

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2017

LONDONMETRIC PROPERTY PLC
("LondonMetric" or the "Group" or the "Company")
ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017
Structural calls delivering reliable income and income growth

LondonMetric today announces its annual results for the year ended 31 March 2017

Financials	31 March 2017	31 March 2016
Net rental income (£m) ¹	81.8	77.7
EPRA Earnings (£m)	51.0	48.5
EPRA EPS (p)	8.2	7.8
Dividend per share (p)	7.50	7.25
Reported Profit (£m)	63.0	82.7
EPRA NAV per share (p)	149.8	147.7
LTV (%) ¹	30	38

¹ Including share of Joint Ventures. Further details on Alternative Performance Measures and the presentation of financial information can be found in the Finance Review

EPRA earnings of £51m or 8.2p per share, up 5%

- Net rental income up 5% to £82m
- £21m revaluation surplus contributed to a reported profit of £63m

Dividend increased 3% to 7.5p for year, 109% dividend cover in year

- Fourth quarterly interim dividend declared today of 2.1p with scrip alternative

EPRA NAV of 149.8p (FY 16: 147.7p)

- Portfolio revaluation surplus¹ of £44m in second half resulted in a gain of £21m for the year (FY 16: £50m)
- Portfolio valued at £1,534m, topped up NIY of 5.4%
- Total Property Return of 7.4% compared to IPD of 4.6%, 280 bps outperformance

Distribution weighting up to 64% following post period end activity, retail parks down to 13%

- £148m of retail, leisure and residential assets sold, with a further £42m sold PPE
- £107m of distribution investments and, as announced today, a further £24m acquired PPE
- Urban logistics portfolio of 26 assets as at today, valued at £185m with strong terminal values

Strong income growth across the portfolio

- £5.8m pa of additional income from 33 lettings at an average WAULT of 18.2 years
- £1.3m pa of additional income from 36 rent reviews at 4.6% above passing, 4.3% above ERV
- Portfolio delivered 4.6% like for like income growth and 3.8% ERV growth, 5.6% on distribution

Short cycle development activity creating future long income and capital growth

- 1.1m sq ft delivered at yield on cost of 6.5%, adding £7.9m pa of additional income
- 0.7m sq ft under construction at yield on cost of 6.3%, adding £4.9m pa of additional income

Portfolio metrics reflect income longevity, contractual uplifts and occupier contentment

- Occupancy of 99.6%, WAULT of 12.8 years and only 1% of income expiring within 3 years
- 28% of rental income is inflation linked and 24% subject to fixed uplifts

Finances strengthened and diversified by private debt placement and equity placing

- Undrawn facilities of £300m and LTV at 30% (FY 16: 38%)
- Debt maturity of 5.2 years, average cost of debt at 3.5% with marginal cost at 1.5%
- £95m of placing proceeds now fully allocated

Andrew Jones, Chief Executive of LondonMetric, commented:

“On top of political and economic uncertainty, the World continues to be transformed by technological innovation and continuing social change. This is having a profound impact on real estate. The tectonic plates in retail are shifting and the industry is experiencing radical disruption driven by these trends.

“Retailers are closing marginal stores and investing in ‘flagship’ destinations and new supply chains to service ever-increasing online sales and consumer expectations. Retailers are prioritising distribution and fulfilment ahead of their stores, which is why we have repositioned LondonMetric’s portfolio from retail into logistics. Logistics will soon represent more than 70% of our investments as our urban logistics portfolio grows further and our short cycle developments complete.

“In a low interest rate environment, investors are increasingly searching for reliable and repetitive income streams. Compounding our income returns is central to our strategy as we embrace the very purpose of a REIT. Our logistics focus has enhanced our portfolio’s income characteristics and we believe that it is these structural calls that will help define the real estate winners.”

For further information, please contact:

LONDONMETRIC PROPERTY PLC: +44 (0)20 7484 9000
Andrew Jones (Chief Executive)
Martin McGann (Finance Director)
Gareth Price (Investor Relations)

FTI CONSULTING: +44 (0)20 3727 1000
Dido Laurimore /Tom Gough /Richard Gotla

Meeting and audio webcast

A meeting for investors and analysts will be held at 9.00 am today at FTI Consulting. A conference call dial-in is available for the meeting: +44(0)330 336 9131 (Participant Passcode: 8971906).

For the live webcast see: <http://webcasting.brrmedia.co.uk/broadcast/5924398458267d427ee607f8>

An on demand recording will be available shortly after the meeting from the same link and also from: <http://www.londonmetric.com/investors/reports-and-presentations>

Notes to editors

LondonMetric is a FTSE 250 REIT (ticker: LMP) that specialises in retailer-led distribution, convenience and out of town retail with a focus on strong and growing income and adding value through asset management initiatives and short cycle developments. LondonMetric has 12 million sq ft under management and a high proportion of its assets are in retailer-led distribution.

Neither the content of LondonMetric’s website nor any other website accessible by hyperlinks from LondonMetric’s website are incorporated in, or form part of this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of shares in LondonMetric.

Forward looking statements: This announcement may contain certain forward-looking statements with respect to LondonMetric’s expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of LondonMetric speak only as of the date they are made. LondonMetric does not undertake to update forward-looking statements to reflect any changes in LondonMetric’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past share price performance cannot be relied on as a guide to future performance.

Chairman's statement

Our objective is to own good assets with strong real estate fundamentals. They must generate income in excess of our dividend and have a higher value in five years' time.

Whilst political and economic uncertainty was a significant distraction for the markets in the year, the attraction of secure income continued to grow. Not only are we living in a low growth, low interest rate environment but ageing demographics are accentuating the search for income and alternatives to low yielding government bonds. This need has already risen substantially and will grow further in the years to come. High quality companies offering well-covered and growing dividends ought to become ever more highly prized.

Our significant and increasing investment in distribution is delivering excellent returns, sustainable income growth and long term value for our shareholders. The sector is benefiting strongly from structural support as UK consumers continue to migrate to online. Conversely, physical retail continues to face significant challenges from this online shift with the inevitable space overcapacity this brings to the retail market.

This ongoing structural demand for distribution and lack of meaningful supply has given us the confidence to increase our investment across all distribution sub-sectors of mega box, regional and urban logistics. We continue to see good investment and short cycle development opportunities, particularly in urban logistics, and we have now fully committed the proceeds of our recent equity placing into sensible, accretive assets. Our distribution exposure is expected to exceed 70% within the current financial year.

Exposure to the best real estate sectors is driving demand for our space resulting in high occupancy, good like for like income growth and strong ERV uplifts. Our sector leading portfolio metrics have been maintained thanks to our strong occupier and property relationships. Over the last four years, through management activity, our occupancy level has been above 99% and our unexpired lease term has remained at 12.8 years with only 1% of our leases due to expire within the next three years.

Our predictable, repetitive and growing income streams have allowed us to progress the dividend again this year by 3.4%. An attractive dividend needs to be adequately covered by operating earnings and I'm pleased that we have maintained the 1.1x dividend cover we achieved last year.

We will continue to build the foundations for future dividend progression. Contractual rental uplifts are embedded in over 50% of the portfolio, we are achieving strong rent review uplifts and are adding new income from short cycle developments.

LondonMetric is well placed and I am genuinely excited by its outlook and look forward to the year with confidence.

Patrick Vaughan
Chairman

31 May 2017

Chief Executive's review

Our focus as a REIT is to compound our long and strong income and to enhance its repetitive, reliable and secure characteristics.

Income growth with structural support

We continue to live in a world characterised by both political and economic uncertainty. The prolonged low interest rate environment and unorthodox monetary policy has created an almost desperate search for yield across a widening spectrum of investment classes.

Our focus, as a REIT, is to collect and compound our long and strong income and to enhance its repetitive, reliable and secure characteristics. We expect this strategy to outperform more traditional hyper-active development and trading models where volatile and uncertain returns are diluted by income interruption and frictional costs.

Technological advancement and innovation is having a profound impact on many businesses as they attempt to remain relevant in an evolving world where the pace of change is accelerating. The real estate sector is not immune.

In recent years, we have seen a significant shift in consumer shopping habits, with customer expectations of efficiency, speed and convenience driving omni-channel retailing. This has significantly increased the proportion of non-food retail sales online, which is expected to reach 26% by 2020 compared to just 13% in 2011; a growth rate of 10% pa.

These structural changes in how people shop are driving retailer demand for logistics. We have responded to these trends by actively pivoting our investment focus from retail parks into the logistics and distribution sectors, which we expect to account for over 70% of our portfolio by the end of the current financial year. We remain disciplined and unemotional in our investment approach and will continue to dispose of assets where we think growth prospects are less exciting.

These actions have put us on the right side of the changing retail landscape and consequently we expect to be a strong beneficiary. We believe that the favourable demand/supply metrics for logistics will exist for some time, leading to high occupancy, long leases and attractive income.

Our portfolio is positioned around strong fundamentals of owning highly desirable assets that are benefiting from structural trends, let to good companies and where, over time, the income will grow and the returns will compound. This will allow us to deliver ongoing dividend growth over the next few years.

Behaving as a REIT

With interest rates hovering not far from all time lows, and a growing number of people retiring every year, the demand for alternative sources of income is on the rise.

We take comfort in having made the right structural calls, focusing on income and income growth, and our alignment to the logistics sector will continue to provide a highly repetitive, predictable and reliable income stream and deliver exactly what a REIT was designed to do. Ten years on from the introduction of REITs, it's notable how few companies have fully embraced the REIT structure.

Our income focus remains central to our investment thesis and we aim to own assets where the net income exceeds the dividend and the 'terminal' value will be higher in five years' time.

Our ultimate priority is to pass on income generated from our tenants to our shareholders in the form of a dividend. Since merger in 2013, our EPRA earnings have grown from 3.9p to 8.2p per share, which has allowed us to not only cover our dividend comfortably but also progress it for the second year running.

Enhancing our strong portfolio metrics

We continue to maintain our very strong portfolio metrics with long average lease lengths of 12.8 years, high occupancy at 99.6%, high gross to net income ratio of 98.6% and with only 1.2% of our rent due to expire in the next three years. Over 50% of our portfolio is now subject to contractual rental increases.

Continued refinement of our portfolio has delivered a strong performance in the year with a total property return of 7.4%, outperforming IPD All Property by 280bps, and ERV growth of 3.8%.

These robust metrics are reflective of our sector calls, the strength of our occupier relationships and the high occupier appeal of our real estate.

In the year, we delivered 69 asset management activities generating like for like income growth of 4.6%. New lettings achieved an average lease length of 18.2 years, helped by new leases to Amazon, Michelin and Eddie Stobart. Open market rent reviews on distribution assets were particularly strong and we settled three urban logistics reviews with an average uplift of 16.9% on a five yearly equivalent basis.

This demonstrates not only the attractive dynamics of our buildings but increasingly the growing importance that occupiers are putting on logistics and fulfilment.

Structural changes impacting shopping habits and occupier demand

Technology is disrupting many long established industries and real estate is no exception.

Structural trends in consumer behaviour and shopping patterns continue to drive retail sales online leading to c.10% per annum online growth.

Retailers are therefore increasingly committing more of their capital expenditure into improving the efficiencies of their fulfilment operation with more investment in digital infrastructure and distribution warehousing. Today it is estimated that retailers and third party logistics operators account for 60-70% of all distribution warehousing real estate take up.

The benchmark continues to be set by Amazon which doubled its UK logistics footprint in 2016 and accounted for c.20% of take up in 2016. The urban logistics infrastructure that they are building is evidence of the importance they attach to same day, even same hour, delivery, something that the rest of the market will also have to address to stay competitive.

The impact of this evolution on traditional retail has never been more pronounced and, as retailers seek to 'right size' their store portfolios, their demand for physical retail space falls. There is clearly going to be pain felt across the sector as retailers continue to adjust to the growth of online shopping. Department stores and apparel retailers feel the most at risk, and whilst the stronger destinations will inevitably fare better, even the owners of super-prime locations will not be immune, as they have to deal with increasing polarisation, impending lease expiries, building obsolescence and/or tenant defaults.

The property markets are increasingly aware of the shifting tectonic plates and are beginning to price in these changes.

Aligning our portfolio further towards distribution through investment and development

We have been a significant beneficiary of an early move into the logistics and distribution sectors where demand/supply dynamics have strengthened considerably over recent years. Our strategy is aligned to the structural benefits of the distribution sector whilst overlaying a tactical approach to ensure we invest in the sub sector that offers the most compelling investment proposition.

After a record year for distribution take up in 2016, occupier demand remains strong across the UK. Supply remains highly restricted, there is limited speculative development and estimates suggest that there is only four to five years of land available to accommodate warehouse demand.

These macro trends and attractive dynamics have seen investor demand for the asset class increase globally. Despite a more competitive landscape we have again made strong progress in growing our footprint across this sector, whilst remaining patient, disciplined and rational.

Over the year, we acquired a further £107.0 million of new distribution investments and developments at an average yield of 6.2%.

As at the year end, our distribution portfolio was valued at £950.2 million, which represented 62% of our whole portfolio, against 54% a year ago. This has increased to 64% following post period end activity.

Increasing focus on urban logistics

As part of our end to end logistics strategy, our investment focus in the year was on building our platform in urban logistics.

Urban logistics is an essential part of modern distribution and enables the retailer and parcel operator to get closer to its point of delivery and fulfil orders quickly. Operators are increasingly looking to move closer to their end customer, albeit there are some severe supply constraints.

The functionality of urban logistics has evolved from a location which stored products previously to an operation today that is designed to maximise speed of delivery. Rising consumer expectations have reduced average delivery times down from 28 days to just a few days, with next day delivery now common.

Looking forward, delivery times are likely to fall further as expectations grow and more demanding younger shoppers, in particular millennials, account for a larger proportion of retail spend. Half of shopping by millennials is expected to be online by 2019.

Vacancy across the urban logistics market is already very low and new supply is very limited, especially around the major UK cities. According to the UK Warehousing Association, there has been a 46% reduction of industrial space across Greater London since 1980. This is expected to fall by a further 30% over the next 20 years.

Achieving scale in this sub-sector is not easy, which in itself creates barriers to entry. Over the year, our urban logistics portfolio increased from eight to 23 assets valued at £160.8 million, the majority of which are located around major UK cities. We have made a further £23.9 million of acquisitions since the year end and expect this portfolio to grow quickly to c.£250 million in value.

0.9m sq ft distribution developments completed in the year

We have previously commented on the very attractive property fundamentals underpinning the strong pricing of mega and regional distribution warehouse investments.

Investing further in that market has therefore been less compelling of late and we have shifted our sights to growing our exposure through well located short cycle development opportunities, where the returns are significantly more attractive.

In Wakefield, our 527,000 sq ft development completed in September 2016. This was pre-let to Poundworld on a new 15 year lease with contracted rental uplifts linked to RPI.

In Warrington, our 357,000 sq ft regional distribution development completed in November 2016. Five weeks later we let the building to Amazon on a new 15 year lease with contracted rental uplifts linked to CPI. This will become a major automated fulfilment centre for Amazon and will employ c.1,200 people.

We also completed a 53,000 sq ft distribution facility in Crawley, which is let to furniture retailer Barker & Stonehouse on a new 15 year lease.

