Loan Market Association's sustainability linked loan principles. Sustainability performance targets ('Targets') were set and are aligned to LondonMetric's corporate ESG targets.

The Targets focus on:

- EPC ratings;
- Renewable installations; and
- Developments meeting a minimum BREEAM Very Good standard.

The pricing of the facilities is subject to a two basis point adjustment for compliance/non compliance with the Targets which is tested each year of the facility. Where targets are met, the margin paid will be reduced and LondonMetric will use this saving to add to its funds allocated for charity giving.

Responsible Business and ESG review

Environmental

Overview

Through our activities we look to minimise the environmental impact of our business, maximise building efficiency opportunities whilst improving asset resilience to climate change and the impact of transitioning to a low carbon economy.

Net Zero Carbon framework

We understand the importance of addressing climate change and the significant impact that reducing emissions from real estate can have on the UK's 2050 Net Zero Carbon target.

LondonMetric recognises that it can have a material impact by reducing emissions from its activities as well as the activities of its occupiers.

As part of our long term sustainability strategy, during 2021, we considered our approach to delivering Net Zero Carbon through internal company workshops, adviser input and pushing the agenda with occupiers, suppliers and contractors.

This has prompted us to set a Net Zero Carbon framework as part of our longer term target of becoming net zero well before the UK's published target date.

Net Zero Carbon is a rapidly evolving area and we will refine our strategy regularly in line with latest industry guidance.

Our Net Zero Carbon ('NZC') ambitions:

Graphic removed

#1

Our operations will be net zero by 2023.

Graphic removed

#2

We will continue to reduce emissions from developments which will be fully net zero by 2030.

Graphic removed

#3

We will work with our occupiers to ensure our buildings are net zero by 2035.

Image removed

Graphic removed

#1

Our operations will be net zero by 2023*
Our operations will be NZC by 2023, with all residual carbon offset.

Our environmental performance

Our energy consumption and greenhouse gas emissions have fallen significantly over recent years. This reduction has, in part, been due to the Company's shift away from offices and retail parks into distribution warehousing and long income assets that are typically single tenanted. Consequently, together with our portfolio actions, the operational intensity of our portfolio where there is landlord supply has fallen significantly along with our carbon footprint.

Since 2015, our absolute energy consumption has fallen by 88% from 9,056 MWh to 1,081 MWh despite the portfolio's area increasing by c.40% over that period. In the year, consumption increased by 20% due to increased energy consumption from void assets.

However, excluding voids assets, consumption fell by 15% over the year to 664MWh. In addition, on a like for like basis, consumption was down 6.5% reflecting the benefits of energy efficiency measures.

The high level of green tariff supplies now in place have seen our GHG emissions remain low at 1tCO_2e per £million net income or 7tCO_2e per million sq ft.

With only a small proportion of the portfolio now with landlord controlled energy supply, this limits our ability to further reduce our energy consumption. However, we continue to look to reduce our consumption where possible by identifying energy efficiency improvements, particularly on our Mucklow assets and also assets where they are vacant.

* 1 Offsetting excludes renewably sourced electricity consumed and non landlord occupier activities
2 Through recognised offset schemes

NZC – Progress to date

- **88% reduction** in absolute energy consumption since 2015.
- **100% of our landlord supplies** from renewable sources.
- **Increase in landlord supplies** on smart metering.
- **Significant like for like energy reductions**, mainly from external LED lighting replacement programmes.
- **Nearly eliminated** landlord water, waste and gas consumption.

NZC – Future actions

- **Extract further energy efficiencies** across our estate where there is landlord consumption, extending smart metering coverage.
- **Ensure energy supplies are from renewable sources** (including for void assets) aligned to industry procurement best practice.
- **Look to install solar PVs** to meet our direct electricity consumption and explore PPA opportunities.
- **Offset all residual carbon** through recognised offset schemes.

Operational NZC Scope

	LondonMetric assets where it has control and management	Corporate (including head office)
Energy (electricity, fuels & heat)	◉	◉
Water	◉	
Waste generated	◉	◉
Refrigerants	◉	◉
Purchaser of goods and services	◉	
Business travel		◉

Energy consumption (MWh)

Graph removed

LED lighting replacement programme on the Mucklow estate

Since we acquired Mucklow in 2019, a full external LED lighting replacement programme has been undertaken across the multi-let estates with c.90% of the replacement programme complete.

An LED upgrade was completed at one of our larger sites at Stargate which delivered a 63% reduction in energy usage and cost savings to our occupiers along with reduced maintenance costs.

We will continue to implement the remaining upgrades over the next year.

Responsible Business and ESG review

Environmental

Environmental performance highlights for 2021

Energy consumption

-6.5%

Over the year on a like for like basis

The reductions can be attributed to the previous asset upgrades to incorporate energy efficiency measures in respect of managed supplies. All assets that were included in like for like comparison were owned during both the 2019/20 and 2020/21 periods and do not include void assets. This reduction does not include any Mucklow managed supplies as the Mucklow assets were acquired part way through the 2019/20 year. Therefore, this reduction does not reflect the benefits of energy efficiency measures implemented on those assets.

Greenhouse gas (GHG) emissions

-19%

Over the year on managed supplies

There was a reduction in location based emissions from LondonMetric managed supplies over the year from 192tCO_2e to 156tCO_2e, demonstrating a 19% reduction. All these assets have a renewable energy tariff and so market based emissions would have been 0tCO_2e. Including voids, absolute emissions overall (location based) increased from 240tCO_2e to 261t CO_2e.

GHG emissions reporting		2020/21		2019/20	
		Tonnes of CO_2e (location-based calculation)	**Tonnes of CO_2e (market-based calculation)**	Tonnes of CO_2e (location-based calculation)	Tonnes of CO_2e (market-based calculation)
Scope 1					
Energy	Landlord-controlled gas	**12**	**12**	20	20
Void Energy	Void asset gas	**31**	**31**	6	6
Fugitive emissions	Refrigerant emissions	**De minimis**	**De minimis**	De minimis	De minimis
Scope 2					
Energy	Landlord-controlled electricity	**127**	**20**	105	29
Void Energy	Void asset electricity	**70**	**42**	38	12
Scope 3					
Energy	Transmission and distribution losses	**17**	**0**	17	0
Tenant Energy	Landlord-obtained energy sub-metered to tenants	**1**	**0**	51	0
Travel	Emissions from employee business travel for which the company does not own or control	**3**	**3**	4	4
Total		**261**	**108**	240	71
Total (Ex voids)		**159**	**35**	196	53
Intensity (Scope 1 & 2) tCO_2e/£m net income after administration costs		**2.29**	**1.00**	1.76	0.70
Energy consumption used to calculate Scope 1 & 2 emissions, kWh		**1,080,600**		899,000	

Data qualifying notes

This is the Company's eighth year of disclosure under the Mandatory Greenhouse Gas Emissions Reporting regulations and second under the recently introduced Streamlined Energy and Carbon Reporting regulations.

Data for 2019/20 has been restated, including associated intensity metrics, as additional energy consumption data has been obtained since the previous report was published. This statement has been prepared in line with the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006.

Within Scope 1 emissions, refrigerant-related emissions for the period were de minimis. Scope 2 dual reporting is undertaken, which discloses one Scope 2 emission figure according to a location-based method and another according to a market-based method.

For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2020 were used. For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for, resulting in a significant reduction in the Company's carbon footprint in practice.

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 (2020).

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

Emissions from landlord-obtained electricity sub-metered to tenants are calculated through submeter recharge and, for the first time this year, have been allocated under Scope 3 for accuracy against the GHG Protocol. These emissions are therefore not included under Scope 2 to prevent double counting. However, the relevant sub-metered electricity is included in the total annual landlord-obtained kWh numbers for transparency, as in situations where sub-metering is not possible, emissions from this type of energy would be classified as Scope 2.

An operational control consolidation approach has been adopted. Additional information is provided on void asset emissions to show where LondonMetric has operational control and how void data impacts overall emissions.

Graphic removed

#2

We will continue to reduce emissions from developments which will be fully net zero by 2030*

We will reduce emissions from developments and offset residual carbon to ensure developments are fully NZC by 2030.

Our development performance

Our development activity continues to focus on building highly efficient buildings.

All of our main completed developments in the year were certified as BREEAM Very Good or Excellent and, at our developments currently on site at Bedford Link and Tyseley, we are targeting BREEAM Excellent.

As part of our efforts to reduce emissions, we are measuring embodied carbon and challenging our supply chains to minimise waste and select low carbon materials.

* 1 Offset through recognised offset schemes
2 Initiatives across LondonMetric's portfolio that reduce either landlord or occupier operational carbon

At Bedford Link, we have seen progressive reductions in embodied carbon over each of the development phases. We applied learning from the initial phase of construction to the second phase of the project which totals 0.5 million sq ft. This is expected to result in a c.25% reduction in carbon.

As part of our letting of the second phase, we expect to incorporate c750 kW of solar PV capacity in the tenant incentive arrangements. This would potentially achieve an EPC A+ rating and help to facilitate the occupier in achieving net zero carbon in operations.

Across the completed units at Bedford, we have retrospectively installed energy monitoring systems to allow us to monitor energy performance post construction.

Carbon reduction at Bedford Link

Through on-site reduction measures and material specification amendments to more carbon friendly methods, we expect to achieve a c.25% reduction in carbon across the second phase of our Bedford Link development. Carbon reductions have been achieved mainly from better selection of steel and plasterboard supplies.

The percentage of recycled materials has increased across the phases. The first phase saw c.15% of recycled materials used and this has increased to c.30% on the latest phase.

Similarly, whereas we achieved a c.15% improvement on Building Emission Rates against Building Regulations on the first phase, on the latest phase we are achieving a c.40% improvement.

Image removed

NZC – Progress to date

- **Measuring embodied carbon**, with significant reductions seen since 2019 on our phased Bedford Link project.
- **Encouraging refurbishment** instead of redevelopment.
- **Challenging supply chains** to minimise waste and select low carbon materials.
- **Minimum BREEAM Very Good target** and, where possible, looking to demonstrate operational NZC ready buildings.

NZC – Future action

- **Benchmark embodied carbon**, extending to refurbishments as appropriate.
- **Undertake whole life** carbon assessments.
- **Align developments to supply chains** that target minimising embodied carbon and selection of low carbon materials.
- **Embed NZC aligned operational performance targets** in design, monitoring asset performance post construction.
- **From 2022, introduce shadow carbon pricing** on select flagship developments such that carbon is either offset or an equivalent value is reinvested into green initiatives.

BREEAM certification on main developments

Percentage that were BREEAM Very Good/ Excellent in the year

100%

Responsible Business and ESG review

Graph'c removed Environmental

Graphic removed

#3

We will work with our occupiers to ensure our buildings are net zero by 2035*

We will assist our occupiers to help them meet their NZC targets and focus on providing NZC ready buildings. From 2035, we will aim to offset occupier residual carbon.

Overview

As part of our drive to upgrade the quality of our assets, we continue to explore and progress energy efficiency initiatives. These include solar PV, LED upgrades, building fabric works and EV charging into leasing and regear opportunities to enhance our properties and extend their economic life.

As shown in the chart opposite, in our recent occupier survey, 73% of occupiers have now upgraded LED lighting installed with a further 17% wanting to look at installing LEDs. The level of installed LEDs is higher than our own data suggested and reflects the quick payback achievable from LEDs, where in some cases energy consumption reduced by up to 40% and EPC ratings improved from an E to a B.

In the survey, we also noted a significant increase in occupiers prioritising environmental considerations compared to previous years. Over half of responses commented that the environment is an 8/10 or greater priority in their property decisions. Nearly half registered an interest in installing solar PV, 65% wanted to look at EV charging and 33% wanted to improve their HVAC systems. Following the survey, and in response to feedback, we are working with one of our larger occupiers to help them upgrade one of their facilities.

Our activity in the year has increased the proportion of assets built to a BREEAM Very Good or Excellent standard to 26%, which is up from 20% last year and 10% in 2015.

* 1 Excludes renewably sourced electricity consumed
2 Offset through recognised offset schemes
3 Where occupier hasn't offset its operational carbon from our building (excludes occupier's wider operational activity unrelated to the building)
4 Does not apply to leases signed before 2024 and where that lease hasn't expired by 2035

Furthermore, 1.5 MW of solar PV was added with further sites identified.

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings we own. An important part of this focus is measuring emissions from all of occupiers and, in the year, we increased occupier energy data coverage to 43%. We continue to engage with our occupiers on a variety of improvement opportunities.

EPC rating of portfolio (by area)

We are conscious of the regulatory changes to EPCs and are now actively targeting a minimum 'C' rating on all assets.

74% of our assets have an EPC rating of 'A'-'C', which is up from 59% in 2015 and 71% in 2020.

The increase in the year reflects the benefit from our investment activity, where we have acquired higher rated assets and disposed of poorer quality buildings. It also reflects our targeted efforts to improve the rating of our Mucklow assets and subsequently refresh EPCs. In addition, our development activity continues to upscale the portfolio's quality.

With a greater proportion of EPCs classified as unknown or expired, we will look to reduce this number over the next year.

	2021	2020
A	**23.3%**	18.4%
B	**28.5%**	24.3%
C	**22.2%**	28.6%
D	**10.5%**	13.3%
E	**2.6%**	9.5%
Below E	**0.0%**	0.3%
Unknown/Expired	**12.9%**	5.6%

NZC – Progress to date

- **Upgrading quality of our assets** through investment and development activity, owning more energy efficient buildings.
- **Improving buildings' energy efficiency** through refurbishment and better internal fit out such as LED lighting and sensors.
- **Engaging with occupiers** to understand their energy usage in our buildings and how we can assist in reducing their carbon footprint.
- **Reviewing solar PV installations** and EV charge point opportunities.

NZC – Future actions

- **Measure emissions across all of portfolio** by increasing occupier data coverage (where possible through green leases) and estimating where data is unavailable.
- **Continue programme of energy assessments** and develop energy reduction plans with occupiers.
- **Measure and monitor improvements/** progress at our buildings against NZC targets and pilot a BREEAM In Use study.
- **Increase number of NZC ready buildings.**
- **Continue to progress renewable**, EV and battery storage opportunities with occupiers.

Occupier survey environmental improvements (%)

Graph removed

1 LED
2 EV charging
3 Smart metering
4 Solar PV or other renewables
5 HVAC upgrades

Improving the quality of our assets

With a portfolio aligned to distribution, our assets have a much lower carbon intensity than other forms of real estate such as offices, residential and shopping centres. As we have significantly increased our urban logistics exposure, our asset base has moved away from larger, newer big box logistics to well located but typically older urban buildings.

This provides significant scope for us to make relatively cost-effective improvements that can materially improve the building's energy efficiency and extend its life instead of completely redeveloping the asset.

We also see investment activity as a key way of upgrading our assets. Through our acquisition process and disposals analysis we factor in environmental considerations.

Image removed

Solar PV installations

In the year, 1.5MW capacity of solar PV was installed at our facility in Warrington, taking our total portfolio solar capacity to 2.5MW.

There are further solar opportunities at our Bedford Link and Tyseley developments which could total 0.9 MW. Furthermore, we undertook a full portfolio analysis in the year which identified a high priority list of five to ten assets to carry out solar PV feasibility studies and we will work to engage with our occupiers on these.

Image removed

Building works and internal LED lighting

We continue to improve buildings through accretive expenditure to improve occupier appeal and lease terms. In particular, in the year, we focused on some of the Mucklow assets where we undertook:

- Roof upgrade works;
- A number of internal LED lighting upgrades on units that became vacant; and
- New UPVC windows and entrances.

Image removed

Upgrading through investment activity

As part of our portfolio refinement, we continuously analyse all of our assets and assess their environmental characteristics. In the year, we disposed of several assets where we felt that we would not achieve a suitable return on the expenditure required to modernise the building.

We also acquired a number of high quality and well located assets such as the BREEAM Very Good certified warehouse in Oldbury (picture opposite).

Building certification

BREEAM Very Good/Excellent standard

26%

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

Internal LED lighting

Installed on

73%

of buildings according to responses from occupier survey

Climate resilience

Graphic removed

We continue to increase our assessment of the potential impact of physical changes on our portfolio, such as extreme weather and longer term shifts in climate pattern.

During the year, we progressed our portfolio flood risk assessment, our highest identified climate related risk. Further analysis was carried out on the desktop flood analysis that was undertaken in the prior year, with more detailed site specific analysis instructed on assets that had been identified as higher risk.

Following this manual review, we identified just five assets that were at high risk and further analysis is being undertaken on these assets as we believe that, in most instances, proper flood mapping or better consideration of building levels would lower the risk profile. We are also manually reviewing medium risk assets and expect to show a material reduction in the number of assets identified in this risk category.

Fluvial/coastal flood risk level	% of assets by value
High risk	3%
Medium risk	15%
Low risk	82%

Responsible Business and ESG review

Graphic removed **Social**

Companies Act 2006 Section 172 statement

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.

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; and
- 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 contractors and suppliers, our investors and our communities. Building and nurturing relationships with our stakeholders, as described on pages 1 to 9, continues to be a strategic priority and is integral to our business model and the way we work.

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 90 to 92 we explain why each stakeholder group is important to us and how we engage with them. Engagement is both at Board level and through dedicated management teams and includes one to one meetings and roadshows, regular liaison, 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 90 to 96 and is supplemented in this Responsible Business and ESG review on pages 57 to 61.

Impact on decisions made in the year

We have outlined in the table on pages 90 to 92 how we have considered the interests of each of our stakeholder groups when making important decisions, which this year was dominated by the Covid-19 pandemic.

Some examples of how the Board considered and responded to stakeholder needs through the pandemic are as follows:

1. Provided assistance to customers that were most affected and in need, including monthly payment plans, short term deferral arrangements and rent concessions in return for asset management initiatives.
2. 20% Board salaries and fees waived for three months, providing additional dedicated Covid-19 funding of £121,000 for local and national charities, including donations to foodbanks and NHS Trusts as well as providing rent free accommodation.
3. Upgraded our IT systems to Microsoft 365 following a review of home working arrangements and office reopening plans.
4. The decision to speculatively develop at Bedford, providing employment opportunities, long term income growth for investors and at least BREEAM Very Good buildings.
5. Approved £120 million equity raise for investment opportunities.
6. Increased investor engagement and trading updates providing rent collection information.

Responding to stakeholders during Covid-19
Read more on **page 19**

Employee engagement and monitoring of culture
Read more on **page 93**

Shareholder engagement
Read more on **page 95**

Our speculative development in Bedford
Read more on **page 39**

Last year the Board considered how to incorporate stakeholder interests more formally into its decision making processes and amended standard briefing papers and appraisals to document stakeholder interests and views.

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

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.

Read more

Consequences of decisions in the long term
Chief Executive's review **page 15**
Promoting long term success **page 96**

Interests of its employees
Our people **pages 58 to 59**
Employee engagement and culture **pages 93 to 94**

Relationships with stakeholders
Our stakeholders **pages 90 to 96**
Social considerations **pages 57 to 61**

Impact on community and environment
Environment **pages 50 to 55**
Community **page 61**
TCFD **page 63**

Reputation, high standards
Monitoring of culture **pages 93 to 94**

Act fairly between members
Shareholder engagement **pages 95 to 96**

Graphic removed

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, rent collection and customer satisfaction scores demonstrate the strength of these relationships. Extending existing relationships and developing new contacts continue to be 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; and
- Make quick decisions, act swiftly and deliver on our promises

Customer satisfaction

We undertake regular surveys across our key occupiers. Following surveys in 2018 and 2019, we undertook a further survey in March 2021.

We received responses from occupiers representing over half of our income and the feedback was very strong and scoring was in line with previous years.

The survey has provided very helpful information for us to follow up on and include in our wider decision making.

Impact of Covid-19

In response to the pandemic, we provided appropriate and proportionate assistance to a small minority of our customers that were materially affected and most in need of short term cash flow help. This assistance took the form of monthly rather than quarterly rental payments, short term rental deferrals and rental concessions in return for asset management initiatives.

Whilst we had very few vacancies across our portfolio we were also able to offer short term and rent free accommodation to assist occupiers that were fulfilling contracts to help in the fight against the pandemic.

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

Occupier survey (March 2021)

We surveyed c90 of our top occupiers representing 82% of rent, with responses from 52 representing 55% of rent.

Questions were asked about occupiers' satisfaction with our properties and their locations, how satisfied they were with LondonMetric and whether they would recommend us as a landlord.

We asked specific environmental questions and half of occupiers that responded answered an enhanced survey that went into greater detail about their property.

Despite the pressures of the pandemic, it was pleasing to see no decline in occupier contentment with our average landlord satisfaction score of 8.9/10.0 almost identical to the 9.0/10.0 that we scored in 2019.

Recommend LondonMetric as a landlord

Graph removed

We scored an average of 9.0 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord. For our top 15 occupiers, the score average was higher at 9.3

Satisfaction with our properties

Graph removed

We scored an average of 8.3 out of 10.0 for satisfaction with our properties. This score was higher than both the 2019 score of 8.2 and 2018 score of 7.8

Responsible Business and ESG review

Social

Graphic removed

Our people

Our people are critical to the success of the Company

The Company is highly focused with 31 employees and seven Non Executive Directors. Since merger in 2013, employee and Director numbers have fallen despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

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; and
- Small number of staff, which allows a flexible and individual approach.

Impact of Covid-19 on our people

Our initial focus was on keeping our people safe and transitioning to remote working. We looked to regularly engage with all employees throughout the pandemic and were highly productive despite the challenges. As we return to the office, we will look at more flexible working for staff.

How we continue to improve our approach to our people

Inclusion and 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. Clearly, during the pandemic, a number of these arrangements did not apply and we will look to adapt our working practices to reflect the impact of the pandemic.
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 and 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 33%. 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 and 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. We continue to undertake ESG training across our employees, encourage participation in Young Property Professionals' groups and offer secondment and work placement opportunities.
Health and 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 62 for further details on health and safety.
Wellbeing and employee satisfaction	In 2019, we significantly reduced our office space and undertook a major refurbishment and modernisation of the office. We also undertook a wellbeing review of the space and carried out a wider employee and office wellbeing 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 2021 employee survey are shown on the next page and reflect further improvements against previous years. Andrew Livingston, the Company's designated workforce Non Executive Director, continues to be closely involved in monitoring employee satisfaction.

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

Overview of satisfaction survey

In February 2021, we undertook our fourth annual employee survey to track changes in staff satisfaction.

In total, we asked 40 questions receiving responses from all employees on an anonymous basis. This year, we focused on two key areas being the Company and the individual employee. Due to enforced working from home we adapted our usual office environment questions to focus on home working conditions.

Results of survey

Overall the survey was very positive with the vast majority of the responses ahead of or in line with the 2020 results and 100% of employees responding that they continue to enjoy working at LondonMetric.

Employees remain highly supportive of the Company as a whole and, in the year, we saw further increases in the proportion of employees that feel:

- They are treated fairly (score of 97%); and
- The organisation prioritises the long term over the short term (score of 74%).

In terms of home working, 85% agreed that the systems and processes at LondonMetric work effectively whilst 87% agreed that their home working set up was suitable.

The main areas for consideration arising from the survey were future working from home arrangements and flexible working, training and staff feedback.

Board consideration

Andrew Livingston is the designated workforce Non Executive Director.

In the year, he considered the survey results and held a virtual call with a select number of employees from different areas of the Company to discuss the survey feedback and wider employee thoughts in more depth.

Andrew updated the Board on the survey results and feedback from the employee call.

Image removed

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

Graph removed

Responsible Business and ESG review

Social

Contractors and suppliers

Contractor compliance

100%

with our Responsible Development Requirements

Our Responsible Procurement Policy

This 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 2021, we reviewed Nurture, a landscape and gritting company that accounts for approximately a third of maintenance spend across our Mucklow assets and that is sub-contracted through our Managing Agent. The feedback was highly positive with the company demonstrating a strong focus on sustainability.

They have helped to implement numerous initiatives on our sites such as bird and bat boxes, log piles and habitat hotels (such as shown below), and bee friendly planting with further initiatives planned for 2022.

Image removed

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.

Impact of Covid-19 on our developments

In conjunction with our contractors and wider project teams, we had to carefully monitor and manage a number of risks from the pandemic relating to our development sites. Our contractor relationships, together with incredibly hard work and commitment from them ensured that we largely mitigated these risks and managed to keep projects broadly on time and within budget.

Investors and joint ventures

Equity investors met during the year

173

shareholders, analysts and potential investors

We value our good relationships with our shareholders. Over the year, as covered in detail on pages 95 to 96, we saw 173 equity investors through individual and group virtual meetings.

As a result of the pandemic, there was significantly greater investor engagement and requests for updates in the first quarter of the year. Furthermore, in response to a number of potential property investment opportunities arising from the pandemic, there was further interaction in marketing our equity placing which we undertook to raise additional capital for imminent acquisitions.

Investor ESG survey

As shareholder expectations on corporate governance and sustainability increase, we undertook our second ESG survey of investors in 2021, following on from our previous survey in 2018.

We engaged with our top ten investors representing nearly 40% of our shareholder register and shared our Net Zero Carbon framework with them.

Feedback was very positive with our overall ESG performance to date seen as either good or very good and our disclosure in line with expectations.

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 continue to enjoy strong relationships with our joint venture partners.

In the year, we financed over £780 million of debt which involved five banks and 11 other debt investors. The refinancing added six new lending or debt investor relationships with most of our existing lending base actively involved.

As set out in more detail on page 49, for the first time, we incorporated a green framework in respect of £450 million out of the £780 million refinanced and we will report on our progress against the green framework to those institutions involved.

Graphic removed

Local communities

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

We have a published Communities Policy which outlines our approach and, 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 and employment;
- **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; and
- **Charitable giving,** where we look to mainly support causes local to our assets. We also support other organisations such as LandAid, and match employee charity giving and events.

Our Charity and Communities Working Group implements charity giving and co-ordinates community involvement.

In response to Covid-19, the Working Group was focused on responding to the pandemic and set out a response statement to explain how LondonMetric would help in the fight against the impact of the virus.

Charitable giving and community involvement in the year

In response to Covid-19, we earmarked £127,000 for giving to charitable causes and local communities hit by the pandemic. This included salaries and fees that the Board waived amounting to £121,000. So far, we have donated £96,375 of those funds between various charities and causes.

A further £17,990 of non Covid-19 giving was donated to other causes, some of which related to matching of funds raises by employees which we actively encourage. For the next financial year we are setting aside £100,000 for charity giving.

We also held a 2.6 Challenge event in the year with employees and Directors participating in various creative challenges. £5,000 was raised and donated.

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Example causes/charities

Logo removed	AHOY provides life changing activities for disadvantaged youth through rowing and sailing. In 2020, a team of six employees planned to row the Thames for the charity to raise funds but unfortunately the event was cancelled due to Covid. Instead, we donated funds raised as part of our 2.6 Challenge event.
Logo removed	We allocated the majority of the salaries waived by Directors to two NHS Trust charities in East London and Birmingham. The funds were used specifically for staff wellbeing and robotic surgery.
Logo removed	We continued to support Kempston Challenger Academy which is close to our Bedford Link development. Funds were used to help set up a careers platform and provide laptops. We also supported other education organisations by donating a number of laptops.
Logo removed	£3,000 was donated in toys to the ToyLink Project for Christmas run by Birmingham City Mission. We also set up a toy drop off point at one of our nearby properties.
Logo removed	We donated £23,500 to food banks in our local communities throughout the year including at Halesowen, Dagenham, Tyseley and Weymouth.
Logo removed	A number of other national causes were supported including LandAid, Macmillan, PRD Foundation 500, several hospices, Crisis, Fareshare and the Royal British Legion.

Other community involvement

Logo removed	As part of the Mucklow acquisition, we acquired 16 acres of woodland in Worcestershire. We engaged with Opentrail, a local charity, and are looking to transfer the land to them for community use such as cycling and forest crafts. We have assisted them on wider planning, construction and legal advice.
Logo removed	During the year, we signed up to Speakers for Schools and are hosting our first online teach-in for school children on LondonMetric and our activities in July 2021.

Responsible Business and ESG review

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 and 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 and anti-corruption procedures;
- Responsible Procurement Policy;
- Community Policy; and
- Modern Slavery Act Statement.

For wider corporate governance reporting please see **page 80**

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 and 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 Ltd ('RP&P') acts as our Corporate Health and Safety Advisor.

H&S risks assessment and training

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

Health and safety policy

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

I. Employment – The policy ensures our employees are offered a safe and healthy working environment. In the year, we appointed RP&P to undertake Covid-19 risk assessments at our offices and implemented a policy accordingly which is reviewed regularly.

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 and safety in 2021

- Quarterly internal meetings
- Half yearly project audits at Carlisle and Tyseley were inspected by RP&P
- Zero reportable incidents on projects
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health and safety policy updated and published
- Employee Covid-19 policy in place

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 main developments on areas including:

- Health and safety;
- BREEAM Very Good or better standard (where appropriate);
- Considerate Constructors Scheme compliance (where appropriate);
- Environmental impact monitoring;
- Management and reporting of progress;
- Promoting local employment opportunities; and
- Fair remuneration for workers.

We continue to monitor compliance and look at ways of improving our contractors' performance.

During 2021, we undertook an annual contractor compliance audit of A.Surman, one of our key contractors, to ensure that they were adhering to our requirements. A particular emphasis was placed on their compliance with our supply chain standards, including matters related to modern slavery and anti-bribery.

TCFD Disclosure

This year, the Company aimed to provide the disclosure required under TCFD. Next year, we will ensure that disclosure is fully compliance with TCFD requirements.

