

LONDONMETRIC PROPERTY PLC
 (“LondonMetric” or the “Group” or the “Company”)
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015
DISTRIBUTION STRATEGY DELIVERS NAV AND EARNINGS GROWTH

LondonMetric today announces its half yearly results for the six months ended 30 September 2015.

	Half Year 30 September 2015	Half Year 30 September 2014	Full Year 31 March 2015
EPRA NAV per share (p)	146.6	128.8	140.6
EPRA Earnings (£m)	23.4	20.9	40.9
EPRA EPS (p)	3.7	3.4	6.6
Reported Profit (£m)	64.3	69.7	159.5
Revaluation Surplus ¹ (£m)	47.2	52.3	118.4
Dividend per share (p)	3.5	3.5	7.0

¹ Including share of joint ventures

Valuation gains driven by development activity and market yield compression

- EPRA NAV increased to 147p per share
- Total property return of 7.0%
- Total accounting return of 8.2%

Earnings growth from portfolio activity and new developments

- EPRA earnings increased 12% to £23.4 million or 3.7p per share
- Rental income up 10% to £31.7 million (HY15: £28.9 million)
- Contracted income up to £86.7 million pa (HY15: £83.0 million)
- Like for like income growth of 2.1% and ERV growth of 2.7%
- Interim dividend of 3.5p per share, 107% covered
- Dividend progression at the full year

£208 million investment activity, positive 80bps arbitrage

- £87.8 million of acquisitions (NIY of 6.1%)
- £120.0 million of disposals (NIY of 5.3%)
- Two acquisitions post period end totalling £58.8 million, including the forward funding of a distribution warehouse in Warrington as announced today
- £59.3 million development capex during first half (7.2% yield on cost on key developments)

Significant developments delivered and planned

- 1.9 million sq ft of developments completed representing £11.7 million pa of rental income
- 0.7 million sq ft of developments on site at 6.2% yield on cost
- 1.4 million sq ft of pipeline developments

High quality investment portfolio, strengthened through asset management

- Portfolio valued at £1.5 billion (NIY of 5.5%)
- Increase in WAULT to 13.4 years (FY15: 13.1 years)
- 99.9% occupancy rate with 48% of contracted rental income subject to uplifts
- 31 asset management deals delivered rental income uplift of £1.9 million at 5.2% above ERV

Finances strengthened and capacity increased to deliver developments

- Including proceeds from deferred sales, LTV of 37%
- Debt maturity of 6.1 years and average cost of 3.5%. 95% of existing debt hedged
- Undrawn facilities increased to £100.1 million post period end

Andrew Jones, Chief Executive of LondonMetric, commented:

“Black Friday and Cyber Monday are timely reminders of the structural changes taking place in the retail sector as consumers continue to change the way they shop. The winning retailers this festive season - and forever more - will be those who can get products into consumers’ hands as quickly, reliably and efficiently as possible.

“This is strengthening the demand dynamics for well-located distribution space as the growth in retailers’ omni channel strategies continues to soak up constrained market supply. This increasing tension is leading to rental growth which supports our early move into retail logistics which is fast becoming the strongest sub-sector of the retail property market.

“Conversely, many legacy retail assets look increasingly challenged as clicks erode bricks at an accelerating rate, continuing to expose over rented and over-sized store portfolios.

“Market yield compression is slowing and assets across all sectors will need to demonstrate sustainability of income and growth to benefit from further valuation uplifts. Therefore, our focus continues to be centred on owning quality real estate with deep occupier appeal that can deliver future income and capital growth from increasing demand, asset management and development opportunities.”

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Meeting and audio webcast

A meeting for investors and analysts will be held at 9.00am today at: Andaz Hotel, 40 Liverpool Street, London, EC2M 7QN.

A conference call dial-in is available for the meeting:

Telephone +44 (0)20 3427 1903. Confirmation Code: 2495239

A live audio webcast will also be available at

<http://webcasting.brrmedia.co.uk/broadcast/564c6cc8339befbb5946a687>

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

Notes to editors:

LondonMetric (ticker: LMP) aims to deliver attractive returns for shareholders through a strategy of increasing income and improving capital values. It invests across the UK in retail led distribution, out of town and convenience retail properties. It employs an occupier-led approach to property with a focus on strong income, asset management initiatives and short cycle development. Its portfolio is broadly split between distribution and retail with a total of 11.6 million sq ft under management. LondonMetric works closely with retailers, logistics providers and leisure operators to help meet their evolving real estate requirements. Further information on LondonMetric is available at www.londonmetric.com.