0.6m sq ft distribution developments under construction

We continue to look at refilling our development 'hopper' but will only do so where the demand/supply dynamics are attractive and our exposure to market timings are short.

Therefore to minimise development risk, we only commit to developments once planning consent has been received and once pre-lets are agreed or where we have strong confidence of a letting before practical completion.

Today, we are committed to 0.6 million sq ft of developments at Dagenham, Stoke and Crawley delivering an anticipated yield on cost of 6.2%. We have secured pre-lettings on over half of the space.

Further reducing our retail portfolio

Our further push in the distribution sector has largely been funded by the sale of mature retail parks where business plans have been fully executed.

Despite the political and economic uncertainty, we have continued to see strong buying interest for our assets with our retail disposals totalling £127.6 million. These disposals crystallised a geared IRR, on average, of 13%.

As a result of this activity our retail park weighting has halved over the last two years to 13% of the overall portfolio. We will continue to monetise further retail assets upon completion of various asset management initiatives during the year.

Post year end, we disposed of our Morrisons foodstore in Loughborough for £32.5 million, reflecting a net initial yield of 4.3% and a profit on cost of 26.0%.

Opportunistic retail acquisitions

We fully recognise the competitive nature of the retail market and therefore increasingly view this sector opportunistically. We will therefore limit our involvement to new convenience food opportunities and those where we partner with our retail customers in securing new outlets that they consider integral to growing their business.

Over the period we completed the development of seven convenience retail stores mainly let to Aldi and M&S. The average yield on cost for all of our retail developments was 6.7% and the average lease length achieved was 13.4 years.

During the year, we also acquired two single let retail assets for our long income MIPP Joint Venture at an average yield of 6.8% and with a lease length of over 15 years.

Finances strengthened and diversified

Our financing arrangements remain aligned to our property strategy and we have continued to strengthen our debt facilities with new lenders and flexible arrangements.

During the year we entered into a £130 million private debt placement at a blended coupon of 2.7% and a weighted average maturity of 8.3 years. This increased headroom available under our facilities which, as at 31 March 2017, was £299.7 million.

In addition, our £95 million equity raising in the year has given us the flexibility to accelerate our distribution investments and developments without impacting on our conservative approach to gearing.

As at 31 March, LTV was 30%, average debt maturity was 5.2 years and our cost of debt was 3.5% with a marginal cost on drawing further debt of just 1.5%.

Outlook

The sustained low interest rate and uncertain environment has driven strong demand for long duration assets with stable cash flows that are less sensitive to economic cycles.

However, not all income is the same. Whilst strong and sustainable income with structural support will endure, weak and over-rented income will be exposed as structurally challenged assets see their income shortening. We are therefore increasingly wary over the pricing of some assets where cash flows are at risk from continuing defensive capital expenditure and ongoing structural change. The yield gap between the very good and the poor assets has arguably compressed too far. As such we believe that structural changes will put some of these capitalisation rates under outward pressure.

Our disciplined investment approach continues to focus on delivering attractive risk-adjusted returns which are structurally supported and underpin a steady long term income return profile for our shareholders. We will behave rationally through maintaining a margin of safety in our actions whilst retaining appropriate portfolio liquidity and flexibility.

We continue to see attractive investment opportunities where we can leverage our relationships and expertise, and we remain confident in our business model and ability to deliver on our strategic objectives and priorities.

Investment review

We invest in structurally supported real estate that delivers repetitive, dependable and growing income. Our investment activity in the year was focused on urban logistics investments largely funded by mature retail park sales.

Structural support for distribution

We have been a significant beneficiary of an early move into distribution. The demand/supply dynamics for this sector have strengthened considerably and remain highly attractive. 2016 was a record year for occupier take up and supply remains restricted with limited speculative development. This is driving sustainable rental growth.

High quality distribution portfolio

The value of our distribution assets, including developments, increased to £950.2 million, representing 62% of the total portfolio. This is expected to grow to over 70% as we complete developments and further investments. Our distribution investments are 100% let and have a WAULT of 12.9 years, with 57.8% of income subject to contractual uplifts.

Disciplined investing in distribution

The investment market for mega and regional warehousing remains competitive, particularly where assets are let to strong covenants on long leases. We have, however, remained disciplined and not chased the market.

Despite the sale of our HUT Group warehouse, we increased our mega and regional exposure in the year through further development completions. We spent £71.0 million on our Wakefield and Warrington developments, achieving a blended yield of 6.6%, which is c.150bps better than completed investment yields. We also acquired a regional warehouse let to One Stop in Wakefield for £9.5 million.

£97 million of investments in urban logistics

During the year, we increased our urban logistics portfolio significantly to £160.8 million through 15 acquisitions. These acquisitions have enhanced our end to end logistics portfolio.

They are typically 50-100,000 sq ft, and provide 'spoke' operations for larger 'hubs'. They are well located and facilitate next day and same day delivery to major cities and conurbations. They are increasingly critical to the distribution networks for retailers, third party logistics providers and other operators in meeting rising consumer delivery expectations.

Our average yield on acquisitions was 6.2%, which is c.100bps better than for larger warehouse investments. These assets offer strong rental growth prospects as evidenced by the ERV growth of 9.5% achieved on our existing assets.

We remain excited by the opportunities in urban logistics where we continue to leverage our relationships to often secure off market purchases. Since the year end, we have acquired a further £23.9 million of assets.

As at 31 March 2017	Mega	Regional	Urban logistics
Typical warehouse size	500,000 + sq ft	100–500,000 sq ft	50–100,000 sq ft
Value ¹	£478m	£311m	£161m
Yield ²	4.8%	5.0%	5.8%
Contractual uplifts ³	74%	60%	9%

¹ Including developments

² Topped up NIY

³ Percentage of portfolio that benefits from contractual rental uplifts

Investment activity by sub sector

	Acquisitions		Disposals	
	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Distribution	107.0	6.2	54.4	6.5
Retail	9.2	6.8	127.6	6.3
Leisure	–	–	9.1	5.5
Residential	–	–	10.8	2.4
Total	116.2	6.2	201.9	6.2

Significant further retail sales

As at 31 March 2017, our retail parks represented 13% of the overall portfolio and this weighting has more than halved over two years. Our long income JV retail assets represented 7% and our convenience retail assets accounted for 6% of the portfolio.

Retail disposal activity was particularly strong in the year at £127.6 million. The key retail disposals were at Newry, King's Lynn and Christchurch which totalled £89.2 million and represented the opportunity to monetise several of our larger retail park investments following intense asset management activity and where business plans had been fully executed.

Post year end, we disposed of our Morrisons retail asset in Loughborough at a very attractive yield of 4.3%.

Leisure asset sales

During the year, we sold an Odeon cinema in Taunton for £9.1 million. Post year end, we sold a further cinema in Birkenhead for £5.8 million.

The sales have reduced our cinema ownership to six which account for £3.5 million of income per annum, 100% of which is RPI linked, and have a WAULT of 21.3 years. We continue to see strong buying appetite for our cinema portfolio.

Opportunistic retail acquisitions

Our MIPP Joint Venture acquired two single let warehouses for £18.4 million (Group Share: £9.2 million) at a yield of 6.8% and continues to see opportunities in selective high quality assets that are smaller lot sizes and offer the potential to generate stable, consistent income returns.

Following discussions with our Joint Venture partner, we have agreed to extend the term of the MIPP Joint Venture by a further three years to 2023.

21 Residential disposals

At Moore House in Chelsea, our last remaining residential asset in which we have a 40% share, we continue to patiently sell down individual units.

Purchaser interest has remained strong since last autumn and we sold 13 units in the second half of the year, taking the number sold in the year to 21. A further two units have been sold post period end and 10 are currently under offer. There are 58 units remaining of the original 149 owned.

Distribution acquisitions

382,000 sq ft portfolio

£26.0 million acquisition of six assets in established distribution locations. Acquired at a NIY of 6.5% and with a WAULT of 7.0 years.

120,000 sq ft in Wakefield

£9.5 million acquisition of a regional warehouse let to OneStop. Acquired at a NIY of 5.7% and with a WAULT of 6.2 years.

100,000 sq ft in Leeds

£7.9 million acquisition of a warehouse let to Vision Alert. Acquired at a NIY of 6.0% and with a WAULT of 14.8 years.

89,000 sq ft in Hemel Hempstead

£8.3 million acquisition of a warehouse let to ITAB. Acquired at a NIY of 6.4% and with a WAULT of 8.3 years.

74,000 sq ft in Stevenage

£7.3 million acquisition of a warehouse let to Dixons Carphone. Acquired at a NIY of 6.3% with a WAULT of 8.7 years.

49,000 sq ft in Leeds

£4.0 million acquisition of a warehouse let to Siemens. Acquired at a NIY of 6.0% with a WAULT of 3.0 years.

49,000 sq ft in Dartford

£6.3 million acquisition of a warehouse let to Antalis. Acquired at a NIY of 6.0% with a WAULT of 10.0 years.

41,000 sq ft in Basildon

£3.8 million acquisition of a warehouse let to Modular Heating Group. Acquired at a NIY of 6.5% with a WAULT of 4.0 years.

30,000 sq ft in Bicester

£3.2 million acquisition of a warehouse let to DPD. Acquired at a NIY of 5.9% and with a WAULT of 9.5 years.

Distribution developments**114,000 sq ft in Crawley**

Speculative development acquired at an anticipated cost of £20 million reflecting a 6.3% yield on cost.

53,000 sq ft in Crawley

Pre-let development in Crawley acquired for £10.7 million at a yield on cost of 5.2% let to Barker & Stonehouse with a WAULT of 15.0 years.

Distribution acquisitions post period end**51,000 sq ft in Crawley**

£6.4 million acquisition of an urban logistics warehouse let to TNT. Acquired at a reversionary yield of 6.2% and with a WAULT of 6.4 years.

90,000 sq ft in Coventry

£5.7 million acquisition of an urban logistics warehouse let to DHL for ten years at a NIY of 7.0%.

120,000 sq ft in Huyton

£11.8 million acquisition of an urban logistics warehouse let to Antolin Interiors for 15.0 years at a yield on cost of 6.1%.

Distribution disposals

690,000 sq ft in Warrington

Following an option exercise in the prior year by the occupier, The Hut Group acquired its warehouse for £53.7 million reflecting a NIY of 6.5%. The yield on cost for the development was 8.0%. The sale completed in November 2016 and generated a 22% geared IRR.

2.2 acre site in Yeovil

We disposed of a small site for £0.7 million.

Retail and leisure acquisitions

Our MIPP joint venture acquired two assets for £18.4 million (Group share: £9.2 million)

Hull

£9.4 million acquisition of a 71,000 sq ft warehouse at a NIY of 7.5%, let to B&Q with a WAULT of 12 years.

Dartford

£9.0 million acquisition of a 40,000 sq ft warehouse at a NIY of 6.2%, let to Wickes who signed a new 20 year lease on acquisition.

Retail and leisure disposals

11 assets sold for £152.9 million (Group share: £136.7 million)

Newry

The 165,000 sq ft Damolly Retail Park was sold for £30.7 million at a NIY of 7.4%. During ownership, new lettings were signed with Lidl, Pets at Home, Home Bargains and Costa.

Christchurch

The 104,000 sq ft retail park was sold for £34.5 million, reflecting a NIY of 5.7%. The property was purchased in 2013 for £27.1 million and since then new lettings had been signed with Costa, DFS, Home Bargains and Subway. The WAULT was 7.0 years.

King's Lynn

The refurbished 74,000 sq ft Pierpoint Retail Park was sold for £24.0 million at a NIY of 5.8%. New lettings had been signed with Next, B&M, DFS, Tapi, Poundland and Greggs, increasing the rental income by 47% and the WAULT from 4.3 years to 13.3 years.

Bedford

The 66,000 sq ft Alban Retail Park was sold for £14.3 million, reflecting a NIY of 5.9%. The property was acquired in 2010 for £9.2 million and, following asset management initiatives with B&M, Dunelm and Gym Group, rental income had increased by over 30%. The WAULT was 8.3 years.

Warrington

The 20,000 sq ft Fordton Retail Park was sold for £6.6 million at a NIY of 5.4%.

St Albans

The 25,000 sq ft retail asset was sold for £5.8 million at a NIY of 6.1%.

Chatham, Bridgwater and Grimsby

Our MIPP Joint Venture sold three properties for £15.9 million (Group share: £8.0 million) at a NIY of 5.7%.

Maidstone

A DFS property was sold for £12.0 million (Group share: £3.7 million) on behalf of our DFS joint venture, reflecting a NIY of 7.5%. The property was acquired in March 2014 as part of a portfolio of DFS stores off an overall NIY of 9.3%. The joint venture retains 12 assets.

Taunton

One Odeon Multiplex Cinema was sold for £9.1 million at a NIY of 5.5%.

Retail and leisure disposals post period end**Loughborough**

£32.5 million disposal of a 55,000 sq ft Morrisons store at a NIY of 4.3%. The asset had been extended recently and a new 25 year lease had been agreed with Morrisons. Our profit on cost was 26.0%.

Birkenhead

£5.8 million disposal of a Vue cinema at a NIY of 7.2%.

Newcastle-under-Lyme

£2.8 million disposal of a retail park in Newcastle-under-Lyme at a NIY of 8.0%.

Asset management and development

Our portfolio metrics continue to remain strong as our underlying income becomes more resilient and we deliver sustainable income growth. Our asset management and development activity continue to deliver value driven by our occupational intelligence.

Delivering long term sustainable income

As an important driver of our repetitive income, we continued to achieve long lease lengths from our activity. The 33 lettings in the year were agreed at an average lease length of 18.2 years and our lettings to Amazon and Eddie Stobart in the year were particularly significant transactions. This activity helped to maintain our WAULT at 12.8 years (12.1 years to break) which remains one of the longest in the sector. Only 1.2% of our income expires over the next three years, and over 17% of income has a WAULT of 20 years or greater.

Protecting the reliability of our income

Maintaining a strong tenant list with high occupier satisfaction is a key priority. Our occupancy rate at the year end was 99.6%, a high level that has been maintained for several years. We have a high quality list of tenants as reflected in our top five tenants which account for 34% of income and consist of Primark, Dixons Carphone, M&S, Argos and Eddie Stobart.

Our gross to net income ratio of 98.6% reflects our further alignment to distribution where operational requirements are minimal.

Achieving income growth

Through 69 occupier transactions we generated £7.1 million of additional income and like for like income growth of 4.6%. The 33 new lettings delivered £5.8 million of income whilst contractual income uplifts and open market rent reviews helped to generate £1.3 million of additional income.

With 52% of our rental income benefiting from fixed or inflation linked uplifts, our portfolio has certainty of income growth.

Lettings

33 lettings were undertaken in the year generating additional contractual income of £5.8 million, of which £3.8 million related to distribution developments. Lettings were achieved with an average lease length of 18.2 years.

Five distribution lettings or regears were signed at:

- Dagenham, where a new 26 year lease was signed with Eddie Stobart over an enlarged 436,000 sq ft and we are building a new 180,000 sq ft unit for the tenant
- Warrington, where a 15 year lease was signed with Amazon at our recently developed 357,000 sq ft warehouse
- Stoke, where a 15 year pre-let was signed with Michelin on 137,000 sq ft at our development. The c.277,000 sq ft scheme is under construction and we continue to engage with potential tenants on the remaining space
- Nottingham, where Hilary's Blinds extended their lease to ten years
- Newark, where we installed 1MW of solar, generating additional income of £0.1 million p.a.