Recommendation	Commentary
Governance Disclosure of governance on climate related risks and opportunities See page 80	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 ESG and Responsible Business. The monitoring of progress on Responsible Business matters is delegated to the Audit Committee. 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.
Strategy Disclosure of actual and potential impacts of climate related risks and opportunities on the organisation's business, strategy and financial planning See page 14 and page 50	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 much less energy intensive and there is much greater residual value in the land underpinning capital values for these assets. Consequently, occupiers and investors have less of a concern about the environmental performance of these buildings. We are, however, improving and adapting our assets to be more resilient to climate change through maintenance, energy efficiency upgrades and provision of renewable energy. Furthermore, whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments. These actions will help to future proof our buildings and allow us to take advantage of opportunities from the shift to a low carbon economy by improving occupier contentment, command higher rents and enhance the value of our assets. During our investment process, we are careful to review the locational and flood risks, the building fabric and the energy efficiency of potential acquisitions and current assets to understand the climate and carbon related risks and costs involved in mitigating those risks.
Risk Management Disclosure of the Company's process for identifying, assessing and managing climate related risks See page 64 and page 72	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 the Audit Committee on climate related risks as well as opportunities. The Company is increasing its understanding and assessing the potential impact of physical changes, such as extreme weather and longer term shifts in climate patterns. The transitional changes are also being examined 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 further progressed our analysis of which acute and chronic physical climate risks are most likely to affect our assets, specifically on flooding which we see as the highest risk area. Following the desktop flood analysis carried out across the portfolio by WSP in the previous year, we analysed the results of that study and undertook more detailed site specific analysis where appropriate. This further work has lowered the number of assets classified as high risk to just five, and we continue to extend this analysis as we look to regularly monitor changes in flooding risk in the future. 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 further 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. In the year, we also established our Net Zero Carbon framework that identified three Net Zero ambitions from an operational, development and occupier perspective. As occupiers look to deliver on their Net Zero targets, we will look to increase the proportion of our buildings that are net zero carbon, and pages 50 to 55 in this report set out our Net Zero approach more widely.
Metrics and Targets Disclosure of metrics and targets that allow the Company to assess and manage climate related risks and opportunities See page 49	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 50 to 55, along with BREEAM Very Good/Excellent certification both on development activity and our portfolio. 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 52: our absolute landlord-controlled carbon footprint has decreased significantly over the last seven 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 and ESG report which is also available on our website and updated annually. Next year we will start to report against out Net Zero Carbon deliverables and our targets will be adjusted to incorporate our Net Zero ambitions.

A review of our risks

Risk management

Effective risk management reduces the negative impact of risk on the business and is critical to our strategy of investing in real estate that provides reliable, repetitive and growing income-led total returns and long term outperformance.

Our risk management structure is illustrated below:

Structure	Responsibility
Graphic removed **The 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.
Graphic removed **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 and controls.
Graphic removed **Senior Leadership Team**	• Identify, assess and quantify risk. • Implement and monitor risk mitigation processes.

The Board's risk management responsibility

The Board has overall responsibility for establishing and maintaining a risk management framework critical to its decision making process and key to the long term success of the business. This framework gives the Board confidence that risks inherent in running the business are successfully being identified and mitigated to the extent possible to safeguard stakeholders' interests and achievement of the Company's strategic goals. The Board has a low risk appetite in respect of these objectives but acknowledges that no system can entirely eliminate risk.

The Board considers risk in all the decisions it makes and uses a high-level dashboard at each of its meetings to monitor material issues and new and emerging risks. The Board also receives an informative market overview from the Chief Executive at its meetings, which highlights overarching or longer term themes and evolving trends within the sector, wider economy and the risk environment that provide context for responsive strategic decision making.

The Audit Committee's oversight role

The Audit Committee assists the Board by providing a key oversight and assurance role. It does so by appraising the risk management framework in detail and seeking comfort that there is a robust system in place for the identification, assessment and mitigation of the principal risks faced by the Company. The Committee annually reviews the Company's risk register and systems of internal controls, considers their effectiveness and reports its findings to the Board. The Committee also undertakes thematic deep dives into significant or areas of increasing risk.

At its March 2021 meeting, the Committee scrutinised the risk register, which had recently been comprehensively updated, and an internal controls evaluation report from the Finance Director.

The Committee also received updated reports and presentations on the ESG agenda, corporate governance, cyber security and tenant covenant monitoring at that meeting. Based on its review and assessment, the Audit Committee is satisfied that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings were reported to the Board.

The Senior Leadership Team identifies implements and monitors

The Senior Leadership Team is responsible for ongoing risk identification and the design, implementation and maintenance of the system of internal controls in light of the risks identified. The team comprises individuals with a breadth of skills and experience from across the Company. Short reporting lines, low staff numbers and an embedded risk awareness culture within the organisation 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.

Our risk register

The risk register is 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

No significant change
Increased risk
Decreased risk

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. Owners and timelines are included for any action points arising out of the register's review.

Principal risks

Our principal risks and uncertainties are identified and reported on in pages 68 to 79. They refer to those risks with the potential to cause material harm to our operations and stakeholders and could affect 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 expertise, considers emerging risk with the potential to adversely affect the business and stakeholders. Such risks are evaluated and monitored through Senior Leadership Team meetings, with appropriate mitigation measures implemented as required. Significant emerging risks are raised and discussed at Board level.

From a property perspective, strong occupier relationships inform management and help us to understand our tenant needs and contentment and gain insights into their businesses. These relationships are one of the key tools used to assist us, not only in sourcing potential off market opportunities but also in identifying emerging risks and trends which has been particularly useful throughout the Covid-19 pandemic when many businesses have undergone some form of restructuring.

Management also have strong banking relationships and, more broadly, regularly meet industry representatives, shareholders and analysts. These relationships are also used to identify emerging risks. In addition, reports are commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the real estate sector and the wider economic outlook.

No new or emerging principal risks have been identified this year, but the pandemic has heightened the likelihood of some risks occurring.

Changes in risk factors

Covid-19

Last year we introduced Covid-19 as a new and emerging principal risk. We recognised that the disruption and risk of a prolonged and severe economic downturn would present unprecedented challenges to the business and its stakeholders, but also potentially opportunities. As identified then, Covid-19 has accelerated a number of structural changes that are having a profound and permanent impact on real estate. Combined with a continuation of a lower for longer interest rate environment, negligible bond rates and suppressed corporate dividends, it has intensified demand for the right real estate that can deliver reliable, repetitive and growing income and endorses our strategy to position the portfolio on the right side of these structural trends. As reported in the Chief Executive's review on pages 15 to 18 logistics and long income, which comprise 95% of our portfolio, have been clear beneficiaries of the pandemic as businesses have sought to future proof their operations in response to the rise of ecommerce and respond to changes in the way we live and shop. Furthermore, sustained logistics demand is expected from Brexit uncertainties as 'just in time' strategies are replaced with 'just in case' as companies adapt to how the UK operates under its new arrangements with the EU and other trading partners raising new border related issues, which are increasing the need for more localised inventory.

We expect a period of prolonged uncertainty and continuing disruption as a result of Covid-19, notwithstanding the efficacy of the vaccine roll out. With strong performing assets, closely aligned to the structural tailwinds, we remain well placed, though not immune, to weather this disruption and navigate these uncertain times and believe our risk has reduced since this time last year. We continue to focus on improving the quality of our portfolio, keeping our people safe, working closely with occupiers, suppliers and other

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 management

No significant change
Increased risk
Decreased risk

stakeholders, maintaining a strong financial position and helping local communities.

This year we have incorporated the risk posed by Covid-19 within other principal risk categories where they are inextricably interlinked.

Investment opportunities

In identifying investment opportunities, we assess potential returns and weigh them against the risks involved. Therefore, whilst the market presents many opportunities, as significant shareholders ourselves, we prefer to focus on quality investments that offer long term income, capital growth and downside protection from strong intrinsic value, priding ourselves on our process, discipline and rationality as we look to acquire the best assets, at the right price. This rigorous approach invariably tempers investment activity. We are mindful that investor demand and tightening yields for our preferred sectors make further investment difficult whilst tightening yields on non core and weaker assets encourage sales for the right property reasons but where redeployment of proceeds is difficult. We will aim to continue to maintain a fine balance and defer sales receipts where possible, to allow time for reinvestment and reduce the negative impact on earnings.

Responsible Business practices and climate change

Stakeholder focus on responsible business practices has continued to increase with particular attention on climate change and the Net Zero Carbon agenda from an environmental perspective. If we fail to keep pace this could have a profound negative impact on our earnings, asset and share liquidity. More information can be found on our Responsible Business objectives, initiatives undertaken and progress against targets in our Responsible Business and ESG review on pages 47 to 63.

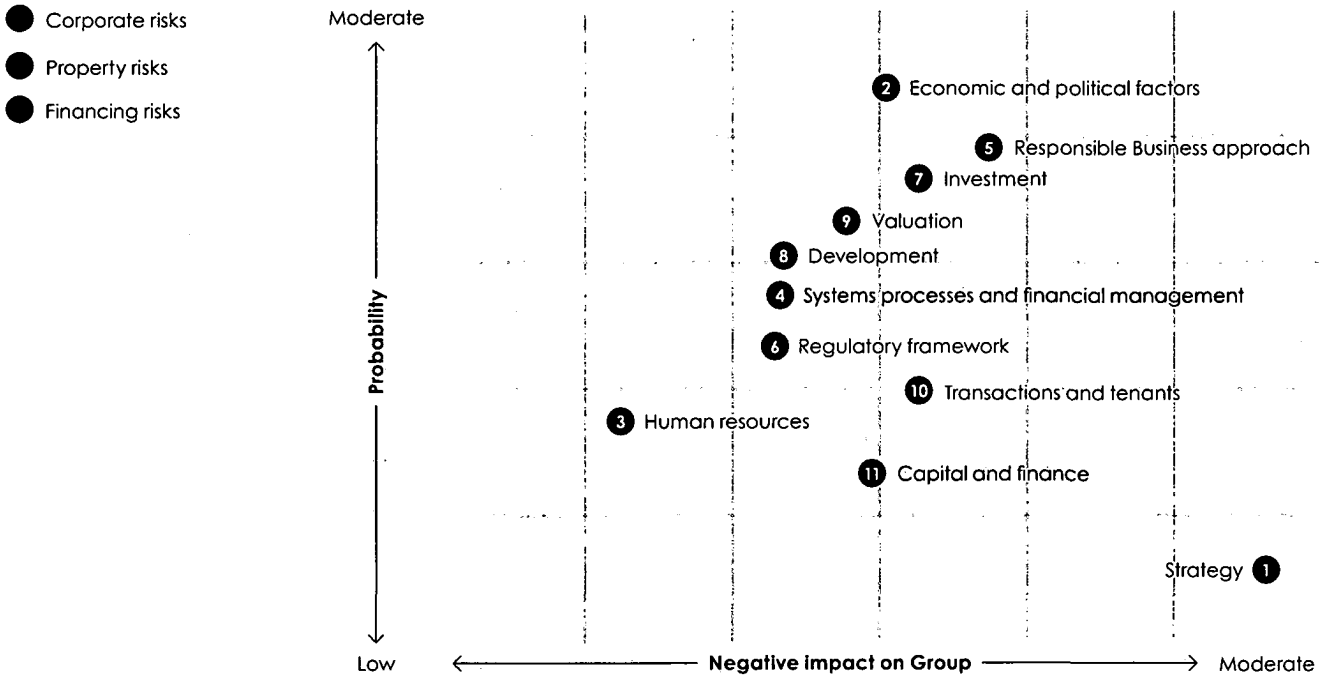
Financial position

In May last year we successfully raised gross proceeds of £120 million through a substantially oversubscribed equity placing in order to take advantage of high quality investment opportunities we were seeing early on in the pandemic. Just before the year end we then priced a £380 million debt placement with a number of institutional investors in North America and the UK. This placement was upsized due to exceptional demand and has a blended maturity of 11.1 years and a blended coupon of 2.27%. The placement completed at the end of April. Alongside this, we refinanced existing revolving credit facilities with a three year syndicated facility of £225 million and a five year facility of £175 million. Both facilities are unsecured, revolving and have two, one year extension options. More information on the equity placing, debt placement and the refinancing, which have improved our financial position, can be found in the Financial review on pages 40 to 46.

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



A review of our risks

Viability Statement

Based on the results of their assessment which is detailed below, 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 to 31 March 2024.

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 review and challenge the period over which to assess viability on an annual basis and have determined that the three year period to 31 March 2024 remains 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 obtaining planning permission for a development project to practical completion of the property. The average length of the Group's developments that completed in the year at Goole, Wallingford, Weymouth and Bedford was 14 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.

Although the Board's review focused on the three year viability assessment period, it also considered a number of other factors when assessing the Group's longer term assessment, including:

- The weighted average unexpired lease length of 11.4 years;
- The weighted average debt maturity after completion of the refinancing in April 2021 of 8.2 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.

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

It 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. They also consider the impact to earnings and liquidity when assessing potential investment and development proposals.

Forecasts are reviewed against actual performance and reported quarterly to the Board.

Short term cash flow forecasts and rent collection rates are closely monitored by the Senior Leadership Team on a weekly basis.

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

- Income certainty, with 57% of the Group's rental income benefitting from contractual uplifts, and diversity, with 36% of rent due from our top ten occupiers;
- A proven track record of executing transactions, making good sector choices and growing income;
- Strong rent collection rates throughout the Covid-19 pandemic with 98% of rents due in the year collected;
- Strong relationships with debt providers, evidenced by the new £780 million debt arrangements; and
- Substantial liquidity with undrawn debt facilities and cash of £338 million after the refinancing.

Assessment of viability

The business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including:

- Changes to macro-economic conditions, reducing rent and property values;
- Changes 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 investment and development opportunities.

In response to the pandemic, our scenario testing considered the longer term impact of the disruption caused to our occupiers, including potential rent defaults, increased vacancy costs and letting voids. Key assumptions included reducing rent and property values by 15%, removing uncommitted capital expenditure and increasing interest rates by 1%. Throughout the scenario testing, the Group had sufficient reserves to continue in operation and remain compliant with its banking covenants.

Reverse stress testing was also undertaken. Property values would need to fall by approximately 43% and rental income fall by 65% to breach the gearing and interest cover covenants under the Group's unsecured and private placement debt facilities, that together account for 92% of the Group's borrowing including its share of joint ventures as at the date of this report.

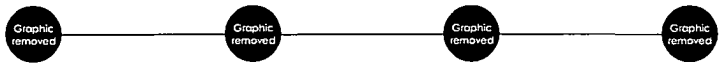
This scenario testing, when combined with the Group's strong financial position, rent collection evidence, and mitigation actions available including deferring non committed capital expenditure and selling assets, supports the Group's ability to weather unexpected and adverse economic and property market conditions including the Covid-19 pandemic over the longer term viability period.

Principal risks

Corporate risks

	Risk	Impact	Mitigation
1. Strategy	Strategic objectives may be: • Inappropriate for the current economic climate or market cycle • Not achieved due to Covid-19 or Brexit related disruption or poor implementation	• 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	• Strategy and objectives are regularly reviewed by the Board to adapt to an ever-changing market and trends • Deep occupier relationships and experience within our sectors shape portfolio decisions • Commissioned research assists our strategic decision making • We have a UK based, predominantly logistics portfolio in a world leading ecommerce 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 • The Senior Leadership Team comprises 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 • The Board and senior management team's strong economic alignment to shareholders ensures a strong conviction to make the right property and financial decisions
2. Economic and political factors	Market downturn or specific sector turbulence resulting from: • The severe adverse economic impact from Covid-19 • New trade arrangements with the EU and other economies following Brexit • Other economic and political factors	• 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 remain focused on what we can control within the business and the medium and long term drivers of returns • We commission economic and market research to better understand the potential impact of economic factors on our tenants and preferred asset classes • Our strong occupier relationships provide market intelligence and help us better understand our tenants needs and emerging trends • We regularly monitor tenant and contractor covenant strength • We limit development, particularly speculative development exposure and letting risk • We maintain a high WAULT 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

Our strategic priorities



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7. Generate reliable income with income growth
8. Strong focus on diversity and credit strength of occupier

No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• Investor demand for distribution assets has increased, attracted by limited new supply and growing occupier demand fuelling rental growth • Investor demand for income has also intensified in a zero interest rate economy. Our long income assets have defensive and income growth characteristics • During the year we deployed £231 million across logistics, grocery and roadside and increased our urban logistic weighting where supply is restricted and rental growth strongest, to 38.5% and long-let grocery and roadside exposure with high quality counterparties to 11.0% • £159 million of disposals were predominantly of shorter let and poorer located logistics assets and non core office retail and residential assets. Receipts on the majority of sales were deferred to allow time to reinvest proceeds • Our dividend has increased and cover is strong at 1.1 times EPRA earnings per share • Our property cost leakage at 1.4% is low within the sector as assets are operationally light	The Board continues to view the Company's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is low.	**Decreased risk** We have focused investment and asset management activity on improving the quality of our 'all weather' portfolio which provides reliable, repetitive and growing income whilst providing strong intrinsic value and capital protection. We anticipate no significant change in this risk over the next 12 months. Read more: Chief Executive's review **page 15** Property review **page 26** Financial review **page 40**

Commentary	Appetite	Change in the year
• *Our fit for purpose distribution (70.8% portfolio weighting) has* benefitted from accelerated demand as a result of Covid-19 and Brexit as businesses seek to future proof their operations in response to the rise of ecommerce and how the UK operates with its trading partners • The majority of our long income assets (24.5% portfolio weighting) are considered non discretionary, less susceptible to the migration of spend online and are benefitting from changes in how we live and shop. Most were open for trade prior to the last Covid-19 lockdown measures lifting with strong underlying trading performance as reflected in our high rent collection rates • 2% of our portfolio is exposed to out-of-town leisure and hotels in good geographies which trade strongly in more normal times. *Adversely impacted by the severity of lockdowns, these have* delivered a property return of -13.8% in the year	*The Board monitors the impact* of the pandemic and political and economic developments which are outside of its control. Focus remains on maintaining a robust 'all weather' portfolio, and keeping this risk to a minimum.	**Decreased risk** The majority of our assets are in structurally supported sectors and performing in line with or ahead of expectations. We remain alert to the few underperforming in the extreme conditions. We anticipate no significant change in this risk over the next 12 months. Read more: Property review **page 26**

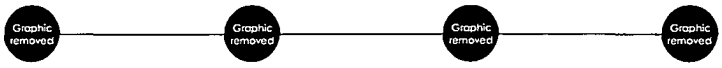
Principal risks

Corporate risks

3. Human resources	Risk	Impact	Mitigation
	• There may be an inability to attract, motivate and retain high calibre employees • Covid-19 may be detrimental to the long term health of key individuals	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage. **Impact on strategy** 	• 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 • 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 Non Executive refreshment plan • Key man insurance is in place for the Chief Executive

4. Systems, processes and financial management	Risk	Impact	Mitigation
	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** 	• 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

Our strategic priorities



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No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• An external Board evaluation was undertaken, its findings extremely positive • The Senior Leadership Team introduced last year promotes talent development below Board level • The appointment of Kitty Patmore to the Board and Audit Committee brings significant property and capital markets experience to enhance the existing skill set of the Board and supports succession planning for Non Executive Directors which remains high on the Board's agenda • Staff survey responses were highly positive with 100% of respondents proud and happy to be working for LondonMetric and confident in the decisions made by senior management • Our workforce engagement Non Executive Director hosted a call with a cross section of employees in the year to hear their views and concerns • No staff were furloughed and turnover is low at 6% on average since merger • 68% of employees participate in the LTIP	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. Its appetite for this risk is low.	**No significant change** There was no significant change in perceived risk during the year. We anticipate no significant change in this risk over the next 12 months. Read more: Employee engagement **page 93** Management team **page 86** Our people **page 58** Nomination Committee report **page 101** Remuneration Committee report **page 116**

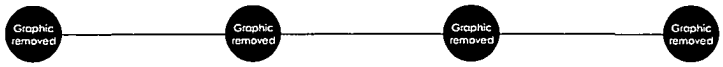
Commentary	Appetite	Change in the year
• Our IT systems have allowed us to remain fully operational over the Covid-19 lockdowns • During the year we upgraded our operating system and completed the integration of Mucklow onto the LondonMetric IT platform and systems • Further improvements were made to our integrated sales ledger invoicing and reporting system to enable more billing to be brought in-house and away from managing agents and to improve the quality of credit control reports • Increased remote working as a consequence of lockdowns has exposed the Company to a range of cyber attacks. The Company's cyber security measures have provided a strong level of protection	The Board's appetite for such risk is low and management continually strive to monitor and improve processes.	**No significant change** There was no significant change in perceived risk during the year. We anticipate no significant change in this risk over the next 12 months. Read more: Audit Committee report **page 108**

Principal risks

Corporate risks

	Risk	Impact	Mitigation
5. 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 and commission reports • 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
6. Regulatory framework	Non-compliance with legal or regulatory obligations.	• Compromised asset security • Suboptimal returns for shareholders • Decisions made on inaccurate information **Impact on strategy** Graphic removed Graphic removed Graphic removed	• We monitor regulatory changes that impact our business assisted by specialist support providers • 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 and REIT compliance is monitored

Our strategic priorities



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No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• We continue to hold meetings with large numbers of shareholders, analysts and potential investors, meeting 173 in the year • We continue to score well in ESG benchmarks • 26% of our portfolio by area is rated BREEAM Very Good or Excellent, an increase from 20% in 2020 • c.74% of our portfolio has an EPC rating of A-C and we are targeting a minimum C rating on all assets • Our Net Zero Carbon framework published in May sets out our ambitions to become a zero carbon business • Our new revolving credit facilities incorporate a green framework • We issued a £50 million green private placement tranche, the first UK REIT to do so • We have scored highly in stakeholder surveys, with 9.0 out of 10.0 occupiers recommending us as a landlord in our latest occupier survey, despite the challenging Covid-19 backdrop • Our Communities and Charity Committee, created in response to the pandemic, has spent or committed most of the £127,000 funded mainly through the Board and senior managers waiving 20% of their salary and fees for three months • ESG targets have been introduced into the wider staff performance criteria	The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment towards the Company and asset liquidity.	**Increased risk** ESG significance continues to increase for stakeholders, particularly in relation to climate change. We anticipate this risk will continue to increase over the next 12 months. Read more: Responsible Business and ESG review **page 47** Shareholder engagement **page 95** TCFD **page 63** Responsible Business report **www.londonmetric.com**

Commentary	Appetite	Change in the year
• There have been no new significant regulatory changes which impact the Company this year • We continued to undertake health and safety site audits on our developments through an external specialist consultancy. These included our smaller development at Carlisle this year and Tyseley post year end. Feedback has been positive and no significant issues were identified • Health and Safety Policy updated in the year	The Board has no appetite where non-compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	**No significant change** There was no significant change in perceived risk during the year. New regulations and evolving best practice will continue to impact the business. We anticipate no significant change in this risk over the next 12 months. Read more: Responsible Business and ESG review **page 47**

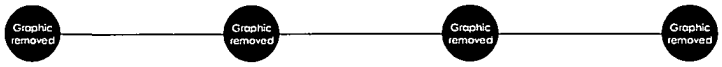
Principal risks

Property risks

7. Investment	Risk	Impact	Mitigation
	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** 	• Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities

8. Development	Risk	Impact	Mitigation
	• 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** 	• As an income focused REIT, development exposure as a percentage of our total portfolio is limited, typically well below 5% • We only undertake short cycle and relatively uncomplicated developments on a pre-let basis or where there is high occupier demand • 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

Our strategic priorities



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8. Strong focus on diversity and credit strength of occupier

No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these • We acquired £245 million of investment property over the year, remaining disciplined and selective. This included sourcing a number of opportunistic deals of high quality assets as a result of Covid-19 which wouldn't ordinarily be available in a normalised market • Post year end, we have acquired a further £68 million of urban warehousing and long income properties	The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise. The Board's aim is to minimise this risk to the extent possible.	**Increased risk** Increased investor demand and tightening yields in the Company's favoured sectors make further investment difficult whilst tightening yields on non core or weaker assets encourage sales where the redeployment of proceeds is difficult. We anticipate no significant change in this risk over the next 12 months. Read more: Property review **page 26**

Commentary	Appetite	Change in the year
• Our current development exposure is 2.3% of the portfolio. • Our 120,000 sq ft urban logistics development at Tyseley is pre-let to Amazon • We are under offer on the letting of the completed Unit 2 at Bedford Link (172,000 sq ft) and in discussions on a pre-let of Unit 1 • We work with a limited number of contractors which helps us to stay close to their operations. All are managing their cash flows and Covid-19 risks well • We have not experienced any material construction delays as a result of the pandemic and reopened sites as soon as it was possible and safe to do so • The average length of the Group's developments that completed in the year from obtaining planning permission to practical completion was 14 months	The Board takes on limited speculative development, although its overall tolerance for this risk is low.	**No significant change** There was no significant change in perceived risk during the year. Supply chain disruption may increase as a result of demand, Covid-19 and Brexit over the next 12 months. Our development exposure remains limited. Read more: Developments **page 38** Bedford Link development **page 39** Tyseley development **page 35**

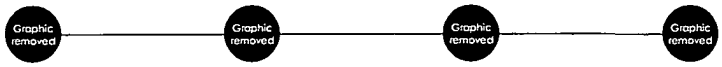
Principal risks

Property risks

9. Valuation	Risk	Impact	Mitigation
	Investments may fall in value.	Pressure on NAV growth and potentially loan covenants. **Impact on strategy** 	• Our portfolio is predominantly in 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 and defensive capital expenditure • We monitor tenant covenants and trading performance

10. Transactions and tenants	Risk	Impact	Mitigation
	• Property purchases and asset management initiatives may be inconsistent with strategy • Due diligence may be flawed • Tenant failure risk	Pressure on NAV, earnings and potentially loan covenants. **Impact on strategy** 	• Thorough due diligence is undertaken on all acquisitions including legal and property, tenant covenant strength and trading performance • We screen all prospective tenants and undertake regular reviews thereafter • Portfolio tenant concentration 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

Our strategic priorities



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No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• The resilience of our portfolio is demonstrated by the £173.7 million valuation increase in the year, with distribution providing the strongest valuation contribution • 57% of our income has contractual uplifts, 39% of which are inflation linked • Our portfolio metrics continue to be strong: WAULT 11.4 years, with only 8.4% of rent expiring within three years • Portfolio occupancy 98.7% • 173 occupier initiatives added £5.3 million to contracted rent with an average WAULT on new lettings of 13.2 years • We are repurposing a number of historic triple net assets into convenience led grocery	There is no certainty that property values will be realised. This is an inherent risk in the industry. The Board's aim is to keep this risk to a minimum through its asset selection and active management initiatives.	**Decreased risk** The majority of our portfolio remains strategically aligned to structurally supported sectors where the prospects for value preservation and growth are significant and investor demand high. We anticipate no significant change in this risk over the next 12 months. Read more: Property review **page 26** Developments **page 38**

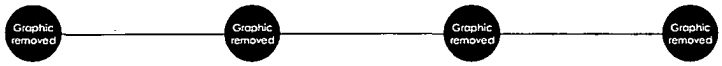
Commentary	Appetite	Change in the year
• For the year to March 2021, 98.1% of the rent demanded has been or is being collected with deferred payment arrangements over £1.5 million. 1.1% of rent has been subject to asset management initiatives and 0.4% forgiven. Only 0.4% remains unpaid, some of which relates to a property where we are obtaining vacant possession for a new letting to Lidl • The Company has limited exposure to poorly capitalised tenants most adversely impacted by pandemic disruption • Dependency on our top ten occupiers is 36% and no single tenant accounts for more than 8.2% of income	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 potential or alternative site use.	**Decreased risk** Portfolio resilience has been demonstrated through our rent collection statistics. We anticipate no significant change in this risk over the next 12 months although further, extended Covid-19 lockdowns may change this. Read more: Chief Executive's review **page 15** Property review **page 26** Financial review **page 40**

Principal risks

Financing risks

11. Capital and finance risk	Risk	Impact	Mitigation
	The Company has insufficient funds and available credit.	Strategy implementation is at risk. **Impact on strategy** 	• 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 • 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 as deemed prudent following specialist hedging advice

Our strategic priorities



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No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
• We raised £120 million through an equity placing last May to fund a pipeline of investment opportunities • We priced a £380 million private placement in March, upsized following significant demand, which diversified our existing investor base. The additional amount raised will enable us to repay our secured Helaba facility, eliminating future refinancing risk and extending maturity on the £130 million by eight years • Post year end we completed the refinancing of revolving credit facilities with a three year syndicated facility of £225 million and a five year facility of £175 million. Both have two one year extension options • We have substantial headroom under our loan covenants. Loan to value is 32.3%. Interest cover on unsecured facilities is 5.5 times	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. Loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.	**Decreased risk** Our significant refinancing activity has extended debt maturity whilst maintaining a broadly similar cost of debt. We anticipate no significant change in this risk over the next 12 months. Read more Financial review **page 40** Viability statement **page 67**

How we govern the business

Governance overview

Board leadership and Company purpose

Provides an overview of activities in the year and how the Board has considered its S172 responsibilities.

Image removed

81-96

Chair's introduction	81
Board of Directors	84
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Our activities	88
Our stakeholders	90

Division of responsibilities

Sets out the leadership framework and roles of Board members.

Image removed

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Composition, succession and evaluation

Sets out the practices in place which ensure the Board and its Committees have the appropriate balance of skills to govern the business and operate effectively.

Graphic removed

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Audit, risk and internal control

Sets out how we monitor the Integrity of the financial statements and oversee risk management and internal control.

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Remuneration

Sets out our Remuneration Policy on executive pay and its alignment with strategy and the wider workforce.

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Report of the Directors

Sets out our regulatory compliance and provides details of the 2021 Annual General Meeting.

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Board leadership and Company purpose

Chair's introduction

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Our clear and strong governance framework has been even more critical over the past year, in managing the disruption and uncertainty caused by the Covid-19 pandemic and navigating our way through unprecedented and challenging times.

The strength of our stakeholder relationships and close-knit talented team has helped us to make the right decisions and play our part in a responsible and considered way.

Patrick Vaughan
Chair

Good governance principles and practices underpin the way we manage our business and drive the delivery of our strategy and ultimately our long term success.

The Board provides leadership and direction to the business, establishes and fosters the culture, values and ethics within the organisation, and independently oversees management's execution of strategy within an acceptable risk management framework.

Our response to the Covid-19 pandemic

The impact of the pandemic on our business, Board and stakeholders' operations has dominated the year and this has been reflected throughout this Annual Report. Our priority has been the safety and wellbeing of our employees and the needs of our customers and suppliers, whilst also doing the right thing for our shareholders and communities within which we work. Our flexible working policy meant that we were well equipped to transition to remote working from the onset of the first national lockdown in March 2020 and all employees continued to work uninterrupted. The Board continued to operate effectively, meeting remotely and more frequently to support the management team and maintain close oversight of the business and its operations. A Covid-19 Communities and Charity Committee was established, and additional funding and support was provided to NHS trusts, national charities and foodbanks. As part of this, the Board and other senior managers waived 20% of their salary for three months, providing additional funding for the Covid-19 charitable cause. It is also worth noting that we have taken no Government subsidies or loans, nor have we furloughed any employees during the pandemic. We have continued to pay dividends, in line with our policy, throughout the year.