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.

Business overview

Strong first half underpins dividend progression at full year

Results for the first half of the year reflect the growth in income from our portfolio and the delivery of our development projects. After paying out a final and special dividend of 5.5 pence per share in the period, our EPRA NAV per share has grown from 141 pence in March to 147 pence. Total accounting return for the period was 8.2%.

Significantly, the growth in our rental income has driven a 12% increase in our EPRA earnings to 3.7 pence per share, which represents a dividend cover of 107%. With two of our large distribution developments now complete and fully income generating, our earnings are at a level that allows us to actively recycle assets into a strong investment market without affecting our dividend progression strategy. This is supported by the contractual income uplifts that are embedded in nearly half of the portfolio.

Our short cycle development activity has helped to deliver a strong valuation uplift. Revaluation surplus in the period amounted to £47.2 million. The EPRA topped up net initial yield on the portfolio is 5.5%, and our valuation is supported further by 99.9% occupancy and one of the highest WAULTs in the sector at 13.4 years.

Asset management activity has continued to deliver strong value enhancements and strengthen further our sector leading portfolio metrics. Underpinning our business model is the crystallisation of returns generated from asset management through disposing of assets that have delivered on their business plan and recycling that capital into new assets that offer more attractive opportunities for the future.

Investment activity aligned to future income and capital growth

As at 30 September 2015, our portfolio was valued at c.£1.5 billion of which, inclusive of developments, 50% was weighted towards distribution, 30% in retail parks and 5% in convenience retail.

Investment activity in the period reflects our approach of investing and owning desirable real estate assets that are well let and offer excellent opportunities for capital appreciation through income growth and asset management initiatives. We are highly disciplined in our capital allocation which has led us to dispose of £112 million of assets across our two core sectors that had delivered on their business plans.

We have reinvested £88 million in new distribution and convenience opportunities despite an increasingly competitive investment market. We remain active but above all we are disciplined, rational and patient.

The £208 million of investment activity delivered an 80 bps positive yield arbitrage and consisted of:

- £87.8 million of acquisitions through seven transactions of which £72.0 million were distribution assets. These acquisitions were transacted at a NIY of 6.1%. The forward funding of our Poundworld distribution centre in Wakefield and the acquisition of our Next distribution centre in Doncaster were standout acquisitions at an attractive NIY of 6.3%. We acquired three further convenience foodstores let to M&S for £12.4 million.
- £120.0 million of disposals at a NIY of 5.3%. Retail park disposals accounted for £50.1 million and distribution disposals totalled £62.2 million. These disposals generated very strong

returns with an aggregated geared IRR of 30%. Disposal activity resulted from direct approaches at attractive valuations.

Post period end we acquired a 230,000 sq ft distribution asset let to DHL for £28.8 million and, as announced today, we have agreed to fund a 356,000 sq ft development in Warrington for c.£30 million. In October, we announced the disposals of two further retail assets in Enfield and Cannock for £32.0 million (Group share: £15.0 million).

Strong portfolio metrics and asset management activity

The strength and quality of the portfolio is a main focus and we have continued to improve key metrics:

- Increase in the WAULT to expiry to 13.4 years (March 2015: 13.1 years) which continues to represent one of the longest in the sector
- 99.9% occupancy (March 2015: 99.7%)
- Only 4.4% of income is subject to expiry in the next five years, providing a high degree of certainty on income growth and protection against risk of income marking to market on expiry
- 48% of contracted rental income is subject to fixed or RPI linked uplifts (March 15: 44%).

The portfolio provides a high level of income security valued off a topped up net initial yield of 5.5%, average rents of £16.90 per sq ft for retail and £5.40 per sq ft for distribution. We have a strong and balanced list of high quality tenants including Primark, Dixons Carphone, M&S, Next, DFS, Argos and Aldi.