At our 114,000 sq ft development in Crawley a pre-let has been agreed on 35,000 sq ft and we expect to sign the letting shortly.

26 retail lettings were signed during the year. The key lettings were at:

- Tonbridge, where the former B&Q unit is fully pre-let following lettings with Home Bargains, Go-Outdoors, Jollyes, Costa and, most recently, with Carpetright
- Launceston, where the former B&Q unit is fully pre-let following lettings with B&M, M&S and Costa in the second half of the year

- Kirkstall, where lettings were signed with Peacocks, Holland & Barrett, Shoezone and Specsavers
- Dartford, where Wickes has signed a 20 year lease on 40,000 sq ft at our recently acquired investment
- Ipswich, where Wickes signed a 15 year lease on 21,000 sq ft at our development and Costa has signed a 15 year lease on 2,000 sq ft. We are under offer on letting the remaining space

At our last remaining office in Marlow, two leases were signed across 21,000 sq ft. The property is 96.7% occupied.

Rent reviews

Including contractual uplifts, 36 rent reviews were agreed across 4.1 million sq ft adding £1.3 million of income at 4.6% above passing and 4.3% above ERV.

Rental growth on our distribution assets was strong and we settled nine reviews at 5.0% above previous passing, three of which were open market reviews on urban logistics and regional warehouses where the average uplift was 16.9% above passing on a five yearly equivalent basis.

On our retail and leisure assets, we settled 27 rent reviews at 3.0% above previous passing and 6.5% above ERV. The majority of these reviews were inflation linked rent reviews and seven were open market reviews which were settled at 4.4% above previous passing.

Short cycle developments

Following the completion of 1.9 million sq ft of developments last year, we successfully completed 1.1 million sq ft of further developments in the period representing £7.9 million of additional income. The blended yield on cost for these developments was 6.5%.

Committed developments currently total 0.7 million sq ft, of which 0.6 million sq ft relates to distribution developments at Dagenham, Stoke and Crawley all of which are expected to be completed within 6 to 12 months. The blended yield on cost for all committed development is anticipated to be 6.3%.

We continue to de-risk our pipeline developments. At Bedford, where the site has planning for up to 700,000 sq ft, a six month extension has been agreed to purify the conditions of purchase with the council. We anticipate completing the land purchase by the end of 2017.

Scheme	Sector	Area sq ft '000	Additional Rent £m	Yield on cost %	Practical completion date
Completed					
Wakefield	Distribution	527	2.5	6.3	Sept 16
Warrington	Distribution	357	2.1	7.1	Nov 16
Crawley	Distribution	53	0.6	5.2	March 17
Liverpool	Retail	29	0.5	6.2	July 16
St Margaret's, Leicester	Retail	29	0.4	8.1	July 16
Aldi, Leicester	Retail	19	0.3	6.0	August 16
Coventry	Retail	18	0.3	8.0	Feb 17
Tonbridge	Retail	18	0.4	10.5	Oct 16
Loughborough ¹	Retail	12	0.5	5.1	Jan 17
Ferndown	Retail	11	0.3	5.4	May 16
		1,073	7.9	6.5	
Under construction					
Stoke ²	Distribution	277	1.4	6.3	Q1 18
Dagenham	Distribution	180	0.9	5.7	Q2 18
Crawley ²	Distribution	114	1.3	6.3	Dec 17
Tonbridge (ex B&Q)	Retail	53	0.3	6.1	July 17
Ipswich ²	Retail	31	0.7	7.1	Q4 17
Launceston	Retail	30	0.3	6.2	Q4 17
		685	4.9	6.3	

¹ Sold post year end

² Based on anticipated rents

Property valuation and return

Despite continued political and economic uncertainty, we generated a positive valuation movement of £21.0 million for the year. Our £44.0 million valuation gain in the second half more than reversed the £23.0 million valuation loss that we saw in the first half. Our actions accounted for 77.1% of the total valuation uplift for the year.

Our sector leading occupancy rates and lease lengths within the structurally winning real estate sectors continue to provide strong support to our valuations delivering a total capital return of 1.7% and significantly outperformed the IPD All Property return measure of -0.1%.

Distribution real estate continues to see healthy demand in both the investment and occupational market. As a result, it is one of the best performing real estate subsectors and delivered a capital return of 2.8%. Our distribution assets strongly outperformed the subsector generating a capital return of 4.4%, as a result of both the quality of our assets and our development and asset management action.

The Company's retail and leisure portfolio saw a 0.5% valuation increase, with a 2.9% decline in the retail park portfolio offset by the strength in our long income retail, convenience and leisure assets.

Our last two non-core buildings in Marlow and Moore House saw adverse valuation impacts over the year. Overall, our office and residential assets fell in value by 10.5%.

The valuation uplift, combined with the portfolio's sustainable and growing income, helped us to deliver a total property return of 7.4%, substantially beating the IPD All Property return measure of 4.6%. We believe that income will be the major component of total returns going forward, and we expect that the portfolio's strong income characteristics will help to deliver further total return outperformance.

Financial review

Our commitment to repositioning the portfolio into our preferred distribution sector has delivered growth in secure and sustainable income and property values this year.

Overview

We have achieved both earnings and NAV growth this year and have strengthened and de-risked our financing position through a private debt placement and an equity placing.

EPRA earnings have increased by 5.3% to £51.0 million or 8.2p per share, compared with £48.5 million or 7.8p last year. Reported profit under IFRS has fallen by £19.7 million to £63.0 million primarily as a result of lower valuation gains this year. EPRA NAV is £1,030.5 million or 149.8p per share, an increase of 11.8% or 1.4% on a per share basis which reflects the impact of the equity placing.

In September we entered into a new £130 million private debt placement which diversified our funding sources and provided further capacity for investment. We supplemented this in March by an equity placing of 62.8 million ordinary shares which raised gross proceeds of £95.5 million.

Our loan to value ratio has improved as a result of the debt raised and equity issued in the year, falling to 30% from 38% last year. Other financing metrics remain strong, with average cost of debt unchanged at 3.5% and loan maturity, despite the passing of a year, of 5.2 years (2016: 5.6 years). We have £299.7 million of undrawn debt facilities, up from £69.9 million last year.

Our strong financial results and robust portfolio metrics have enabled us to increase the dividend for the year to 7.5p per share, up 3.4% from last year. Three quarterly payments totalling 5.4p per share have been made to date and a further 2.1p is proposed for payment on 10 July 2017. The dividend continues to be fully covered by EPRA earnings at 109%. A scrip alternative to a cash dividend payment was offered to shareholders for all dividends declared in the year to 31 March 2017 and it is our intention to continue to offer shareholders this choice.

EPRA highlights

	2017	2016
EPRA EPS	8.2p	7.8p
EPRA NAV per share	149.8p	147.7p
EPRA triple NAV per share	146.4p	143.9p
EPRA vacancy rate	0.4%	0.7%
EPRA cost ratio	16%	17%
EPRA NIY	4.5%	4.9%
EPRA 'topped up' NIY	5.4%	5.4%

The definition of each of these measures can be found in the Glossary

Presentation of financial information

The Group financial statements are prepared in accordance with IFRS.

We account for our interests in joint ventures using the equity method as required by IFRS 11 which means the results and investment in joint venture entities are presented as a single line item in the consolidated income statement and balance sheet.

Management monitors the performance of the business on a proportionally consolidated basis which includes the Group's share of income, expenses, assets and liabilities of joint ventures on a line by line basis in the income statement and balance sheet.

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

Alternative performance measures

The Group uses EPRA earnings and EPRA net assets as alternative performance measures as they highlight the underlying recurring performance of the Group's property rental business.

The EPRA alternative measures are widely recognised and used by public real estate companies and seek to improve transparency, comparability and relevance of published results.

The Group's key EPRA measures are summarised in the table below and also in note 8 to the financial statements and Supplementary notes i to vii.

Definitions of EPRA alternative performance measures are also given in the Glossary.

Alternative performance measure	Rationale
EPRA earnings	Recurring earnings from core operational activities. It excludes items considered to be non – recurring or exceptional in accordance with EPRA Best Practice Recommendations including property and derivative valuation movements, profits and losses on disposal of properties and financing break costs. It is presented as it is one of the Group's KPIs, an industry standard comparable measure and supports the level of dividend payments. A reconciliation between EPRA earnings and IFRS reported profit is provided in note 8 to the financial statements.
EPRA net assets	EPRA net asset value is a key measure of the Group's overall performance reflecting both income and capital returns. It excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between EPRA net assets and IFRS reported net assets is provided in note 8 to the financial statements.

Income statement

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

For the year to 31 March	Group £m	JV £m	2017 £m	Group £m	JV £m	2016 £m
Gross rental income	73.9	9.1	83.0	67.9	11.1	79.0
Property costs	(0.8)	(0.4)	(1.2)	(0.8)	(0.5)	(1.3)
Net rental income	73.1	8.7	81.8	67.1	10.6	77.7
Management fees	1.7	(0.7)	1.0	2.2	(0.9)	1.3
Administrative costs	(13.3)	(0.1)	(13.4)	(13.6)	(0.2)	(13.8)
Net finance costs	(16.3)	(2.1)	(18.4)	(13.8)	(2.9)	(16.7)
EPRA earnings	45.2	5.8	51.0	41.9	6.6	48.5

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

	£m	p
EPRA earnings 2016	48.5	7.8
Net rental income	4.1	0.7
Management fees	(0.3)	(0.1)
Administrative costs	0.4	0.1
Net finance costs	(1.7)	(0.3)
EPRA earnings 2017	51.0	8.2

Net rental income

The growth in EPRA earnings was driven by additional net rental income of £4.1 million, which increased by 5.3% in the year to £81.8 million. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2016	77.7
Existing properties ¹	0.7
Developments	5.1
Acquisitions	6.1
Disposals	(7.9)
Property costs	0.1
Net rental income 2017	81.8

¹ Based on properties held throughout 2016 and 2017 on a proportionately consolidated basis to exclude the distortive impact of acquisitions, disposals and development completions in either period

The existing portfolio generated £0.7 million of additional income and the Group's completed developments delivered a further £5.1 million.

Net disposals reduced income by £1.8 million, offset by marginal savings in property costs of £0.1 million.

Our net income as a percentage of gross rents has increased marginally to 98.6%.

Administrative costs

Administrative costs have fallen by 2.9% to £13.4 million after capitalising staff costs of £1.8 million (2016: £1.5 million) in respect of time spent on development activity in the year.

EPRA cost ratio

The Group's cost base continues to be closely monitored and the EPRA cost ratio is used as a key measure of effective cost management.

	2017 %	2016 %
EPRA cost ratio including direct vacancy costs	16	17
EPRA cost ratio excluding direct vacancy costs	15	17

The EPRA cost ratio for the year, including direct vacancy costs, was 16% compared with 17% last year. The ratio reflects total operating costs, including the cost of vacancy, 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 £18.4 million, an increase of £1.7 million over the previous year.

This was due to decreases in interest receivable from forward funded development projects and interest capitalised on developments of £0.4 million and £0.7 million respectively. In addition, increased Group bank interest costs of £1.4 million associated with higher average levels of debt were offset by lower joint venture interest costs of £0.8 million as a result of repaying debt facilities. The movements are shown in notes 5 and 10 to the financial statements.

Our interest rate exposure is hedged by a combination of fixed and forward starting interest rate swaps and caps.

Share of joint ventures

EPRA earnings from joint venture investments were £5.8 million, a reduction of £0.8 million over last year due to the impact of disposals as reflected in the table below.

For the year to 31 March	2017 £m	2016 £m
MIPP	3.4	4.0
Retail Warehouse	2.2	2.4
Residential	0.2	0.2
	5.8	6.6

In addition, the Group received net management fees of £1.0 million for acting as property advisor to each of its joint ventures (2016: £1.3 million).

Taxation

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

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

We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise.

The tax risk identification and management process is documented in the Risk Register and Internal Control Evaluation which is reviewed annually by the Audit Committee who reports its findings to the Board. The Board also considers risk at a high level at each quarterly meeting via a risk dashboard. The Finance Director has overall responsibility for the execution of the tax strategy.

We pay business rates on void properties and stamp duty land tax. In addition we collect VAT, employment taxes and withholding tax on dividends and pay these over to HMRC.

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution 90% of REIT relevant earnings to ensure our REIT status is maintained.

Our formal tax strategy has been published on the Group's website at www.londonmetric.com.

Dividend

The Directors have approved a fourth quarterly interim dividend of 2.1p per share, payable on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017, bringing the total amount paid and payable for 2017 to 7.5p, an increase of 0.25p compared with the previous year.

This year the Company has commenced a quarterly dividend payment cycle and has offered shareholders a scrip alternative to cash payments.

The first two quarterly payments totalling 3.6p per share were paid as Property Income Distributions (PIDs) in the year. The third quarterly dividend of 1.8p per share has since been paid as a PID. The fourth quarterly dividend will comprise a PID of 1.3p per share and an ordinary dividend of 0.8p per share and a scrip alternative will be offered.

IFRS reported profit

The Group's reported profit for the year was £63.0 million compared with £82.7 million last year. The reduction was primarily due to lower property valuation gains realised, offset by a favourable movement in derivatives compared with the previous year as reflected in the table below.

Other movements in reported profit include the loss on sale of properties and associated debt and hedging break costs, which together reduced profit by £9.1 million this year as opposed to increasing profit by £1.6 million last year.

Disposals of mature retail parks, principally at Newry, King's Lynn and Christchurch, generated losses over book value of £4.5 million. The total profit over original cost on sales in the year was £7.4 million or 3.8% (2016: £37.9 million or 23.0%). Disposals are discussed in detail in the Investment review section of the Strategic report.

In April 2016 we bought down £66.3 million of legacy out of the money interest rate swaps at a cost of £3.5 million as reflected in the table as hedging close out costs.

The IFRS reported profit excluding the fair value of derivatives, together with the dividend charge in the year of £43.7 million, represents a total accounting return of 6.4%.

A full reconciliation between EPRA earnings and IFRS reported profit is given in note 8(a) to the financial statements and is summarised in the table below.

For the year to 31 March	Group £m	JV £m	2017 £m	Group £m	JV £m	2016 £m
EPRA earnings	45.2	5.8	51.0	41.9	6.6	48.5
Revaluation of investment property	22.2	(1.2)	21.0	51.1	(1.3)	49.8
Fair value of derivatives	0.2	0.1	0.3	(16.7)	(0.1)	(16.8)
Debt and hedging early close out costs	(3.5)	(0.1)	(3.6)	(0.1)	(0.4)	(0.5)
(Loss)/profit on disposal	(4.5)	(1.0)	(5.5)	2.4	(0.3)	2.1
Other items ¹	(0.2)	–	(0.2)	(0.4)	–	(0.4)
IFRS reported profit	59.4	3.6	63.0	78.2	4.5	82.7

¹ Other items include amortisation of intangible assets

Balance sheet

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

As at 31 March	Group £m	JV £m	2017 £m	Group £m	JV £m	2016 £m
Investment property	1,373.4	160.4	1,533.8	1,346.2	174.7	1,520.9
Gross debt	(473.2)	(54.5)	(527.7)	(575.0)	(62.9)	(637.9)
Cash	42.9	3.2	46.1	42.6	4.1	46.7
Other net (liabilities)/assets	(20.4)	(1.3)	(21.7)	(11.7)	4.1	(7.6)
EPRA net assets	922.7	107.8	1,030.5	802.1	120.0	922.1

EPRA net assets increased in the year by £108.4 million or 11.8% to £1,030.5 million. On a per share basis and after reflecting the impact of the equity placing, net assets increased by 2.1p, or 1.4%, to 149.8p. The table below highlights the principal movements in the year.