Further details on our response to the Covid-19 pandemic and how we have considered our stakeholders can be found on page 19 of the Strategic report and on pages 90 to 92 of this Governance report.

Board changes and succession

I am very pleased to welcome Kitty Patmore to the Board as a Non Executive Director and member of the Audit Committee. As Chief Financial Officer of Harworth Group plc and with 15 years of finance, banking and real estate lending experience, Kitty brings significant property and capital markets knowledge and the right personal qualities to complement and enhance the existing skill set of the Board. Following Kitty's appointment, Andrew Livingston has stepped down from the Audit Committee and been appointed to the Remuneration Committee and Robert Fowlds has joined the Nomination Committee.

This appointment supports our work on succession planning for the Board, which has otherwise been paused through this period of extreme uncertainty and disruption, to protect stability in the leadership team.

Although James Dean has served as a Non Executive Director for 11 years and his tenure could appear to compromise his independence under Provision 10 of the Code, the Board firmly believes that he acts in an independent manner at all times and continues to value his in-depth property expertise and sound judgement.

Highlights this year

- Oversight of the challenges posed by the Covid-19 pandemic and impact to strategy and working practices
- Appointment of Kitty Patmore as a Non Executive Director
- External review of Board and Committee performance
- Further monitoring of culture, working arrangements and employee wellbeing through feedback from employee surveys
- Employee engagement by the designated workforce Non Executive Director
- 20% of salary waived by the Board and other senior managers for three months for Covid-19 related charities
- Approved £120 million equity placing and £780 million new debt facilities

Chair's introduction

James will remain as a Non Executive Director to help navigate through these uncertain times in the short term.

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.

Our purpose, strategy and culture

We have set out our purpose on page 1 and how this is delivered through our strategic priorities on page 14 and business model on page 22.

Despite the unprecedented disruption to our business operations this year, we have remained focused and have had an excellent year, successfully delivering against our clear strategic priorities of owning desirable real estate and growing sustainable income.

We have spent time reviewing our strategy in the light of the pandemic and its impact on the global economy and real estate market, and will continue to invest in our preferred logistics and long income sectors and work closely with our occupiers to maintain occupancy and promptly collect our rents.

Our purpose

What we do and why

Read more on page 1

Our values

What we believe in

Read more on pages 2 to 9

Our culture

The way we work

Read more on page 93

There has never been a more important time to engage with and look after the wellbeing of our employees. Staff have embraced a new way of working, utilising technology and adopting new processes to perform their duties remotely. Our systems and processes allowed us to function very effectively from home with minimal disruption to our operations. Every employee was issued a laptop and no one at LondonMetric was furloughed or required to reduce their working hours.

Staff have been encouraged and supported by a dedicated Senior Leadership Team, who have fostered an inclusive working environment through virtual team meetings, which increased in frequency throughout the period of home working, ensuring that the whole office stayed connected and informed. This inclusive and cohesive working culture was reinforced by weekly updates to all staff from the Chief Executive on transactions and operational matters including any proposed changes to working arrangements. 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.

Having considered feedback from staff via line managers and from the survey responses, we decided to reopen both the London and Birmingham offices when the Government guidelines permitted, on a voluntary basis, giving staff the flexibility of working remotely from home or in the office. We did not feel our office in central Birmingham allowed sufficient social distancing and instead reopened the former Mucklow head office in Halesowen for staff.

Feedback from our home working survey was also instrumental to the decision we took to upgrade our IT operating systems to Microsoft 365 and MS Teams last year and provide a more effective and stable platform ahead of our return to the office.

Andrew Livingston has been proactive this year in his role as the designated workforce Non Executive Director and has hosted a virtual call for a small group of employees providing a forum for staff to share their views, raise any concerns and improve links between employees and the Board.

He also reviewed the results of the employee surveys and fed back conclusions to the Remuneration Committee and Board. Further details of employee engagement and wellbeing can be found on page 93 and in the Responsible Business and ESG review on pages 58 to 59.

Read more on employee engagement and monitoring of culture page 93

S172 and engaging with our stakeholders

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. The Code and The Companies (Miscellaneous Reporting) Regulations 2018 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 56.

On pages 90 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.

Critical to our long term success is the strength of our stakeholder relationships. Our exceptional financial and operational results achieved in this challenging year are testament to the tireless work of our talented team and the relationships they have built with our key stakeholders. We have worked closely with our tenants and sought to provide workable solutions to those most affected and in need.

It was pleasing to see the positive feedback from our latest occupier survey, with 9.0 out of 10.0 occupiers recommending LondonMetric as a landlord. We continue to put our occupier needs at the forefront of our decision making.

Read more on our occupier survey page 57

We value the support and engagement we have with our shareholders and are proud of our comprehensive investor relations programme. This year, as well as meeting with 173 investors, we hosted a number of virtual presentations and calls with potential lenders in connection with our new private placement and unsecured debt facilities, which extended the maturity of our debt, diversified our lending base and added a green financing framework to our borrowings.

Our £120 million equity placing in May 2020 was significantly oversubscribed, reflecting the support of our investors and similarly our strong banking relationships have helped us agree new debt facilities.

Read more on shareholder engagement page 95

We have seen much greater focus from investors on the ESG agenda and have undertaken a Companywide training session on ESG matters in order to raise awareness and discuss specific initiatives and projects in hand.

On page 50 we outline our commitment to reducing carbon emissions and our three ambitions which will allow our operations to become net zero. We understand the importance of addressing climate change and the impact of emissions from real estate on the UK's Net Zero Carbon targets. We will assist our occupiers by providing buildings that can meet their net zero targets and will look to reduce emissions from our developments.

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Read more on Net Zero Carbon page 50

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.

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 this year to 33% and now meets the Hampton Alexander target.

External Board evaluation

In line with our three year cycle, this year's review and evaluation of performance was externally facilitated by Independent Audit Limited. 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 101.

Overall the findings were extremely positive with no areas of concern. The Board was praised for responding well to the Covid challenge and working smoothly in a virtual world, with notable alignment of thought between the Non Executive and Executive Directors. Notwithstanding the notable strengths, the review guarded against complacency and suggested that the Directors should look to keep things fresh and be open to doing things in a different way in order to remain resilient. We will keep this under review as we emerge from the pandemic and look to learn from our experiences.

Looking ahead

As lockdown restrictions continue to ease and life begins to return to near normality, our top priority is always the health and wellbeing of our staff and we will continue to take whatever measures are necessary to safeguard them. We will seek to ensure the business remains resilient and adapts to structural, economic and regulatory changes going forward.

We recognise that our success depends on a small, dedicated team of individuals with strong real estate and financial expertise whose efforts have been unparalleled this year. I would personally like to thank each and every one of them for their continued hard work and dedication during a very difficult, challenging year and for adjusting seamlessly to changes in working practices.

I would also like to thank my fellow Board members for their continued support and expertise. I am delighted to be continuing as Chair and look forward to the opportunities ahead.

Signature removed

Patrick Vaughan
Chair

27 May 2021

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 102 and Provision 38 in relation to pension contributions as explained in the Remuneration Committee report on page 118. Pension contributions for the current Executive Directors will be aligned with the all employee rate from June 2022.

This report sets out the Company's governance policies and practices and explains how the Board discharges its duties, applies the principles and complies with the provisions of the Code.

Board of Directors

The Board provides leadership and direction to the team and takes into account the views and interests of its stakeholders when making decisions.

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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 together with the sustainability strategy.

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

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

6. Robert Fowlds
Senior Independent Director
Chair of Remuneration Committee

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, Nomination Committee and Remuneration Committee(Chair)

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:
Nomination Committee
and Remuneration Committee

8. Katerina Patmore (Kitty)
Independent Director

Appointed: 28 January 2021

Skills and experience:
Kitty was appointed to the Board on 28 January 2021, joining as part of the Company's Audit Committee. Kitty is Chief Financial Officer of Harworth Group plc and has 15 years of finance, banking and real estate lending experience drawn from roles at Harwood, DRC Capital and Barclays Bank PLC. She was also formerly a National Director of the Investment Property Forum.

Board Committees:
Audit Committee

9. 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, including with AXA UK Limited 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, and has previously worked for Reuters Group where she was a member of the Executive Committee.

Other appointments:
Independent Trustee and Deputy Chair of the University of London. Chair of Finance, Trustee and Vice Chair of the Harris Federation and Chair of Governors of Harris Academy Bromley

Board Committees:
Audit Committee (Chair)
and Remuneration Committee

Board independence

75%

Independent Non Executive Directors excluding the Chair

Board gender diversity

33%

Female representation on the Board, achieving Hampton Alexander target this year

All employee gender diversity

45%

Female representation across the Company

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.

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

Since the onset of the Covid-19 pandemic last year, the Senior Leadership Team has met remotely each week to discuss the key operational and financial aspects integral to the management of the business, as reflected in the chart on page 87.

This has facilitated talent development below Board level and has helped to promote an integrated and inclusive culture throughout the organisation, as key messages and decisions are fed down from departmental heads to the wider workforce.

There are informal 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, risk, financial and operating targets and performance, investment opportunities, allocation of capital and employee matters.

It provides feedback and makes recommendations to the Board and is responsible for identifying and assessing risk and implementing and monitoring mitigation processes.

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 periods of enforced lockdown in the UK in response to the Covid-19 pandemic, all staff have worked remotely and Committees have met through Microsoft Teams conference calls.

1. Andrew Jones
Chief Executive

Full biography page 84

Management Committees:
Investment Committee
Asset Management Committee
Finance Committee

2. Martin McGann
Finance Director

Full biography page 84

Management Committees:
Finance Committee

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

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 responsible day to day 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

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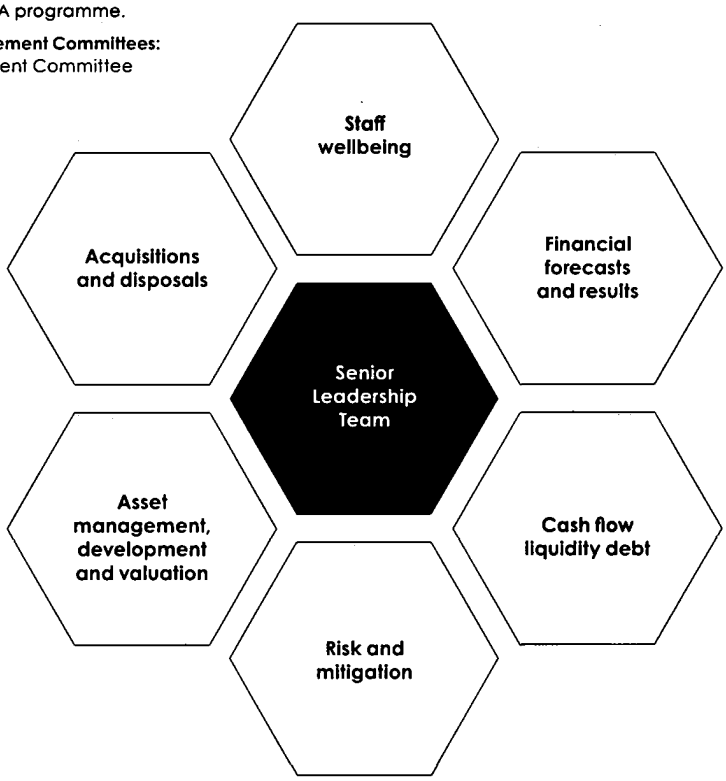
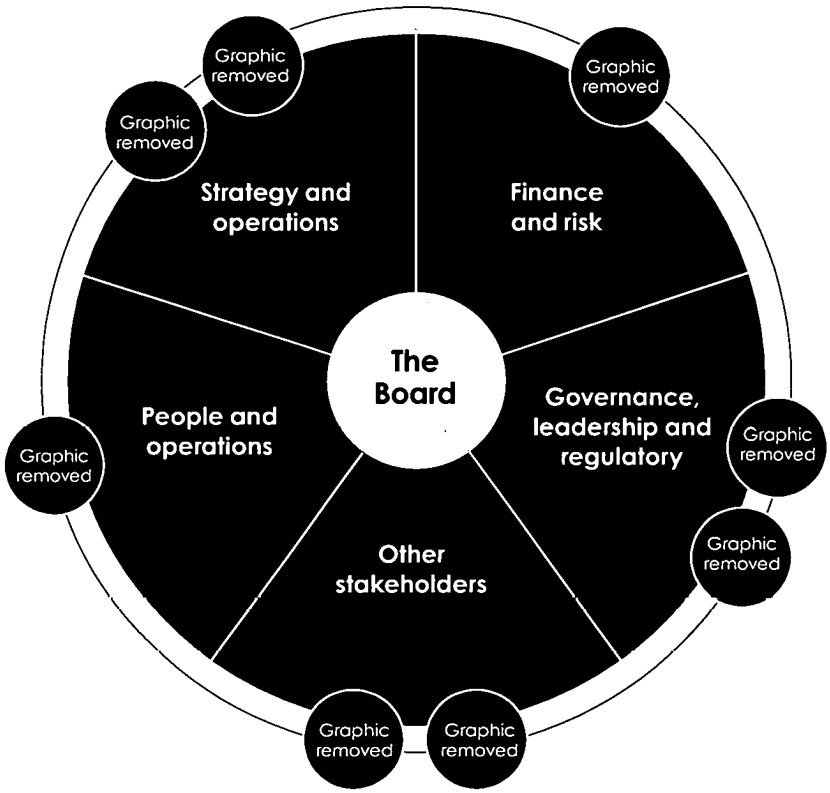
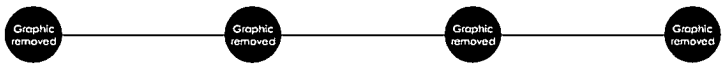


Our activities

How the Board spent its time in 2021



Our strategic priorities



1. Align portfolio to macro trends
2. Focus on long-let property with rental growth
3. Improve quality and sustainability of our assets and income
4. Enhance income and value through asset management and development
5. Remain rational and disciplined
6. Use the team's expertise and relationships
7. Generate reliable income with income growth
8. Strong focus on diversity and credit strength of occupier

Strategy and operations

- Review of strategy at each meeting and the need for any change as a result of the pandemic and post-lockdown recovery
- Reviewed all non essential capital expenditure on commencement of the first UK lockdown to preserve liquidity
- Approved the last phase of speculative development at Bedford and the pre-let development at Tyseley
- Approved property acquisitions and disposals in excess of £10 million including the portfolio acquisition of five Waitrose assets for £62 million and the two portfolio sales totalling £98 million .

Finance and risk

- Approved the £120 million equity placing in May 2020
- Approved the full year and half year results, the Annual Report and Viability Statement
- Scrutinised the interim and annual property valuations
- Annual review of the internal control framework, risk register and mitigation strategies
- Considered cyber security and IT remote working arrangements
- Approved debt refinancing arrangements and new £780 million private placement and revolving credit facilities

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Governance, leadership and regulatory

- External Board and Committee performance evaluation and review of results
- Approved appointment of Kitty Patmore as a new Non Executive Director and member of Audit Committee
- Extended Chair's appointment for 12 months to 31 March 2022
- Reviewed succession planning and talent development below Board
- Approved updated tax strategy

Graphic removed

Other stakeholders

- Considered feedback from Executive Directors following shareholder meetings, roadshows and results presentations
- Met 173 investors and held virtual presentations and calls with a number of existing and new lenders in connection with the new debt facilities
- Considered feedback from occupier and investor surveys
- Received an ESG update and considered the Company's Net Zero Carbon ambitions and pathway in response to climate change and increased investor focus
- Approved Covid-19 Communities and Charities Committee and agreed a 20% salary waiver for the Board and senior manager for three months
- Reviewed and approved S172 Statement and Directors' duty to stakeholders

Graphic removed

People and operations

- Continued to monitor culture by considering the results of the fourth annual staff survey
- Considered the results of the supplementary home working survey to ensure the remote working measures implemented in response to Covid-19 were effective
- Andrew Livingston continued proactive engagement as designated workforce Non Executive Director by hosting a virtual call for a small group of employees
- Half yearly presentation of results by Executive Directors to all staff
- Weekly updates from the Chief Executive throughout the pandemic and period of remote working
- Considered training and talent development below Board
- Considered workforce remuneration policies and packages and alignment to Executive Directors

This year's regular and scheduled meetings were supplemented by a further Board update on rent collection, operations and transactions following the onset of the Covid-19 pandemic.

In addition to the work of the Board noted on pages 88 and 89, regular matters are discussed at each meeting including:

- Property market trends focusing on logistics and retail sectors, as well as the economic and political backdrop including Brexit and the Covid-19 pandemic
- Quarterly performance against budgets and analyst consensus
- Rolling three year financial forecasts, liquidity and banking covenants
- Risk dashboard and emerging risks
- Quarterly dividend, scrip and PID and the continued application of the dividend policy

Key focus in 2022

- Continue work on succession planning for the Board and promote diversity at all levels
- Adopt the use of Sharepoint for Board papers to improve security of information
- Increase interaction between the Non Executive Directors and high potential middle managers by involving them in Boardroom discussions
- Promote training and talent development through guest speakers and a more structured identification of training needs
- Continue to monitor the impact of the Covid-19 pandemic on strategy and working practices including the return to the office and the longer term flexible working plan
- Internal Board and Committee performance evaluation

Our stakeholders

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.

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 have continued to embed stakeholder interests into our operating model and nurture the strong relationships we have built with tenants and suppliers to provide workable solutions through the pandemic.

We set out in the table below how the Board has considered the interests of stakeholders in its engagement and decision making process during the year.

All significant Board decisions proposed must demonstrate that the impact to stakeholders has been duly considered.

More information on engagement with employees and shareholders can be found on pages 93 to 96. Our S172 Statement is set out on page 56 of the Strategic report.

Read more on the following case studies

Responding to stakeholders during Covid-19 **page 19**

Bedford Link Logistics Park **page 39**

Stakeholder engagement

Our people		
Why they are important to us	Our small, hardworking and dedicated team of just 31 employees are critical to our success and the delivery of our strategy.	We strive to ensure they remain motivated, happy and safe at work and create opportunities for their ongoing development and progression.
What is important to them	• Flexible working in a safe and comfortable environment • For work to be fulfilling and rewarding • Opportunities for learning, progression and career development	• Fair and equal treatment, recognition and pay • Clear goals and feedback • Appropriate work-life balance
How we have engaged with them	• Working from home survey undertaken during the first lockdown last year • Fourth employee survey undertaken in the year and results considered by the Remuneration Committee and Board • Workforce NED met virtually with a small team of employees in the year	• Weekly updates from Chief Executive during Covid-19 pandemic • Annual one to one appraisal and review, this year undertaken virtually • All staff events including half year and annual results presentations
How they influenced the Board's decision making	Home working survey results allowed the Board to make an informed decision about the effectiveness of employees' remote working set up and areas for further improvement including providing additional equipment and introducing weekly yoga sessions and personal finance workshops to improve staff wellbeing and work/life balance.	Decision taken not to furlough any staff. Workforce NED listened to views and concerns, and shared feedback with the Board. A health and safety Covid-19 risk assessment of our offices was undertaken before returning.
Outcomes	• Staff turnover of 6% over the last eight years • No staff furloughed • Senior employees participate in LTIP - 68% participation page 124	• Microsoft 365 implementation • Employee survey results pages 59 and 93 • The work of the designated workforce NED page 94

Our occupiers		
Why they are important to us	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.
What is important to them	• Fit for purpose real estate • Acceptable lease terms	• Well designed and sustainable buildings • Good tenant/landlord relationship
How we have engaged with them	• Dedicated CRM and regular ongoing customer liaison and meetings • Specific discussions during the pandemic on rent deferral arrangements and other concessions and support for most affected tenants	• Annual occupier satisfaction survey in March • Provided rent free accommodation to assist occupiers that were fulfilling contracts to help fight against the pandemic
How they influenced the Board's decision making	Board received more regular updates on rent collection through the pandemic. Rental concessions were given to tenants most in need, including monthly rent plans, rent deferrals	and rent free periods, alleviating financial pressures during periods of forced closure and protecting the Company's income.
Outcomes	• Exceptionally strong rent collection with 98.1% collected in the year • Landlord recommendation score 9.0/10.0	• Property satisfaction score of 8.3/10.0 • Occupier survey results page 57

Our investors		
Why they are important to us	Understanding the views and priorities of our investors, lenders and partners is fundamental to the	development of our strategy and their continued financial support.
What is important to them	• Financial and operational performance and progression • Dividend and dividend cover	• Clear strategy and consistent execution • ESG considerations • Clear and accurate reporting
How we have engaged with them	• Held virtual calls and briefings with 173 investors during the year after results announcements • Annual and half yearly results presentations • Virtual AGM held in 2020 giving shareholders the opportunity to submit questions in advance • Additional virtual calls and presentations given to existing and potential debt providers in connection with the new £780 million private placement and revolving credit facilities	• Head of Investor Relations responds to ESG enquiries and benchmarks • Significant shareholder contact in relation to Covid-19 providing trading and rent collection updates • Investor survey undertaken in March
How they influenced the Board's decision making	Investor views from roadshows and surveys fed back to the Board. The increased focus on ESG by investors led to a detailed review of our ESG framework and policy, with an update presented to Audit Committee in March.	Green framework incorporated into new private placement and revolving credit facilities. 2020 AGM was a closed meeting due to Government restrictions. 2021 AGM to be held, allowing shareholders to listen in by conference call facilities and to submit questions in advance or at the meeting.
Outcomes	• Regular coverage by 13 analysts • Investor survey page 60 • £120 million equity raise	• Dividend paid throughout pandemic • £380m private placement, with £50m green tranche • £400m revolving credit facility with green framework

Our stakeholders

Stakeholder engagement

Our communities		
Why they are important to us	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.	
What is important to them	• Environmental impact of our work • Disruption to daily lives and business operations	• Impact on the local economy • Employment opportunities
How we have engaged with them	• Communities Policy, Charity and Communities Working Group • Continued local community liaison at Bedford, where we have installed a defibrillator for use by the public, dog waste bins and information boards and markers around the reservoir • Public consultations at New Malden, Weymouth, Birmingham 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 • Working with local schools including at Kempston Challenger Academy
How they influenced the Board's decision making	A companywide ESG training workshop was arranged for staff which provided a forum to discuss and understand the Group's ESG initiatives and projects. Covid-19 Communities and Charity Committee raised Board awareness and led to a decision to waive 20% of Board and senior executive salaries for 3 months to provide further funding for specific charitable giving.	
Outcomes	• School workshop arranged through new Speakers for Schools relationship • Companywide ESG training • ESG targets set for employees	• Donation towards careers platform and laptops at Kempston Academy • £127k fund for Covid-19 charitable causes

Our contractors and suppliers		
Why they are important to us	Being a small team, we are supported by a diverse group of key suppliers including contractors, professional advisors and agents.	
What is important to them	• Fair payment terms and prompt settlement • Good, effective and stable working relationship • Long term partnership	
How we have engaged with them	• Signatory to the UK Prompt Payment Code • Close involvement of development team with contractors • Annual Contractor review at Tyseley • Health and Safety Policy updated	• Annual health and safety audits • Annual supplier audit undertaken on a key subcontractor • Board receives regular presentations and updates from external advisors including valuers, auditors and remuneration consultants
How they influenced the Board's decision making	Reviewed committed capital expenditure at onset of the pandemic to preserve liquidity. Supported our contractors through lockdown restrictions.	Employment opportunities created as a result of Board's decision to progress with speculative development at Bedford. See case study on page 39.
Outcomes	• Average supplier payments settled in 12 days	• Fully complied with Responsible Development Requirements for those completed in the year

Employee engagement and monitoring of culture

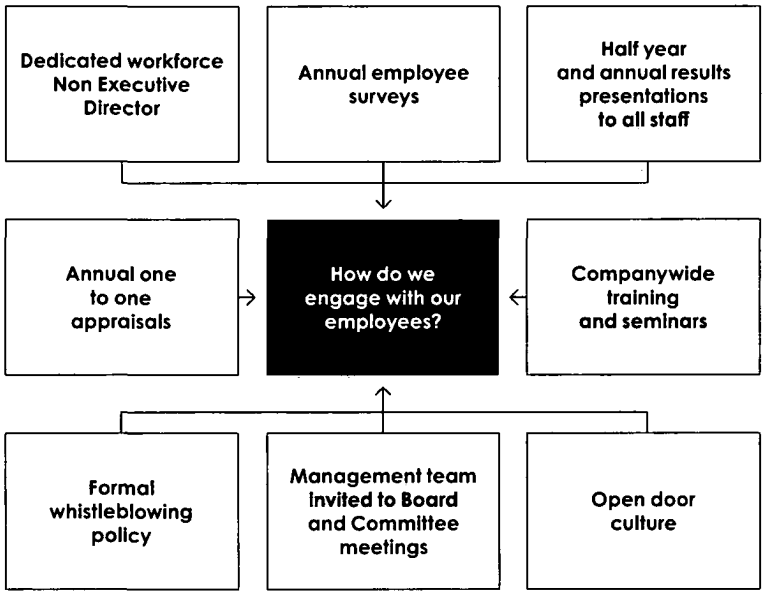
There has never been a more important time to engage with and look after the wellbeing of our employees since the onset of the Covid-19 pandemic and the challenges and restrictions it has placed upon each and every one of us this past year. We are a small team of talented and dedicated individuals who work closely together alongside the Executive Directors in our day to day activities. Our continual low staff turnover rates are testament to an extremely loyal workforce.

We have fully embraced the challenges imposed by the pandemic and lockdown restrictions and have enabled every member of the team to continue in their usual role albeit remotely, by ensuring every employee has a laptop and the necessary IT infrastructure in place. No one at LondonMetric was furloughed or required to reduce their working hours.

Virtual meetings of the various leadership, asset management, investment and finance teams increased in frequency, ensuring the whole office stayed connected and reinforced the importance we place on having an inclusive and cohesive working culture. The Chief Executive sent weekly email updates to all staff throughout the pandemic and periods of home working to ensure everyone was kept informed of business developments and transactions as well as any proposed changes to working arrangements. The Executive Directors kept in regular contact with individuals and teams, enquired about staff wellbeing and welcomed their views and feedback. This feedback, coupled with the results of the two surveys undertaken in the year and as detailed below, was instrumental to the Board's decision to reopen the London and Birmingham offices when the Government guidelines permitted, and on a flexible basis, giving employees the option of returning to the office or continuing to work at home, or adopting a combination of the two. Furthermore, the Board decided to reopen the former Mucklow head office in Halesowen for the Birmingham team, as the central Birmingham office that they had occupied since December 2019 did not allow sufficient social distancing measures to be incorporated and adequately protect staff.

Another outcome from our supplementary staff home working survey that was undertaken in May, ahead of our plans for reopening the office, was the realisation that our IT operating and remote working platform might be less secure when used for virtual meetings both inside the London office and remotely at home. We commissioned our IT support specialists to investigate alternative options which led to the implementation of Microsoft 365 and MS Teams over the summer. MS Teams provides an integrated and stable operating platform and an improved cloud based storage solution.

More recently, the Board has decided to reopen the London and Birmingham offices on a voluntary basis for staff wishing to attend, with enforced Covid-19 lateral flow testing twice weekly being a requirement in accordance with recommended best practice for those who have not received a vaccination.



Employee engagement survey

We undertook our fourth annual employee satisfaction survey in February this year. The feedback was very positive with all employees feeling happy and proud to work for LondonMetric and the vast majority of answers being ahead or in line with last year. The team at LondonMetric remains highly supportive of the Company, its strategy, management and actions.

As in previous years, the survey covered three key areas:

- The Company
- The working environment
- The individual

Overall, 85% of the workforce were positive about the Company, an increase of 16% over the previous year. All employees enjoyed working for the Company and have confidence in the decisions made by senior management.

This year the survey focused on home working as opposed to office environment, with 84% of staff agreeing that systems and processes were working effectively and 87% happy with their home working set up.

2021 survey

100%

enjoy working at London Metric

Our stakeholders

The largest improvements in the year included staff feeling they are treated fairly, which at 97% was a 54% improvement on last year, and the organisation prioritising the long term over the short term, which also saw a 54% increase to 74%.

There were also three main areas identified for improvement, being the Company's environmental considerations, flexible working post lockdown and staff training.

Andrew Livingston, the designated workforce Non Executive Director, reviewed the results with the Strategy Director and thereafter presented to the Board for discussion.

As a direct result of this employee feedback and following further staff discussions, we have improved the ESG workstreams across the business, will work with the entire team to define our long term work from home policy, ensuring our processes are optimised to support the agreed policy, and we will seek to promote training and learning through external speakers and a more structured identification of training needs through the appraisal process.

Our improved ESG workstreams have led to the following specific actions:

- Sustainability related targets set for all employees;
- Committed to three Net Zero Carbon ambitions; and
- Put in place £450 million of debt facilities with a green financing framework.

Further details can be found on page 48

There are also many ad hoc opportunities for other Non Executive Directors to engage with employees and monitor culture, including as part of our Board induction process and at property site visits.

In addition, staff below Board level are invited to attend and present at Committee meetings. This year the Head of Investor Relations, Head of Finance and other finance team members attended Board and Committee meetings to discuss relevant operational topics including ESG, cyber security and tenant covenants.

Image removed

The work of the designated NED

In 2019 Andrew Livingston was appointed as designated workforce Non Executive Director. His role was set out by the Board and specifically included the following:

- Attendance at all staff results presentations to facilitate his integration and give staff the opportunity to get to know and liaise with him;
- Monitor the results of employee engagement surveys and any actions arising; and
- Feedback to the Board at meetings any staff concerns and the results of surveys and other liaison at least annually.

Last year Andrew held an informal lunch for a group of employees away from the office.

This year, despite the challenges of the pandemic, he has continued to be proactive and has hosted a virtual call for nine people across all disciplines of the Company.

This was an opportunity for staff to speak freely and openly and topics discussed included the staff survey, experiences of working from home and technical support, the work-life balance, returning to the office and longer term opportunities for different ways of working and business in general.

Some comments from staff fed back to the Board by Andrew included the following:

- The Mucklow integration had been a great success;
- The business was on course with its strategic objectives;
- Staff appreciated the Chief Executive's regular sharing of business updates throughout lockdown and guest external speakers on personal finance arranged by the Company; and
- Staff noted the frustration of having to juggle work and home schooling in lockdown.