Our asset management initiatives are targeted at strengthening and improving the quality of income from our assets and primarily consist of agreeing new lettings, extending lease lengths on existing assets and successfully negotiating rent reviews. Their activities have again made a strong contribution to our results. In the period, we delivered 31 deals across 1.1m sq ft generating £1.9 million pa of rental uplift at 5.2% above ERV, with like for like rental growth of 2.1%. Deals completed post period end and currently in legals total 14 across 119,000 sq ft and will provide further strong income growth.

Refilling our development hopper

It has been an intense period of development activity. Primark took occupation of our 1.1 million sq ft distribution development at Islip in September and, post period end, The HUT Group took occupation of our 690,000 sq ft distribution development in Warrington. These short cycle developments, were completed in less than 12 months at a yield on cost of 7.1%, on time and on budget and now generate £9.1 million pa of rental income. Our 120,000 sq ft retail development at Kirkstall, Leeds has also completed post period end and successfully opened to the public in November. It is expected to generate £2.6 million pa of rental income when fully let.

We continue to add to our development pipeline with our 524,000 sq ft Poundworld development at Wakefield now on site and due to complete in October 2016.

In Bedford we are due to hear shortly on the determination of our planning application for 700,000 sq ft of distribution space and we are in discussions with several retailers on pre-lets. At Stoke, demolition of

the existing buildings will commence imminently in preparation for a new 300,000 sq ft distribution scheme.

The £30 million forward funded distribution development in Warrington that we announced today adds 356,000 sq ft to our development pipeline. This development is in a premier distribution location next to our HUT Group distribution warehouse and has strong letting prospects, offers attractive returns and is expected to be built by the end of 2016.

Our development activity in convenience retail totals 53,000 sq ft across three locations. Our portfolio of convenience foodstores, including assets under development, now totals £70 million across 11 locations, eight of which are for M&S and Aldi. Including costs to complete on existing developments and acquisitions anticipated in the short term, the portfolio is expected to grow to c.£100 million.

Occupational markets

Over the last eight years the UK retail sector has continued to evolve and we have seen a rapid change in consumer shopping patterns. The UK is now one of the most sophisticated online retail markets in the world with an internet penetration rate up at 86% and 61% of shoppers now actively shopping online. This is double the OECD average and active shopping online is significantly higher than the US (35%), Germany (48%), Canada (42%) and Spain (18%).

Non-food spending online is estimated to grow by 45% over the next few years, rising from 17.5% today to 25% of all non-food sales by 2019; E-tail is expected to account for 50% of total sales growth next year. It has been our long-held view that sheds are the new shops as retailers have to respond quickly to changes in shopping habits. There is now full recognition by retailers that the supply chain is consumer facing and that they need to have fit for purpose logistics to meet the increasing consumer demands for instant gratification and quicker online delivery.

Today, there are only 11 distribution buildings nationally available that are greater than 300,000 sq ft and overall availability remains at its lowest level since records began at 22 million sq ft with less than one year's supply estimated. Speculative development in progress is estimated at 4 – 5 million sq ft with strong levels of demand. In 2014, there was a significant increase in UK logistics take up to 32 million sq ft – running at 25% ahead of long term averages – and similar demand levels for 2015 as a whole are expected.

Approximately 60% of all logistics take up has been driven by retailers as they look to upgrade and invest in their logistics and fulfilment real estate. There is a strong supply / demand imbalance for grade A logistics buildings and, as a result, we are seeing evidence of rental growth across the logistics market.

Following the migration of shopping patterns away from more traditional shopping habits we are seeing continued growth in the convenience retail sector. Smaller convenience stores now dominate foodstore operators' expansion plans as consumers increasingly 'top-up' shop; with 30% of shoppers visiting the supermarkets three to four times a week - up from 25% five years ago. The greater dependence on convenience shops and the rise of e-commerce is likely to see the importance of large supermarket anchors at shopping centres and retail parks continue to weaken over time.

We will continue to align our portfolio to benefit from these current macro trends as logistics and convenience retail become increasingly important beneficiaries of changing customer behaviour.

Outlook

LondonMetric's continued focus on total returns seeks a balance between growing its recurring income, generating value uplift through asset management and development activity, and an unemotional approach to asset recycling into a liquid investment market. We remain rational and disciplined in our asset selection and capital allocation.