	£m	p
EPRA net asset value 2016	922.1	147.7
EPRA earnings	51.0	8.2
Property revaluation	21.0	3.4
Dividends	(45.9)	(7.3)
Equity placing	92.8	-
Other movements ¹	(10.5)	(2.2)
EPRA net asset value 2017	1,030.5	149.8

¹ Other movements include loss on sales (£5.5 million), debt/hedging break costs (£3.6 million), share based awards (£3.6 million) offset by scrip shares issued (£2.2 million)

IFRS reported net assets increased by £108.7 million in the year to £1,006.9 million. A reconciliation between IFRS and EPRA net assets is detailed in note 8(c) to the financial statements.

Portfolio valuation

The Group's portfolio including its share of joint venture properties grew to £1,533.8 million over the year, with investment in distribution assets, including those under development, increasing to 62% of the portfolio compared with 54% last year as reflected in the table below and in Supplementary note ix.

As at 31 March	2017 £m	2016 £m
Distribution	927.4	784.4
Retail	404.8	474.8
Leisure	63.2	69.0
Offices	70.0	80.2
Investment portfolio	1,465.4	1,408.4
Residential	41.1	55.9
Development ¹	27.3	56.6
Property value	1,533.8	1,520.9

¹ Distribution £22.8 million; Retail £4.5 million (2016: Distribution £40.0 million, Retail £16.6 million)

Investment in development assets has fallen as developments at Ferndown, Liverpool, Leicester, Wakefield and Warrington completed on schedule in the year and have been reclassified as investment assets. We have retained our remaining office at Marlow and have continued to sell down residential assets.

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

	Portfolio value ¹ £m
Opening valuation 2016	1,520.9
Acquisitions	90.2
Developments	68.7
Capital expenditure on completed properties	18.5
Disposals	(198.2)
Revaluation	21.0
Lease incentives	12.7
Closing valuation 2017	1,533.8

¹ Further detail on the split between Group and joint venture movements and the EPRA capital expenditure analysis can be found in Supplementary note vii

Despite the market uncertainty over the past year, we have seen property values increase by £21.0 million and have delivered a total property return of 7.4% compared to the IPD index of 4.6%. Further detail can be found in the Asset Management review.

The Group's commitment to development activity is demonstrated by the significant spend of £68.7 million in the year which included £52.7 million on forward funded developments principally at Warrington, Wakefield and Crawley. At the year end, the Group had capital commitments of £57.8 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Dagenham, Crawley, Stoke and Ipswich. Further detail can be found in the Asset management and development review.

The Group acquired 16 distribution assets and two retail assets through its MIPP joint venture in the year as reported in the Investment review.

It has continued to dispose of mature retail assets that have delivered their business plans and recycle capital into end to end distribution units which offer attractive yields, strong rental growth prospects and asset management opportunities.

The disposal of 13 commercial and 21 residential assets in the year generated proceeds of £201.9 million and reduced the carrying value of property by £198.2 million.

Included within the trade and other receivables balance of £18.8 million on the Group balance sheet is £14.3 million due on completion of the sale of Alban Retail Park, Bedford.

Financing

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

As at 31 March	2017 £m	2016 £m
Gross debt	527.7	637.9
Cash	46.1	46.7
Net debt	481.6	591.2
Loan to value ¹	30%	38%
Cost of debt ²	3.5%	3.5%
Undrawn facilities	299.7	69.9
Average debt maturity	5.2 years	5.6 years
Hedging ³	87%	84%

1 LTV includes £14.3 million of deferred consideration receivable on sales (2016: £10.2 million)

2 Cost of debt is based on gross debt and including amortised costs but excluding commitment fees

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

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

In September 2016 the Group entered into a private placement at a blended coupon of 2.7% and a weighted average maturity of 8.3 years. The proceeds were used to repay existing unsecured debt which remained available to draw in full.

In March 2017 the group completed a successful equity placing of 62.8 million ordinary shares raising gross proceeds of £95.5 million. It used the proceeds in part to further repay its existing unsecured facility, increasing available undrawn facilities to £299.7 million at the year end.

The Group's share of joint venture gross debt has fallen by £8.4 million or 13.4% since last year as a result of sales and consequent debt repayments. The Moore House debt facility was repaid in full in December 2016.

The Group's key financial ratios remain strong with loan to value falling to 30% and the average cost of debt remaining stable at 3.5%. We intend to keep LTV below 40% to provide sufficient flexibility to take advantage of opportunities and execute transactions whilst maintaining sufficient headroom under our gearing covenants should property values decline.

The Group's policy is to substantially de-risk the impact of movements in interest rates by entering into hedging arrangements. Independent advice is given by J C Rathbone Associates.

At 31 March 2017, 87% of our exposure to interest rate fluctuations was hedged by way of current and forward starting swaps and caps assuming existing debt facilities are fully drawn (2016: 84%). We continue to monitor our hedging profile in light of forecast interest rate movements.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom. Covenant compliance is regularly stress tested for changes in capital values and income.

The Group's unsecured facility and private placement loan notes contain gearing and interest cover financial covenants. At 31 March 2017 the Group's gearing ratio as defined within these funding arrangements was 43% compared with the maximum limit of 125% and interest cover ratio was 4.5 times compared with the minimum level of 1.5 times.

Cash flow

During the year the Group's cash balances increased by £0.3 million as reflected in the table below.

As at 31 March	2017 £m	2016 £m
Cash flows from operating activities	50.8	30.9
Cash flows from investing activities	7.4	(92.1)
Cash flows from financing activities	(57.9)	53.3
Net increase/(decrease) in cash and cash equivalents	0.3	(7.9)

Further detail is provided in the Group Cash flow Statement.

Cash flows from operating activities have increased by £19.9 million compared to last year as a result of higher net rental income and changes to net working capital requirements.

Cash flows from investing activities reflect property acquisitions, including those classified as forward funded developments, of £147.3 million and capital expenditure of £25.9 million offset by net proceeds from disposals of £165.0 million and distributions from joint ventures of £16.1 million.

Net repayment of bank facilities in the year of £101.8 million and cash dividends paid of £43.7 million was offset in part by net proceeds received from the equity placing of £92.8 million.

Risk Management

As an income focused REIT our strategic priorities continue to be the delivery of sustainable, progressive earnings and long term capital growth.

Every business faces inherent risk and uncertainty. Whilst risk cannot be completely eliminated we recognise that effective risk management reduces the negative impact of risk on our business and improves our prospects for achieving our strategic objectives.

Our risk management process

The Board operates a culture of embedding risk consideration into its decision making processes. It recognises its responsibility to undertake a robust assessment of the principal risks facing the Company and the extent to which it is willing to accept some level of risk in achieving its strategy. Risk appetite is low where it prejudices strategic objectives and controls are in place to minimise the level of residual risk.

The Board considers risk at a high level at each meeting via a risk dashboard. The dashboard monitors material issues so that key risks can be managed appropriately and new risks identified early enabling action to be taken to remove or reduce the risk and any potential negative impact. The Board also considers the long-term viability of the Company in the context of the principal risks it faces and its Viability Statement is prepared in accordance with the provisions of the UK Corporate Governance Code.

The responsibility for detailed assurance on the risk management process has been delegated by the Board to the Audit Committee. The Audit Committee carries out a detailed review of the risk register and internal controls at least once a year to consider the effectiveness of the risk management and internal control processes and reports its findings to the Board. The risk register was last presented to and considered by the Audit Committee in March 2017.

The Executive Committee is responsible for the identification of risk and the design, implementation and maintenance of the systems of internal controls, assisted by senior management. Appropriate mitigation plans are developed based on an assessment of the impact and likelihood of a risk occurring. Members of the Executive Committee are closely involved in day-to-day matters and the Company has a relatively low number of personnel all operating from one office location. This and the flat management structure enable risks to be quickly identified so appropriate responses can be put in place.

The risk register rates the significance and probability of each risk identified by management as having either a high, medium or low impact. 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. Specific risk management safeguards for each risk are identified, detailed and rated as strong, medium or weak with greater weighting applied the stronger the safeguard.

The gross risk rating and strength of safeguards against that risk are then combined to produce a resultant overall net risk. Consideration is given to the implementation of further action to reduce risk where it is considered necessary. Finally each risk is allocated an owner and details of how the safeguards are evidenced is noted.

The Board has limited control over certain external factors such as the heightened level of uncertainty associated with major political events such as the EU Referendum and the triggering of Article 50, the UK election outcome and the cyclical nature of the property market. The Board's strategy over the last few years has however been to reshape its UK only portfolio into more resilient asset classes closely aligned to rapidly changing consumer shopping habits.

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group and future viability over a three year period, being longer than the 12 months required by the 'Going Concern' provision. The Board conducted this review taking account of the Group's long term strategy, principal risks and risk appetite, current position, asset performance and future plans.

This period was chosen for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period. The business plan includes budgeted profit and cash flows and also considers capital commitments, dividend cover, loan to value, loan covenants and REIT compliance metrics. These are updated and reviewed at least quarterly against actual performance
- It reflects the short-cycle nature of the Group's developments and asset management initiatives. Six forward funded developments completed in the year at Ferndown, Leicester, Liverpool, Wakefield, Warrington and Crawley. All of these developments were completed within one year. The other committed developments in progress at the end of the year, including those at Crawley, Stoke and Dagenham, are expected to complete next year
- The average length of asset management initiatives involving significant reconfiguration of retail parks is under one year
- The Group's weighted average debt maturity at 31 March 2017 was 5.2 years
- Three years is considered to be the optimum balance between long term property investment and the inability to accurately forecast ahead given the cyclical nature of property investment

The Group's business model consists of a base case scenario which only includes deals under offer and also an assumed case which factors in reinvestment.

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

- changes to macro-economic conditions impacting rental income levels and property values
- changes in the retail environment impacting occupancy levels and lettings
- changes in the availability of funds impacting committed expenditure and investment transactions

The business model was stress tested to validate its resilience to property valuation and rental income decline, as well as increases in future libor and swap rates. It assessed the impact of these movements on future performance, liquidity and solvency and the ability to finance forecast transactions and committed capital expenditure and refinance maturing debt. It took into account the flexibility of capital expenditure and disposal plans and hedging in place.

In addition, further stress testing assessed the limits at which key financial covenants and ratios would be breached or deemed unacceptable. Property values would need to fall by approximately 30% to reach the loan to value covenant threshold under the existing debt facilities.

The Directors have also taken into account the strong financial position at 31 March 2017, significant cash and available facilities, low LTV and the Group's ability to raise new finance.

Based on the results of their review, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

Corporate risks

Risk, impact, appetite	How it is managed	Commentary
<h2>1 Strategy</h2>		
<p>That the Company's strategy is unclear or unrealistic for the current stage of the property cycle and the economic climate</p> <p>Impact: Suboptimal returns for shareholders. A potential inability to take advantage of opportunities and effectively manage threats. The Company may not be able to ensure that the people, resources and systems are in place to ensure ongoing success.</p> <p>Appetite: The Board views this as fundamental to the business and the Company's reputation.</p>	<p>The Board review and update strategy and objectives regularly adapting to changes in economic conditions and opportunities as they arise.</p> <p>The Executive Directors are closely involved in day to day management and the Company operates from one office location with a relatively flat organisational structure making it easier to identify market changes.</p> <p>Management have an entrepreneurial approach and extensive experience in real estate.</p> <p>Research is commissioned into consumer shopping patterns and occupational markets to assist strategic decision making.</p> <p>Financial forecasts are updated in light of strategic changes and reported to the Board and Executive Committee regularly. The Group has a rolling three year forecast.</p> <p>Management has a substantial investment in the Company with interests aligned with external shareholders.</p> <p>The Company's staffing plan is focused on experience and expertise necessary to deliver its strategy.</p>	<p>The Company has transitioned its portfolio so that 62% is now in the distribution sector. This and convenience retail are strong performing sectors with real prospects for rental and capital growth due to a supply/demand imbalance driven by structural changes in consumer shopping habits.</p> <p>Completed developments of 1.1 million sq ft of space in the year added rent of £7.9 million per annum.</p> <p>Development in progress of 0.7 million sq ft is expected to add a further £4.9 million of rental income.</p> <p>Like for like income growth was 4.6% over 69 lettings and rent reviews.</p> <p>These strong operational metrics supported EPRA earnings of 8.2p per share an increase of 5.1% on the prior year.</p> <p>Executive Directors hold 10.0 million shares between them and have unvested interests over a further 6.1 million shares and comfortably meet the Company's increased shareholding guidelines.</p>
<p>No significant change from 2016</p>		

Risk, impact, appetite	How it is managed	Commentary
<h2>2 Economic and political outlook</h2>		
<p>A downturn or specific sector turbulence may result from economic and political factors</p> <p>Impact: Poorer than expected performance, asset values may fall, tenant demand and asset liquidity may reduce. Debt markets may be impacted.</p> <p>Appetite:</p>	<p>Research is commissioned into economic matters and market volatility is monitored.</p> <p>The Company only invests in the UK and has little exposure to the London market.</p> <p>A significant proportion of the Company's portfolio is in a resilient asset class with a supply/demand imbalance.</p> <p>The weighted average unexpired</p>	<p>The Company has a weighted average unexpired lease term of 12.8 years and an EPRA vacancy rate of 0.4%. This continues to be amongst the highest and lowest respectively in the industry.</p> <p>Distribution assets now represent 62% of the portfolio. Logistics space is still heavily under supplied.</p>

Market conditions are outside of the Company's control.	<p>lease term is high reducing re-letting risk.</p> <p>The vacancy rate is low due to strict investment and development criteria. The tenant base is diversified. Acquisition due diligence considers tenant covenant strength.</p> <p>Developments and asset management initiatives are usually undertaken on a pre-let basis or where a researched supply/demand imbalance exists.</p> <p>The Company has medium term, flexible funding with significant headroom in covenant levels and no reliance on sales.</p>	<p>£52.7 million of expenditure in the year related to forward funded and pre-let opportunities.</p> <p>Successful equity placing in March increased available facilities for further investment to £299.7 million.</p> <p>The Board is confident that economic and political risk is mitigated through the makeup of the portfolio with its strong focus on distribution and convenience retail. The strong portfolio metrics and financial returns provide protection in the form of a sustainable long term income return to investors.</p>
---	--	--

This risk has increased since the last year end. Heightened economic and political uncertainty exists from major events such as the triggering of Article 50 and the upcoming UK election.

Risk, impact, appetite	How it is managed	Commentary
------------------------	-------------------	------------

3 Human resources

An inability to attract, motivate and retain high calibre staff

Impact:

That the Company doesn't have staff with the skills and experience to deliver its business plan.