Shareholder engagement

Understanding the views of investors continues to be a top priority for the Board and vital to the Company's strategic direction and success. Regular communication is undertaken by the Chief Executive and Finance Director who, along with the Head of Investor Relations, are the Company's principal representatives and hold meetings throughout the year to communicate the Company's strategy and performance.

In addition, this year the Senior Independent Director, Robert Fowlds, also attended five investor virtual meetings following the year end and half year results announcements.

We continue to enjoy strong analyst coverage with 13 brokers covering us, which is unchanged on the prior year.

Investor meetings

The framework of investor relations is set around the financial reporting calendar and at other times outside of half yearly results announcements in response to ad hoc requests.

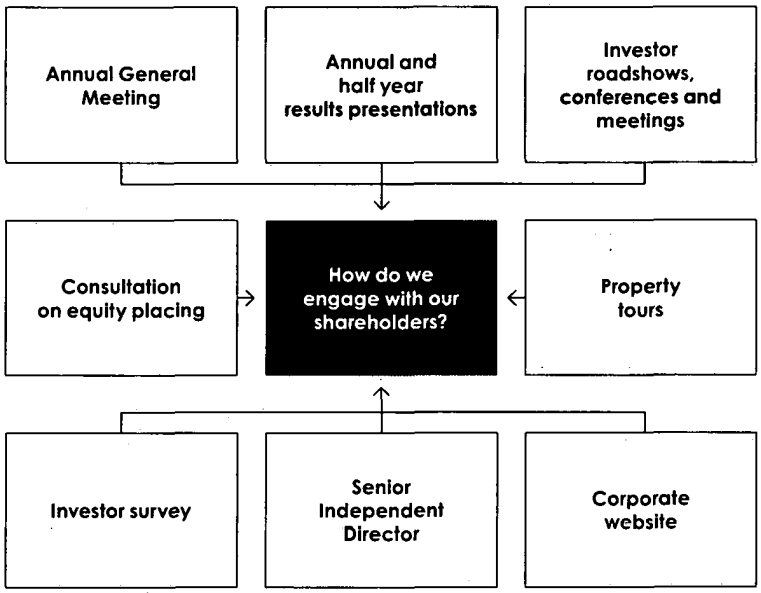
This year, despite the impact of the pandemic and our ability to physically meet investors, we met with 173 UK and overseas shareholders, analysts and potential investors virtually by telephone or video conference. The Executive Directors presented our annual and half yearly results via a live video webcast and Q&A sessions for analysts.

A breakdown by type of investor seen is shown in the chart on page 96.

Approximately 20% of investors met were overseas based. In addition, we consulted with a number of our larger shareholders on our equity placing and presented to nearly 300 investors at five virtual conference events in the year.

Presentations were also given to 44 potential debt providers in connection with the new private placement as described on page 49 and in the Financial review on page 40.

The Company continues to place great importance on and engage with its private wealth shareholders, which represented half of all shareholders met during the year.



Meetings and roadshows seek to keep investors informed of the Company's performance and plans, answer questions they may have and understand their views. Specific topics discussed include the development and implementation of strategy, financial and operational performance, property transactions, the strength of our underlying occupiers and rent collection, our debt structure and ESG considerations, which are increasingly at the top of investors' priority lists.

Investor site visits

Tours provide an opportunity to see our assets, understand strategy and meet the senior management team. However this year, due to lockdown and social distancing restrictions, we were unable to arrange any property visits. We will look to restart property tours as soon as Government guidelines allow.

Investor feedback

Investor feedback is provided by the Chief Executive 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 conducted its second ESG survey of investors and shared its draft Net Zero Carbon framework in advance of formalising it. The feedback continued to be very supportive of our strategy 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.

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.

Our stakeholders

Scrip dividend

We continue to offer a scrip dividend alternative to shareholders, which enables them to opt for shares rather than cash with no dealing costs or stamp duty. The scheme was renewed for a further three years at the last AGM in 2020. Full details are available on our website.

Equity placing

In May 2020, we successfully raised gross proceeds of £120 million through an equity placing that was substantially oversubscribed. A total of 66.7 million new ordinary shares were issued at a price of 180.0p per share, representing a discount of 1.5% to the previous day's closing share price. The net proceeds after issue costs of £116.6 million were used to acquire income producing assets.

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.

Shareholders were not able to attend the 2020 AGM due to Government guidance in place at the time. However they were able to submit questions in advance of the meeting with answers available shortly after on our website.

Equity Investors met by type of investor

Graph removed

1	Private wealth	50%
2	Specialist institution	28%
3	Generalist institution	18%
4	Broker	4%

It is intended that this year's AGM will be convened with the minimum quorum of shareholders present and we would strongly recommend that shareholders do not attend and exercise their votes in advance by proxy. Shareholders will be able to listen in by conference call facilities and to submit questions in advance by emailing info@londonmetric.com or by asking questions on the day through the conferencing facilities. Details of the resolutions to be proposed and voting details can be found in the Notice of AGM on pages 186 to 191. 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.

Key shareholder events throughout the year

Q1
- Covid-19 trading update
- £120 million equity placing
- Full year 2020 results and analysts presentation
- Investor full year roadshow

Q2
- Annual General Meeting of shareholders
- Rent collection update

Q3
- Rent collection update
- Half year results and analysts presentation
- Half year investor roadshow

Q4
- Rent collection update
- Debt investor presentations to 44 potential private placement debt providers

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.

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 focuses on the Group's longer term strategy; and
- The risk register and dashboard includes consideration of both short and longer term emerging risks.

Despite the challenges imposed by the Covid-19 pandemic, we have once again delivered a strong set of financial results and portfolio metrics.

The portfolio has grown by 10% 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 1 to 79 and our longer term focus and success is evidenced by the Performance highlights and Key performance indicators on pages 10 and 24 respectively.

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, capital markets, 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 1.

Read more on
Our activities **page 88**
Board biographies **pages 84 – 85**
Leadership roles & responsibilities **page 98**

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 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

Read more on **page 108**

Remuneration Committee

Chair: Robert Fowlds

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 certain members of the Senior Leadership Team
- Approves annual bonus and LTIP targets and outcomes
- Has oversight of workforce remuneration arrangements and alignment

Read more on **page 116**

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

Read more on **page 101**

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 three sub-committees, focusing on different areas of the business.

- Implementation of strategy
- Sets budgets and monitors operational and financial performance
- Day to day management of the business
- Manage, appraise and develop staff
- Employee remuneration and wellbeing
- Manages allocation of capital
- Identifies and assesses business risks and implements mitigation strategies
- Responsible business and ESG workstreams

Read more on **page 86**

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 Kitty Patmore 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 individual Directors outside of formal Board meetings, which ensures he is kept abreast of individual views, any issues arising and fosters an open and two way debate about Board, Committee and individual members' effectiveness.

During the year, the Chair hosted a virtual meeting for the Non Executive Directors without the Executive Directors present to encourage and facilitate debate and challenge.

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.

Whilst strategy is considered at every Board meeting encompassing topics such as market conditions and outlook, investment opportunities, capital allocation and emerging risks, one meeting each year focuses on strategy to ensure it remains relevant and adapts to changing economic, political and environmental conditions.

The focus this year was the impact of Covid-19 and the outlook after the easing of lockdown restrictions.

The Board considers the Company's stakeholders in its discussions and takes account of their views when making decisions along with any specific feedback from employee, occupier and investor surveys and meetings as described in detail on pages 90 to 92 and in the Responsible Business and ESG review on pages 57 to 61.

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 and Committee meetings and present on topics of relevance, fostering talent development below the Board and bringing fresh ideas and wider perspectives to discussions. This also promotes the interaction of Non Executive Directors with senior managers throughout the organisation.

This year the Head of Investor Relations, Head of Finance and other members of the finance team attended Committee meetings to discuss relevant operational topics including ESG, cyber security and tenant covenants.

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 100.

Directors attended all meetings they were eligible to attend in the year.

Non Executive Directors

The Non Executive Directors are a diverse group with a wide range of business experience encompassing property, finance, banking, capital markets, 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. Although no such requests were received from shareholders in the year, Robert attended five investor calls following the announcement of results. Robert also hosted a virtual meeting of the Non Executive Directors, to appraise the performance of the Chair as part of the annual 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 Leadership Team 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 property visits wherever possible and provides further opportunity to mix with senior management. Due to lockdown restrictions imposed this year, only one property tour was arranged post year end in April. Robert Fowlds and Suzanne Avery accompanied the Chief Executive, Asset Director and two managers to our development site in Bedford.

In addition, Suzanne Avery and Kitty Patmore provided assistance to the Finance Director and wider team in connection with the refinancing of debt facilities. Suzanne also liaised with the Head of Finance on diversity reporting and the Head of Investor Relations on the ESG agenda.

How we make decisions

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, capital allocation and dividend policy. In addition, decision making for acquisitions, disposals and capital expenditure is delegated according to value. The delegated authority limits throughout the business are as follows:

Board	Over £10m
Chief Executive	Over £2.5m
Senior Leadership Team	Over £30k
Departmental manager	Under £30k

Leadership roles and responsibilities

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 equity placing, debt refinancing, talent development, the ESG agenda, corporate governance, cyber security and tenant covenants.

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.

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	11	n/a	6 (6)
Executive Directors				
Andrew Jones	25/1/2013	8	No	6 (6)
Martin McGann	13/1/2010	11	No	6 (6)
Non Executive Directors				
Suzanne Avery	22/3/2018	3	Yes	6 (6)
James Dean	29/7/2010	11	Yes	6 (6)
Robert Fowlds	31/1/2019	2	Yes	6 (6)
Andrew Livingston	31/5/2016	5	Yes	6 (6)
Kitty Patmore	28/1/2021	–	Yes	1 (1)
Rosalyn Wilton	25/3/2014	7	Yes	6 (6)
Percentage independent[1]			**75%**	

1 Based on Board members as at 31 March 2021
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 2021, rounded to the nearest whole year

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 auditor, 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.

Composition, succession and evaluation

Nomination Committee report

Image removed

Our focus this year has been the composition and diversity of the Board and I am pleased to welcome Kitty Patmore as a Non Executive Director and member of the Audit Committee.

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	8	3 (3)
Andrew Livingston	19/9/2018	3	3 (3)
Suzanne Avery	31/1/2019	2	3 (3)
Robert Fowlds	28/1/2021	–	0 (0)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2021, 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, 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 Board and Committee membership changes

Read more pages 102 – 104

Diversity

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

Read more pages 104 – 105

Performance evaluation

- Lead the Board and Committee performance evaluation exercise

Read more pages 106 – 107

Re-election of Directors

- Assess the time commitment required from Non Executive Directors and consider their annual re-election

Read more page 107

Highlights in 2021

- Considered Board diversity and succession and recommended the appointment of Kitty Patmore to the Board and Audit Committee
- Led the external Board and Committee performance evaluation
- Reviewed talent development and training below Board

Focus in 2022

- Succession planning for the Board
- Continue to promote diversity, not limited to gender, throughout the wider organisation
- Continue to develop talent below the Board and increase the interaction between Non Executive Directors and high potential middle managers by involving them in Boardroom discussions
- Internal Board and Committee performance evaluation

Composition, succession and evaluation

Nomination Committee report

Dear Shareholder,

As Chair of the Nomination Committee, I am pleased to present our report for the year to 31 March 2021.

Our work this year has focused on Non Executive Director succession planning and Board diversity, which led to the appointment in January 2021 of Kitty Patmore as a Non Executive Director and member of the Audit Committee.

The Committee also led its three yearly externally facilitated evaluation of Board and Committee performance as described on pages 106 to 107.

The findings were extremely positive and we have concluded based on the review that the Board and Committees continued to operate well together.

I would like to thank my fellow Board members for their co-operation and valuable input to this exercise and Independent Audit Limited ('IAL') for their honest and informative review.

Looking forward, our work on succession planning and developing talent will continue to be a key area of focus and we will continue to promote diversity in its widest sense and not limited to gender as we search for suitably experienced replacements.

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, succession and talent development

The Committee monitors the tenure of Directors to ensure it adequately plans in advance of retirement and facilitates an orderly succession.

It discusses Board and Committee composition, size and structure at each meeting.

This year, we have continued to focus on the benefits diversity brings to the Board and workforce.

We are delighted to welcome Kitty to the team. She brings with her a wealth of property and capital markets knowledge through her current role as the Chief Financial Officer of Harworth Group plc and over 15 years of finance, banking and real estate lending experience.

Her appointment supports our work on succession planning and Board refreshment, which has otherwise been paused in order to protect the stability in the leadership team while we navigate the disruption and uncertainty caused by the Covid-19 pandemic.

Following Kitty's appointment, Andrew Livingston has stepped down from the Audit Committee and been appointed to the Remuneration Committee and Robert Fowlds has joined the Nomination Committee.

We continue to be mindful of Provision 10 of the Corporate Governance Code relating to tenure and independence as James Dean has served on the Board for over ten years.

The Committee and Board firmly believe that James acts in an independent manner at all times and continue to value his in-depth property expertise and sound judgement.

James will remain as a Non Executive Director in the short term to help navigate through these uncertain and unprecedented times.

From a governance perspective, 75% of the Board excluding the Chair comprises independent Non Executive Directors in accordance with the Code.

Having served as a Board Director now for 11 years, the length of my tenure does not comply with Provision 19 of the Code, as set out in the Statement of Compliance on page 83.

However, the Nomination Committee has concluded that due to the disruption and uncertainty caused by the pandemic, it was in the best interests of the Company for me to continue in office and maintain the appropriate stability in the leadership team.

Accordingly, the Board has extended my Contract for Services for another year to 31 March 2022 and have advised me that they do not believe my independence, objectivity and judgement is compromised by the length of my service.

Following the IAL review which reported favourably on my leadership as Chair, Robert, as Senior Independent Director, led a review of my performance with the other Non Executive Directors. As part of this they considered my tenure and independence, as reported on page 107.

As we emerge from the pandemic and return to more normal working conditions, the Nomination Committee will continue its search for my successor.

Its priority will be to appoint the right candidate with the necessary expertise, character and personal attributes to complement and lead the team.

I will remain in office as long as necessary in order to facilitate an orderly and planned succession with minimal business disruption.

Executive succession planning

Below the Board, succession planning is delegated to the Senior Leadership Team which includes the Executive Directors, 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.

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 in and outside of meetings, through presentations, property tours when permitted and at other times to discuss specific issues, which this year included the ESG agenda, cyber security, tenant covenants and refinancing.

Although there are no immediate vacancies 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.

The Chief Executive has discussed succession planning below Board level with Board members and the Remuneration Committee has also considered alignment of pay and incentives.

Training and development of talent below Board was considered by the Committee in January and a short paper was prepared.

Training needs and requests can be raised and discussed through the annual appraisal process or at other times to line managers. The Company has supported one member of the Senior Leadership Team through an MBA programme and is currently supporting two female members of staff, both financially and as a mentor, through the AAT accountancy qualification and RICS professional qualification, supporting the Real Estate Balance initiative of developing a female talent pipeline.

A balanced Board

Board composition

Graph removed

1	Chair	1	11%
2	Independent Non Executive Directors	6	67%
3	Executive Directors	2	22%
	Total	9	

Board gender diversity

Graph removed

1	Male	6	67%
2	Female	3	33%
	Total	9	

Board tenure

Graph removed

1	0-3 years	3	33%
2	3-6 years	1	11%
3	6-9 years	2	22%
4	10+ years	3	33%
	Total	9	

Board skills (%)*

Graph removed

1	Property	7	78%
2	Finance & banking	5	56%
3	Risk management	2	22%
4	Sustainability	2	22%
5	Retail	1	11%

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

Composition, succession and evaluation

Nomination Committee report

Board appointment and induction

At our meeting in September, we considered the composition of the Board, future succession planning and tenure, and our aspiration of complying with the Hampton Alexander diversity targets. As a result of this review, we began the search for a new Non Executive Director, with particular focus on accounting and financial skills, exposure to our preferred retail long income and logistics property sectors and the right cultural fit. We decided to first explore recommendations made through Board contacts and advisors to save on the substantial recruitment costs and better assess the cultural fit, and if no suitable candidates could be identified then look to appoint a suitable headhunter. Various recommendations were considered including Kitty who was introduced through our corporate brokers.

The Finance Director proposed Kitty as a candidate to the Board, given her personal attributes, values, skills and experience. Interviews were conducted by the Finance Director, Chief Executive, Senior Independent Director and Nomination Committee members, who were very pleased with the proposal and recommended her appointment. As Chief Financial Officer of Harworth Group plc and with 15 years of finance, banking and real estate lending experience, Kitty brings significant property and capital markets knowledge and the right personal qualities to complement and enhance the existing skill set of the Board.

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.

Induction programme

Key induction events for Kitty included the following:

- One to one meetings with the Finance Director, Company Secretary and other members of the Senior Leadership Team to discuss:
  - the investment portfolio, asset selection, capital allocation and strategy;
  - financial forecasting and reporting processes, banking and hedging strategy, risks and internal controls and regulatory matters; and
  - shareholder engagement and ESG matters.
- Provision of past Board and Committee papers, minutes and finance reports
- Guidance and information on annual Board timetables, governance processes, S172 responsibilities and regulatory procedures including share dealing
- Meeting with external audit partner
- Property tours to be arranged as soon as permitted

Kitty Patmore
Non Executive Director and member of the Audit Committee

Image removed

Appointment process

1. Committee discussion of candidate specification and required skill set
2. Consider recommendations through Board contacts and advisors and/or search agency
3. Review a shortlist of potential candidates for initial interviews with Executive Directors, the Senior Independent Director and Nomination Committee
4. Final proposal circulated with CV for consideration
5. Committee recommends candidate to the Board
6. Induction programme organised by the Finance Director
7. Proposed election by shareholders at the first AGM following appointment

Board training

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 Corporate Governance Code, ESG, cyber security, tenant covenants and refinancing.

Diversity and inclusion

The Board recognises the importance of diversity and the benefits it brings to the organisation in terms of skills and experience, differing perspectives, fresh ideas and constructive challenge to established behaviours and ultimately 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 making appointments. It applies the principles of the Company's Diversity and Inclusion Policy, which is publicly available on our website, when considering any new appointments. However, we also 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 at 6% on average over the past eight years signifies a loyal and content

workforce, but recognise that this also constrains the pace of change.

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.

The charts opposite reflect the gender diversity of the Board, Senior Leadership Team and across the Company.

I am delighted to report that we have met the Hampton Alexander target of 33% female representation on FTSE 350 company boards this year. There has been an ongoing commitment to strengthen female representation at Board level, which has increased from 9% in 2017 to 33% today. We remain committed to increasing gender diversity throughout the Senior Leadership Team and wider organisation when suitable vacancies exist and appropriate candidates 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 results which included questions on inclusion and wellbeing, as discussed on pages 59 and 93, reinforces this culture with all employees feeling proud and happy to work at LondonMetric and recommend the Company to others.

Further information on the Company's commitment to promoting diversity and inclusion is included in the Responsible Business and ESG review on page 58 and in the Employee engagement section of this report on pages 93 to 94.

Gender balance

Board

Graph removed

1	Male	6	67%
2	Female	3	33%
	Total	9	

All employees

Graph removed

1	Male	17	55%
2	Female	14	45%
	Total	31	

Senior leadership team

Graph removed

1	Male	7	78%
2	Female	2	22%
	Total	9	

Senior leadership team and direct reports

Graph removed

1	Male	14	70%
2	Female	6	30%
	Total	20	

Composition, succession and evaluation

Nomination Committee report

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, this year's review and evaluation of performance was externally facilitated by Independent Audit Limited ('IAL'). Having undertaken our 2018 review, the Board felt that they were best placed to consider how we have and should continue to evolve. IAL has no connection with the Company or any Director.

The process involved a comprehensive review of Board, Committee and other financial documents and reports followed by a series of one to one meetings with the Directors, Company Secretary, members of the Senior Leadership Team and external advisors. In addition, IAL attended a full Board, Remuneration and Audit Committee meeting.

IAL sent their detailed report to me as Chair and presented their findings and recommendations to the Board in January 2021.

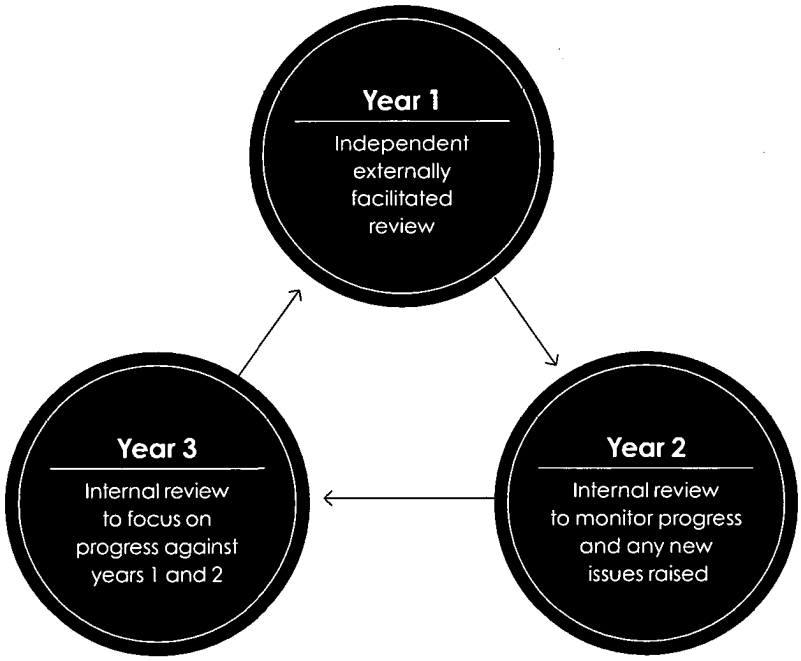
Overall the results were extremely positive with no significant areas of concern.

The review concluded that there is an excellent level of alignment between the Non Executive and Executive Directors as regards the strategic direction and execution.

Key strengths were noted as strong leadership of the Board, a balanced composition in terms of relevant skills, open and transparent dialogue during well chaired discussions, robust challenge, effective Committees, well presented briefing papers and good support from the Finance Director and Company Secretary. The Board was praised for responding well to the Covid challenge and working smoothly in a virtual world.

Notwithstanding these strengths, the review guarded against complacency and suggested that the Directors should look to keep things fresh and be open to doing things in a different way in order to remain resilient.

The Board welcomed IAL's recommendations for continued development to its practices and procedures which are listed on page 107. Progress will be reported at future meetings.



2021 Performance evaluation findings and recommendations

The key findings and recommendations from the 2021 external Board evaluation review are listed below.

Key findings

- Non Executive Directors have an excellent range of complementary and relevant skills including capital markets, risk and property, and there is good gender diversity.
- The Chair's leadership is held in high regard and the Executive Directors value his wise counsel outside of the boardroom. All Directors agreed that it was in the Company's best interest to retain him beyond the nine year best practice limit in order to benefit from his wisdom and experience.
- Relationships on the Board are strong, particularly between the Chair and the Chief Executive, but also between the Non Executive Directors and the Executive Directors. Management value the input and challenge from the Non Executive Directors and the frequent and informal contact outside of scheduled meetings.
- The Chief Executive continues to enjoy the respect of the Non Executive Directors for his outstanding leadership of a stable and high performing team.
- The Committees continue to function well.
- The Company Secretary and Finance Director provide excellent support to the Board and ensure they focus on all the main areas of responsibility.
- There is full alignment between Non Executive Directors and the Executive team on strategy and the Board has responded well to the Covid challenge and video meetings.
- Thorough consideration is given to balancing the needs of employees, investors and tenants and considerable work has been done to address ESG matters.

Key recommendations in 2021

- Ensure the process for sourcing new Non Executive Directors continues to promote fresh perspectives and diversity of thought and ethnicity.
- Increase opportunities for high potential managers to participate in Boardroom discussions and regularly interact with Non Executive Directors.
- Ensure Board debates continue to be focused and current, including topics such as ESG and employee engagement and undertake more 'deep dives' on relevant themes.
- Consider a new innovative approach to the annual discussion on strategy, refreshing the format and location to stimulate debate on the future of the business.
- Keep the tenure of the Chair under review and put in place a plan to ensure a smooth succession when the time is right.
- Invite external speakers from time to time to Board meetings to broaden discussions and promote wider thinking and a different view.
- Introduce a Board portal to improve security of information.

Progress against the key points arising from last year's review is reflected in the table below.

The review of individual Directors was outside the scope of the external review. I met with all Non Executive Directors individually this year to provide feedback and discuss their contribution both in and outside of meetings, as well as any future expectations.

Robert Fowlds, as Senior Independent Director, also led a discussion with the Non Executive Directors on my performance as Chair.

Feedback provided to the Board noted the extensive knowledge and experience gained through a 50 year career in the property industry, including being co-founder and CEO of three listed property companies, supported by IAL's findings that my leadership continues to be held in high regard and the Executive Directors continue to value my engagement and wise counsel outside of the Boardroom.

Recommendation in 2020	Progress in 2021
Continue with succession planning for the Board	Board refreshment programme continued with the appointment of Kitty Patmore to the Board and Audit Committee
Annual strategy specific meeting would be beneficial	Annual strategy update by the Chief Executive in March 2021
Involvement of other Senior Leadership Team members in the investor relations programme	Head of Investor Relations now regularly attends calls and meetings alongside Chief Executive and Finance Director
Dinners to be arranged for Non Executive Directors only and for the whole Board, outside of scheduled meetings, to facilitate informal discussion and debate	Non Executive Director only virtual meeting held in the year. A Non Executive Director only dinner to be arranged when restrictions allow
Discussions between individual Directors outside of scheduled meetings to be relayed at Board meetings	Noted by Directors and relevant matters discussed relayed at Board and/or Committee meetings

Election and re-election of Directors

Following the Board evaluation and appraisal process, the Committee concluded that each of the Directors seeking election and re-election continues to make an effective 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 election and re-election at the forthcoming AGM on 13 July 2021 and I encourage shareholders to support us and vote in favour of these resolutions.

Signature removed

Patrick Vaughan
Chair of the Nomination Committee

27 May 2021

Audit Committee report

Image removed

The Committee continues to play a key assurance role for the Board, ensuring stakeholder interests are protected by monitoring the processes that support the integrity and accuracy of financial reporting, as well as overseeing risk management and the external audit relationship.

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	7	5 (5)
Andrew Livingston (resigned 28/2/2021)	31/5/2016	5	4 (4)
Suzanne Avery	22/3/2018	3	5 (5)
Robert Fowlds	31/3/2019	2	5 (5)
Kitty Patmore	28/1/2021	–	1 (1)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2021, 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

Read more pages 110 – 112

Risk management and internal control
- Oversee the internal control processes and risk management framework
- Ensure risks are carefully identified, assessed and mitigated
- Assess the need for an internal audit function

Read more pages 112 – 113

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

Read more pages 113 – 114

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

Read more pages 114 – 115

Highlights in 2021

- Considered the impact of the Covid-19 pandemic on risk, internal controls, going concern and the financial statements including rent provisions
- Considered cyber security, the ESG agenda and Net Zero Carbon ambition
- Considered the employee, occupier and investor survey responses
- Welcomed Kitty Patmore to the Committee

Focus in 2022

- Continue to monitor the impact of the pandemic and business resilience
- Specific meeting to be arranged to focus on ESG matters

Dear Shareholder,

As Chair of the Committee, I am pleased to present our report on behalf of the Board, which describes the work we have undertaken and our key areas of focus this year. In January 2021, we welcomed Kitty Patmore to the Board and Audit Committee. Kitty is the Chief Financial Officer at Harworth Group plc and has over 15 years of finance, banking and real estate experience and is a valuable addition to the team.

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.

As reported throughout the Strategic report and as summarised on page 19, the business implications of the Covid-19 pandemic dominated much of the management team's focus and time this year. The business has responded to the challenges extremely well with all employees adapting to a remote working environment without disruption. The Chief Executive and Senior Leadership Team have kept in regular contact with teams and individuals within the organisation to provide support, facilitate an inclusive working culture and make informed decisions.

The pandemic has made our role supporting the Board in risk management, internal control and financial reporting more important than ever. Notwithstanding the challenges we have faced and the need for remote working, the quality of debate and challenge between the Committee members, management and the audit team, together with the comprehensive information provided to us, has allowed us to appropriately discharge our responsibilities.

In March, as part of our annual review, we undertook a comprehensive review of the principal and emerging risks facing the Company as discussed on pages 64 to 79, which included the risks imposed by the Covid-19 pandemic and Brexit. We considered cyber security and the improvements made to IT systems and reporting, including the upgrade to Microsoft 365 and the Teams conferencing platform and automated in house rent collection information to assist with credit control. We also considered the security of information emailed to Non Executive Directors and the use of Sharepoint as a more secure alternative to share Board papers and other sensitive documents.

In addition to our recurring business, we also received briefing papers and considered cyber security, the ESG agenda, corporate governance, the updated Tax Strategy, portfolio credit analysis and responses from the employee, occupier and investor surveys.

As certain of the Group's revolving credit facilities were due to expire in April 2022, we discussed the refinancing options with the Finance Director and considered the proposals and new private placement and revolving credit facilities recommended to the Board.

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, we have recommended the reappointment of Deloitte LLP ('Deloitte') at the AGM in July. Deloitte have been in office for eight years now and we will be required to re-tender the audit after they have served for ten years.

Membership

The Committee comprised throughout the year of four independent Non Executive Directors, with a good diversity of experience including property, finance, banking, capital markets, risk management and sustainability. On 28 January Kitty Patmore was appointed as a Non Executive Director and member of the Audit Committee and Andrew Livingston stepped down. I would like to thank Andrew for his hard work and valuable contribution to the Committee over the past five years.

The Board is satisfied that all current members bring recent and relevant financial experience to the Committee as required by the Code. 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 page 85.

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. As usual, 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 management team who present on specialist topics such as ESG and tenant covenants. We continue to find this extremely valuable as, not only does it focus a greater depth of discussion on current topical issues, but it allows us to see the pool of talent within the Company below Board. This year, the Head of Investor Relations presented an update on ESG matters 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, which helps me to understand and keep abreast of key matters in advance of Committee meetings, facilitating subsequent informed and constructive debate and challenge.

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.