We have held the view for some time that the UK retail market is materially over-supplied especially in light of rapidly changing consumer shopping patterns which will benefit the internet and convenience markets to the detriment of more mature shopping channels. At a market level this will make real organic income growth increasingly difficult to capture and is why we continue to view our investment in traditional retail assets more opportunistically. This approach supports our decision to sell £65 million of retail assets in the year to date that had delivered on their business plans. We expect to sell down further retail assets over the remainder of the year.

Our occupier relationships continue to shape our decision making in both of our core sectors and we continue to work in partnership with them. These relationships give us great insight and visibility into consumer behavioural shifts. We remain keen to be their preferred partner of choice assisting them with the customer's journey and helping them to establish the impact that this is having on their real estate requirements and strategies. This was one of the key drivers behind our early shift into logistics, which now represents the majority of our portfolio, and this approach will enable us to take advantage of further investment opportunities across the real estate sector.

The ongoing retailer demand for logistics and the prospects for logistics rental growth that are widely predicted provide a positive background for our further alignment towards distribution. We expect to announce further distribution acquisitions in the near term, particularly where we can use our development and forward funding capabilities.

We look forward to another strong performance in the second half which will allow us to progress the dividend.

Investment activity

Acquisitions totalling £87.8 million (Group share) across seven assets at a NIY of 6.1%

Three distribution assets acquired for £72.0 million:

- £29.0 million acquisition of a Next distribution warehouse in Doncaster at a NIY of 6.3%
- £39.4 million purchase and forward funding of a 524,000 sq ft distribution warehouse in Wakefield at a NIY of 6.3%
- £3.5 million purchase of a 38,000 sq ft modern last mile distribution warehouse in Basildon at a NIY of 6.5%.

Four retail assets acquired for £15.9 million:

- £12.4 million acquisition of three M&S Simply Food halls at a NIY of 5.6%

- £6.9 million acquisition of a 20,000 sq ft retail warehouse unit let to Currys PC World in Speke at a NIY of 6.8% (Group share: £3.5 million)

Disposals totalling £120.0 million (Group share) at a NIY of 5.3%

£62.2m of distribution disposals:

- £37.2 million disposal of a 268,000 sq ft distribution warehouse in Harlow at a topped up NIY to the purchaser of 5.0% (Group share: £18.6 million)
- £14.4 million disposal of a 170,000 sq ft distribution warehouse in Brackmills, at a NIY of 5.5%
- £29.2 million sale of a 341,000 sq ft distribution warehouse in Wellingborough at a NIY of 5.8%

£50.1 million of retail disposals at a NIY of 5.7%:

- Lichfield Retail Park for £13.3 million (Group share: £6.7 million)
- Mountbatten Retail Park in Southampton for £16.2 million
- Westcroft District Centre in Milton Keynes for £27.2 million

At Moore House, our last non-core residential investment, we sold a further 14 flats for £15.4 million (Group share: £6.2 million) and the last remaining flat at Battersea for £1.6 million. Post period end we have sold two further flats at Moore House and have a further 12 flats under offer, representing in total £17.2 million of sales (Group share: £6.9 million). There are 88 flats remaining and we will continue to sell these down patiently.

Asset management and development

The occupier appeal of our assets (occupancy at 99.9%) and sustainable rental levels helped us to execute a number of value enhancing asset management initiatives which, together with developments, accounted for 36% of our total valuation uplift.

During the period, we signed 31 deals across 1.1m sq ft generating £1.9 million of rental uplift at 5.2% above ERV, helping secure like for like rental growth of 2.1%. ERV growth in the period was 2.7%.

Lettings

15 lettings were undertaken in the first half generating an uplift of £1.8 million at an average of £21.00 per sq ft, 4.7% above ERV and with average lease lengths of 13.7 years. Lettings completed post period end and currently in legals total 14 covering 119,000 sq ft. Key lettings for the year to date are summarised below:

Hove	Dixons Carphone signed a new 15 year lease on an enlarged 28,000 sq ft unit let at £0.8 million pa. The letting increases rental income by £0.3 million pa.
Kings Lynn	New lettings were signed with DFS and Tapi Carpets and, post period end, B&M for a total of 41,000 sq ft, adding to previous lettings to Next and Poundland. The 74,000 sq ft scheme is fully pre-let and will generate £1.4 million pa rental income off average leases of 14.5 years.
Coventry	Poundworld signed a 10 year lease on 9,000 sq ft at the Airport Retail Park. Together with the lettings to Aldi, B&M and Smyths Toys, recent deals total 57,000 sq ft. The 136,000 sq ft park is now fully occupied.