Appetite:

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

The Company maintains an organisational structure with clear responsibilities and reporting lines.

The remuneration structure is aligned to long term performance targets for the business with long term share based incentive arrangements in place.

Senior management shareholdings in the Company are significant.

Annual appraisals identify training requirements and assess performance.

Specialist agencies are contracted where appropriate if there are perceived short term skills shortfalls.

The Chairman's contract was extended to 31 March 2018.

Further consideration will be given to the position of Chairman during the course of the current year.

The Executive Directors have a significant shareholding and unvested share awards in the Company to incentivise performance and retention, providing stability in the management structure of the business.

Senior managers are incentivised in the same way.

No significant change from 2016

Risk, impact, appetite	How it is managed	Commentary
------------------------	-------------------	------------

4 Systems, processes and financial management

There are weak controls for safeguarding assets and supporting strategy

Impact:

Inadequate asset security. Potentially suboptimal returns

The Company has a strong control culture.

Systems security is in place, supported by a specialist advisor. Business continuity plans are up to date with adequate back up

An extension of the property database was implemented in the year to improve administrative and reporting procedures.

The risk posed by cyber

and decisions made on inaccurate information.

Appetite:

Appetite for such risk is low and management continually strives to monitor and improve processes.

which is tested.

Procedures are in place to ensure accuracy of the property database and data capture.

Assets are safeguarded with appropriate levels of insurance.

Appropriate segregation of duties and controls over financial systems are in place.

Financial information is provided to management on a timely basis for approval and decision making purposes.

Costs are controlled with procedures to ensure that expenditure is valid, properly authorised and monitored.

attacks continues to grow as attacker capabilities become increasingly sophisticated and open to an ever widening and global organised crime network. The Board however considers that the delivery of the Company's strategy is not dependent on the operation of its technology. Strategic risk therefore is not materially increased as a result of a cyber attack. IT security is an integral part of the Company's risk management and control processes and the Audit Committee has considered the safeguards in place.

There is a rolling programme in place for IT improvements and updates to ensure security, systems and equipment remains fit for purpose.

No significant change from 2016

Risk, impact, appetite	How it is managed	Commentary
------------------------	-------------------	------------

5 Regulatory and tax framework

Non compliance with legal or regulatory obligations

Impact:

Fines, penalties, sanctions and reputational damage which may impact investor demand in the Company. Potential loss of REIT status. Increased costs. Impact on re-letting potential of an asset.

Appetite:

The Board has no appetite where non compliance risks injury or damage to staff, tenants, assets, shareholders and reputation.

There is a clear focus on obligations under the Company's responsible business strategy and regulatory influences on the business such as Health and Safety, environmental, employment, anti-corruption related legislation and the UK Corporate Governance Code.

Responsibility for specific obligations is allocated to individuals and overseen by the Executive Committee. External specialists provide advice and support.

Staff training is provided.

The Company receives external specialist tax advice.

Compliance with REIT legislation is monitored on an ongoing basis for decision making purposes and reported.

The impact of legislative changes is considered in strategic terms.

The Company may be affected in the future by proposed tax changes to loss relief should there be any future profits which are not covered by its REIT exemption. These however are unlikely to be material. Changes relating to taxation of residential property, particularly the rate of SDLT has, in addition to economic factors, led to a slowdown in the London residential market to which the Company still has some exposure through its 40% joint venture interest in Moore House. The joint venture has continued to sell down flats with 21 being sold in the year.

No significant change from 2016

Property risks

Risk, impact, appetite	How it is managed	Commentary
<h3>6 Investment risk</h3>		
<p>Investment opportunities cannot be sourced at attractive prices</p> <p>Impact: Ability to implement strategy and deploy capital into value and earnings accretive investments at risk.</p> <p>Appetite: This risk is largely affected by matters outside of the Board's control, but is minimised by having the right people and funding in place to take advantage of opportunities as they arise.</p> <p>No significant change from 2016</p>	<p>Management's extensive experience and their strong network of connections provide insight into the property market and opportunities.</p> <p>Management's relationship with retailers and its ability to forward fund assets is an important factor in generating deal flow given the difficulty in finding value in income generating assets due to yield compression in the market.</p>	<p>The Company acquired £116.2 million of property with a number of significant off market transactions.</p> <p>The Company recycled capital out of mature and non core retail, leisure and residential assets with disposals of £147.5 million in the year.</p>

Risk, impact, appetite	How it is managed	Commentary
<h3>7 Development risk</h3>		
<p>Excessive capital is allocated to activities with development risk. Developments fail to deliver expected returns due to inconsistent timing with the economic cycle, adverse letting conditions, increased costs, planning or construction delays</p> <p>Impact: Poorer than expected performance.</p> <p>Appetite: The Board is willing to take some speculative development and planning risk if it represents a relatively small proportion of the total portfolio and is supported by robust research in respect of demand and a high likelihood of planning approval.</p>	<p>The Company only considers short cycle and relatively uncomplicated development, although management have significant experience of more complex development.</p> <p>Exposure to development and phasing of projects is regularly considered. The overall level of exposure to development is low as a percentage of the total portfolio.</p> <p>Standardised appraisals and cost budgets are prepared for developments with regular monitoring of expenditure against budget to highlight potential overruns at an early stage. External project managers appointed.</p> <p>Procurement processes include tendering and the use of highly regarded firms with track records of delivery to minimise uncertainty over costs.</p> <p>Developments are only undertaken in areas of high occupier demand. Significant pre-lets are secured where possible before commencement to de-risk</p>	<p>The 357,000 sq ft speculative development at Warrington was let within five weeks of completion to Amazon.</p> <p>Development only represents 1.8% of the portfolio at the year end.</p> <p>10 developments representing 1.1 million sq ft of space were delivered in the year on time and budget.</p> <p>Committed development at the year end of 0.7 million sq was over 50% pre-let.</p>

projects.

Where possible development sites are acquired with planning approval in place.

This risk has reduced from 2016

Risk, impact, appetite	How it is managed	Commentary
<h2>8 Valuation risk</h2> <p>Assets may devalue</p> <p>Impact: Pressure on NAV growth and potentially loan covenants.</p> <p>Appetite: This is an inherent risk in the industry. There is no certainty that property values will be realised.</p>		
	<p>As reported the Board's strategy has been to transition the portfolio into resilient asset classes. The property cycle is continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions.</p> <p>Property portfolio performance is regularly reviewed and benchmarked on an asset by asset basis.</p> <p>Focus is on income security. Lettings to high quality tenants within a diversified portfolio of well located assets and a high weighted average unexpired lease term reduces the risk of negative movements in a downturn.</p>	<p>Valuations should continue to be supported by a supply/demand imbalance in the Company's preferred sector.</p> <p>The valuation decline at the Interim stage following the outcome of the EU Referendum had been recouped by the year end with an overall gain of £21.0 million.</p> <p>Delivery of developments on time and budget supported valuation assumptions.</p> <p>The top ten tenants contribute 51.8% of contracted commercial rental income.</p>

Increased risk due to greater economic uncertainty

Risk, impact, appetite	How it is managed	Commentary
<h2>9 Transaction and tenant risk</h2> <p>Property purchases are inconsistent with strategy. Inadequate due diligence is undertaken. Lettings are made to inappropriate tenants</p> <p>Impact: Pressure exerted on NAV, earnings and potentially loan covenants.</p> <p>Appetite: The Board's appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings is low.</p>		
	<p>Acquisitions are thoroughly evaluated through a detailed financial, legal and operational appraisal prior to Board approval.</p> <p>Asset management initiatives undergo cost-benefit analysis before implementation.</p> <p>External advisors ensure appropriate pricing of lease transactions and assist acquisition due diligence.</p> <p>Tenant covenant strength and concentration are assessed for all acquisitions and leasing transactions.</p> <p>An experienced property management team work closely with tenants and consider action for slow payers.</p>	<p>The Company has a very low level of tenant default and high occupancy levels.</p> <p>The EPRA vacancy rate at the year end was 0.4%.</p> <p>There were no significant trade debtors considered at risk at the year end.</p> <p>The tenant base has been further diversified during the year with the covenant strength of the top ten tenants increasing.</p> <p>The Board considers that the occupational market is strong in the distribution and convenience retail sectors.</p>

Rent collection is closely monitored and reported to identify potential issues.

The Group has a diverse tenant base and limited exposure to individual occupiers in bespoke properties.

No significant change from 2016

Financing risks

Risk, impact, appetite	How it is managed	Commentary
10 Capital and finance risk		
<p>The Company has insufficient funds and credit available to it</p> <p>Impact:</p> <p>Implementation of strategy is at risk.</p> <p>Appetite:</p> <p>The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines.</p> <p>It accepts a low degree of market standard inflexibility in return for the availability of credit.</p>	<p>Assets which have achieved target returns and strategic asset plans are considered for sale.</p> <p>Cash flow forecasts are monitored closely to ensure sufficient funds are available to take advantage of investment opportunities and meet financial commitments.</p> <p>Relationships with a diversified range of lenders are nurtured and loan facilities regularly reviewed. The availability of debt and the terms on which it is available is considered as part of the strategy and analysis for each acquisition and development.</p> <p>Loan facilities incorporate covenant headroom, appropriate cure provisions and sufficient flexibility to implement asset management initiatives.</p> <p>Headroom is actively monitored and incorporated into forecasts. Non financial covenants are also closely monitored.</p> <p>Gearing levels are carefully considered and stress tested before entering into new arrangements. A modest level of gearing is maintained overall.</p> <p>The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process.</p> <p>Interest rate derivatives are used to fix or cap exposure to rising rates. Hedging recommendations are received from a specialist advisor.</p>	<p>A private placement was entered into in September 2016 at a blended rate of 2.7% and a weighted average maturity of 8.3 years diversifying the Company's lending partners.</p> <p>An oversubscribed placing of £95.5 million completed in March 2017 to predominantly fund distribution acquisitions and a distribution development pipeline.</p> <p>Headroom on the Company's £443.8 million unsecured revolving credit facility has been increased as a result of the private placement, placing and sales providing greater operational flexibility. 76% of the facility has been extended for a further year to April 2022.</p> <p>Disposals of £201.9 million and acquisitions of £116.2 million in the year demonstrate our ability to recycle capital.</p> <p>At 31 March 2017, the Group had hedging in place covering 87% of total available debt facilities including joint venture arrangements.</p> <p>The Company has complied with and has significant headroom in all financial covenants. The Company's diversified and predominantly unsecured lending base, and its derivatives insulate it from credit risks associated with one off shocks from any single asset.</p>

The Company has joint ventures with well capitalised partners. Joint venture partners are chosen with care to ensure that strategies are not misaligned which may impact asset value and liquidity.

Risk reduced since 2016

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable Financial Reporting Standard 101 (FRS101) 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

Martin McGann

Finance Director

31 May 2017

Andrew Jones

Chief Executive

31 May 2017

Group income statement

For the year ended 31 March

	Note	2017 £000	2016 £000
Gross rental income		73,905	67,948
Property operating expenses		(814)	(830)
Net rental income	3	73,091	67,118
Property advisory fee income		1,713	2,191
Net income		74,804	69,309
Administrative costs	4	(13,268)	(13,636)
Amortisation of intangible asset		(182)	(315)
Total administrative costs		(13,450)	(13,951)
Profit on revaluation of investment properties	9	22,200	51,063
(Loss)/profit on sale of investment properties		(4,503)	2,359
Share of profits of joint ventures	10	3,560	4,528
Operating profit		82,611	113,308
Finance income		1,740	2,182
Finance costs	5	(21,340)	(32,748)
Profit before tax		63,011	82,742
Taxation	6	(13)	(18)
Profit for the year and total comprehensive income		62,998	82,724
Earnings per share			
Basic and diluted	8	10.1p	13.3p
EPRA	8	8.2p	7.8p

All amounts relate to continuing activities.

Group balance sheet

As at 31 March

	Note	2017 £000	2016 £000
Non current assets			
Investment properties	9	1,373,400	1,346,110
Investment in equity accounted joint ventures	10	107,567	119,666
Intangible assets		–	182
Other tangible assets		310	392
		1,481,277	1,466,350
Current assets			
Trade and other receivables	11	18,758	16,049
Cash and cash equivalents	12	42,944	42,621
		61,702	58,670
Total assets		1,542,979	1,525,020
Current liabilities			
Trade and other payables	13	46,395	35,343
		46,395	35,343
Non current liabilities			
Borrowings	14	466,319	567,910
Derivative financial instruments	14	23,350	23,570
		489,669	591,480
Total liabilities		536,064	626,823
Net assets		1,006,915	898,197
Equity			
Called up share capital	16	69,238	62,804
Share premium		88,548	–
Capital redemption reserve		9,636	9,636
Other reserve		221,374	222,936
Retained earnings		618,119	602,821
Equity shareholders' funds		1,006,915	898,197
Net asset value per share	8	146.4p	143.9p
EPRA net asset value per share	8	149.8p	147.7p

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2017 and were signed on its behalf by:

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2016		62,804	–	9,636	222,936	602,821	898,197
Profit for the year and total comprehensive income		–	–	–	–	62,998	62,998
Equity placing		6,280	86,492	–	–	–	92,772
Purchase of shares held in trust		–	–	–	(5,195)	–	(5,195)
Vesting of shares held in trust		–	–	–	3,633	(3,629)	4
Share based awards		–	–	–	–	1,833	1,833
Dividends	7	154	2,056	–	–	(45,904)	(43,694)
At 31 March 2017		69,238	88,548	9,636	221,374	618,119	1,006,915

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2015		62,804	–	9,636	223,061	574,650	870,151
Profit for the year and total comprehensive income		–	–	–	–	82,724	82,724
Purchase of shares held in trust		–	–	–	(419)	–	(419)
Vesting of shares held in trust		–	–	–	294	12	306
Share based awards		–	–	–	–	1,606	1,606
Dividends	7	–	–	–	–	(56,171)	(56,171)
At 31 March 2016		62,804	–	9,636	222,936	602,821	898,197

Group cash flow statement

For the year ended 31 March

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before tax	63,011	82,742
Adjustments for non cash items:		
Profit on revaluation of investment properties	(22,200)	(51,063)
Loss/(profit) on sale of investment properties	4,503	(2,359)
Share of post tax profit of joint ventures	(3,560)	(4,528)
Movement in lease incentives	293	(5,173)
Share based payment	1,833	1,606
Amortisation of intangible asset	182	315
Net finance costs	19,600	30,566
Cash flows from operations before changes in working capital	63,662	52,106
Change in trade and other receivables	902	2,360
Change in trade and other payables	9,686	(165)
Cash flows from operations	74,250	54,301
Interest received	64	50
Interest paid	(17,149)	(16,516)
Tax paid	(34)	(8)
Financial arrangement fees and break costs	(6,340)	(6,960)
Cash flows from operating activities	50,791	30,867
Investing activities		
Purchase of investment properties	(147,348)	(179,000)
Purchase of other tangible assets	–	(60)
Capital expenditure on investment properties	(19,387)	(43,584)
Lease incentives paid	(6,495)	(26,006)
Sale of investment properties	165,035	123,353
Investments in joint ventures	(450)	(10)
Distributions from joint ventures	16,109	33,238
Cash flow from investing activities	7,464	(92,069)
Financing activities		
Dividends paid	(43,694)	(56,171)
Proceeds from issue of ordinary shares	92,772	–
Purchase of shares held in trust	(5,195)	(419)
Vesting of shares held in trust	4	306
New borrowings	226,181	478,275
Repayment of loan facilities	(328,000)	(368,736)
Cash flows from financing activities	(57,932)	53,255
Net increase/(decrease) in cash and cash equivalents	323	(7,947)
Opening cash and cash equivalents	42,621	50,568
Closing cash and cash equivalents	42,944	42,621

Notes forming part of the Group financial statements

For the year ended 31 March 2017

1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2017 or 2016, but is derived from those accounts. Statutory accounts for the years ended 31 March 2017 and 31 March 2016 have been reported on by the independent auditor. The independent auditor's reports on the Annual Reports and financial statements for 2017 and 2016 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2017 will be delivered to the Registrar following the Company's Annual General Meeting.