Audit Committee report

Committee effectiveness

During the year the Board, led by the Nomination Committee, carried out an externally facilitated evaluation of its performance and that of its Committees as reported on pages 106 to 107. The review concluded that the Committee was diligent in covering all areas of its responsibility and continued to operate effectively and to a high standard, providing the appropriate level of independent challenge and scrutiny.

Our work in 2021

Throughout the year, the Committee acted in accordance with its terms of reference, which were last reviewed and updated in March 2021 and can be found at www.londonmetric.com.

The work undertaken this year has included the consideration, review and approval of the following:

Role	Responsibilities
Financial reporting	• Consideration of the impact of Covid-19 on risk, internal controls, going concern and the financial statements • Interim and full year results announcements and Annual Report • Accounting treatment of significant transactions and areas of judgement including property valuations • The valuation process, the half yearly valuations and the independence of the Group's valuers • 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, Covid-19 and Brexit • The adequacy and effectiveness of the Group's internal controls • The appropriateness of the going concern assumption including consideration of the debt refinancing proposals • 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 • S172 Statement and stakeholder engagement including reviewing responses from employee, investor and occupier surveys • The ESG agenda and Net Zero Carbon ambition • Tax strategy update

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 111.

Further details can be found in note 1 to the financial statements on pages 152 to 153.

The significant matters discussed and reported are consistent with previous years and no further significant matters have arisen as a result of the Covid-19 pandemic.

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 140.

Property valuations

Reporting issue

The property valuation is 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 disrupted and uncertain market, as we have seen since the onset of the Covid-19 pandemic, this empirical data may be less relevant and valuations may become more subjective. Property valuations are a key area of focus for the external auditor.

It remains a principal recurring risk for the Group as reported in the Risk management section on pages 64 to 79. The Group and its share of joint ventures has property assets of £2.6 billion as reflected in the Financial review and as detailed in Supplementary note ix on page 181.

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 benchmarks.

The Committee challenged assumptions and discussed the impact on values of changes to the key assumptions.

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

Conclusion

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

Significant transactions

Reporting Issue

The Group transacted on £404 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.

Complexities considered this year included assets acquired in a corporate wrapper, rental top up payments and deferred completion arrangements.

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 and other significant transactions to the extent that there were unusual terms and conditions or judgement. All transactions were considered to be property acquisitions and disposals of less complexity and not business combinations in accordance with IFRS 3.

Conclusion

The Committee concurred with the approach adopted by management in each case.

Audit Committee report

In addition to the significant matters discussed above, the Committee considered a number of other judgements made by management, none of which were material in the context of the Group's results or net assets.

These included the accounting for rental concessions and expected credit loss provisions in light of the Covid-19 pandemic, as discussed in the Financial review on page 42 and in note 11 to the financial statements.

We have supported a small number of our occupiers most affected by the Covid-19 pandemic and lockdown restrictions imposed by offering rent concessions including monthly rental payment plans, short term rental deferrals and rent free periods.

In many cases there were compensatory asset management initiatives such as extended lease lengths and the removal of break clauses.

The Committee was satisfied that the accounting treatment for rent waivers and lease modifications was appropriate and in line with IFRS.

At 31 March 2021 and as reported in note 11 to the financial statements, Group trade receivables amounted to £4.8 million and provisions against these arrears totalled £0.9 million, comprising provisions against specific arrears of £0.1 million and an expected credit loss provision of £0.8 million.

Including share of joint ventures, the total rent provision at the year end was £1.4 million, as reported in the Financial review on page 42.

The external auditor and Committee considered the consistency of the methodology used and were satisfied with the level of provisioning made.

They took into consideration the strong rent collection rates in the year, as reported in the Financial review on page 42.

Risk management and internal control

The Board takes risk management seriously and recognises its responsibility for identifying the principal and emerging risks which may affect its strategic objectives. It recognises that risk is inherent in running the business and understands that effective risk management is key to long term sustainable success and growth.

There is a culture of risk awareness embedded into the decision making process and robust processes are in place to support the identification and management of risk. The Board considers risk at a strategic level each meeting, which ensures that new and emerging risks are identified early on with appropriate action taken to remove or reduce their likelihood and impact.

The Senior Leadership Team is responsible for ongoing risk identification and the design, implementation and maintenance of the system of internal controls in light of the risks identified. The team comprises individuals with a breadth of skills and experience from across the Company. Short reporting lines, low staff numbers, low staff turnover and an embedded risk awareness culture facilitate the early identification of risks and the development of appropriate mitigation strategies.

The Covid-19 pandemic has presented unprecedented challenges to the business and its stakeholders, with a focus on remote working and office safety, our tenants and rent collection, the sufficiency of working capital and planning for the longer term working arrangements as lockdown restrictions ease. This is discussed in detail in the Risk management section on pages 64 to 79.

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 2021. 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 64 to 79.

In addition, the Committee received a cyber security update paper from the Finance Director, which described the IT improvements made in the year and the infrastructure and systems in place. These have been more important than ever this year to support the extensive period of remote working and continue to be robust and fit for purpose. Improvements made included upgrading to Microsoft 365 and the MS Teams conferencing platform, as well as automated in house rent collection information to assist with credit control. Further details can be found in the Risk Management section on page 70.

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.

Internal control framework

The Committee also reviews the effectiveness of the Group's internal controls including all material financial, operational and compliance controls, and received an updated internal control evaluation report from the Finance Director in March 2021.

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 closely with Senior Leadership Team members, who are involved in all day to day operations and decision making, facilitating supervision and monitoring;
- Disciplined 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 and when considered necessary, external advisors are engaged to carry out reviews to supplement existing arrangements and provide further assurance.

This has 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 eight years since 2013 following a formal tender process.

Georgina Robb, continues to be the current lead partner and 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.

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.

As in previous years, the key risk areas identified were in relation to the valuation of property and accounting for significant transactions.

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 and continues to enjoy a constructive working relationship with Deloitte.

Effectiveness

The Committee assesses the effectiveness of the external audit process by its review of the following:

- Audit plan and deliverables;
- Independence and objectivity; and
- Fees and reappointment.

In making its assessment, the Committee considers the expertise and consistency of the audit partner and team as well as the quality and timeliness of the audit deliverables.

It reviewed the extent to which the audit plan was met, the level of independent challenge and scrutiny applied to the audit and the depth of understanding of key matters and accounting judgements.

It also considered the interaction with and views of management, which included feedback received following the audit clearance meeting held between management and the audit team.

Audit Committee report

Audit and non audit fees

Year to 31 March	2021 £000	2020 £000	2019 £000
Audit fees	201	184	122
Review of interim results	35	30	28
Other non audit fees	–	–	–
Total	**236**	**214**	**150**
Ratio of non audit fees (including interim review) to audit fees	17%	16%	23%

Audit fees paid to the external auditor in respect of joint ventures totalled £12,100 at share (2020: £16,000 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 auditor 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 and the audit of certain subsidiary companies is undertaken by BDO LLP.

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 continues to be low at 18%, 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.

Deloitte continue to provide the appropriate level of professional challenge and remain objective and independent and 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 duties

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 the 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 and the requirement to report on them has only formalised some of our processes, as described in more detail on page 56.

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 115;
- 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 115 and the Board's Viability Statement is on page 67; and
- 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 potential impact of the disruption caused by the Covid-19 pandemic to our occupiers this year and the scenario testing which included potential rental defaults, increased vacancy costs and letting voids.

Following its 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 and its Viability Statement is set out on page 67.

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;
- Tried and tested remote working practices;
- A technical briefing update given by the external auditor covering corporate governance and accounting regulations attended by relevant staff in January 2021;
- Early input from Executive Directors to the overall message and tone of the report;
- Close involvement of the Executive Directors throughout with extensive review of drafting;
- A verification exercise was undertaken by the finance team to ensure factual accuracy and consistency throughout the report; and
- Review by the Audit Committee before being presented to the Board for approval.

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 138.

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.

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.

Annual General Meeting

Due to the Covid-19 pandemic, we strongly recommend that shareholders do not attend this year's AGM. Shareholders will be able to listen in by conference call facilities and to submit questions in advance or on the day.

I would welcome any questions from shareholders in advance by email as outlined in the Notice on page 186.

Finally, I would like to take this opportunity to thank my fellow Committee members, wider management team and Deloitte for their support, guidance and exceptional efforts during what has been a challenging and busy year.

Signature removed

Rosalyn Wilton
Chair of the Audit Committee

27 May 2021

Remuneration Committee report

Image removed

The overriding objective of our remuneration framework is to operate a fair and transparent Remuneration Policy which motivates and retains individuals of the highest calibre and rewards exceptional performance for the delivery of the Group's strategic goals.

Robert Fowlds
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 (resigned 22 July 2020)	1/10/2010	11	2 (2)
Rosalyn Wilton	14/7/2016	5	6 (6)
Suzanne Avery	19/9/2018	3	6 (6)
Robert Fowlds (Chair from 22 July 2020)	31/1/2019	2	6 (6)
Andrew Livingston	28/1/2021	–	2 (2)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2021, rounded to the nearest whole year

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

Key responsibilities

Remuneration Policy

- Set and review the Remuneration Policy for Directors and ensure it is aligned to the Company's purpose and values and the delivery of its strategy
- Set the remuneration of the Executive Directors and certain members of the Senior Leadership Team and oversee workforce remuneration arrangements

Read more page 122

Remuneration packages and payouts

- Determine and review individual remuneration packages
- Approve salaries, bonuses and LTIP awards

Read more page 125

Variable incentives

- Determine and review the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements
- Approve targets and outcomes

Read more page 125

Highlights in 2021

- Approval of new Remuneration Policy by shareholders at 2020 AGM, with 95.4% of votes in favour
- Robert Fowlds became Chair following 2020 AGM and James Dean resigned from the Committee
- Andrew Livingston appointed as a member on 28 January 2021
- Approved the extension of the Chair's letter of appointment for 12 months to 31 March 2022
- Considered the impact of Covid-19 on 2020 LTIP awards
- Approved 20% salary waiver by the Board and senior executives for Covid-19 charitable giving
- Considered results of staff survey and wider workforce pay when setting Executive Directors' and the Senior Leadership Team's remuneration

Focus in 2022

- Set remuneration targets for 2022
- Monitor alignment of Executive Directors' pay with the wider workforce
- Monitor emerging trends in corporate governance

Remuneration

Chair's introduction

This report is structured as follows:

Chair's introduction	page 117
Directors' Remuneration at a glance	page 119
Implementation of Policy next year	page 120
Directors' Remuneration Policy	page 122
Annual Report on Remuneration	page 125

I am very pleased to present my first Remuneration Committee report since taking over as your Chair in July 2020, having previously served as a member since January 2019. I was closely involved with the development of the new Remuneration Policy last year, which was approved at the 2020 AGM by over 95% of votes in favour for three years to July 2023, and have been overseeing its implementation this year.

James Dean stepped down as Chair and Committee member following the AGM last year and I would like to thank him for his hard work and expert guidance over the last 11 years. I am also delighted to welcome Andrew Livingston, who joined as a Committee member in January 2021. As the Company's workforce Non Executive Director, Andrew brings the employee voice to remuneration discussions and fresh perspectives and ideas.

To recap, the primary role of the Remuneration Committee is to determine and recommend a fair reward structure that incentivises the Executive Directors to deliver the Group's strategy whilst maintaining stability in the management of its long term business. The Directors' Remuneration Policy ('Policy') is designed to be simple and transparent and one which aligns executive pay and incentives with the Company's goals, wider workforce pay arrangements and shareholder interests. It aims to encourage and reward exceptional overall and individual performance. A summary of the Policy is provided on pages 120 to 121 and the full Policy can be found on our website at www.londonmetric.com.

Our Annual Report on Remuneration on page 125 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.

Last year we extended the remit of the Committee to set the remuneration of certain members of the Senior Leadership Team and oversee the remuneration arrangements of the wider workforce and their alignment with the Executive Directors' arrangements.

Remuneration aligned to purpose and strategy

Our remuneration framework is strongly aligned with the Company's purpose, strategy and performance as well as the interest of our shareholders as reflected in the chart on page 123. Success against our strategic objectives is measured using our key performance metrics which are embedded within 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 scale of the disruption caused by the Covid-19 pandemic over the last 12 months has been considerable both to the wider economy and to the real estate sector. The Company has not been immune from the challenges posed by the extensive lockdown restrictions that have dominated the year, and the executive team has worked extensively with occupiers and stakeholders to provide assistance and workable solutions where necessary.

Despite the challenging conditions and operational disruption to working practices, the financial results this year are exceptionally strong and are testament to the hard work of the team, a strong corporate strategy and the resilience of the property portfolio. Staff have adapted to long periods of home working and the Company has remained fully operational throughout, with no one being furloughed. Shareholders have continued to receive a progressive and covered dividend as EPRA earnings per share has grown by 2.8% to 9.52p, driven by a 6.4% increase in net rental income to £123.3 million and a 13.8% reduction in net finance costs. IFRS reported profit is £257.3 million, predicated on a £173.7 million valuation gain. EPRA net tangible assets per share has increased 11.7% to 190.3p and total property return at 13.4% significantly outperformed the IPD Quarterly Universe Index benchmark of 8.4%. As we emerge from the pandemic, the £2.58 billion portfolio is well positioned with over 95% of assets in the structurally supported distribution and long income sectors.

Chair's introduction

Operational portfolio metrics remain robust with occupancy increasing to 98.7%, average lease lengths of 11.4 years and 57% of income being subject to contractual rental uplifts. Rent collection has been a particular focus for the management team and collection rates have again been exceptionally strong, with over 98% of rent due in the year to March 2021 collected.

Shareholder support for the Company's investment strategy was evidenced by the successful and over-subscribed £120 million equity raise in May 2020 and the strength of banking relationships were instrumental in securing new unsecured private placement and revolving credit facilities totalling £780 million in April 2021.

Taking into account this exceptional performance and the continued progressive returns enjoyed by its shareholders both in terms of dividend yield and share price performance, the Committee considers it entirely 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 believes that the underlying performance of the business is consistent with these outcomes and therefore has not exercised its discretion or made any adjustment.

Salary waiver

All Board members and certain key employees waived 20% of salaries and fees for three months last year amounting to £121,000 to provide additional funds for the Company's wider Covid-19 charity giving. Most of the additional funding has been spent, with contributions to foodbanks, NHS Trust charities, care providers and national charities including LandAid and Macmillan.

The salaries and fees waived by the Directors are excluded from the single total figure of remuneration table on page 126 as the amounts were not received by the Directors. The pension entitlement continued to be calculated against the full contractual salary and remained unchanged.

Salary increases

Last year, pay reviews for the entire workforce were postponed due to the uncertainty surrounding the Covid-19 pandemic and only a few employees received increases to reflect changes to roles and responsibilities. This year, employees will receive salary increases of 4.2% on average. Given the exceptional performance of the Executive Directors and having considered the PwC comparable sector salary review, the Committee has approved salary increases of 4.2% for the Executive Directors, in line with the wider workforce average.

Pension alignment

The Executive Directors' pension contributions will reduce from the existing level of 15% to 12.5% from 1 June 2021 and further to 10% from 1 June 2022 in accordance with the new Remuneration Policy.

Annual bonus

The Executive Directors have delivered successfully against a large number of operational, strategic and social objectives as set out on pages 127 to 128 including income quality and growth, portfolio focus and recycling capital, delivery of developments, optimising the funding structure, strengthening stakeholder relationships, delivering the Responsible Business agenda and improving sustainability of buildings including EPC ratings.

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% 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 this year.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2018 is dependent on Company performance over the three year period to 31 March 2021.

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 9.52p, and TAR and TSR over the three year period both being in the top quartile of the measurement index, awards granted are expected to vest in full in June 2021, subject to continued service. The awards are subject to a two year post-vesting holding period.

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 781,983 share awards were granted to the Executive Directors and 1,098,487 LTIP and deferred bonus share awards vested. The Directors disposed of 517,844 shares to settle tax liabilities and retained the remaining 580,643 shares which increased their holding in the Company to a total of 7.6 million shares as reflected in the table on page 131.

Looking forward

Given the Policy review and update last year, the Committee believes the current remuneration arrangements are fair and fit for purpose. However, we will continue to monitor emerging trends and best practice in corporate governance as we emerge from the pandemic and ensure the remuneration arrangements continue to be appropriate as well as incentivise and motivate management.

Signature removed

Robert Fowlds
Chair of the Remuneration Committee

27 May 2021

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 2021[2] £000**	Total 2020 £000	Illustrative change in value of shares owned and outstanding share awards[1] £000
Andrew Jones	519	26	82	876	1,401	**2,904**	2,925	631
Martin McGann	347	29	55	497	759	**1,687**	1,685	393

1 Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 242.8p and the lowest closing price was 172.4p. The number of shares and share awards was calculated based on the year end total

2 Full details of Directors' remuneration for the year can be found in the table on page 126

Annual bonus plan – targets and outcomes

Performance measure	Payout target 25%	50%	100%	Actual	% awarded
EPRA EPS	9.26p	9.36p	9.55p	9.52p	92%
TPR	8.40%	9.24%	10.08%	13.38%	100%

Combining these outcomes with the personal objectives gives the following payouts:	£000	% of maximum
Andrew Jones	876	97
Martin McGann	497	97

2018 LTIPs vesting – targets and outcomes

Performance measure	Payout target 25%	100%	Actual	% awarded
TSR	-11.5%	34.3%	40.9%	100%
TAR	-11.6%	25.5%	30.7%	100%
EPRA EPS	9.11p	9.45p	9.52p	100%

The estimated number of shares vesting are as follows:	Number
Andrew Jones	631,098
Martin McGann	341,681

The level of LTIP vesting in 2021 demonstrates the successful performance of the Company over the longer three year 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%	17 June 2020	515,069	212.0p	1,092
Martin McGann	155%	17 June 2020	266,914	212.0p	566

Shareholding of the Executive Directors

Graph removed

Implementation of policy next year

Summary of Policy	Implementation in the year to 31 March 2022

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.

At the last review in June 2020, Executive Directors' salaries were frozen due to the uncertainty and widespread disruption caused by the Covid-19 pandemic. This year, the Committee has decided to increase salaries in accordance with the workforce average increase of 4.2%.

Executive Director	Base salary from 1 June 2021	Base salary from 1 June 2020
Andrew Jones	£569,007	£545,870
Martin McGann	£380,470	£365,000

Pension

Currently, 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. This contribution reduces to 12.5% from 1 June 2021 and further to 10% from 1 June 2022.

The maximum pension contribution for newly appointed Executive Directors is 10% of salary in line with employees.

Executive Directors will receive the 15% of salary supplement in lieu of pension until 31 May 2021. Thereafter, pension contributions will reduce in accordance with the Remuneration Policy to 12.5% and 10% for periods commencing 1 June 2021 and 1 June 2022 respectively.

Benefits

The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.

In line with the Policy, each Executive Director receives:

- Car allowance
- Private medical insurance
- Life insurance
- Permanent health insurance

Annual bonus

Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy of growth in EPRA EPS and TPR.

At least half of the bonus will be linked to the key property and financial metrics.

Non financial targets are set to measure individual strategic performance and contribution to the achievement of portfolio management initiatives and other operational management objectives.

The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum.

Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash.

For those who are yet to meet the minimum shareholding requirement, up to 100% of the annual bonus will be paid in deferred shares vesting after three years.

The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% of salary for the 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.

Summary of Policy	Implementation in the year to 31 March 2022

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.

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.

Awards granted in 2021 to the Finance Director will be based on 145% of salary to allow better alignment with senior managers below the Board.

Shareholding requirement

Executive Directors are encouraged to build up and hold a shareholding equivalent to a percentage of base salary.

Executive Directors will be required to retain at least 50% of the post tax amount of vested shares from incentive plans until this requirement is met and maintained.

The post cessation shareholding requirement is 200% of salary for two years post cessation of employment.

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

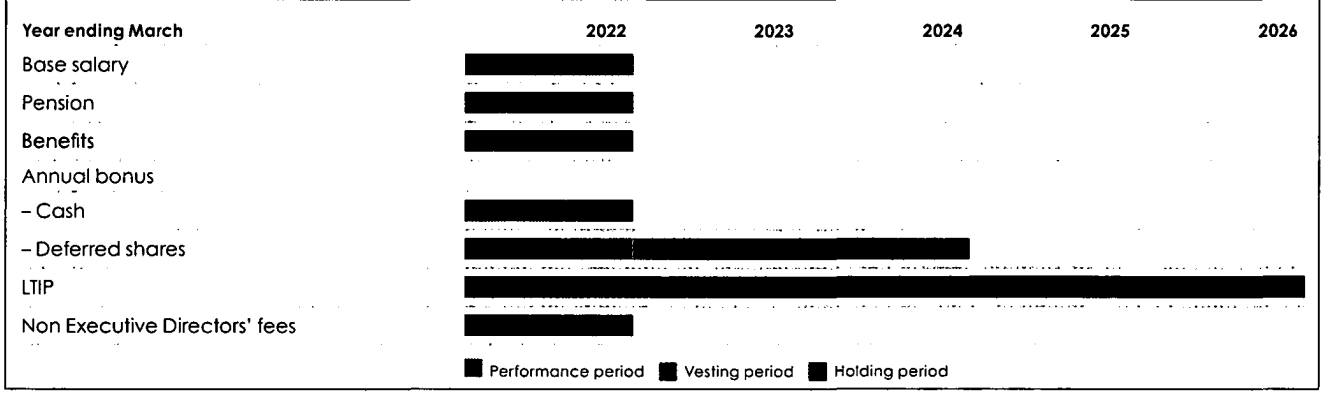
Malus and clawback

Malus may apply to any cash bonus up to the date of payment and any deferred bonus or LTIP award during their respective three year vesting periods. Clawback may apply to any cash bonus for up to two years following the payment of the bonus and may apply to LTIP awards for up to two years following vesting. Malus/clawback may result in the value of awards being reduced to nil.

The circumstances in which malus and clawback could apply are:

- Material misstatement
- Calculation error in incentives
- Fraud or misconduct
- Reputational damage
- Corporate failure

Key elements and time period



Directors' Remuneration Policy

The Remuneration Policy for the Group was approved by shareholders at the 2020 AGM on 22 July 2020 for a period of three years. This section is an extract from the full Remuneration Policy, which is available on our website at www.londonmetric.com.

Details of the core elements of the Policy can be found in the Implementation of Policy next year section on page 120.

Overview of our Policy

The Group's Remuneration Policy is designed to align executive pay and incentives with the Company's goals and encourage and reward exceptional overall and individual performance. As well as motivating, remuneration plays a key role in retaining highly regarded individuals and needs to be competitive.

The principles which underpin the Remuneration 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.

Alignment of Policy with the 2018 Corporate Governance Code

Under the headings prescribed under provision 40 of the 2018 Code, the following table shows the alignment between the Policy and 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.
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 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 are cascaded further down the organisation, as is the culture of share ownership.

Illustration of application of Remuneration Policy

The charts below show the application of the Remuneration Policy 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 2021.

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		
Key performance indicators	**Annual bonus**	**LTIP**	**Link to strategy**
Total shareholder return		37.5%	Graphic removed Graphic removed Graphic removed Graphic removed
Total accounting return		37.5%	Graphic removed Graphic removed Graphic removed Graphic removed
EPRA earnings per share	35%	25%	Graphic removed Graphic removed Graphic removed Graphic removed
Total property return	35%		Graphic removed Graphic removed

Our strategic priorities

Graphic removed Graphic removed Graphic removed Graphic removed

1. Align portfolio to macro trends
2. Focus on long-let property with rental growth
3. Improve quality and sustainability of our assets and income
4. Enhance income and value through asset management and development
5. Remain rational and disciplined
6. Use the team's expertise and relationships
7. Generate reliable income with income growth
8. Strong focus on diversity and credit strength of occupier

Directors' Remuneration Policy

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. None of the Executive Directors held external appointments during the year.

Employee considerations

Chief Executive

+4.2%	-0.2%
Salary increase in 2021	Bonus movement in 2021
1,789%	20%
Of salary held in Company shares	Salary waiver for three months amounting to £27k

Wider workforce

+4.2%	+10.0%
Average salary increase in 2021	Average bonus increase in 2021
100%	68%
Of employees received a bonus in 2021	Of employees participate in the LTIP in 2021

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 Andrew Livingston is the designated workforce Non Executive Director responsible for gathering employee views, ensuring that key points raised by employees are discussed at Committee and Board meetings and feeding back to employees how their views have been considered in the decision making process.

Andrew fed back results of the latest employee survey to the Committee and Board in March, noting that staff were highly engaged and very proud to be part of the LondonMetric team. Further details are provided on pages 93 to 94.

The Committee is mindful of the internal pay relativities when setting pay for the Executive Directors. The Company publishes in the Directors Remuneration Report how executive remuneration cascades throughout the organisation and explains that the core remuneration principles are applicable throughout the Company. Whilst employees are not directly consulted during the formulation of the Remuneration Policy, the Company conducts employee surveys throughout the year and any points raised regarding executive remuneration is brought to the attention of the Remuneration Committee as appropriate. The diagram opposite 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 2021.

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	145% of salary	40% to 145% of salary
Annual bonus	161% of salary	136% of salary	69% to 136% 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 fee for Non Executive Directors, excluding the Chair, has been increased by 1.5% to £50,250 from 1 June 2021. The Chair's new letter of appointment set his fees for the period to 31 March 2022.

Chair	£200,000
Base Non Executive Director fee	£50,250
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 2021 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 2022.

The Annual Report on Remuneration including the Chair's introduction, Remuneration at a Glance, and Implementation of the Policy sections are subject to an advisory vote at the forthcoming AGM on 13 July 2021 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 Executive 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 £69,000 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 six 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 and LTIP	Set challenging EPS targets for the 2020 LTIP awards and annual bonus for the year to 31 March 2021
	Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2020
	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 2021
Salary	Reviewed and approved annual salary increases effective from 1 June 2021
Governance	Approved Andrew Livingston as a member of the Committee
	Reviewed and approved the Remuneration Committee Report
	External evaluation of its own performance and review of its terms of reference
	Reviewed and approved the CEO pay ratio

Annual Report on Remuneration

Single total figure of remuneration for each Director (audited)

	Salary and fees		Benefits[1]		Pension[2]		Total Fixed		Annual bonus[3]		LTIP[4]		Total Variable		Total	
Director	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Executive																
Andrew Jones	**519**	544	**26**	26	**82**	82	**627**	652	**876**	878	**1,401**	1,395	**2,277**	2,273	**2,904**	2,925
Martin McGann	**347**	363	**29**	28	**55**	54	**431**	445	**497**	485	**759**	755	**1,256**	1,240	**1,687**	1,685
Non Executive	–															
Patrick Vaughan[5]	**206**	215	–	14	–	–	**206**	229	–	–	–	–	–	–	**206**	229
Suzanne Avery	**57**	59	–	–	–	–	**57**	59	–	–	–	–	–	–	**57**	59
James Dean	**51**	64	–	–	–	–	**51**	64	–	–	–	–	–	–	**51**	64
Robert Fowlds	**68**	64	–	–	–	–	**68**	64	–	–	–	–	–	–	**68**	64
Andrew Livingston	**52**	54	–	–	–	–	**52**	54	–	–	–	–	–	–	**52**	54
Kitty Patmore	**10**	–	–	–	–	–	**10**	–	–	–	–	–	–	–	**10**	–
Rosalyn Wilton	**66**	69	–	–	–	–	**66**	69	–	–	–	–	–	–	**66**	69

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 2021 paid fully in cash as minimum shareholding requirements met

4 2018 LTIP awards expected to vest in June 2021 for the performance period to 31 March 2021. 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 2021. 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 2021 accounts for £205,000 for Andrew Jones and £111,000 for Martin McGann as reflected in the table on page 130. The estimated figures disclosed in the previous Annual Report for 2020 vesting have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used was 211.8p and the actual share price on vesting was 225.3p. The differences in value were £98,000 for Andrew Jones and £53,000 for Martin McGann

5 Private Medical Insurance benefit was included last year at the discretion of the Remuneration Committee

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 2021

The annual bonus performance targets set for the year to 31 March 2021 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 2021 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	67%	30%	97%	161%	**876**
Martin McGann	67%	30%	97%	136%	**497**

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	<9.26p	9.26p	9.36p	9.55p	**9.52p**	**92%**
Total property return ('TPR')	35%	Growth in TPR against IPD Quarterly Universe Index	Positive growth	TPR matches index 8.40%	TPR is 1.1 times index 9.24%	TPR is 1.2 times index 10.08%	**13.38%**	**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 both Executive Directors had substantially achieved their individual personal objectives and approved payouts for all Directors as reflected in the tables below.

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 2021.