Kirkstall Our retail park opened in October and including deals in legals is 85% let. During the half year, we signed lettings with Smyths Toys, Card Factory, Lloyds Pharmacy and Trespass.

Leicester Lettings were signed with Home Bargains and Smyths Toys on 28,500 sq ft.

Agreement has been reached to take back two B&Q stores in Tonbridge and Launceston totalling 61,000 sq ft. The space will be reconfigured and advanced discussions are ongoing with a number of retailers.

At our office asset in Marlow, refurbishment work is nearly complete and we will look to sell off the 231,000 sq ft office during next year.

Rent Reviews

16 rent reviews were completed in the half year across 1.0 million sq ft at 1.5% above passing rent.

Development activity

Our current committed developments total 0.7 million sq ft and our pipeline of developments has grown to 1.4 million sq ft. Details of our current development activity are summarised in the table below.

Location	Area sq ft '000	Contracted rent £m	Yield on cost %	
Committed				
Wakefield	524	2.5	6.3	100% pre-let to Poundworld on a 15 year lease. Forward funding agreement. Construction period of 12 months. Completion expected October 2016
Kings Lynn	72	0.4	5.7	Lettings signed with DFS, Tapi, B&M, Next & Poundland. Completion expected October 2016
Liverpool	29	0.5	5.8	Convenience foodstore pre-let to M&S. Completion expected in April 2016
Leicester	29	0.4	7.4	Development of adjoining land. 28,500 sq ft pre-let to Smyths Toys and Home Bargains
Hove	28	0.3	11.1	New lease to DSG on an enlarged store. Completion planned for October 2016
Tonbridge	18	0.1	3.8	Re-size of Halfords, new lease to M&S. Completion planned for November 2016
Coventry	18	0.3	7.3	Works have commenced on the new Aldi store
Loughborough	13	0.5	5.1	Construction has started on the 12,700 sq ft extension for Morrisons and is expected to complete by December 2016
Ferndown	11	0.3	5.3	Convenience foodstore pre-let to M&S. Completion expected in April 2016
Total committed	742	5.3	6.2	
Conditional				
Bedford	700			Planning expected to be received shortly
Warrington	356			Planning expected in Q1 2016. Completion expected December 2016
Stoke	300			Planning received. Demolition work to start imminently
Total conditional	1,356			

Performance against IPD (6 months to September 2015)

	Total Return		Outperformance
	LMP (%)	IPD(%)	(bps)
Distribution	8.6	8.0	60
Retail	5.9	4.4	150
All commercial property	7.0	6.8	20
Core portfolio	7.5		

Tenant exposure as at 30 September 2015 (weighted by contracted rental income)

	Contracted rental income £m	Contracted rental income %
Primark	9.3	10.9
Dixons Carphone	6.2	7.3
DFS	4.7	5.5
M&S	4.7	5.5
Odeon	4.6	5.4
Argos	4.1	4.7
The Hut Group	3.8	4.4
B&Q	3.6	4.2
Royal Mail	3.3	3.8
Eddie Stobart	3.1	3.6
Top 10	47.4	55.3
Total commercial	85.7	100.0
Residential	1.0	
Total Group	86.7	

Financial review

Our commitment to repositioning the portfolio, recycling capital in a strong investment market and capitalising on our asset management and development capabilities has enabled us to grow contracted income and secure significant valuation gains in the period. We have now achieved our longstanding aim of fully covering our dividend commitment, as the charge for the period, to be paid in December 2015, is 107% covered by EPRA earnings, up from 96% last year.

EPRA earnings have increased by 12.0% to £23.4 million, or 3.7p per share, compared with £20.9 million or 3.4p for the comparative six month period to 30 September 2014. EPRA NAV per share is 146.6p, an increase of 13.8% over September 2014 and a 4.3% increase since March 2015 despite the payment of an additional 2p special dividend in the period.