The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the year ended 31 March 2016.

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 1 Curzon Street, London, W1J 5HB. 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.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

c) Basis of preparation

The financial statements are prepared on a going concern basis.

The functional and presentational currency of the Group is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently in all material respects.

i) Significant judgements and key estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

The accounting policies subject to significant judgements and estimates are as follows:

Property valuations

The valuation of the property portfolio is a critical part of the Group's performance. The Group carries the property portfolio at fair value in the balance sheet and engages professionally qualified external valuers to undertake six-monthly valuations.

The determination of the fair value of each property requires, to the extent applicable, the use of estimates and assumptions in relation to factors such as future lease income, lease incentives, current market rental yields, future development costs and the appropriate discount rate. In addition, to the extent possible, the valuers make reference to market evidence of transaction prices for similar properties.

The fair value of a development property is determined by using the 'residual method', which deducts all estimated costs necessary to complete the development, together with an allowance for development risk, profit and purchasers' costs, from the fair valuation of the completed property.

Significant transactions

Some property transactions are complex and require management to assess whether the acquisition of property through a corporate vehicle represents an asset acquisition or a business combination under IFRS3.

Where there are significant other assets and liabilities acquired in addition to property, the transaction is accounted for as a business combination. Where there are not it is accounted for as an asset purchase.

Other complexities include conditionality inherent in transactions and deferred property completions.

Revenue recognition

Certain transactions require management to make judgements as to whether, and to what extent, revenue should be recognised and the appropriate cut off for property transactions. Management consider whether the significant risks and rewards of ownership of assets have been transferred between buyer and seller and the point at which developments reach practical completion.

Other complexities include accounting for rent free periods and capital incentive payments.

Presentation of information

The Group operates through a number of joint venture operations which are accounted for under the equity method as described in section d(ii) of this note. As management monitor the business on a proportionately consolidated basis, the information presented in the Strategic Report is consistent with this approach.

In addition, EPRA performance measures are presented as Key Performance Indicators and in the Strategic report in line with other public real estate companies to highlight the recurring performance of the Group. There is a reconciliation between IFRS reported profit and net assets and the equivalent EPRA measures in note 8 to these financial statements.

REIT status

The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

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
Annual Improvements to IFRSs: 2012 – 2014	Amendments to: IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments – Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
IAS 1 and IAS 7	Disclosure Initiative
Amendments to IFRS 10, IFRS 12 and IAS 28	Applying the Consolidation Exception

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 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
IAS 40 (amendments)	Transfers of Investment Property
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 12

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on the timing of revenue recognition and related disclosures, and IFRS 16 will impact the accounting for those leases currently classified as operating leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

d) Basis of consolidation

i) Subsidiaries

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Group. Control is assumed when the Group:

- Has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition, in other cases the purchase method is used.

ii) Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control. Associates are those entities over whose activities the Group is in a position to exercise significant influence but does not have the power to jointly control.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax.

The Group's joint ventures and associates adopt the accounting policies of the Group for inclusion in the Group financial statements.

e) Property portfolio

i) Investment properties

Investment properties are properties owned or leased by the Group which are held for long term rental income and for capital appreciation. Investment property includes property that is being constructed, developed or redeveloped for future use as an investment property. Investment property is initially recognised at cost, including related transaction costs. It is subsequently carried at each published balance sheet date at fair value on an open market basis as determined by professionally qualified independent external valuers. Changes in fair value are included in the income statement. Where a property held for investment is appropriated to development property, it is transferred at fair value. A property ceases to be treated as a development property on practical completion.

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

Investment property is recognised as an asset when:

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

All costs directly associated with the purchase and construction of a development property are capitalised. Capital expenditure that is directly attributable to the redevelopment or refurbishment of investment property, up to the point of it being completed for its intended use, is included in the carrying value of the property.

ii) Assets held for sale

An asset is classified as held for sale if its carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for sale in its present condition and management expect the sale to complete within one year from the balance sheet date.

iii) Tenant leases

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

iv) Net rental income

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

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

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

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

v) Profit and loss on sale of investment properties

Profits and losses on sales of investment properties are calculated by reference to the carrying value at the previous year end valuation date, adjusted for subsequent capital expenditure.

f) Financial assets and financial liabilities

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

i) Trade and other receivables and payables

Trade and other receivables and payables are initially measured at fair value and subsequently at amortised cost using the effective interest method. An impairment provision is created where there is objective evidence to suggest that the Group will not be able to collect receivables in full.

ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

iii) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost with any difference being recognised in the income statement over the term of the borrowing.

iv) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement.

g) Finance costs and income

Net finance costs include interest payable on borrowings, net of interest capitalised and finance costs amortised.

Interest is capitalised if it is directly attributable to the acquisition, construction or redevelopment of development properties from the start of the development work until practical completion of the property. Capitalised interest is calculated with reference to the actual interest rate payable on specific borrowings for the purposes of development or, for that part of the borrowings financed out of general funds, with reference to the Group's weighted average cost of borrowings.

Finance income includes interest receivable on funds invested at the effective rate and notional interest receivable on forward funded developments at the contractual rate.

h) Tax

Tax is included in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

i) Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

j) Shares held in Trust

The cost of the Company's shares held by the Employee Benefit Trust is deducted from equity in the Group balance sheet. Any shares held by the Trust are not included in the calculation of earnings or net assets per share.

k) Dividends

Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

2 Segmental information

As at 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Property value						
Distribution	921,165	6,172	927,337	778,340	6,068	784,408
Retail	290,020	114,800	404,820	360,505	114,323	474,828
Leisure	63,245	–	63,245	68,970	–	68,970
Offices	70,000	–	70,000	80,200	–	80,200
Residential	1,655	39,456	41,111	1,545	54,350	55,895
Development	27,315	–	27,315	56,550	–	56,550
	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851

For the year to 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Gross rental income						
Distribution	46,144	411	46,555	37,252	583	37,835
Retail	19,251	7,747	26,998	20,473	9,112	29,585
Leisure	4,421	–	4,421	5,593	–	5,593
Offices	3,941	–	3,941	4,471	–	4,471
Residential	68	953	1,021	79	1,389	1,468
Development	80	–	80	80	–	80
	73,905	9,111	83,016	67,948	11,084	79,032

For the year to 31 March	2017			2016		
	100% owned £000	Share of JV £000	Total £000	100% owned £000	Share of JV £000	Total £000
Net rental income						
Distribution	46,200	412	46,612	37,115	573	37,688
Retail	18,677	7,683	26,360	19,835	9,053	28,888
Leisure	4,421	–	4,421	5,581	–	5,581
Offices	3,678	–	3,678	4,434	–	4,434
Residential	32	603	635	71	943	1,014
Development	83	–	83	82	–	82
	73,091	8,698	81,789	67,118	10,569	77,687

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's chief operating decision makers and for which discrete financial information is available. Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates almost entirely in the UK and no geographical split is provided in information reported to the Board.

3 Net rental income

	2017 £000	2016 £000
For the year to 31 March		
Gross rental income	73,905	67,948
Property operating expenses	(814)	(830)
	73,091	67,118

For the year to 31 March 2017, 14% of the Group's gross rental income was receivable from one tenant. For the comparative period, 22% of the Group's gross rental income was receivable from two tenants.

4 Administration expenses

a) Total administration expenses

	2017 £000	2016 £000
For the year to 31 March		
Staff costs	9,787	9,852
Auditor's remuneration	184	183
Depreciation	105	103
Other administrative expenses	3,192	3,498
	13,268	13,636

b) Staff costs

	2017 £000	2016 £000
For the year to 31 March		
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	8,720	8,567
Less staff costs capitalised	(1,762)	(1,488)
	6,958	7,079
Social security costs	720	724
Pension costs	276	443
Share based payment	1,833	1,606
	9,787	9,852

The long term share incentive plan ('LTIP') that was created following the merger in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £1.8 million (2016: £1.6 million).

The Company awarded 2,196,467 LTIP shares during the year, 1,708,370 of which were awarded to Executive Directors. The cost of acquiring the shares expected to vest under the LTIP of £5.2 million has been charged to reserves.

Employee costs of £1.8 million (2016: £1.5 million) have been capitalised in respect of time spent on development projects.

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2017 Number	2016 Number
Head office and property management	33	35

d) Auditor's remuneration

For the year to 31 March	2017 £000	2016 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	74	74
Audit of subsidiary financial statements, pursuant to legislation	79	79
Audit related assurance services	26	26
Other fees:		
Other advisory services	–	–
Total fees for audit and other services	179	179

In addition to the above audit fees, £31,000 (2016: £31,000) was due to the Group's auditor in respect of its joint venture operations (excluding LMP Retail Warehouse JV Property Unit Trust).

5 Finance costs

For the year to 31 March	2017 £000	2016 £000
Interest payable on bank loans and related derivatives	16,916	15,641
Debt and hedging early close out costs	3,516	77
Amortisation of loan issue costs	1,409	1,404
Commitment fees and other finance costs	1,643	1,595
Total borrowing costs	23,484	18,717
Less amounts capitalised on the development of properties	(1,924)	(2,669)
Net borrowing costs	21,560	16,048
Fair value (profit)/loss on derivative financial instruments	(220)	16,700
Total finance costs	21,340	32,748

In April 2016 the Company bought down £66.3 million legacy out of the money interest rate swaps at a cost of £3.5 million.

6 Taxation

For the year to 31 March	2017 £000	2016 £000
The tax charge comprises:		
Current tax		
UK tax charge on profit	13	18

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	2017 £000	2016 £000
Profit before tax	63,011	82,742
Tax at the standard rate of corporation tax in the UK of 20% (2016: 20%)	12,602	16,548
Effects of:		
Expenses not deductible for tax purposes	36	63
Tax effect of income not subject to tax	(11,913)	(15,687)
Share of post tax profit of joint ventures	(712)	(906)
UK tax charge on profit	13	18

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	2017 £000	2016 £000
Ordinary dividends paid		
2015 Final dividend: 3.5p per share	–	21,843
2015 Special dividend: 2.0p per share	–	12,482
2016 Interim dividend: 3.5p per share	–	21,846
2016 Second interim dividend: 3.75p per share	23,404	–
2017 First quarterly interim dividend: 1.8p per share	11,257	–
2017 Second quarterly interim dividend: 1.8p per share	11,243	–
	45,904	56,171
Quarterly dividend payable in 2017/18		
2017 Third quarterly interim dividend: 1.8p per share	11,269	
2017 Fourth quarterly interim dividend: 2.1p per share	14,458	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.8p per share, wholly as a Property Income Distribution (PID), on 18 April 2017 to ordinary shareholders on the register at the close of business on 17 March 2017.

The fourth quarterly interim dividend for 2017 of 2.1p per share, of which 1.3p is payable as a PID, will be payable on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017. 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 2018.

During the year the Company issued 1,534,136 ordinary shares in relation to the first two quarterly dividends which reduced the cash dividend payment by £2.2 million to £43.7 million.

8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations of The European Public Real Estate Association (EPRA). The EPRA earnings measure highlights the underlying recurring performance of the property rental business.

The earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year.

The net asset per share calculation uses the number of shares in issue at the year end and excludes the actual number of shares held by the Employee Benefit Trust at the year end.

a) EPRA earnings

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

For the year to 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
Gross rental income	73,905	9,111	83,016	67,948	11,084	79,032
Property costs	(814)	(413)	(1,227)	(830)	(515)	(1,345)
Net income	73,091	8,698	81,789	67,118	10,569	77,687
Management fees	1,713	(732)	981	2,191	(865)	1,326
Administrative costs	(13,268)	(85)	(13,353)	(13,636)	(172)	(13,808)
Net finance costs ¹	(16,304)	(2,094)	(18,398)	(13,789)	(2,947)	(16,736)
Other	(13)	–	(13)	(18)	–	(18)
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451

¹ Group net finance costs reflect net borrowing costs of £21,560,000 (note 5) less early close out costs of £3,516,000 (note 5) and finance income of £1,740,000

The reconciliation of EPRA earnings to IFRS reported profit can be summarised as follows:

For the year to 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451
Revaluation of investment property	22,200	(1,227)	20,973	51,063	(1,276)	49,787
Fair value of derivatives	220	108	328	(16,700)	(132)	(16,832)
Debt and hedging early close out costs	(3,516)	(126)	(3,642)	(77)	(411)	(488)
(Loss)/profit on disposal	(4,503)	(982)	(5,485)	2,359	(238)	2,121
Amortisation of intangible assets	(182)	–	(182)	(315)	–	(315)
IFRS reported profit	59,438	3,560	62,998	78,196	4,528	82,724

b) Earnings per ordinary share

For the year to 31 March	2017 £000	2016 £000
Basic and diluted earnings	62,998	82,724
EPRA adjustments ¹	(11,992)	(34,273)
EPRA earnings	51,006	48,451

¹ Adjustments shown in table reconciling EPRA earnings with IFRS reported profit

For the year to 31 March	2017 Number of shares '000	2016 Number of shares '000
Weighted average number of ordinary shares	625,457	624,159

¹ Excludes shares held in the LondonMetric Property Plc Employee Benefit Trust

Basic and diluted earnings per share	10.1p	13.3p
EPRA earnings per share	8.2p	7.8p

c) Net assets per share

As at 31 March	2017 £000	2016 £000
Equity shareholders' funds	1,006,915	898,197
Fair value of derivatives	23,350	23,570
Fair value of joint ventures' derivatives	229	338
EPRA net asset value	1,030,494	922,105

As at 31 March	2017 Number of shares '000	2016 Number of shares '000
Ordinary share capital	692,383	628,044
Number of shares held in employee trust	(4,502)	(3,945)
Number of ordinary shares	687,881	624,099
Basic net asset value per share	146.4p	143.9p
EPRA net asset value per share	149.8p	147.7p

Further EPRA performance measures are reflected in the Supplementary notes.