Objective	Assessments
Andrew Jones	
Portfolio & financial	
• Portfolio focus to maximise both EPS and NAV growth	• Increase in EPRA EPS from 9.26p to 9.52p, providing cover for an increase in the dividend for the year • Increase in EPRA NTA per share from 170.3p to 190.3p largely due to revaluation gain of £173.7 million
• Recycling capital with sell down of non core assets	• Investment in preferred urban logistics sector increased from 35.4% to 38.5% in the year • Reduced exposure to non core offices, retail parks and residential assets, from 6.2% to 4.7%
• Focus on income quality to deliver opportunities for sustainable and progressive earnings	• Growth in EPRA earnings per share in the year of 2.8%, supporting a continuation in dividend progression • Increase of 0.8% in contracted rent to £124 million
• To provide oversight to the delivery of development schemes during the year	• Completion of 445,000 sq ft of development during the year producing £3.2 million of annual rent with a further 470,000 sq ft under construction
• 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
ESG	
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Fourth staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and have confidence in the decisions made by management • Very low staff turnover rate of 6%
• 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
• Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers ('PCM'), occupiers and analysts	• 173 investors met in the year, good investor feedback and strong share price performance • Continuing focus on PCMs which account for c.35% of the register • Strong portfolio metrics and results from the latest occupier survey demonstrate contentment, with occupancy increasing to 98.7% and a landlord recommendation score of 9.0/10.0
• Maintain and improve our ranking in the EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 65% ahead of peer group average of 61%
• Demonstrate sustainable improvement in buildings across the portfolio, including improvements to EPC ratings	• BREEAM Very Good or Excellent assets represent 26% of portfolio • EPC rating on assets acquired in year higher than on disposals with developments adding further A-B rated properties • Targeted EPC improvement on Mucklow assets • 1.5 MW of solar installed on portfolio with further 750kW planned and further opportunities identified

Annual Report on Remuneration

Objective	Assessments
Martin McGann	
Portfolio & financial	
• Optimising the funding structure to support the real estate strategy	• New £380 million private placement completed in April 2021 • Two new revolving credit facilities completed in April 2021 for £400 million • Existing short dated facilities repaid and maturity extended to 8.2 years • Headroom of £338 million following refinancing
• Focus on income quality to deliver growth in our sustainable earnings	• Growth in EPRA EPS in the year of 2.8%, supporting a continuation in dividend progression • Increase of 0.8% in contracted rent to £124 million
• Delivery of development schemes on schedule and on budget, and within agreed timescales	• Completion of 445,000 sq ft of development during the year producing £3.2 million of annual rent with a further 470,000 sq ft under construction
• Maintain appropriate LTV, cost of finance and debt maturity metrics	• Lower average cost of debt after refinancing of 2.6% (2020: 2.9%) • Lower LTV of 32.3% (2020: 35.9%) • Increased hedging post refinancing from 45% to 83%
ESG	
• Deliver Responsible Business agenda to increasing satisfaction of stakeholders, including investors, tenants, suppliers, our staff and the local communities within which we operate	• Net Zero Carbon ambition formalised • Occupier survey undertaken with high level of satisfaction • Roll out of ESG objectives across Company • Investor survey demonstrated we are meeting their ESG expectations on performance and disclosure • Covid fund and associated committee created with majority of funds allocated
• Position the Company as an employer of choice and continue to generate positive employee feedback and very low staff turnover rate	• Fourth staff survey undertaken in March with very positive results • 100% of staff enjoy working for the Company and have confidence in the decisions made by management • Very low staff turnover rate of 6%
• Maintain our ranking in the EPRA/ GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 65% ahead of peer group average of 61%
• Demonstrate sustainable improvement in buildings across the portfolio, including improvements to EPC ratings	• BREEAM Very Good or Excellent assets represent 26% of portfolio • EPC rating on assets acquired in year higher than on disposals with developments adding further A-B rated properties • Targeted EPC improvement on Mucklow assets • 1.5 MW of solar installed on portfolio with further 750kW planned and further opportunities identified

Deferred Bonus Plan

The Remuneration Policy allows the Directors to opt out of bonus deferral if the minimum shareholding requirement is met. At the date of this report, both Executive Director's shareholding exceeds the minimum requirement.

Prior to July 2017, 50% of the annual bonus awarded to Executive Directors was deferred and payable in three equal instalments over three years, subject to continued employment. The remaining one third of the deferred shares granted on 16 June 2017 and held at 31 March 2020, vested on 19 June 2020.

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.

Movements in the 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 2020	Awarded in the year	Notional dividend shares	Released in the year	At 31 March 2021
Andrew Jones	16 June 2017	376	90,075	–	2,584	(92,659)	–
Martin McGann	16 June 2017	209	50,154	–	1,440	(51,594)	–

1 Face value is the weighted average share price over the five business days immediately preceding the date of the award. For 2017 this was 168.6p

Long Term Incentive Plan

Awards granted in the year to 31 March 2021 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%	17 June 2020	515,069	212.0p	**1,092**
Martin McGann	155%	17 June 2020	266,914	212.0p	**566**

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 three years

The adjusted EPRA EPS base target for the three year performance periods commencing 1 April 2017, 1 April 2018, 1 April 2019 and 1 April 2020 has been set at 8.16p, 8.54p, 8.77p and 9.26p 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.

Annual Report on Remuneration

Awards expected to vest in the year to 31 March 2021 in relation to the three year performance period commencing 1 April 2018 are summarised below.

Performance measure	Weighting	Basis of calculation	Range (0%)	Range (25%)	Range (100%)	Actual performance	% awarded
Total shareholder return ('TSR')	37.5%	Growth in TSR against FTSE 350 Real Estate Index	<-11.5%	-11.5%	34.3%	**40.9%**	**100%**
Total accounting return ('TAR')	37.5%	Growth in TAR against FTSE 350 Real Estate Index	<-11.6%	-11.6%	25.5%	**30.7%**	**100%**
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<9.11p	9.11p	9.45p	**9.52p**	**100%**

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	631,098	100%	631,098	1,196	205	**1,401**
Martin McGann	341,681	100%	341,681	647	111	**759**

1 The face value is based on the average share price for the three months to 31 March 2021 of 222.0p

Outstanding LTIP awards held by the Executive Directors are set out in the table below.

Director	Date of grant	Face value on grant	At 1 April 2020	Granted in year	Notional dividend shares	Vested in year	Lapsed in year	Number of shares under award[1] At 31 March 2021	Performance period
Andrew Jones	16.6.2017	168.6p	696,303	–	7,183	(619,067)	(84,419)	–	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	607,455	–	23,643	–		**631,098**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	557,466	–	21,698	–		**579,164**	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	–	515,069	14,584	–		**529,653**	1.4.2020 to 31.3.2023
Martin McGann	16.6.2017	168.6p	376,984	–	3,889	(335,167)	(45,706)	–	1.4.2017 to 31.3.2020
	15.6.2018	189.5p	328,880	–	12,801	–		**341,681**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	307,522	–	11,969	–		**319,491**	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	–	266,914	7,557	–		**274,471**	1.4.2020 to 31.3.2023

1 Awards granted as nil cost options

Directors' shareholdings and share interests (audited)

The beneficial interests in the ordinary shares of the Company held by the Directors and their families who were in office during the year and at the date of this report are set out in the table on page 131.

There were no movements in Directors' shareholdings between 31 March 2021 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 2021 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 Coutts & Co 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 2021 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2020 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	**Total interests as at 31 March 2021**	Share ownership as % of salary[1]	Shareholding guideline met	Number of shares pledged as at 31 March 2021
Executive Directors								
Andrew Jones	**4,572,907**	4,196,699	1,739,915	–	**6,312,822**	1789%	Yes	3,446,072
Martin McGann	**2,989,487**	2,785,052	935,643	–	**3,925,130**	1749%	Yes	2,341,585
Non Executive Directors								
Patrick Vaughan	**10,693,000**	11,200,000						
Suzanne Avery	**22,750**	22,750						
James Dean	**20,000**	20,000						
Robert Fowlds	**104,000**	104,000						
Andrew Livingston	**106,830**	106,558						
Kitty Patmore	**–**	–						
Rosalyn Wilton	**100,000**	100,000						

1 Based on the Company's share price at 31 March 2021 of 213.6p and the beneficial interests of the Directors

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 2021, 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

Annual Report on Remuneration

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 2021.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2021	2,904	97	100
2020	2,925	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	n/a
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

Annual percentage change in remuneration of Directors and employees

The percentage change in Director 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
Andrew Jones	4.2%	-3%	-0.2%
Martin McGann	4.2%	14%	2.4%
Patrick Vaughan	-	n/a	n/a
Suzanne Avery	1.5%	n/a	n/a
James Dean	1.5%	n/a	n/a
Robert Fowlds	1.5%	n/a	n/a
Andrew Livingston	1.5%	n/a	n/a
Kitty Patmore	1.5%	n/a	n/a
Rosalyn Wilton	1.5%	n/a	n/a
Other employees (excluding Directors)	4.2%	-5%	10.0%

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
2021	34:1	13:1	7:1
2020	42:1	16:1	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 2020 and 2021 figures in the table above. The Chief Executive's single figure of remuneration for 2021 and 2020 used for the calculation ratio is as detailed on page 126. 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

Valentine Beresford and Mark Stirling stepped down from the Board on 11 July 2019 but remained employees of the Company and thus in accordance with the Policy and relevant share plan rules are entitled to vesting of existing share awards in line with their original schedules.

The 2017 LTIP awards made to Valentine Beresford and Mark Stirling when they were Directors vested during the year on 19 June 2020 in line with the outcomes for the current Executive Directors with no discretion applied. Upon vesting, Messrs Beresford and Stirling each received 352,942 shares. There have been no payments for loss of office in the year.

Relative importance of spend on pay

The table below shows the expenditure and percentage change in spend on employee remuneration compared to other key financial indicators.

	2021 £m	2020 £m	% change
Employee costs[1]	**10.8**	11.3	-4.4%
Dividends[2]	**75.6**	64.2	17.8%

1 Figures taken from note 4 Administrative costs on page 157 and are stated before any amounts capitalised and exclude share scheme costs
2 Figures taken from note 7 Dividends on page 159

Statement of voting at AGM

At the AGM on 22 July 2020, the Annual Report on Remuneration was approved with votes from shareholders representing 77% of the issued share capital of the Company.

The Directors' Remuneration Policy was approved at the AGM on 22 July 2020 with votes from shareholders representing 77% of the issued share capital at the time. The details of these outcomes are below.

	2020 Annual Report on Remuneration		2020 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	653,449,900	93.82	636,778,186	95.40
Against	43,072,911	6.18	30,689,708	4.60
Withheld	3,877,534		32,932,457	
Total	**700,400,345**		**700,400,351**	

Statement of implementation of Remuneration Policy for the year ending 31 March 2021

The table on pages 120 to 121 illustrates how we intend to implement our Policy over the next financial year and gives details of remuneration payments and targets.

I am always available to shareholders to discuss the Remuneration Policy and can be contacted through the Company Secretary. I look forward to the support of shareholders at this year's AGM.

Signature removed

Robert Fowlds
Chair of the Remuneration Committee

27 May 2021

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 2021.

Martin McGann
Finance Director

Annual General Meeting

At the time of writing, Covid-19 restrictions and guidance are in place which prevent us from convening the Annual General Meeting in the usual way. The Government's roadmap for easing lockdown restrictions published on 22 February 2021 envisages the lifting of restrictions by 21 June 2021 (being prior to the date of the Annual General Meeting). However, this roadmap is subject to a number of contingencies and there can be no guarantee that restrictions will be lifted prior to the meeting.

It is intended that this year's Annual General Meeting will be convened with the minimum quorum of shareholders present in our Curzon Street offices on 13 July 2021 at 10am. We would strongly recommend that shareholders do not attend the meeting and that all shareholders exercise their votes by submitting their proxy electronically or by post, as explained Notice of AGM on page 186.

Shareholders wishing to attend the meeting in person should pre-register their attendance by emailing info@londonmetric.com no later than 5.00pm on 9 July 2021 and must bring photographic identification with them in order to access the meeting.

Shareholders will be able to listen in by conference call facilities and to submit questions in advance by emailing info@londonmetric.com by 10.00am on 9 July 2021 or by asking questions on the day through the conferencing facilities.

The Board will keep the situation under review and may need to make further changes to the arrangements relating to the meeting, including how it is conducted, and shareholders should therefore continue to monitor the Company's website (www.londonmetric.com) and announcements for any updates.

The Board considers that the resolutions proposed promote the success of the Company and are in the best interests of 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 18,608,974 shares representing approximately 2.0% of the existing issued ordinary share capital of the Company as at 26 May 2021.

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R can be found on the following pages:

Read more

Review of business and future developments
Strategic report **pages 1 – 79**

Principal risks
Strategic report – Risk management **pages 64 – 79**

Internal financial control
Governance – Audit Committee report **pages 112 – 113**

Viability Statement
Strategic report – Risk management **page 67**

Directors' details
Governance – biographies **pages 84 – 85**

Directors' interests
Governance – Remuneration Committee report **page 131**

Long term incentive schemes
Governance – Remuneration Committee report **pages 129 – 130**

Stakeholder engagement
Strategic report – Responsible Business review **pages 56 – 61**
Governance **pages 90 – 96**

Section 172 Statement
Strategic report – Responsible Business review **page 56**

Greenhouse gas emissions
Strategic report – Responsible Business review **page 52**

Diversity and inclusion
Governance – Nomination Committee report **pages 104 – 105**

Financial instruments
Financial statements – note 14 **pages 166 – 169**

Financial risk management policies
Financial statements – note 14 **pages 167 – 168**

Interest capitalised
Financial statements – note 5 **page 158**

Related party transactions
Financial statements – note 19 **page 171**

Post balance sheet events
Financial statements – note 20 **page 171**

All other subsections of LR 9.8.4R are not applicable.

Corporate governance arrangements

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 83. Further details on how we have applied the Code can be found in the Governance section on pages 80 to 133 and should be read as part of this report.

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 1 to 79 and should be read as part of this report.

The Annual Report contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances which can cause results and developments to differ from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Results and dividends

The Group reported a profit for the year attributable to equity shareholders of £257.3 million (2020: loss of £5.7 million). The first two quarterly dividends for 2021 totalling 4.2p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 2.1p was paid following the year end on 15 April 2021 as a PID. The Directors have approved a fourth quarterly dividend of 2.35p per share payable on 13 July 2021 to shareholders on the register at the close of business on 11 June 2021, of which 2.25p will be paid as a PID.

The total dividend charge for the year to 31 March 2021 was 8.65p per share, an increase of 4.2% over the previous year. Of the total dividend charge for 2021 of 8.65p, 8.55p was payable as a PID as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 0.1p 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 2021 was undertaken by CBRE Limited, Savills (UK) Limited and Cushman & Wakefield Debenham Tie Leung Limited on the basis of fair value which amounted to £2,583.6 million including the Group's share of joint venture property as reflected in the Financial review on page 45.

Share capital

As at 31 March 2021, there were 909,643,040 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 66,666,666 new ordinary shares in connection with an equity placing in May 2020 that raised gross proceeds of £120 million at an issue price of 180.0p per share. 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.

In addition, the Company issued 1,478,352 ordinary shares under the terms of its Scrip Dividend Scheme. Since the year end the Company issued a further 118,874 ordinary shares in relation to the third quarterly dividend scrip alternative.

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.

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 136.

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 2020 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.

Report of the Directors

Shares held in the Employee Benefit Trust

As at 31 March 2021, the Trustees of the LondonMetric Long Term Incentive Plan held 4,390,195 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 84 and 85. The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 131.

On 28 January 2021, Kitty Patmore was appointed as a Non Executive Director of the Company and member of the Audit Committee.

In accordance with the UK Corporate Governance Code and in line with previous years, all of the Directors will offer themselves for election and re-election by the shareholders at the forthcoming AGM on 13 July 2021. 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.

Stakeholders

The Group's long term sustainable success is dependent on its relationships with key stakeholders. In the Governance report on pages 90 to 96, we outline the ways in which we have engaged with our key stakeholders, any issues raised and how they have influenced the Board's decision making.

Employees

At 31 March 2021 the Group had 31 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 Companywide personal finance workshops and ESG training and weekly updates from the Chief Executive throughout the period of remote working.

The Board recognises the importance of attracting, developing and retaining the right people. The Company operates a non discriminatory employment policy which provides equal opportunities for all employees irrespective of gender, race, colour, disability, sexual orientation, religious beliefs and marital status.

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 is the designated workforce Non Executive Director and acts as a liaison between the Board and employees and a channel through which staff can share their views and raise concerns. His work during the year is discussed in detail in the Governance section of this report on page 94.

Further details of how we engage with employees can be found in the Governance report on page 93 and the Responsible Business review on pages 58 to 59.

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 47 to 63 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.

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	84,522,012	9.30
Rathbones	47,372,711	5.21
The Vanguard Group Inc	47,068,396	5.17
Troy Asset Management	43,029,748	4.73
Standard Life Aberdeen	37,049,653	4.07
Ameriprise Financial Inc	29,041,706	3.19

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 52.

We are committed to becoming a Net Zero Carbon business and our ambitions are outlined on page 50.

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 2021 was 12 days (2020: 14 days).

Charitable and political contributions

In response to the Covid-19 pandemic, we provided assistance to our occupiers and raised funds for local community charities located close to our assets and developments. The Board of Directors and certain key employees waived 20% of their salaries and fees for three months during the year, providing additional funds for our wider Covid-19 charity giving.

During the year, the Group made charitable donations of £114,365 (2020: £22,958), which included spending in response to the Covid-19 pandemic, as discussed on page 61.

No political donations were made during the year (2020: £nil).

Provisions on change of control

Under the Group's credit facilities, the lending banks may require repayment of the outstanding amounts on any change of control.

The Group's Long Term Incentive Plan and Deferred Share Bonus Plan contain provisions relating to the vesting of awards in the event of a change of control of the Company.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, except for the provisions within the Company's share schemes as noted above.

Disclosure of information to auditor

So far as the Directors who held office at the date of approval of this Directors' report are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Deloitte LLP is willing to be reappointed as the external auditor to the Company and Group. Their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the AGM on 13 July 2021.

By order of the Board

Signature removed

Martin McGann
Finance Director

27 May 2021

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 83.

Further details on how we have applied the Code can be found in the Governance section on pages 80 to 133 and should be read as part of this report.

Directors' Responsibilities 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 ('FRS 101') '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 FRS 101 '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

27 May 2021

Signature removed

Andrew Jones
Chief Executive

27 May 2021

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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 140.

Martin McGann
Finance Director

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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 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 notes 1 to 20 and i to xi for Company only.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, 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 Parent 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 Parent 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 matter that we identified in the current year was: • Valuation of investment and development property Within this report, key audit matters are identified as follows: ▼ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £32.2 million which was determined on the basis of 2% of forecasted net assets and comprise 1.8% of actual net assets. For testing balances that impacted EPRA earnings we used a lower materiality of £4.2 million, which was based on 5% of management forecasted EPRA earnings and represents 4.9% of the actual measure.
Scoping	The Group is subject to a full scope audit on 100% of net assets, revenue and profit before tax.
Significant changes in our approach	Last year our report included a key audit matter in relation to accounting for significant, unusual and complex property transactions, which is not included in our report this year as there were no individually complex or significantly judgemental transactions during the year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Group's 2021 and 2022 cash flow forecasts based on actual cash flow performance in 2020 and to date in 2021;
- Agreeing the level of committed, undrawn facilities of £283 million post refinancing to signed facility agreements;
- Recalculating the headroom within the forecasts based on the cash flow forecasts and the undrawn committed facilities;
- Recalculating covenants ratios on the year end position to ensure compliance;
- Assessing the stress test scenarios, the reverse stress test run by the Directors including the linkage of these scenarios to the Group's principal risks disclosed on pages 64 to 79 of the Annual Report & Accounts and impact on covenants; and
- Assessing the mitigating actions that could be taken by the Directors to maximise liquidity headroom including a reduction in capital expenditure and a reduction in discretionary spend.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

To the members of LondonMetric Property Plc

Independent Auditor's report

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 £2,504.6 million (2020: £2,273.6 million) as at 31 March 2021. 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. Refer to page 111 (Audit Committee report), page 152 (accounting policy) and note 9 on page 162 (financial disclosures).
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Obtained an understanding of the relevant controls over the valuation process. • 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, including 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. • Assessed the valuation methodology used and considered any departures from the Red Book guidance as well as tested the integrity of the model which is used by the external valuer. • 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. • 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 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	We considered the assumptions applied in arriving at the fair value of the Group's property portfolio to be appropriate.

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	£32.2 million (2020: £28.8 million) We consider EPRA earnings as a critical performance measure for the Group and we applied a lower threshold of £4.2 million (2020: £3.7 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 impairment of goodwill.	27.6 million (2020: £20.2 million)
Basis for determining materiality	Materiality for the Group is based on 2% (2020: 2%) of shareholders' equity at 31 March 2021 on a forecasted basis representing 1.8% of the actual measure. For EPRA earnings the basis used is 5% of EPRA earnings (2020: 5% EPRA earnings) of that measure on a forecasted basis representing 4.9% of the actual measure.	Materiality for the Company is based on 2% of net assets (2020: 1.7%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.

Independent Auditor's report

Graph removed

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 financial statements	Parent Company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	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 £1.6 million (2020: £1.4 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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% (2020: 100%) of the Group's net assets, revenue and profit 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.

7.2. Our consideration of the control environment

We have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our key audit matter.

We have decided not to rely on controls as the Group does not perform significant automated processing of large volumes of data and the control environment is predominantly manual in nature.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 Parent 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 Parent 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.

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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 and performance targets;
- 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.

Independent Auditor's report

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 as well as relevant provisions of tax legislation, including the REIT rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, most notably health and safety regulations.

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

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer term viability and that part of the *Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code* specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 152;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, as set out on page 67;
- the Directors' statement on fair, balanced and understandable, as set out on page 138;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on page 64;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 112; and
- the section describing the work of the Audit Committee, as set out on page 110.

14. Matters on which we are required to report by exception

14.1. 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. 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.

15. Other matters which we are required to address

15.1. 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 eight years covering the years ending 31 March 2014 to 31 March 2021.

15.2. 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).

16. 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

27 May 2021

Group income statement

For the year ended 31 March

	Note	2021 £m	2020 £m
Revenue	3	**122.2**	113.4
Cost of sales		**(1.6)**	(1.2)
Net income		**120.6**	112.2
Administrative costs	4	**(15.8)**	(15.8)
Impairment of goodwill on acquisition of subsidiaries		**–**	(48.3)
Acquisition costs		**–**	(8.9)
Profit/(loss) on revaluation of investment properties	9	**169.9**	(3.8)
Profit/(loss) on sale of investment properties		**0.8**	(4.9)
Share of profits/(losses) of joint ventures	10	**6.9**	(8.9)
Operating profit		**282.4**	21.6
Finance income		**0.6**	0.7
Finance costs	5	**(24.9)**	(29.0)
Profit/(loss) before tax		**258.1**	(6.7)
Taxation	6	**(0.1)**	(0.2)
Profit/(loss) for the year and total comprehensive income		**258.0**	(6.9)
Attributable to:			
Equity shareholders		**257.3**	(5.7)
Non-controlling interest	19	**0.7**	(1.2)
Earnings per share			
Basic	8	**28.6p**	(0.7)p
Diluted	8	**28.5p**	(0.7)p

All amounts relate to continuing activities.

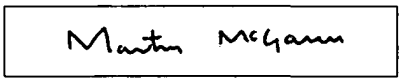
The notes on pages 152 to 171 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2021 £m	2020 £m
Non current assets			
Investment properties	9	**2,504.6**	2,273.6
Investment in equity accounted joint ventures	10	**59.2**	54.1
Other tangible assets		**0.3**	0.4
		2,564.1	2,328.1
Current assets			
Trading properties		**1.1**	1.1
Trade and other receivables	11	**9.8**	7.8
Cash and cash equivalents	12	**51.4**	81.8
		62.3	90.7
Total assets		**2,626.4**	2,418.8
Current liabilities			
Trade and other payables	13	**46.0**	42.6
Non current liabilities			
Borrowings	14	**837.5**	926.7
Derivative financial instruments	14	**–**	4.7
Lease liabilities	15	**5.2**	5.9
		842.7	937.3
Total liabilities		**888.7**	979.9
Net assets		**1,737.7**	1,438.9
Equity			
Called up share capital	16	**91.0**	84.2
Share premium	17	**219.3**	106.3
Capital redemption reserve	17	**9.6**	9.6
Other reserve	17	**487.7**	488.4
Retained earnings	17	**923.7**	743.3
Equity shareholders' funds		**1,731.3**	1,431.8
Non-controlling interest		**6.4**	7.1
Total equity		**1,737.7**	1,438.9
IFRS net asset value per share	8	**191.3p**	171.0p

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2021 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 152 to 171 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 2020		**84.2**	**106.3**	**9.6**	**488.4**	**743.3**	**1,431.8**	**7.1**	**1,438.9**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**–**	**257.3**	**257.3**	**0.7**	**258.0**
Equity placing		**6.6**	**110.0**	**–**	**–**	**–**	**116.6**	**–**	**116.6**
Purchase of shares held in Employee Benefit Trust		**–**	**–**	**–**	**(5.5)**	**–**	**(5.5)**	**–**	**(5.5)**
Vesting of shares held in Employee Benefit Trust		**–**	**–**	**–**	**4.8**	**(5.1)**	**(0.3)**	**–**	**(0.3)**
Share based awards		**–**	**–**	**–**	**–**	**3.8**	**3.8**	**–**	**3.8**
Distribution to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Dividends	7	**0.2**	**3.0**	**–**	**–**	**(75.6)**	**(72.4)**	**–**	**(72.4)**
At 31 March 2021		**91.0**	**219.3**	**9.6**	**487.7**	**923.7**	**1,731.3**	**6.4**	**1,737.7**

	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		13.9	–	–	269.5	–	283.4	–	283.4
Purchase of shares held in Employee Benefit Trust		–	–	–	(7.2)	–	(7.2)	–	(7.2)
Vesting of shares held in Employee Benefit 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

The notes on pages 152 to 171 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) before tax		**258.1**	(6.7)
Adjustments for non cash items:			
(Profit)/loss on revaluation of investment properties		**(169.9)**	3.8
(Profit)/loss on sale of investment properties		**(0.8)**	4.9
Share of post tax (profit)/loss of joint ventures		**(6.9)**	8.9
Movement in lease incentives		**(11.3)**	(11.0)
Impairment of goodwill on acquisition		**–**	48.3
Share based payment		**3.8**	2.9
Net finance costs		**24.3**	28.3
Cash flows from operations before changes in working capital		**97.3**	79.4
Change in trade and other receivables		**(1.9)**	(3.0)
Change in trade and other payables		**4.5**	(13.0)
Cash flows from operations		**99.9**	63.4
Tax paid		**(0.3)**	(0.2)
Cash flows from operating activities		**99.6**	63.2
Investing activities			
Purchase of subsidiary undertakings		**–**	(119.6)
Purchase of investment properties		**(229.0)**	(185.2)
Capital expenditure on investment properties		**(25.6)**	(18.1)
Lease incentives paid		**(2.1)**	(3.9)
Sale of investment properties		**208.4**	117.5
Investments in joint ventures		**(4.7)**	(0.3)
Distributions from joint ventures		**6.5**	15.7
Interest received		**0.1**	0.2
Net cash used in investing activities		**(46.4)**	(193.7)
Financing activities			
Dividends paid		**(72.4)**	(58.4)
Distribution to non-controlling interest		**(1.4)**	(0.4)
Proceeds from issue of ordinary shares		**116.6**	–
Purchase of shares held in Employee Benefit Trust		**(5.5)**	(7.2)
Vesting of shares held in Employee Benefit Trust		**(0.3)**	–
New borrowings and amounts drawn down	18	**316.0**	304.9
Repayment of loan facilities	18	**(409.0)**	(21.1)
Financial arrangement fees and break costs		**(7.5)**	(2.1)
Interest paid		**(20.1)**	(24.0)
Net cash (used in)/from financing activities		**(83.6)**	191.7
Net (decrease)/increase in cash and cash equivalents	18	**(30.4)**	61.2
Opening cash and cash equivalents		**81.8**	20.6
Closing cash and cash equivalents		**51.4**	81.8

The notes on pages 152 to 171 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2021

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 192. The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic report on pages 1 to 79.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

c) Going concern

Given the backdrop of the Covid-19 pandemic and lockdown restrictions under which the Group is operating, the Board has continued to pay 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, including those arising from the pandemic and are discussed in detail on pages 64 to 79 of the Strategic report.

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 Financial review on page 40, the Group refinanced its unsecured debt facilities in April 2021 and entered into two new revolving credit facilities and a new Private Placement totalling £780 million. These new facilities contain the same gearing and interest cover covenants as the existing unsecured and private placement loans.

The Group's unsecured revolving credit facilities and private placement loan notes, which together represent 92% of the Group's total borrowing as at the date of this report, contain gearing and interest cover covenants.

At 31 March 2021, the Group had substantial headroom within these covenants. Gearing was 46%, substantially lower than the maximum limit of 125% and its interest cover ratio was 5.5 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 43% and rents by 65% before banking covenants are breached.

Group borrowings, undrawn facilities and hedging are described in note 14 and in the Financial review.

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. They were mindful of the Group's income certainty and diversity, strong rent collection rates and long lease lengths when assessing the Group's going concern position.

In response to the pandemic, scenario testing considered the potential longer term impact of the disruption caused to occupiers, including rent defaults, increased vacancy costs and letting voids. Key assumptions included in the scenario testing were as follows:

- Rents decline by 15% across the portfolio
- Property values fall by 15% across the portfolio
- There are no new developments or uncommitted capital expenditure
- Interest rates increase by 1% on all floating rate loans

Throughout the scenario testing, the Group had sufficient reserves to continue in operation and remain compliant with its 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 can meet its liabilities as they fall due and has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2021.

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 directors have changed the way in which the Group's performance is presented on the face of the income statement. The underlying results have not been amended and this modified presentation has had no effect on operating profit or profit for the year.

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 111 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.

1 Significant accounting policies (continued)

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 estimated rental value and current market rental yields. In addition, to the extent possible, the valuers make reference to market evidence of transaction prices for similar properties.

The fair value of a development property is determined by using the 'residual method', which deducts all estimated costs necessary to complete the development, together with an allowance for development risk, profit and purchasers' costs, from the fair valuation of the completed property.

Note 9(b) to the financial statements includes further information on the valuation techniques and inputs used to determine the fair value of the property portfolio.

The Covid-19 pandemic has led to a heightened degree of uncertainty surrounding property valuations and some real estate markets have experienced lower transactional activity. In March 2020, our three external valuers included material uncertainty clauses in their valuation reports. However, at the valuation date of 31 March 2021, all of our valuers consider that there is adequate market evidence upon which to base opinions of value and have not included material uncertainty clauses in their valuation reports.

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.

Other complexities include conditionality inherent in transactions, and other unusual terms and conditions. There is a risk that an inappropriate approach could lead to a misstatement in the financial statements.

Management applied judgement to those property acquisitions made during the year to 31 March 2021 and determined that they were asset acquisitions rather than business combinations as disclosed in note 9 to the financial statements.

ii) Adoption of new and revised standards

Standards and interpretations effective in the current period
During the year, the following new and revised Standards and interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements.

Name	Description
IFRS 3 (amendments)	Definition of a Business
IAS 1 and IAS 8 (amendments)	Definition of Material
IFRS 7, IFRS 9 and IAS 39 (amendments)	Interest Rate Benchmark Reform
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, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32

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 16	Covid-related rent concessions
IFRS 3	References to the conceptual framework
IAS 16	Property, plant and equipment - proceeds before intended use
IAS 37	Onerous contracts
IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 (amendments)	Interest Rate Benchmark Reform - phase 2
IAS 1 (amendments)	Classification of Liabilities as Current or Non Current Disclosure of Accounting Policies
IAS 8	Definition of accounting estimates
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' Extension of the Temporary Exemption from Applying IFRS 9
Annual improvements to IFRSs: 2018 -2020 cycle	Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

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 and in other cases the acquisition accounting method is used.

Under the acquisition accounting method, the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

Notes forming part of the Group financial statements

For the year ended 31 March 2021

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 ('NCI') 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 interests' share within equity in the consolidated balance sheet and allocates to the non-controlling interest their share of profit or loss for the period within the consolidated income statement.

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) Non current 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 are committed to the sale and expect it to complete within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and the fair value less costs to sell.

iii) Tenant leases
Leases – the Group as a lessor
Rent receivable is recognised in the income statement on a straight-line basis over the term of the lease. In the event that a lease incentive is granted to a lessee, such incentives are recognised as an asset, with the aggregate cost of the incentive recognised as a reduction in rental income on a straight-line basis over the term of the lease or to the first break option if earlier. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts.

Leases – the Group as lessee
Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments based on the Group's expectations of the likelihood of the lease term. The lease liability is subsequently adjusted to reflect an imputed finance charge, payments made to the lessor and any lease modifications. The right of use asset is initially measured at cost, which comprises the amount of the lease liability, direct costs incurred, less any lease incentives received by the Group. The Group has two categories of right of use assets: those in respect of head leases related to a small number of leasehold properties and an occupational lease for its head office. Both right of use assets are classified as investment property and added to the carrying value of the leasehold investment property. The right of use asset in respect of its occupational lease is subsequently depreciated over the length of the lease.

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

1 Significant accounting policies (continued)

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.

v) Profit and loss on sale of investment properties
Profits and losses on sales of investment properties are recognised at the date of legal completion rather than exchange of contracts and 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 receivables
Trade receivables are initially recognised at their transaction price and subsequently measured 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 lifetime expected credit losses, which reflect the Group's historical credit loss experience and an assessment of current and forecast economic conditions at the reporting date. The impact of Covid-19 has given rise to higher estimated probabilities of default for some occupiers.

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) Trade and other payables
Trade payables and other payables are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

iv) Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are measured at amortised cost with any difference between the proceeds and redemption value being recognised in the income statement over the term of the borrowings using the effective interest method.

v) 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.

The Group does not apply hedge accounting under IFRS 9.

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.

Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively. For consistency, the prior year comparative presentation of these balances, together with the comparative presentation of movements in lease incentives, was amended within the cash flow statement.

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 tangible 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

For the year ended 31 March 2021

2 Segmental information

As at 31 March				2021				2020
Property value	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**1,777.3**	**–**	**–**	**1,777.3**	1,597.0	–	(3.3)	1,593.7
Long income	**547.6**	**93.2**	**(11.4)**	**629.4**	475.2	88.9	(11.6)	552.5
Retail parks	**73.9**	**–**	**–**	**73.9**	83.3	–	–	83.3
Office	**41.1**	**–**	**–**	**41.1**	55.1	–	–	55.1
Residential	**0.9**	**1.2**	**–**	**2.1**	1.4	3.5	–	4.9
Development[1]	**59.8**	**–**	**–**	**59.8**	57.0	–	–	57.0
	2,500.6	**94.4**	**(11.4)**	**2,583.6**	2,269.0	92.4	(14.9)	2,346.5
Head lease and right of use assets				**5.1**				5.7
				2,588.7				2,352.2

1 Includes trading property of £1.1 million

For the year to 31 March				2021				2020
Gross rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**78.1**	**–**	**(0.1)**	**78.0**	76.3	–	(0.2)	76.1
Long income	**34.7**	**5.3**	**(1.4)**	**38.6**	25.7	6.1	(1.1)	30.7
Retail parks	**4.7**	**–**	**–**	**4.7**	7.1	–	–	7.1
Office	**3.5**	**–**	**–**	**3.5**	3.2	–	–	3.2
Residential	**0.1**	**–**	**–**	**0.1**	–	0.2	–	0.2
Development	**0.2**	**–**	**–**	**0.2**	–	–	–	–
	121.3	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3

For the year to 31 March				2021				2020
Net rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**77.2**	**–**	**(0.1)**	**77.1**	75.5	–	(0.2)	75.3
Long income	**34.5**	**5.2**	**(1.4)**	**38.3**	25.7	6.1	(1.1)	30.7
Retail parks	**4.3**	**–**	**–**	**4.3**	6.7	–	–	6.7
Office	**3.4**	**–**	**–**	**3.4**	3.2	–	–	3.2
Residential	**0.1**	**(0.1)**	**–**	**–**	–	–	–	–
Development	**0.2**	**–**	**–**	**0.2**	–	–	–	–
	119.7	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9

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 ('CODMs') 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 and liabilities are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates entirely in the UK and no geographical split is provided in information reported to the Board.

Included within the distribution operating segment are the sub-categories of urban logistics, regional distribution and mega distribution as reported on page 31 and throughout the Strategic report, however the sub-category results are not separately reviewed by the CODMs as they are not considered separate operating segments. Instead the CODMs review the distribution sector as a whole as its own operating segment.

3 Revenue

For the year to 31 March	2021 £m	2020 £m
Gross rental income	**121.3**	112.3
Property advisory fee income	**0.9**	1.1
Revenue	**122.2**	113.4

For the year to 31 March	2021 £m	2020 £m
Gross rental income	**121.3**	112.3
Cost of sales - property operating expenses	**(1.6)**	(1.2)
Net rental income	**119.7**	111.1

No individual tenant contributed more than 10% of gross rental income in the current or previous year. The contracted rental income of the Group's top ten occupiers is shown in Supplementary note xvii on page 183.

4 Administrative costs

a) Total administrative costs

For the year to 31 March	2021 £m	2020 £m
Staff costs	**12.4**	12.1
Auditor's remuneration	**0.2**	0.2
Depreciation	**0.7**	0.7
Other administrative costs	**2.5**	2.8
	15.8	15.8

b) Staff costs

For the year to 31 March	2021 £m	2020 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**9.8**	10.3
Less staff costs capitalised in respect of development projects	**(2.2)**	(2.1)
	7.6	8.2
Social security costs	**0.8**	0.8
Pension costs	**0.2**	0.2
Share based payment	**3.8**	2.9
	12.4	12.1

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 £3.8 million (2020: £2.9 million). The cost of acquiring the shares expected to vest under the LTIP of £5.5 million has been charged to reserves this year (2020: £7.2 million).

Directors' emoluments are reflected in the table below. Details of the Directors' remuneration awards under the LTIP are given in the Remuneration Committee report on pages 129 to 130.

	2021 £m	2020 £m
Remuneration for management services	**2.8**	2.9
Entitlement to pension scheme contributions	**0.1**	0.1
	2.9	3.0

Notes forming part of the Group financial statements

For the year ended 31 March 2021

4 Administrative costs (continued)

The emoluments and benefits of the key management personnel of the Company, which comprise the Directors and certain members of the Senior Leadership Team, are set out in aggregate in the table below.

	2021 £m	2020 £m
Short term employee benefits	**8.7**	7.8
Share based payments	**2.5**	2.3
	11.2	10.1

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 116 to 133 on the basis of materiality.

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2021 Number	2020 Number
Property and administration	**32**	34

d) Auditor's remuneration

For the year to 31 March	2021 £000	2020 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**201**	179
Audit of subsidiary financial statements, pursuant to legislation	**–**	5
Other fees:		
Audit related assurance services	**35**	30
Total fees for audit and other services	**236**	214

In addition to the above audit fees, £24,200 (2020: £35,600) 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 £36,500 (2020: £10,400).

5 Finance costs

For the year to 31 March	2021 £m	2020 £m
Interest payable on bank loans and related derivatives	**19.4**	22.8
Debt and hedging early close out costs	**7.5**	0.2
Amortisation of loan issue costs	**1.8**	1.5
Interest on lease liabilities	**0.1**	0.1
Commitment fees and other finance costs	**1.9**	2.1
Total borrowing costs	**30.7**	26.7
Less amounts capitalised on developments	**(1.1)**	(0.9)
Net borrowing costs	**29.6**	25.8
Fair value (gain)/loss on derivative financial instruments	**(4.7)**	3.2
Total finance costs	**24.9**	29.0

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value gain on derivative financial instruments of £4.7 million (2020: loss of £3.2 million) and early close out costs of £7.5 million (2020: £0.2 million), and include interest receivable of £0.6 million (2020: £0.7 million) as reflected in the income statement.

6 Taxation

For the year to 31 March	2021 £m	2020 £m
Current tax		
UK tax charge on profit	**0.1**	0.2

6 Taxation (continued)

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	2021 £m	2020 £m
Profit/(loss) before tax	**258.0**	(6.7)
Tax charge/(credit) at the standard rate of corporation tax in the UK of 19% (2020: 19%)	**49.0**	(1.3)
Effects of:		
Tax effect of income not subject to tax	**(47.6)**	(0.2)
Share of post tax (profits)/losses of joint ventures	**(1.3)**	1.7
UK tax charge on profit	**0.1**	0.2

The current tax charge relates to tax arising on income attributable to the Group's non-controlling interest and other income that does not qualify as property income within the REIT regulations. 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	2021 £m	2020 £m
Ordinary dividends paid		
2019 Third quarterly interim dividend: 1.9p per share	**–**	13.3
2019 Fourth quarterly interim dividend: 2.5p per share	**–**	17.4
2020 First quarterly interim dividend: 2.0p per share	**–**	16.7
2020 Second quarterly interim dividend: 2.0p per share	**–**	16.8
2020 Third quarterly interim dividend: 2.0p per share	**16.7**	–
2020 Fourth quarterly interim dividend: 2.3p per share	**20.8**	–
2021 First quarterly interim dividend: 2.1p per share	**19.0**	–
2021 Second quarterly interim dividend: 2.1p per share	**19.1**	–
	75.6	64.2
Quarterly dividend payable		
2021 Third quarterly interim dividend: 2.1p per share	**19.0**	
2021 Fourth quarterly interim dividend: 2.35p per share	**21.3**	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2021 of 2.1p per share, wholly as a Property Income Distribution ('PID'), on 15 April 2021 to ordinary shareholders on the register at the close of business on 12 March 2021.

The fourth quarterly interim dividend for 2021 of 2.35p per share, of which 2.25p is payable as a PID, will be payable on 13 July 2021 to shareholders on the register at the close of business on 11 June 2021. 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 2022.

During the year the Company issued 1.5 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £3.2 million to £72.4 million.

8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations ('BPR') of the European Public Real Estate Association ('EPRA'). The EPRA earnings measure highlights the underlying performance of the property rental business.

The basic 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 basic 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. The fully diluted calculations assume that new shares are issued in connection with the expected vesting of the Group's long term incentive plan.

Further EPRA performance measures are reflected in the Supplementary notes on pages 178 to 183.

Notes forming part of the Group financial statements

For the year ended 31 March 2021

8 Earnings and net assets per share (continued)

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	NCI £m	2021 £m	Group £m	JV £m	NCI £m	2020 £m
Gross rental income	**121.3**	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	**(1.6)**	**(0.2)**	**–**	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	**119.7**	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	**0.9**	**(0.4)**	**–**	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	**(15.8)**	**–**	**–**	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs[1]	**(21.5)**	**(1.2)**	**0.2**	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other[1]	**(0.1)**	**–**	**0.2**	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

1 Group net finance costs reflect net borrowing costs of £29.6 million (note 5) less early close out costs of £7.5 million (note 5) and finance income of £0.6 million

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

For the year to 31 March	Group £m	JV £m	NCI £m	2021 £m	Group £m	JV £m	NCI £m	2020 £m
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5
Revaluation of property	**169.9**	**3.4**	**0.4**	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Fair value of derivatives	**4.7**	**0.1**	**–**	**4.8**	(3.2)	(0.4)	–	(3.6)
Profit/(loss) on disposal	**0.8**	**(0.1)**	**–**	**0.7**	(4.9)	(2.3)	–	(7.2)
Debt/hedging break costs	**(7.5)**	**–**	**–**	**(7.5)**	(0.2)	–	–	(0.2)
Impairment of goodwill	**–**	**–**	**–**	**–**	(48.3)	–	–	(48.3)
Acquisition costs	**–**	**–**	**–**	**–**	(8.9)	–	–	(8.9)
IFRS reported profit/(loss)	**251.1**	**6.9**	**(0.7)**	**257.3**	2.0	(8.9)	1.2	(5.7)

b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	2021 £m	2020 £m
Basic and diluted earnings	**257.3**	(5.7)
EPRA adjustments above	**(171.7)**	80.2
EPRA earnings	**85.6**	74.5

For the year to 31 March	2021 Number of shares (millions)	2020 Number of shares (millions)
Ordinary share capital	**901.9**	806.7
Shares held in the Employee Benefit Trust	**(2.8)**	(2.5)
Weighted average number of ordinary shares – basic	**899.1**	804.2
Employee share schemes	**4.8**	6.0
Weighted average number of ordinary shares – fully diluted	**903.9**	810.2
Earnings per share		
Basic	**28.61p**	(0.70)p
Diluted	**28.46p**	(0.70)p
EPRA earnings per share		
Basic	**9.52p**	9.26p
Diluted	**9.47p**	9.19p

8 Earnings and net assets per share (continued)

c) Net assets per share attributable to equity shareholders

In October 2019, EPRA published new best practice recommendations for financial disclosures by public real estate companies. The best practice recommendations introduced three new measures of net asset value: EPRA net tangible assets ('NTA'), EPRA net reinstatement value ('NRV') and EPRA net disposal value ('NDV').

These recommendations became effective for accounting periods commencing on 1 January 2020 and have been adopted by the Group in the year. The three new measures have replaced the previously reported metrics of EPRA net asset value ('NAV') and EPRA triple net asset value ('NNNAV').

EPRA NTA is considered to be the most relevant measure for the Group and replaces EPRA NAV as the primary measure of net asset value. All three measures are calculated on a diluted basis, which assumes that new shares are issued in connection with the expected vesting of the Group's long term incentive plan.

A reconciliation between the three new EPRA NAV metrics to IFRS NAV and the previously reported EPRA NAV is shown in the table below. For the Group, EPRA NDV is equivalent to EPRA NNNAV on a fully diluted basis and therefore no reconciliation is presented.

As at 31 March 2021	**EPRA net tangible assets £m**	**EPRA net disposal value £m**	**EPRA net reinstatement value £m**
Equity shareholders' funds	**1,731.3**	**1,731.3**	**1,731.3**
Fair value of group derivatives	**–**	**–**	**–**
Fair value of joint ventures' derivatives	**0.6**	**0.6**	**0.6**
EPRA net asset value (as previously reported)	**1,731.9**	**1,731.9**	**1,731.9**
Fair value of derivatives	**–**	**(0.6)**	**–**
Mark to market of fixed rate debt	**–**	**(4.9)**	**–**
Purchasers' costs[1]	**–**	**–**	**176.0**
EPRA net asset value (new measures)	**1,731.9**	**1,726.4**	**1,907.9**

1 Estimated from the portfolio's external valuation which is stated net of purchasers' costs of 6.8%.

As at 31 March 2020	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
Equity shareholders' funds	1,431.8	1,431.8	1,431.8
Fair value of group derivatives	4.7	4.7	4.7
Fair value of joint ventures' derivatives	0.7	0.7	0.7
EPRA net asset value (as previously reported)	1,437.2	1,437.2	1,437.2
Fair value of derivatives	–	(5.4)	–
Mark to market of fixed rate debt	–	1.7	–
Purchasers' costs	–	–	159.9
EPRA net asset value (new measures)	1,437.2	1,433.5	1,597.1

As at 31 March	**2021 Number of shares (millions)**	2020 Number of shares (millions)
Ordinary share capital	**909.6**	841.5
Shares held in Employee Benefit Trust	**(4.4)**	(4.3)
Number of ordinary shares - basic	**905.2**	837.2
Employee share schemes	**4.7**	6.5
Number of ordinary shares – fully diluted	**909.9**	843.7

IFRS net asset value per share	**191.3p**	171.0p
EPRA net tangible assets per share	**190.3p**	170.3p
EPRA net disposal value per share	**189.7p**	169.9p
EPRA net reinstatement value per share	**209.7p**	189.3p

Notes forming part of the Group financial statements

For the year ended 31 March 2021

9 Investment properties

a) Investment properties

As at 31 March	Completed £m	Under development £m	2021 Total £m	Completed £m	Under development £m	2020 Total £m
Opening balance	**2,212.0**	**55.9**	**2,267.9**	1,628.2	59.8	1,688.0
Acquisitions	**212.4**	**16.8**	**229.2**	634.2	31.9	666.1
Capital expenditure	**4.9**	**21.1**	**26.0**	10.2	11.2	21.4
Disposals	**(200.8)**	**–**	**(200.8)**	(113.1)	(0.3)	(113.4)
Property transfers	**55.5**	**(55.5)**	**–**	50.3	(50.3)	–
Revaluation movement	**149.7**	**20.2**	**169.9**	(7.3)	3.5	(3.8)
Movement in tenant incentives and rent free uplifts	**7.1**	**0.2**	**7.3**	9.5	0.1	9.6
Property portfolio	**2,440.8**	**58.7**	**2,499.5**	2,212.0	55.9	2,267.9
Head lease and right of use assets	**5.1**	**–**	**5.1**	5.7	–	5.7
	2,445.9	**58.7**	**2,504.6**	2,217.7	55.9	2,273.6

Investment properties are held at fair value as at 31 March 2021 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 2021 was £22.4 million (2020: £67.8 million), representing £2.3 million distribution, £10.5 million long income and £9.6 million office 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.

Long term leasehold values included within investment properties amount to £148.7 million (2020: £176.9 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2021 was £1,948.2 million (2020: £1,884.0 million).

Included within the investment property valuation is £79.4 million (2020: £72.1 million) in respect of unamortised lease incentives and rent free periods.

Capital commitments have been entered into amounting to £93.3 million (2020: £28.9 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £2.2 million (2020: £2.1 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £15.5 million (2020: £9.9 million) have been classified within investment property as acquisitions.

At 31 March 2021, investment properties included £5.1 million for the head lease right of use assets in accordance with IFRS 16 (2020: £5.7 million).

b) Valuation technique and quantitative information

			ERV		Net initial yield		Reversionary yield	
Asset type	Fair value 2021 £m	Valuation technique	Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	**1,777.3**	Yield capitalisation	7.06	4.00-21.40	4.1	1.4-7.1	4.5	2.4-7.4
Long income	**547.6**	Yield capitalisation	14.00	3.00-155.70	4.9	3.4-11.8	4.7	2.4-13.4
Retail parks	**73.9**	Yield capitalisation	14.03	6.00-18.70	7.5	6.2-12.4	6.7	6.0-9.4
Office	**41.1**	Yield capitalisation	17.38	11.50-33.90	6.0	5.0-7.4	6.5	5.6-9.3
Development	**58.7**	Residual	10.21	8.35-25.00	4.2	3.9-5.7	3.9	3.7-5.7
Residential	**0.9**	Comparison	n/a	n/a	n/a	n/a	n/a	n/a

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 fair value measurement. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2021. The fair value at 31 March 2021 represents the highest and best use.

9 Investment properties (continued)

i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant 'unobservable' inputs such as Expected Rental Value ('ERV') and yield. 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 £75.7 million or £73.8 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 £136.0 million or £152.0 million respectively.

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 2021, 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.

LSP London Residential Investments Limited disposed of four residential flats at Moore House for £4.5 million (Group share: £1.8 million) in the year, reducing the number held to four.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold two properties post year end for £21.1 million (Group share: £10.6 million).

At 31 March 2021, 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 2021 was £21.1 million (Group share: £10.6 million), (2020: £3.9 million and Group share £1.5 million).

The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2021 £m	2020 £m
Opening balance	**54.1**	98.9
Additions at cost	**4.7**	0.3
Share of profit/(loss) in the year	**6.9**	(8.9)
Disposals	**–**	(20.5)
Distributions received	**(6.5)**	(15.7)
	59.2	54.1

Notes forming part of the Group financial statements

For the year ended 31 March 2021

10 Investment in joint ventures (continued)

The Group's share of the profit after tax and net assets of its joint ventures is as follows:

	Metric Income Plus Partnership £m	LSP London Residential Investments £m	Total 2021 £m	Group share 2021 £m
Summarised income statement				
Gross rental income	10.7	–	10.7	5.3
Property costs	(0.3)	(0.1)	(0.4)	(0.2)
Net rental income	10.4	(0.1)	10.3	5.1
Administrative costs	(0.1)	–	(0.1)	–
Management fees	(0.8)	(0.1)	(0.9)	(0.4)
Revaluation	8.0	(1.5)	6.5	3.4
Net finance cost	(2.5)	–	(2.5)	(1.2)
Derivative movement	0.3	–	0.3	0.1
Loss on disposal	–	(0.2)	(0.2)	(0.1)
Profit/(loss) after tax	15.3	(1.9)	13.4	6.9
Group share of profit/(loss) after tax	7.7	(0.8)	6.9	
EPRA adjustments:				
Revaluation	(8.0)	1.5	(6.5)	(3.4)
Debt and hedging early close out costs	0.1	–	0.1	–
Derivative movement	(0.3)	–	(0.3)	(0.1)
Loss on disposal	–	0.2	0.2	0.1
EPRA earnings	7.1	(0.2)	6.9	3.5
Group share of EPRA earnings	3.6	(0.1)	3.5	
Summarised balance sheet				
Investment properties	186.5	2.9	189.4	94.4
Other current assets	0.8	–	0.8	0.4
Cash	4.6	2.8	7.4	3.4
Current liabilities	(2.6)	–	(2.6)	(1.2)
Bank debt	(74.9)	–	(74.9)	(37.5)
Unamortised finance costs	0.5	–	0.5	0.3
Derivative financial instruments	(1.1)	–	(1.1)	(0.6)
Net assets	113.8	5.7	119.5	59.2
Group share of net assets	56.9	2.3	59.2	

10 Investment in joint ventures (continued)

	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)
Net 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	

11 Trade and other receivables

As at 31 March	**2021 £m**	2020 £m
Trade receivables	**4.8**	5.8
Prepayments and accrued income	**3.5**	1.1
Other receivables	**1.5**	0.9
	9.8	7.8

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 2021, trade receivables of £159,200 were overdue and considered at risk (2020: £69,800). Based on the IFRS 9 expected credit loss model, an impairment provision of £760,000 (2020: £340,000) has also been made against trade receivables.

12 Cash and cash equivalents

Cash and cash equivalents include £10.7 million (2020: £5.4 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

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13 Trade and other payables

As at 31 March	2021 £m	2020 £m
Trade payables	**4.6**	4.2
Amounts payable on property acquisitions and disposals	**1.3**	0.4
Rent received in advance	**22.6**	19.8
Accrued interest	**1.3**	1.9
Other payables	**5.3**	4.1
Other accruals and deferred income	**10.9**	12.2
	46.0	42.6

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	2021 £m	2020 £m
Secured bank loans	**192.5**	192.7
Unsecured bank loans	**647.0**	740.0
	839.5	932.7
Unamortised finance costs	**(2.0)**	(6.0)
	837.5	926.7

Certain bank loans at 31 March 2021 are secured by fixed charges over Group investment properties with a carrying value of £584.9 million (2020: £529.7 million).

As at 31 March 2021	Floating rate[1] £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
Secured bank loans:				
Helaba term loan	**130.0**	**–**	**130.0**	**3.3**
Scottish Widows fixed rate debt	**–**	**62.5**	**62.5**	**10.7**
Unsecured bank loans:				
Revolving credit facility (syndicate)	**258.0**	**–**	**258.0**	**1.0**
HSBC revolving credit facility	**59.0**	**–**	**59.0**	**2.0**
Wells Fargo revolving credit facility	**50.0**	**–**	**50.0**	**4.3**
Private Placement 2016 (syndicate)	**–**	**130.0**	**130.0**	**3.7**
Private Placement 2018 (syndicate)	**–**	**150.0**	**150.0**	**9.8**
	497.0	**342.5**	**839.5**	**4.3**

1 interest rate caps of £19.6 million are used to hedge the Group's exposure to interest rate risk

As at 31 March 2020	Floating rate[1] £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
Secured bank loans:				
Helaba term loan	130.0	–	130.0	4.3
Scottish Widows fixed rate debt	–	62.7	62.7	11.7
Unsecured bank loans:				
Revolving credit facility (syndicate)	410.0	–	410.0	1.8
Wells Fargo revolving credit facility	50.0	–	50.0	5.3
Private Placement 2016 (syndicate)	–	130.0	130.0	4.7
Private Placement 2018 (syndicate)	–	150.0	150.0	10.8
	590.0	342.7	932.7	4.8

1 interest rate caps of £19.6 million and swaps of £350 million are used to hedge the Group's exposure to interest rate risk

14 Borrowings and financial instruments (continued)

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. Trade receivables are presented at amortised cost less loss allowance for expected credit losses. The loss allowance 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 held in a diverse mix of institutions with investment grade credit ratings. 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.

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 £51.4 million (2020: £81.8 million) and available and undrawn bank loan facilities at 31 March 2021 of £170.5 million (2020: £133.8 million).

The following table shows the contractual maturity profile of the Group's bank loans, interest payments on bank loans and derivative financial instruments on an undiscounted cash flow basis and assuming settlement on the earliest repayment date. Other financial liabilities as disclosed in note 14c(i) include trade payables and accrued interest and are repayable within one year. The contractual maturity profile of lease liabilities disclosed in the balance sheet is reflected in note 15.

As at 31 March 2021	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**	**Total £m**
Bank loans	**20.3**	**332.5**	**317.4**	**274.3**	**944.5**

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

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, caps and fixed rates 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.

In April 2020, the Group cancelled £350 million interest rate swaps that hedged its unsecured facilities and were due to expire in 2022. At 31 March 2021, 43% of the Group's debt drawn was hedged (45% including share of joint ventures), mainly through fixed coupon debt arrangements. Post year end in April, we entered into new private placement and revolving credit facilities of £780 million, replacing the existing revolving credit facilities and other existing debt as described in the Financial review on page 40. This increased the percentage of Group and share of joint venture debt hedged to 83%.

Notes forming part of the Group financial statements

For the year ended 31 March 2021

14 Borrowings and financial instruments (continued)

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2021 including the cost of amortising finance arrangement fees, was 2.5% (2020: 2.9%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £5.1 million or £0.7 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.

The Group seeks to maintain an efficient capital structure with a balance of debt and equity as shown in the table below.

As at 31 March	**2021 £m**	2020 £m
Net debt	**792.6**	857.4
Shareholders' equity	**1,731.3**	1,431.8
	2,523.9	2,289.2

c) Financial instruments

i) Categories of financial instruments

	Measured at amortised cost		**Measured at fair value**	
As at 31 March	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Current assets				
Cash and cash equivalents (note 12)	**51.4**	81.8	**–**	–
Trade receivables (note 11)	**4.8**	5.8	**–**	–
Other receivables (note 11)	**1.5**	0.9	**–**	–
	57.7	88.5	**–**	–
Non current liabilities				
Derivative financial instruments (see 14c (iii))	**–**	–	**–**	4.7
Borrowings (note 14a)	**837.5**	926.7	**–**	–
Lease liabilities (note 15)	**5.2**	5.9	**–**	–
Current liabilities				
Trade payables (note 13)	**4.6**	4.2	**–**	–
Accrued interest (note 13)	**1.3**	1.9	**–**	–
	848.6	938.7	**–**	4.7

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 2021.

14 Borrowings and financial instruments (continued)

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2021 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**2021 %**	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Less than one year	**2.0**	–	**19.6**	–	**–**	–
One to two years	**–**	2.0	**–**	19.6	**–**	–
	2.0	2.0	**19.6**	19.6	**–**	–

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2021 %**	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Two to five years	**–**	1.1	**–**	350.0	**–**	(4.7)
Total fair value					**–**	(4.7)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2021 by Chatham Financial. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement.

The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

15 Leases

The Group's minimum lease rentals receivable under non cancellable leases, excluding joint ventures, are as follows:

As at 31 March	**2021 £m**	2020 £m
Less than one year	**114.2**	113.6
Between one and five years	**416.8**	421.6
Between six and ten years	**392.6**	399.6
Between 11 and 15 years	**265.8**	240.7
Between 16 and 20 years	**129.4**	121.5
Over 20 years	**25.3**	32.5
	1,344.1	1,329.5

In accordance with IFRS 16, the Group has recognised a right of use asset for its head office lease and other head lease obligations. 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 2021 £m**	Present value of minimum lease payments 2020 £m
Less than one year	**0.7**	**(0.1)**	**0.6**	0.6
Between one and two years	**0.7**	**(0.1)**	**0.6**	0.6
Between two and five years	**0.5**	**(0.2)**	**0.3**	1.0
Over five years	**7.3**	**(3.6)**	**3.7**	3.7
	9.2	**(4.0)**	**5.2**	5.9

Notes forming part of the Group financial statements

For the year ended 31 March 2021

16 Share capital

As at 31 March	2021 Number	2021 £m	2020 Number	2020 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	**909,643,040**	**91.0**	841,498,022	84.2

The movement in the share capital and share premium of the Company during the current and previous year is summarised below.

Share capital issued, called up and fully paid	Ordinary shares Number	Ordinary shares £m	Share premium £m
At 1 April 2019	699,991,840	70.0	100.8
Share issue on acquisition	138,615,684	13.9	–
Issued under scrip share scheme	2,890,498	0.3	5.5
At 1 April 2020	841,498,022	84.2	106.3
Issued under equity placing	66,666,666	6.6	110.0
Issued under scrip share scheme	1,478,352	0.2	3.0
At 31 March 2021	**909,643,040**	**91.0**	**219.3**

On 7 May 2020, the Company issued 66,666,666 new ordinary shares in connection with an equity placing that raised gross proceeds of £120 million at an issue price of 180.0p per share. In addition, the Company issued 1,478,352 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 118,874 ordinary shares under the terms of its Scrip Dividend Scheme.

The movement in the shares held by the Employee Benefit Trust in the year is summarised in the table below.

Shares held by the Employee Benefit Trust	Ordinary shares Number	Ordinary shares £m
At 1 April 2020	4,330,731	0.4
Shares issued under employee share schemes	(2,404,362)	(0.2)
Shares acquired by the Employee Benefit Trust	2,463,826	0.2
At 31 March 2021	**4,390,195**	**0.4**

In June 2020, the Company granted options over 1,914,457 ordinary shares under its Long Term Incentive Plan. In addition, 2,151,447 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2017 vested along with 252,915 ordinary shares in the Director's Deferred Bonus Plan. The average share price on vesting was 225.3p.