9 Investment properties

a) Investment properties

As at 31 March	2017			2016		
	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
Opening balance	1,289,560	56,550	1,346,110	1,033,045	131,095	1,164,140
Acquisitions	81,043	60,840	141,883	109,546	70,290	179,836
Other capital expenditure	18,055	7,901	25,956	13,720	34,665	48,385
Disposals	(174,965)	(650)	(175,615)	(128,493)	–	(128,493)
Property transfers	103,976	(103,976)	–	204,823	(204,823)	–
Revaluation movement	15,615	6,585	22,200	41,991	9,072	51,063
Movement in tenant incentives and rent-free uplifts	12,801	65	12,866	14,928	16,251	31,179
	1,346,085	27,315	1,373,400	1,289,560	56,550	1,346,110

Investment properties are held at fair value as at 31 March 2017 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills Advisory Services Limited ('Savills'). The valuation of property held for sale at 31 March 2017 was £40.9 million (2016: £62.8 million).

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value as set out in note 1. There has been no change in the valuation technique in the year. The total fees earned by CBRE and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Long term leasehold values included within investment properties amount to £102.0 million (2016: £93.9 million). All other properties are freehold. Included within the investment property valuation is £65.3 million (2016: £52.5 million) in respect of unamortised lease incentives and rent free periods.

The historical cost of all of the Group's investment properties at 31 March 2017 was £1,135.5 million (2016: £1,127.9 million). Capital commitments have been entered into amounting to £57.8 million (2016: £85.5 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.8 million (2016: £1.5 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £52.7 million have been classified within investment property under development as acquisitions.

b) Valuation technique and quantitative information

Asset type	Fair value 2017 £000	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Retail	290,020	Yield capitalisation	17.03	9.01- 27.00	5.50	4.14- 8.01	5.37	4.14-8.01
Leisure	63,245	Yield capitalisation	14.13	9.93- 17.50	5.84	5.39- 7.50	5.47	5.06-7.50
Distribution	921,165	Yield capitalisation	5.92	3.95- 12.00	5.00	4.15- 6.98	5.18	4.30-7.66
Office	70,000	Yield capitalisation	25.03	25.03	6.45	6.45	7.57	7.57
Residential	1,655	Comparison	n/a	n/a	n/a	n/a	n/a	n/a
Development	27,315	Residual	n/a	n/a	n/a	n/a	n/a	n/a

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2017. The fair value at 31 March 2017 represents the highest and best use.

i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant 'unobservable' inputs. There have been no changes in valuation techniques since the prior year.

Yield capitalisation – for commercial investment properties, market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the net initial yields and the fair market values per square foot derived from recent market transactions.

Residual – for certain investment properties under development, the fair value of the property is calculated by estimating the fair value of the completed property using the yield capitalisation technique less estimated costs to completion and a risk premium.

Comparison – for residential properties the fair value is calculated by using data from recent market transactions.

ii) Sensitivity

An increase or decrease in ERV will increase or decrease the fair value of the Group's investment properties.

An increase or decrease to the net initial yields and reversionary yields will decrease or increase the fair value of the Group's investment properties.

An increase or decrease in the estimated costs of development will decrease or increase the fair value of the Group's investment properties under development.

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could magnify or mitigate the impact on the valuation.

iii) Process

The valuation reports produced by CBRE and Savills are based on:

- Information provided by the Group, such as current rents, lease terms, capital expenditure and comparable sales information, which is derived from the Group's financial and property management systems and is subject to the Group's overall control environment
- Assumptions applied by the valuers such as ERVs and yields which are based on market observation and their professional judgement

CBRE and Savills meet the Auditors and the Audit Committee semi-annually.

10 Investment in joint ventures

At 31 March 2017, the following principal property interests, being jointly-controlled entities, have been equity accounted for in these financial statements:

	Country of incorporation or registration	Property sector	Group share
Metric Income Plus Partnership	England and Wales	Retail	50.0%
LMP Retail Warehouse JV PUT	Guernsey	Retail	30.5%
LSP London Residential Investments Ltd	Guernsey	Residential	40.0%

The principal activity of all joint venture interests is property investment in the UK in the sectors noted in the table above, which complements the Group's operations and contributes to the achievement of its strategy.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, acquired two assets in the year for £18.4 million (Group share: £9.2 million) and disposed of three assets for gross proceeds of £15.9 million (Group share: £8.0 million).

The LMP Retail Warehouse joint venture disposed of one asset in Maidstone for £12.0 million (Group share: £3.7 million).

The Group also disposed of 21 residential flats for £27.0 million (Group share: £10.8 million) through its 40% interest in LSP London Residential Investments Limited in the year. The associated bank loan was repaid in full in the year.

At 31 March 2017, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE Limited and Savills Advisory Services Limited.

The valuation of property held for sale by joint ventures at 31 March 2017 was £1.6 million (Group share: £0.7 million), (2016: £17.4 million and Group share £8.7 million).

The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2017 £000	2016 £000
Opening balance	119,666	148,366
Additions at cost	450	10
Share of profit in the year	3,560	4,528
Disposals	(5,384)	(14,110)
Profit distributions received	(10,725)	(19,128)
	107,567	119,666

The Group's share of the profit after tax and net assets of its joint ventures is as follows:

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	Total 2017 £000	Group share 2017 £000
Summarised income statement					
Gross rental income	10,290	9,881	2,381	22,552	9,111
Property costs	(115)	(20)	(874)	(1,009)	(413)
Net rental income	10,175	9,861	1,507	21,543	8,698
Administration expenses	(24)	(93)	(77)	(194)	(85)
Management fees	(774)	(384)	(570)	(1,728)	(732)
Revaluation	5,123	(2,035)	(7,921)	(4,833)	(1,227)
Finance income	39	2	3	44	22
Finance cost	(2,766)	(2,365)	(343)	(5,474)	(2,242)
Movement in derivatives	251	(80)	19	190	108
(Loss)/profit on disposal	(95)	977	(3,080)	(2,198)	(982)
Tax	(1)	–	–	(1)	–
Profit/(loss) after tax	11,928	5,883	(10,462)	7,349	3,560
EPRA adjustments:					
Revaluation	(5,123)	2,035	7,921	4,833	1,227
Movement in derivatives	(251)	80	(19)	(190)	(108)
Loss/(profit) on disposal	95	(977)	3,080	2,198	982
Debt and hedging early close out costs	204	–	60	264	126
EPRA earnings	6,853	7,021	580	14,454	5,787
Group share of EPRA earnings	3,426	2,128	233	5,787	
Summarised balance sheet					
Investment properties	174,370	110,775	98,641	383,786	160,428
Other current assets	268	–	289	557	240
Cash	4,029	779	2,371	7,179	3,200
Current liabilities	(3,089)	(1,021)	(526)	(4,636)	(2,068)
Bank debt	(75,900)	(54,470)	–	(130,370)	(54,563)
Unamortised finance costs	716	658	–	1,374	559
Derivative financial instruments	(462)	6	–	(456)	(229)
Net assets	99,932	56,727	100,775	257,434	107,567
Group share of net assets	49,967	17,290	40,310	107,567	

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	LSP Green Park Distribution Holdings £000	LSP Green Park Trust £000	Total 2016 £000	Group share 2016 £000
Summarised income statement	100%	100%	100%	100%	100%	100%	
Gross rental income	12,359	10,964	3,472	343	–	27,138	11,084
Property costs	(117)	(2)	(1,113)	(21)	–	(1,253)	(515)
Net rental income	12,242	10,962	2,359	322	–	25,885	10,569
Administration expenses	(124)	(117)	(113)	(26)	(38)	(418)	(172)
Management fees	(939)	(425)	(550)	(93)	–	(2,007)	(865)
Revaluation loss	(1,534)	(960)	(540)	–	–	(3,034)	(1,276)
Finance income	45	4	3	–	–	52	14
Finance cost	(3,555)	(2,935)	(1,432)	(277)	–	(8,199)	(3,372)
Movement in derivatives	(338)	(188)	105	105	–	(316)	(132)
(Loss)/profit on disposal	(514)	1,006	(1,108)	(185)	771	(30)	(238)
Tax	–	–	–	(5)	–	(5)	–
Profit/(loss) after tax	5,283	7,347	(1,276)	(159)	733	11,928	4,528
EPRA adjustments:							
Revaluation loss	1,534	960	540	–	–	3,034	1,276
Movement in derivatives	338	188	(105)	(105)	–	316	132
Loss/(profit) on disposal	514	(1,006)	1,108	185	(771)	30	238
Debt and hedging early close out costs	364	326	153	138	–	981	411
EPRA earnings	8,033	7,815	420	59	(38)	16,289	6,585
Group share of EPRA earnings	4,014	2,387	168	21	(5)	6,585	
Summarised balance sheet							
Investment properties	165,335	123,685	135,875	–	–	424,895	174,741
Other current assets	12,912	75	349	–	–	13,336	6,620
Cash	3,198	3,285	3,596	20	–	10,099	4,049
Current liabilities	(3,588)	(3,971)	(860)	–	–	(8,419)	(3,349)
Bank debt	(77,075)	(60,328)	(14,933)	–	–	(152,336)	(62,911)
Unamortised finance costs	1,068	1,011	29	–	–	2,108	854
Derivative financial instruments	(713)	86	(19)	–	–	(646)	(338)
Net assets	101,137	63,843	124,037	20	–	289,037	119,666
Group share of net assets	50,569	19,472	49,615	10	–	119,666	

11 Trade and other receivables

As at 31 March	2017 £000	2016 £000
Trade receivables	280	1,771
Amounts receivable from property sales	14,931	11,402
Prepayments and accrued income	3,455	2,744
Other receivables	92	132
	18,758	16,049

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

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

At 31 March 2017 there were no trade receivables which were overdue and considered at risk (2016: none).

12 Cash and cash equivalents

Cash and cash equivalents include £5.3 million (2016: £4.9 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

13 Trade and other payables

	2017 £000	2016 £000
As at 31 March		
Trade payables	9,118	4,780
Amounts payable on property acquisitions and disposals	1,832	9,595
Rent received in advance	13,724	12,160
Accrued interest	1,664	1,897
Other payables	3,102	525
Other accruals	16,955	6,386
	46,395	35,343

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14 Borrowings and financial instruments

a) Non current financial liabilities

	2017 £000	2016 £000
As at 31 March		
Secured bank loans	196,170	179,989
Unsecured bank loans	277,000	395,000
Unamortised finance costs	(6,851)	(7,079)
	466,319	567,910

On 21 September 2016 the Group entered into a £130 million private placement at a blended fixed coupon of 2.7% and a weighted average maturity of 8.3 years. The proceeds were used to repay debt drawn under the existing unsecured credit facility.

Certain bank loans at 31 March 2017 are secured by fixed charges over Group investment properties with a carrying value of £388.6 million.

b) Financial risk management

Financial risk factors

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's financial risk management objectives are to minimise the effect of risks it is exposed to through its operations and the use of debt financing.

The principal financial risks to the Group and the policies it has in place to manage these risks are summarised below:

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

The Group mitigates financial loss from tenant defaults by dealing with only creditworthy tenants. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables concerned. The balance is low relative to the scale of the balance sheet and therefore the credit risk of trade receivables is considered to be low.

Cash is placed on deposit with a diverse mix of institutions with suitable credit ratings and rates of return and for varying periods of time. The credit ratings of the banks are monitored and changes are made where necessary to manage risk.

The credit risk on liquid funds and derivative financial instruments is limited due to the Group's policy of monitoring counterparty exposures with a maximum exposure equal to the carrying amount of these instruments. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

ii) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group actively maintains a mixture of long term and short term committed facilities that are designed to ensure that the Group has sufficient available funds for operations and committed investments. The Group's funding sources are diversified across a range of banks and institutions. Weekly cash flow forecasts are prepared for the Executive Committee to ensure sufficient resources of cash and undrawn borrowing facilities are in place to meet liabilities as they fall due.

The Group had cash reserves of £42.9 million (2016: £42.6 million) and available and undrawn bank loan facilities at 31 March 2017 of £296.8 million (2016: £64.9 million).

The following table shows the contractual maturity profile of the Group's financial liabilities on an undiscounted cash flow basis and assuming settlement on the earliest repayment date.

	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
As at 31 March 2017					
Bank loans	12,245	12,245	265,620	251,672	541,782
Derivative financial instruments	5,712	6,500	21,529	16	33,757
	17,957	18,745	287,149	251,688	575,539
As at 31 March 2016					
Bank loans	14,358	14,358	43,112	578,087	649,915
Derivative financial instruments	5,750	6,279	18,389	5,767	36,185
	20,108	20,637	61,501	583,854	686,100

iii) Market risk – interest rate risk

The Group is exposed to interest rate risk from the use of debt financing at a variable rate. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates. It is Group policy that a reasonable portion of external borrowings are at a fixed interest rate in order to manage this risk.

The Group uses interest rate swaps and caps to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

At 31 March 2017, 87% of the Group's exposure (including share of joint ventures) to interest rate fluctuations was hedged by way of current and forward starting swaps and caps assuming existing debt facilities are fully drawn (2016: 84%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2017, including the cost of amortising finance arrangement fees, was 3.5% (2016: 3.5%). A 1% change in interest rates would decrease or increase the Group's annual profit before tax by less than £0.1 million.

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2017 by J C Rathbone Associates Limited.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Group to movements in interest rates is protected by way of the hedging products listed above. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

15 Commitments under operating leases

The Group's minimum lease rentals receivable under non cancellable operating leases, excluding joint ventures, are as follows:

	2017 £000	2016 £000
As at 31 March		
Less than one year	78,420	73,090
Between one and five years	304,595	288,518
Between six and ten years	292,985	287,566
Between 11 and 15 years	192,168	186,977
Between 16 and 20 years	92,599	82,761
Over 20 years	59,872	43,387
	1,020,639	962,299

The Group's minimum lease payments under non cancellable operating leases, excluding joint ventures, are as follows:

	2017 £000	2016 £000
As at 31 March		
Less than one year	810	810
Between one and five years	337	1,147
	1,147	1,957

16 Share capital

	2017 Number	2017 £000	2016 Number	2016 £000
As at 31 March				
Issued, called up and fully paid				
Ordinary shares of 10p each	692,382,431	69,238	628,043,905	62,804

On 27 March 2017 the Company issued 62,804,390 ordinary shares through a placing undertaken by Peel Hunt and J P Morgan Cazenove at 152p per share which raised gross proceeds of £95.5 million. After costs of £2.7 million, net proceeds received were £92.8 million. In addition, the Company issued 1,534,136 shares under the terms of its Scrip Dividend Scheme in the year.

In June 2016, the Company granted options over 2,711,575 ordinary shares under its Long Term Incentive Plan and Deferred Bonus Plan. In the year to 31 March 2017, 414,727 ordinary shares in the Company's Deferred Bonus Plan and 2,503,419 ordinary shares in the Company's Long Term Incentive Plan that were granted in 2013 vested.

17 Reserves

The following describes the nature and purpose of each reserve within equity:

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares. A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited and Metric Property Investments plc by the Company, the cost of the Company's shares held in treasury and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Other reserve	
Retained earnings	The cumulative profits and losses after the payment of dividends.

18 Related party transactions

Management fees and profit distributions receivable from the Group's joint venture arrangements in which it has an equity interest were as follows:

For the year to 31 March	Group interest	Management fees		Profit distributions	
		2017 £000	2016 £000	2017 £000	2016 £000
LSP Green Park Property Trust	31.4%	–	–	10	231
LSP Green Park Distribution Holdings	50.0%	–	92	–	11,210
LSP London Residential Investments	40.0%	475	458	5,120	–
Metric Income Plus Partnership	50.0%	854	1,216	3,434	4,161
LMP Retail Warehouse JV Property Unit Trust	30.5%	384	425	2,161	3,526
		1,713	2,191	10,725	19,128

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation.