As at 31 March 2021, the Company's Employee Benefit Trust held 4,390,195 shares in the Company to satisfy awards under the Company's Long Term Incentive and Deferred Bonus Plans.

17 Reserves

The Group statement of changes in equity is shown on page 150. The nature and purpose of each reserve within equity is described below:

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 and the cost of shares held in trust to provide for the Company's future obligations under share award schemes. A breakdown of other reserves is provided for the Group below and for the Company on page 177.
Retained earnings	The cumulative profits and losses after the payment of dividends.

As at 31 March	Merger reserve £m	Employee Benefit Trust shares £m	2021 Total other reserves £m	Merger reserve £m	Employee Benefit Trust shares £m	2020 Total other reserves £m
Opening balance	**497.4**	**(9.0)**	**488.4**	227.9	(6.2)	221.7
Employee share schemes:						
Purchase of shares	–	**(5.5)**	**(5.5)**	–	(7.2)	(7.2)
Vesting of shares	–	**4.8**	**4.8**	–	4.4	4.4
Acquisition of A&J Mucklow	–	–	–	269.5	–	269.5
Closing balance	**497.4**	**(9.7)**	**487.7**	497.4	(9.0)	488.4

18 Analysis of movement in net debt

	1 April 2020 £m	Financing cash flows £m	Other cash flows £m	Non cash movements: Impact of issue and arrangement costs £m	Early close out costs £m	Fair value adjustments £m	Interest charge and unwinding of discount £m	31 March 2021 £m
Bank loans and derivatives	**931.4**	**(97.9)**	**–**	**1.4**	**2.6**	**–**	**–**	**837.5**
Interest payable and fees	**1.9**	**(22.7)**	**–**	**2.7**	**–**	**–**	**19.4**	**1.3**
Lease liabilities	**5.9**	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**5.2**
Total liabilities from financing activities	**939.2**	**(120.6)**	**–**	**4.1**	**2.6**	**–**	**18.7**	**844.0**
Cash and cash equivalents	**(81.8)**	**–**	**30.4**	**–**	**–**	**–**	**–**	**(51.4)**
Net debt	**857.4**	**(120.6)**	**30.4**	**4.1**	**2.6**	**–**	**18.7**	**792.6**

As at	1 April 2019 £m	Financing cash flows £m	Other cash flows £m	Non cash movements: Impact of issue and arrangement costs £m	Acquisitions £m	Fair value adjustments £m	Interest charge and unwinding of discount £m	31 March 2020 £m
Bank loans and derivatives	560.5	283.8	–	–	84.0	3.1	–	931.4
Interest payable and fees	0.9	(26.1)	–	3.5	0.8	–	22.8	1.9
Lease liabilities	–	–	–	–	6.0	–	(0.1)	5.9
Total liabilities from financing activities	561.4	257.7	–	3.5	90.8	3.1	22.7	939.2
Cash and cash equivalents	(20.6)	–	(61.2)	–	–	–	–	(81.8)
Net debt	540.8	257.7	(61.2)	3.5	90.8	3.1	22.7	857.4

19 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:

For the year to 31 March	Group interest	Management fees 2021 £m	Management fees 2020 £m	Profit distributions 2021 £m	Profit distributions 2020 £m
LSP London Residential Investments	40.0%	**0.1**	0.2	**2.8**	8.3
Metric Income Plus Partnership	50.0%	**0.8**	0.9	**3.7**	4.0
		0.9	1.1	**6.5**	12.3

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 ('NCI') represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets. The Group's interest in LMP Retail Warehouse JV Holdings Limited is 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 profits and net assets was £0.7 million and £6.4 million respectively, with distributions of £1.4 million paid during the year.

20 Post balance sheet events

Since the year end, we have completed acquisitions totalling £78.8 million, of which £11.8 million had exchanged in the year, and have exchanged on a further £1.0 million. We also exchanged to acquire an asset in Milton Keynes for £23.9 million which is expected to complete in the next financial year. In addition, we exchanged in the year to sell assets totalling £10.6 million, of which £2.4 million completed post year end, and we have also exchanged to sell a further £15.8 million of assets.

In April, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. We also entered into two new revolving credit facilities with three and five year terms for £225 million and £175 million respectively. Taken together, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity.

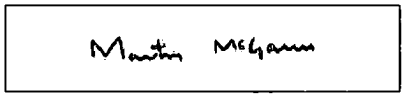
Company balance sheet

As at 31 March

	Note	2021 £m	2020 £m
Non current assets			
Investment in subsidiaries and joint ventures	iii	**1,333.8**	1,278.6
Investment properties	iv	**1.4**	1.9
Amounts due from subsidiary undertakings		**29.2**	46.6
Other tangible assets		**0.2**	0.3
		1,364.6	1,327.4
Current assets			
Trade and other receivables	v	**635.9**	570.0
Cash at bank		**34.8**	71.1
		670.7	641.1
Total assets		**2,035.3**	1,968.5
Current liabilities			
Trade and other payables	vi	**9.9**	11.5
Non current liabilities			
Borrowings	vii	**645.8**	736.8
Derivative financial instruments	vii	**–**	4.7
Lease liabilities	viii	**1.5**	2.1
		647.3	743.6
Total liabilities		**657.2**	755.1
Net assets		**1,378.1**	1,213.4
Equity			
Called up share capital		**91.0**	84.2
Share premium		**219.3**	106.3
Capital redemption reserve		**9.6**	9.6
Other reserve		**51.5**	176.5
Retained earnings		**1,006.7**	836.8
Equity shareholders' funds		**1,378.1**	1,213.4

The Company reported a profit for the financial year to 31 March 2021 of £122.5 million (2020: £70.1 million).

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2021 and were signed on its behalf by:



Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 174 to 177 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 2020	**84.2**	**106.3**	**9.6**	**176.5**	**836.8**	**1,213.4**
Profit for the year	**–**	**–**	**–**	**–**	**122.5**	**122.5**
Equity placing	**6.6**	**110.0**	**–**	**–**	**–**	**116.6**
Purchase of shares held in employee benefit trust	**–**	**–**	**–**	**(5.5)**	**–**	**(5.5)**
Vesting of shares held in employee benefit trust	**–**	**–**	**–**	**4.8**	**(5.1)**	**(0.3)**
Share based awards	**–**	**–**	**–**	**–**	**3.8**	**3.8**
Reserve transfer of impairment in subsidiary	**–**	**–**	**–**	**(124.3)**	**124.3**	**–**
Dividends	**0.2**	**3.0**	**–**	**–**	**(75.6)**	**(72.4)**
At 31 March 2021	**91.0**	**219.3**	**9.6**	**51.5**	**1,006.7**	**1,378.1**

	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 employee benefit trust	–	–	–	(7.2)	–	(7.2)
Vesting of shares held in employee benefit 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

The notes on pages 174 to 177 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2021

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, fair value measurement, impairment, standards in issue and not yet effective and certain related party transactions. The key source of estimation uncertainty relevant to the Company relates to the impairment of investment in subsidiaries. The determination of the recoverable amount of the subsidiaries is underpinned by the valuation of the underlying properties owned by each subsidiary. In determining this recoverable amount, the use of estimates and assumptions is required which are consistent with the key sources of estimation uncertainty disclosed in note 1 and 9 for the Group. 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.

Amounts due from subsidiary undertakings

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Amounts due from subsidiary undertakings included within current assets are expected to be repaid within one year and are measured for impairment using the simplified approach under IFRS 9.

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 £122.5 million (2020: £70.1 million).

Audit fees in relation to the Company only were £200,700 in the year (2020: £172,695).

iii Fixed asset investments

	Subsidiary Cost £m	Subsidiary impairment £m	Joint venture Cost £m	Joint venture impairment £m	Total undertakings £m
At 1 April 2020	2,204.9	(932.2)	16.7	(10.8)	1,278.6
Additions	185.6	-	-	-	185.6
Disposals	(596.9)	590.8	-	-	(6.1)
Impairment of investment	-	(120.7)	-	(3.6)	(124.3)
At 31 March 2021	1,793.6	(462.1)	16.7	(14.4)	1,333.8

The carrying value of the Company's investments was impaired by £124.3 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies and joint venture investments. The resulting impairment loss was due to property sales and dividend payments.

The recoverable amount of investments in subsidiary undertakings of £1,331.5 million and joint ventures of £2.3 million has been determined based on their fair value less cost of disposal. The Directors believe that this approximates to their net assets due to the investment property that they hold being valued using the valuation techniques and the key assumptions disclosed in the note 9 Investment property to the Group financial statements.

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

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
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 I Limited	England	08524540	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
LondonMetric Retail Limited	England	09062484	Property investment
LondonMetric Edinburgh Limited[3]	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 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 Group Limited	England	00717658	Intermediate holding company
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*
Metric Property Finance 2 Limited[2]	England		Dormant
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
LondonMetric Urban Limited	England		Property investment
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
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

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
5 The Company owns ordinary shares representing 40% of the beneficial interest in the share capital

Notes forming part of the Company financial statements

For the year ended 31 March 2021

iii Fixed asset investments (continued)

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 2021, investment properties included £1.4 million (2020: £1.9 million) for the head lease right of use assets which have been recognised following adoption of IFRS 16.

v Trade and other receivables

As at 31 March	2021 £m	2020 £m
Prepayments and accrued income	**0.5**	0.4
Amounts due from subsidiary undertakings	**635.4**	569.6
	635.9	570.0

All amounts under receivables fall due for payment in less than one year. Based on the IFRS 9 Expected Credit Loss model, last year an impairment provision of £9.8 million was recognised on amounts due from Group undertakings, which are unsecured and repayable on demand. Following an impairment review this year, no provision was necessary.

vi Trade and other payables

As at 31 March	2021 £m	2020 £m
Trade payables	**0.1**	0.2
Other accruals and deferred income	**7.0**	7.9
Other payables	**2.8**	3.4
	9.9	11.5

Included within other accruals and deferred income is accrued interest payable of £0.4 million (2020: £1.1 million).

vii Borrowings and financial instruments

Non current financial liabilities

As at 31 March	2021 £m	2020 £m
Unsecured bank loans	**647.0**	740.0
Unamortised finance costs	**(1.2)**	(3.2)
	645.8	736.8

The Company 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. In April 2020, the Company cancelled £350 million interest rate swaps that hedged its unsecured facilities and were due to expire in 2022. At 31 March 2021, 43% of the Company's debt drawn was hedged, mainly through fixed coupon debt arrangements. Post year end in April, we entered into new private placement and revolving credit facilities of £780 million, replacing the existing revolving credit facilities and other existing debt as described in the Financial review on page 40. This increased the percentage of the Company's debt hedged to 81%.

The following table shows the contractual maturity profile of the Company's financial liabilities assuming settlement on the earliest repayment date.

As at 31 March	Bank loans £m	Interest payable £m	2021 £m	2020 £m
Less than one year	**(0.3)**	**0.4**	**0.1**	1.1
One to five years	**471.2**	**–**	**471.2**	515.0
More than five years	**174.9**	**–**	**174.9**	225.0
	645.8	**0.4**	**646.2**	741.1

vii Borrowings and financial instruments (continued)

Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a 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.

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 swaps – expiry	**2021 %**	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Two to five years	–	1.1	–	350.0	–	(4.7)
Total fair value					–	(4.7)

Further information on financial risk management policies and practices can be found in note 14 to the Group financial statements.

viii Leases

In accordance with FRS 16, the Group has recognised a right of use asset for its head office lease obligations. 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 2021 £m**	Present value of minimum lease payments 2020 £m
Less than one year	**0.6**	–	**0.6**	0.6
Between one and five years	**0.9**	–	**0.9**	1.5
	1.5	–	**1.5**	2.1

ix Related party transactions

Related party transactions for the Company are as noted for the Group in note 19 to the Group financial statements.

x Reserves

The Company statement of changes in equity is shown on page 173. The nature and purpose of each reserve within equity is described in note 17 to the Group financial statements.

As at 31 March	**Merger reserve £m**	**Employee Benefit Trust shares £m**	**Total other reserves 2021 £m**	Merger reserve £m	Employee Benefit Trust shares £m	Total other reserves 2020 £m
Opening balance	**185.5**	**(9.0)**	**176.5**	–	(6.2)	(6.2)
Employee share schemes:						
Purchase of shares	–	**(5.5)**	**(5.5)**	–	(7.2)	(7.2)
Vesting of shares	–	**4.8**	**4.8**	–	4.4	4.4
Acquisition of A&J Mucklow Plc	–	–	–	269.5	–	269.5
Impairment in subsidiary	**(124.3)**	–	**(124.3)**	(84.0)	–	(84.0)
Closing balance	**61.2**	**(9.7)**	**51.5**	185.5	(9.0)	176.5

xi Share capital and share premium

The movement in the share capital and share premium of the Company during the year is reflected in note 16 to the Group accounts on page 170.

Supplementary information (not audited)

i EPRA summary table

	2021	2020
EPRA earnings per share	**9.52p**	9.26p
EPRA net tangible assets per share	**190.3p**	170.3p
EPRA net disposal value per share	**189.7p**	169.9p
EPRA net reinstatement value per share	**209.7p**	189.3p
EPRA vacancy rate	**1.3%**	1.4%
EPRA cost ratio (including vacant property costs)	**13.6%**	14.2%
EPRA cost ratio (excluding vacant property costs)	**13.0%**	13.3%
EPRA net initial yield	**4.3%**	4.3%
EPRA 'topped up' net initial yield	**4.6%**	5.0%

The definition of these measures can be found in the Glossary on page 184.

ii EPRA proportionally consolidated income statement

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2021 £m	100% owned £m	JV £m	NCI £m	Total 2020 £m
Gross rental income	**121.3**	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	**(1.6)**	**(0.2)**	**–**	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	**119.7**	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	**0.9**	**(0.4)**	**–**	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	**(15.8)**	**–**	**–**	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs	**(21.5)**	**(1.2)**	**0.2**	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other	**(0.1)**	**–**	**0.2**	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

iii EPRA proportionally consolidated balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2021 £m	100% owned £m	JV £m	NCI £m	Total 2020 £m
Investment property	**2,504.6**	**94.4**	**(11.4)**	**2,587.6**	2,273.6	92.4	(14.9)	2,351.1
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	2,505.7	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2
Gross debt	**(839.5)**	**(37.5)**	**–**	**(877.0)**	(932.7)	(42.1)	–	(974.8)
Cash	**51.4**	**3.4**	**(0.2)**	**54.6**	81.8	5.1	(0.8)	86.1
Other net liabilities	**(39.1)**	**(0.5)**	**5.2**	**(34.4)**	(34.3)	(0.6)	8.6	(26.3)
EPRA net tangible assets	**1,678.5**	**59.8**	**(6.4)**	**1,731.9**	1,389.5	54.8	(7.1)	1,437.2
Derivatives	**–**	**(0.6)**	**–**	**(0.6)**	(4.7)	(0.7)	–	(5.4)
IFRS net assets	**1,678.5**	**59.2**	**(6.4)**	**1,731.3**	1,384.8	54.1	(7.1)	1,431.8
Loan to value	**32.2%**	**32.8%**	**–**	**32.3%**	35.7%	40.0%	–	35.9%
Cost of debt	**2.5%**	**3.0%**	**–**	**2.5%**	2.9%	3.1%	–	2.9%
Undrawn facilities	**170.5**	**–**	**–**	**170.5**	133.8	–	–	133.8

iv EPRA cost ratio

For the year to 31 March	2021 £m	2020 £m
Property operating expenses	**1.6**	1.2
Administrative costs	**15.8**	15.8
Share of joint venture property costs, administrative costs and management fees	**0.6**	0.8
Less:		
Joint venture property management fee income	**(0.9)**	(1.1)
Ground rents	**(0.1)**	(0.1)
Total costs including vacant property costs (A)	**17.0**	16.6
Group vacant property costs	**(0.7)**	(0.9)
Share of joint venture vacant property costs	**–**	(0.1)
Total costs excluding vacant property costs (B)	**16.3**	15.6
Gross rental income	**121.3**	112.3
Share of joint venture gross rental income	**5.3**	6.3
Share of non-controlling interest gross rental income	**(1.5)**	(1.3)
	125.1	117.3
Less:		
Ground rents	**(0.1)**	(0.1)
Total gross rental income (C)	**125.0**	117.2
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**13.6%**	14.2%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**13.0%**	13.3%

v EPRA net initial yield and 'topped up' net initial yield

As at 31 March	2021 £m	2020 £m
Investment property – wholly owned	**2,499.5**	2,267.9
Investment property – share of joint ventures	**94.4**	92.4
Trading property	**1.1**	1.1
Less development properties	**(59.8)**	(57.0)
Less residential properties	**(2.1)**	(4.9)
Less non-controlling interest	**(11.4)**	(14.9)
Completed property portfolio	**2,521.7**	2,284.6
Allowance for:		
Estimated purchasers' costs	**171.5**	155.4
Estimated costs to complete	**14.7**	18.7
EPRA property portfolio valuation (A)	**2,707.9**	2,458.7
Annualised passing rental income	**112.6**	102.1
Share of joint ventures	**6.2**	6.0
Less development properties	**(2.3)**	(1.9)
Annualised net rents (B)	**116.5**	106.2
Contractual rental increase across the portfolio	**7.7**	16.0
'Topped up' net annualised rent (C)	**124.2**	122.2
EPRA net initial yield (B/A)	**4.3%**	4.3%
EPRA 'topped up' net initial yield (C/A)	**4.6%**	5.0%

Supplementary information (not audited)

vi EPRA vacancy rate

As at 31 March	2021 £m	2020 £m
Annualised estimated rental value of vacant premises	**1.7**	1.7
Portfolio estimated rental value[1]	**127.7**	124.4
EPRA vacancy rate	**1.3%**	1.4%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2021 £m	100% owned £m	JV £m	NCI £m	Total 2020 £m
Opening valuation	**2,274.7**	**92.4**	**(14.9)**	**2,352.2**	1,688.0	158.2	–	1,846.2
Acquisitions[1]	**212.4**	**–**	**–**	**212.4**	635.3	(41.2)	(17.0)	577.1
Developments[2,4]	**37.9**	**–**	**–**	**37.9**	43.1	–	–	43.1
Capital expenditure[3]	**4.9**	**0.3**	**(0.1)**	**5.1**	10.2	0.3	(0.2)	10.3
Disposals	**(200.8)**	**(1.8)**	**3.3**	**(199.3)**	(113.4)	(15.1)	0.3	(128.2)
Revaluation	**169.9**	**3.4**	**0.4**	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Lease incentives	**7.3**	**0.1**	**(0.1)**	**7.3**	9.6	0.4	–	10.0
Head lease ROU asset	**(0.6)**	**–**	**–**	**(0.6)**	5.7	–	–	5.7
Closing valuation	**2,505.7**	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2

1 Group acquisitions in the year include completed investment properties as reflected in note 9 to the financial statements
2 Group developments include acquisitions and capital expenditure on properties under development as reflected in note 9
3 Capital expenditure on completed properties, of which £0.6 million created additional lettable space
4 Includes capitalised interest of £1.1 million (2020: £0.9 million)

viii Total accounting return

For the year to 31 March	2021 pence per share	2020 pence per share
EPRA net tangible assets per share		
– at end of year	**190.3**	170.3
– at start of year	**170.3**	173.7
Increase/(decrease)	**20.0**	(3.4)
Dividend paid	**8.5**	8.4
Net increase	**28.5**	5.0
Total accounting return	**16.7%**	2.9%

ix Portfolio split and valuation

As at 31 March	2021 £m	2021 %	2020 £m	2020 %
Mega distribution	**351.9**	**13.6**	349.6	14.9
Regional distribution	**483.5**	**18.7**	419.5	17.9
Urban logistics	**941.9**	**36.5**	824.6	35.1
Distribution	**1,777.3**	**68.8**	1,593.7	67.9
Long income	**629.4**	**24.3**	552.5	23.5
Retail parks	**73.9**	**2.9**	83.3	3.6
Offices	**41.1**	**1.6**	55.1	2.4
Investment portfolio	**2,521.7**	**97.6**	2,284.6	97.4
Development[1]	**59.8**	**2.3**	57.0	2.4
Residential	**2.1**	**0.1**	4.9	0.2
Total portfolio	**2,583.6**	**100.0**	2,346.5	100.0
Head lease and right of use assets	**5.1**		5.7	
	2,588.7		2,352.2	

1 Represents urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%) at 31 March 2021. Split of prior year comparatives was regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office and other land £2.2 million.

x Investment portfolio yields

	2021			2020		
As at 31 March	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	**3.8**	**4.1**	**4.7**	3.9	4.6	5.1
Long income	**5.2**	**5.4**	**5.7**	5.0	5.6	5.9
Retail parks	**7.1**	**7.6**	**7.1**	6.7	7.5	7.3
Offices	**4.9**	**6.0**	**6.5**	5.8	5.8	6.5
Investment portfolio	**4.3**	**4.6**	**5.1**	4.3	5.0	5.5

xi Investment portfolio – Key statistics

As at 31 March 2021	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	**12,150**	**10.6**	**9.5**	**98.1**	**6.50**
Long income	**2,719**	**14.2**	**13.1**	**100.0**	**15.60**
Retail parks	**379**	**8.6**	**7.5**	**100.0**	**15.80**
Offices	**164**	**5.4**	**5.1**	**91.8**	**17.50**
Investment portfolio	**15,412**	**11.4**	**10.3**	**98.7**	**8.30**

xii Total property returns

For the year to 31 March	All property 2021 %	All property 2020 %
Capital return	**8.0**	–
Income return	**5.1**	5.1
Total return	**13.4**	5.1

Supplementary information (not audited)

xiii Contracted rental income

As at 31 March	2021 £m	2020 £m
Distribution	**77.6**	77.3
Long income	**35.8**	33.9
Retail parks	**6.0**	6.8
Offices	**2.6**	3.4
Investment portfolio	**122.0**	121.4
Development – distribution	**1.7**	1.3
Development – long income	**0.6**	0.6
Total portfolio	**124.3**	123.3

xiv Rent subject to expiry

As at 31 March 2021	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	**11.6**	**22.5**	**45.9**	**75.3**	**94.0**	**100.0**
Offices	**11.6**	**50.1**	**100.0**	**100.0**	**100.0**	**100.0**
Long income	**1.8**	**5.9**	**27.1**	**52.0**	**82.6**	**100.0**
Retail parks	**4.7**	**19.7**	**74.6**	**85.6**	**100.0**	**100.0**
Total portfolio	**8.4**	**18.1**	**42.9**	**69.5**	**91.1**	**100.0**

xv Contracted rent subject to RPI or fixed uplifts

As at 31 March	2021 £m	2021 %	2020 £m	2020 %
Distribution	**46.2**	**58.2**	46.1	58.7
Long income	**22.9**	**63.1**	19.7	57.2
Retail parks	**0.8**	**14.0**	1.1	15.7
Offices	**0.6**	**22.5**	0.3	8.5
Total portfolio	**70.5**	**56.8**	67.2	54.5

xvi Top ten assets (by value)

As at 31 March 2021	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	**1062**	**5.8**	**100**	**19.5**	**19.5**
Eddie Stobart, Dagenham	**454**	**4.1**	**100**	**22.5**	**22.5**
Argos, Bedford	**658**	**4.1**	**100**	**13.0**	**13.0**
Primark, Thrapston	**785**	**4.3**	**100**	**11.5**	**11.5**
Tesco, Croydon	**191**	**1.9**	**100**	**7.1**	**7.1**
Amazon, Warrington	**357**	**2.1**	**100**	**10.7**	**10.7**
DHL, Reading	**230**	**2.3**	**100**	**4.3**	**4.3**
Ollerton, Clipper	**364**	**2.0**	**100**	**16.5**	**16.5**
Oak Furniture, Swindon	**357**	**1.9**	**100**	**14.6**	**14.6**
New Malden	**51**	**1.9**	**100**	**10.6**	**6.0**

xvii Top ten occupiers

As at 31 March 2021	Contracted rental income £m	Contracted rental income %
Primark	10.1	8.2
DFS	4.3	3.5
Amazon	4.2	3.4
Argos	4.2	3.4
Eddie Stobart	4.1	3.3
M&S[1]	3.9	3.2
DHL	3.6	2.9
Odeon	3.3	2.7
Waitrose	3.3	2.7
DSG	3.3	2.6
Top ten	44.3	35.9

1 Excludes income from post year end sales

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.

Chief Operating Decision Makers ('CODMs')
The Executive Directors, Senior Leadership Team members and other senior managers.

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 debt drawn.

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 net disposal value per share
Represents the shareholders' value under a disposal scenario, where assets are sold and/or liabilities are not held to maturity. Therefore, this measure includes an adjustment to mark to market the Group's fixed rate debt.

EPRA net reinstatement value per share
This reflects the value of net assets required to rebuild the entity, assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives that are not expected to crystallise in normal circumstances, are excluded. Investment property purchasers' costs are included.

EPRA net tangible assets per share
This reflects the value of net assets on a long term, ongoing basis assuming entities buy and sell assets. Assets and liabilities, such as fair value movements on financial derivatives that are not expected to crystallise in normal circumstances, are excluded.

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.

IFRS net assets
The Group's equity shareholders' funds at the period end, which excludes the net assets attributable to the non-controlling interest.

IFRS net assets per share
IFRS net assets divided by the number of shares in issue at the balance sheet date.

Income return
Net rental income expressed as a percentage of capital employed over the period.

Investment portfolio
The Group's property portfolio excluding development, land holdings and residential properties.

Investment Property Databank ('IPD')
IPD is a wholly owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns.

Like for like income growth
The movement in contracted rental income on properties owned through the period under review, excluding properties held for development and residential.

Loan to Value ('LTV')
Net debt expressed as a percentage of the total property portfolio value at the period end, adjusted for deferred completions on sales.

Logistics
The organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption.

Net debt
The Group's bank loans net of cash balances at the period end.

Net rental income
Gross rental income receivable after deduction for ground rents and other net property outgoings including void costs and net service charge expenses.

Occupancy rate
The ERV of the let units as a percentage of the total ERV of the Investment Portfolio.

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 Net Tangible Assets per share plus the dividend paid during the period expressed as a percentage of the EPRA net tangible assets 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.

At the time of writing, Covid-19 restrictions and guidance are in place which prevent us from convening the Annual General Meeting in the usual way. The Government's roadmap for easing lockdown restrictions published on 22 February 2021 envisages the lifting of restrictions by 21 June 2021 (being prior to the date of the Annual General Meeting). However, this roadmap is subject to a number of contingencies and there can be no guarantee that restrictions will be lifted prior to the meeting. It is intended that this year's Annual General Meeting will 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. We would strongly recommend that shareholders do not attend the meeting and that all shareholders exercise their votes by submitting their proxy electronically or by post, as explained below. Shareholders 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. Shareholders wishing to attend the meeting in person should pre-register their attendance by emailing info@londonmetric.com no later than 5.00pm on 9 July 2021 and must bring photographic identification with them in order to access the meeting.

Shareholders will be able to listen in by conference call facilities and to submit questions in advance by emailing info@londonmetric.com by 10.00am on 9 July 2021 or by asking questions on the day through the conferencing facilities. Answers will be published on our website shortly after the Annual General Meeting.

The Board will keep the situation under review and may need to make further changes to the arrangements relating to the meeting, including how it is conducted, and shareholders should therefore continue to monitor the Company's website (www.londonmetric.com) and announcements for any updates.

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 13 July 2021 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 2021 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 2021 be approved.
3. That Deloitte LLP be reappointed as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
4. That the Directors be authorised to determine the remuneration of the auditor.
5. That Patrick Vaughan be re-elected as a Director.
6. That Andrew Jones be re-elected as a Director.
7. That Martin McGann be re-elected as a Director.
8. That James Dean be re-elected as a Director.
9. That Rosalyn Wilton be re-elected as a Director.
10. That Andrew Livingston be re-elected as a Director.
11. That Suzanne Avery be re-elected as a Director.
12. That Robert Fowlds be re-elected as a Director.
13. That Katerina Patmore be 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 £30,325,397 (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 £30,325,397; 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 £60,650,794 (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 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 £4,548,810,

    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 £4,548,810; 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 90,976,191;

    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

27 May 2021

Notice of Annual General Meeting

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 strongly recommending that shareholders do 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 9 July 2021.

You may request a hard copy proxy form directly from the Registrars, Link Group by emailing enquiries@linkgroup.co.uk or by post at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. 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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 10.00 am on 9 July 2021.

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 Group at PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL as soon as possible but, in any event, so as to arrive no later than 10.00 am on 9 July 2021.

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 Group at PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. 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 Group 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 9 July 2021. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is close of business on the day that is two days before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(viii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10.00 am on 9 July 2021.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(x) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take
(or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

(xii) You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

(xiii) As at 26 May 2021 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 909,761,914 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 9 July 2021. 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.

Notice of Annual General Meeting

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 2021 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 2021.

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 2020 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.

Resolutions 3 and 4 – 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 5 to 13 – Re-election and election of Directors
Resolutions 5 to 13 deal with re-election and election of the Directors (as applicable). Biographies of each of the Directors seeking re-election and election can be found on pages 84 and 85 of the Annual Report and Accounts. The Board has confirmed, following a performance review, that all Directors standing for re-election or election continue to perform effectively and demonstrate commitment to their role.

Resolution 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 £30,325,397(representing approximately one third of the Company's issued ordinary share capital as at 26 May 2021) 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 £60,650,794, representing approximately two thirds of the issued ordinary share capital of the Company as at 26 May 2021.

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) £4,548,810 (representing 45,488,096 shares.). This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company as at 26 May 2021.

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) 4,548,810 (representing 45,488,096 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 26 May 2021.

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 90,976,191 shares (representing approximately 10% of the Company's issued ordinary share capital as at 26 May 2021) 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 26 May 2021 (the latest practicable date before publication of this Notice), there were share awards over 6,448,713 ordinary shares in the capital of the Company representing approximately 0.71% 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 0.71% 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	27 May 2021
Annual General Meeting	13 July 2021

Shareholder information

Advisors to the Company

Joint Financial Advisors and Brokers
Peel Hunt LLP
7th Floor
100 Liverpool Street
London
EC2M 2AT

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 Group
The Registry
10th Floor
Central square
29 Wellington Street
Leeds LS1 4DL

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 Group. Tax vouchers will continue to be sent to the shareholder's registered address.

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Paper
This report is printed on Revive 100 Silk which is 100% recycled waste.

Logo removed

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