19 Events after the balance sheet date

On 11 April 2017 the Group exchanged to sell the Morrisons store at Loughborough for £32.5 million.

On 18 April 2017 the Group acquired a distribution warehouse in Crawley let to TNT for £6.4 million.

On 11 May 2017 the Group exchanged to sell Vue Cinema, Conway Park in Birkenhead for £5.8 million.

On 26 May 2017 the Group acquired a distribution warehouse in Coventry let to DHL for £5.7 million.

On 26 May 2017 the Group completed the disposal of Barracks Road Retail Park in Newcastle-under-Lyme for £2.8 million.

On 30 May 2017 the Group acquired an urban logistics warehouse in Huyton let to Antolin Interiors for £11.8 million.

Supplementary information (not audited)

i EPRA summary table

	2017	2016
EPRA earnings per share	8.2p	7.8p
EPRA net asset value per share	149.8p	147.7p
EPRA triple net asset value per share	146.4p	143.9p
EPRA vacancy rate	0.4%	0.7%
EPRA cost ratio (including vacant property costs)	16%	17%
EPRA cost ratio (excluding vacant property costs)	15%	17%
EPRA net initial yield	4.5%	4.9%
EPRA 'topped up' net initial yield	5.4%	5.4%

ii EPRA proportionally consolidated income statement

For the year to 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
Gross rental income	73,905	9,111	83,016	67,948	11,084	79,032
Property costs	(814)	(413)	(1,227)	(830)	(515)	(1,345)
Net income	73,091	8,698	81,789	67,118	10,569	77,687
Management fees	1,713	(732)	981	2,191	(865)	1,326
Administrative costs	(13,268)	(85)	(13,353)	(13,636)	(172)	(13,808)
Net finance costs	(16,304)	(2,094)	(18,398)	(13,789)	(2,947)	(16,736)
Other	(13)	–	(13)	(18)	–	(18)
EPRA earnings	45,219	5,787	51,006	41,866	6,585	48,451

iii EPRA proportionally consolidated balance sheet

As at 31 March	Group £000	JV £000	2017 £000	Group £000	JV £000	2016 £000
Investment property	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851
Gross debt	(473,170)	(54,563)	(527,733)	(574,989)	(62,911)	(637,900)
Cash	42,944	3,200	46,144	42,621	4,049	46,670
Other net (liabilities)/assets	(20,476)	(1,269)	(21,745)	(11,641)	4,125	(7,516)
EPRA net assets	922,698	107,796	1,030,494	802,101	120,004	922,105
Loan to value	30%	32%	30%	38%	34%	38%
Cost of debt	3.6%	3.4%	3.5%	3.5%	3.6%	3.5%
Undrawn facilities	296,750	2,938	299,688	64,931	5,000	69,931

iv EPRA cost ratio

	2017 £000	2016 £000
For the year to 31 March		
Property operating expenses	814	830
Administration expenses	13,268	13,636
Share of joint venture property operating, administration expenses and management fees	1,230	1,552
Less:		
Joint venture property management fee income	(1,713)	(2,191)
Ground rents	(121)	(59)
Total costs including vacant property costs (A)	13,478	13,768
Group vacant property costs	(548)	(369)
Share of joint venture vacant property costs	(236)	(292)
Total costs excluding vacant property costs (B)	12,694	13,107
Gross rental income	73,905	67,948
Share of joint venture gross rental income	9,111	11,084
	83,016	79,032
Less:		
Ground rents	(121)	(59)
Total gross rental income (C)	82,895	78,973
Total EPRA cost ratio (including vacant property costs) (A)/(C)	16%	17%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	15%	17%

v EPRA net initial yield and 'topped up' net initial yield

	2017 £000	2016 £000
As at 31 March		
Investment property – wholly owned	1,373,400	1,346,110
Investment property – share of joint ventures	160,428	174,741
Less development properties	(27,315)	(56,550)
Less residential properties	(41,111)	(55,895)
Completed property portfolio	1,465,402	1,408,406
Allowance for:		
Estimated purchasers' costs	99,647	95,772
Estimated costs to complete	39,309	43,967
EPRA property portfolio valuation (A)	1,604,358	1,548,145
Annualised passing rental income	65,169	71,945
Share of joint ventures	8,814	8,064
Less development properties	(1,243)	(3,972)
Less residential properties	(526)	(856)
Annualised net rents (B)	72,214	75,181
Contractual rental increases for rent free periods	10,558	5,334
Contractual rental increases for fixed uplifts	3,151	3,641
'Topped up' net annualised rent (C)	85,923	84,156
EPRA net initial yield (B/A)	4.5%	4.9%
EPRA 'topped up' net initial yield (C/A)	5.4%	5.4%

vi EPRA Vacancy rate

	2017 £000	2016 £000
As at 31 March		
Annualised estimated rental value of vacant premises	384	604
Portfolio estimated rental value ¹	86,228	82,720
EPRA vacancy rate	0.4%	0.7%

¹ Excludes residential and development properties

vii EPRA capital expenditure analysis

	Group 2017 £000	JV 2017 £000	Total 2017 £000	Group 2016 £000	JV 2016 £000	Total 2016 £000
As at 31 March						
Opening valuation	1,346,110	174,741	1,520,851	1,164,140	236,245	1,400,385
Acquisitions	81,043	9,146	90,189	109,546	3,477	113,023
Developments ¹	68,741	–	68,741	104,955	–	104,955
Capital expenditure ²	18,055	561	18,616	13,720	761	14,481
Disposals	(175,615)	(22,631)	(198,246)	(128,493)	(64,749)	(193,242)
Revaluation	22,200	(1,227)	20,973	51,063	(1,276)	49,787
Lease incentives	12,866	(162)	12,704	31,179	283	31,462
Closing valuation	1,373,400	160,428	1,533,828	1,346,110	174,741	1,520,851

1 Includes capitalised interest of £1.9 million (2016: £2.7 million) and capitalised staff costs of £1.8 million (2016: £1.5 million)

2 Capital expenditure on completed properties

viii Total accounting return

	2017 £000	2016 £000
For the year to 31 March		
EPRA net asset value		
– at end of year	1,030,494	922,105
– at start of year	922,105	877,226
Increase	108,389	44,879
Dividend paid	43,694	56,171
Equity placing	(92,772)	–
Net increase	59,311	101,050
Total accounting return	6.4%	11.5%

ix Portfolio split and valuation

	2017 £m	2017 %	2016 £m	2016 %
As at 31 March				
Distribution	927.4	60.4	784.4	51.6
Retail	404.8	26.4	474.8	31.2
Leisure	63.2	4.1	69.0	4.5
Office	70.0	4.6	80.2	5.3
Investment portfolio	1,465.4	95.5	1,408.4	92.6
Development – distribution	22.8	1.5	40.0	2.6
Development – retail	4.5	0.3	16.6	1.1
Residential	41.1	2.7	55.9	3.7
	1,533.8	100.0	1,520.9	100.0

Retail (Group and JV split)

	2017 £m	2017 %	2016 £m	2016 %
Wholly owned – retail parks	197.0	12.8	293.9	19.3
Wholly owned – convenience retail	93.0	6.1	66.6	4.4
Metric Income Plus Partnership	87.2	5.7	82.7	5.4
LMP Retail Warehouse JV Property Unit Trust	27.6	1.8	31.6	2.1
	404.8	26.4	474.8	31.2

x Investment Portfolio yields

	2017			2016		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
As at 31 March						
Distribution	4.9	5.0	5.5	4.7	5.2	5.4
Retail	5.8	5.8	5.8	4.8	5.8	5.8
Leisure	4.1	5.8	6.9	6.0	6.0	7.0
Office	5.8	6.5	7.4	5.3	5.6	6.6
Investment portfolio	4.5	5.4	5.8	4.9	5.4	5.7

xi Investment Portfolio – Key statistics

As at 31 March 2017	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	9,009	12.9	12.3	100.0	5.73
Retail	2,080	12.5	11.5	99.2	17.33
Leisure	261	20.2	20.2	100.00	15.07
Office	231	7.2	7.0	96.7	21.96
Investment portfolio	11,581	12.8	12.1	99.6	7.87
Distribution development ¹	391				
Retail development	31				
Total investment and development portfolio	12,003				

¹ Excludes conditional development site at Bedford

xii Total property returns (%)

For the year to 31 March	All property 2017 %	All property 2016 %
Capital return	1.7	4.9
Income return	5.6	5.3
Total return	7.4	10.5

xiii Contracted rental income

As at 31 March	2017 £m	2016 £m
Distribution	50.9	42.3
Retail	25.8	31.3
Leisure	3.9	4.4
Office	4.9	4.9
Investment portfolio	85.5	82.9
Development – distribution	0.8	2.5
Development – retail	0.5	0.8
Residential	0.5	0.9
Total portfolio	87.3	87.1

xiv Rent subject to expiry

As at 31 March 2017	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	7.6	41.0	63.7	81.7	100.0
Retail	7.2	32.2	74.8	92.6	100.0
Leisure	–	–	11.4	11.4	100.0
Office	28.2	100.0	100.0	100.0	100.0
	8.5	39.8	66.7	82.8	100.0

xv Contracted rent subject to RPI or fixed uplifts for investment portfolio (%)

As at 31 March	2017 £m	2017 %	2016 £m	2016 %
Distribution	29.9	57.8	26.0	57.9
Retail	8.6	32.8	8.9	27.7
Leisure	3.9	100.0	4.4	100.0
Office	3.0	60.9	3.0	60.9
Commercial portfolio¹	45.4	52.4	42.3	49.0

¹ Excluding residential assets

xvi Top ten assets (by value)

As at 31 March 2017	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark Distribution Centre, Islip	1,062	5.4	100.0	23.5	23.5
Primark Distribution Centre, Thrapston	783	4.1	100.0	15.5	15.5
Dixons Carphone, Newark Distribution Centre	726	4.4	100.0	16.3	16.3
Argos, Bedford	658	3.8	100.0	5.7	5.7
Eddie Stobart, Dagenham	456	4.1	100.0	26.5	26.5
Marlow International, Marlow	231	4.9	96.7	7.2	7.0
Royal Mail, Daventry	273	2.5	100.0	6.4	6.4
Poundworld, Wakefield	527	2.6	100.0	14.5	14.5
M&S, Sheffield	626	2.6	100.0	6.7	4.3
Kirkstall Bridge Shopping Park, Leeds	120	2.4	95.3	11.4	9.0

xvii Top ten occupiers

As at 31 March 2017	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.5	22.2	11.0
Dixons Carphone	6.2	4.5	7.2
M&S	5.5	5.8	6.3
Argos ¹	4.1	5.6	4.7
Eddie Stobart	4.1	0.6	4.7
Odeon	3.5	3.1	4.0
Royal Mail	3.3	4.1	3.8
Allergan	3.0	58.2	3.5
DFS	3.0	0.6	3.4
DHL ¹	2.8	34.5	3.2
Top ten	45.0		51.8
Other commercial income	41.8		48.2
Total commercial	86.8		100.00
Residential income	0.5		
Total Group income	87.3		

¹ Market capitalisation of Parent Company

Glossary

Building Research Establishment Environmental Assessment Methodology (BREEAM)

A set of assessment methods and tools designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build

Capital Return

The valuation movement on the property portfolio adjusted for capital expenditure and expressed as a percentage of the capital employed over the period

Contracted Rent

The annualised rent excluding rent free periods

Cost of Debt

Weighted average interest rate payable

Debt Maturity

Weighted average period to expiry of drawn debt

Distribution

The activity of delivering a product for consumption by the end user

Energy Performance Certificate (EPC)

Required certificate whenever a property is built, sold or rented. An EPC gives a property an energy efficiency rating from A (most efficient) to G (least efficient) and is valid for ten years. An EPC contains information about a property's energy use and typical energy costs, and recommendations about how to reduce energy use and save money

EPRA Cost Ratio

Administrative and total operating costs (including and excluding costs of direct vacancy) as a percentage of gross rental income

EPRA Earnings per Share (EPS)

Recurring earnings from core operational activities divided by the average number of shares in issue over the year

EPRA NAV per Share

Balance sheet net assets excluding fair value of derivatives, divided by the number of shares in issue at the balance sheet date

EPRA NNAV per Share

EPRA NAV per share adjusted to include the fair value of financial instruments, debt and deferred taxes at the balance sheet date

EPRA net initial yield

Annualised rental income based on cash rents passing at the balance sheet date, less non recoverable property operating expenses, expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

EPRA topped up net initial yield

EPRA net initial yield adjusted for expiration of rent free periods or other lease incentives such as discounted rent periods and stepped rents

EPRA Vacancy

The Estimated Rental Value (ERV) of immediately available vacant space divided by total annualised rent of the Investment Portfolio

Equivalent Yield

The weighted average income return expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs

Estimated Rental Value (ERV)

The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property

European Public Real Estate Association (EPRA)

The European Public Real Estate Association (EPRA) is the industry body for European Real Estate Investment Trusts (REITs)

Gross rental income

Rental income for the period from let properties reported under IFRS, after taking into account the net effects of straight lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, turnover based rent, surrender premiums and car parking income

Group

LondonMetric Property Plc and its subsidiaries

IFRS

The International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union

Income Return

Net rental income expressed as a percentage of capital employed over the period

Investment Portfolio

The Group's property portfolio excluding development, land holdings and residential properties

Investment Property Databank (IPD)

Investment Property Databank (IPD) is a wholly owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns

Like for Like Income Growth

The movement in contracted rental income on properties owned through the period under review, excluding properties held for development and residential

Loan to Value (LTV)

Net debt expressed as a percentage of the total property portfolio value at the period end

Logistics

The organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption

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 annualised rent of the Investment Portfolio

Omni-Channel Retailing

The evolution of multi channel retailing providing a seamless shopping experience for the consumer through all available shopping channels, ie physical, internet, mobile, social media, telephone, catalogue etc

Passing Rent

The gross rent payable by tenants under operating leases, less any ground rent payable under head leases

Property Income Distribution (PID)

Dividends from profits of the Group's tax-exempt property business under the REIT regulations. The PID dividend is paid after deducting withholding tax at the basic rate

Real Estate Investment Trust (REIT)

A listed property company which qualifies for and has elected into a tax regime which is exempt from corporation tax on profits from property rental income and UK capital gains on the sale of investment properties

Total Accounting Return (TAR)

The movement in EPRA NAV plus the dividend paid during the period expressed as a percentage of the EPRA NAV at the beginning of the period

Total Property Return (TPR)

Unlevered weighted capital and income return of the property portfolio as calculated by IPD

Total Shareholder Return (TSR)

The movement in the ordinary share price as quoted on the London Stock Exchange plus dividends per share assuming that dividends are reinvested at the time of being paid

Weighted Average Interest Rate

The total loan interest and derivative costs per annum (including the amortisation of finance costs) divided by the total debt in issue at the period end

Weighted Average Unexpired Lease Term (WAULT)

Average unexpired lease term across the investment portfolio weighted by Contracted Rent