Reported profit has fallen by 7.7% to £64.3 million, largely due to the £6.7 million adverse derivative movement and lower property revaluation gains. The interim dividend has been maintained at 3.5p per share. Total accounting return, measured as the increase in EPRA NAV plus dividends is 8.2% compared with 9.1% for the six months to September 2014.

Management monitors the performance of the business on a proportionally consolidated basis, although the statutory results reflect the share of joint ventures using the equity accounting method. The commentary in this review is consistent with the proportionally consolidated approach.

EPRA earnings and other performance measures are used as alternatives to IFRS equivalent measures as they highlight the Group's underlying recurring performance. EPRA earnings is a key performance indicator, reflecting the recurring profit of the Group's property rental business and excludes items such as changes in property valuations and movements in the fair value of derivatives.

Income statement

EPRA earnings

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

	Group £m	JV £m	Six months to 30 September 2015 £m	Group £m	JV £m	Six months to 30 September 2014 £m
Gross rental income	31.7	5.8	37.5	28.9	7.8	36.7
Property costs	(0.3)	(0.3)	(0.6)	(0.6)	(0.2)	(0.8)
Net rental income	31.4	5.5	36.9	28.3	7.6	35.9
Management fees	1.1	(0.5)	0.6	1.0	(0.4)	0.6
Administrative costs	(6.6)	(0.1)	(6.7)	(6.5)	(0.1)	(6.6)
Net finance costs	(5.8)	(1.6)	(7.4)	(7.5)	(1.5)	(9.0)
EPRA earnings	20.1	3.3	23.4	15.3	5.6	20.9

The table below analyses the like for like movement in EPRA earnings:

	£m	p
EPRA earnings 2014	20.9	3.4
Net rental income	1.0	0.1
Administrative costs	(0.1)	–
Net finance costs	1.6	0.2
EPRA earnings 2015	23.4	3.7

Net rental income

In the six months to 30 September 2015, net rental income increased 2.8% to £36.9 million.

Net rental income has been compared in the table below by reference to September 2014.

	Six months to 30 September 2015 £m	Six months to 30 September 2014 £m	Change £m
Like-for-like investment properties	29.3	28.0	1.3
Acquisitions	7.4	–	7.4
Disposals	0.6	8.5	(7.9)
Developments	0.2	0.2	–
Property costs	(0.6)	(0.8)	0.2
Net rental income	36.9	35.9	1.0

Like-for-like rental income increased by £1.3 million or 4.6%, primarily due to acquisitions in the comparative period contributing for the full six months under review. In addition the Group increased its holding in the MIPP joint venture from 33% in the previous comparative period to 50% by March 2015 resulting in additional income of £0.7 million in the current period.

Income lost as a result of disposals of £7.9 million was offset in part by income of £7.4 million generated by acquisitions in the period.

Property costs have fallen by £0.2 million or 25% reflecting lower vacant unit costs of residential and office assets sold over the last year.

Administrative costs

Underlying administrative costs net of management fees in the six months to 30 September 2015 were £6.1 million, an increase of £0.1 million or 1.7% over the previous period. Staff costs of £0.8 million (2014: £0.5 million) have been capitalised in respect of time spent on development projects. Total staff costs including amounts capitalised has increased marginally by £0.4 million reflecting an increased LTIP charge as each of the awards granted in the three years post-merger are now being amortised.

The Group is focused on managing its cost base and uses the EPRA cost ratio as a key measure of cost management.

	Six months to 30 September 2015 %	Six months to 30 September 2014 %
EPRA cost ratio		
EPRA cost ratio including direct vacancy costs	18	18
EPRA cost ratio excluding direct vacancy costs	17	16

The EPRA cost ratio for the period, including direct vacancy costs, was 18% consistent with the previous period. The ratio reflects total operating costs, including the cost of vacancy, as a percentage of gross rental income.

Net finance costs

Net finance costs, excluding the costs associated with repaying debt and terminating hedging arrangements on sales and refinancing in the period were £7.4 million, a decrease of £1.6 million over the previous period.

This was attributable to increased interest receivable on forward funded development projects of £0.9 million and additional interest capitalised on development projects in progress of £1.2 million, offset by an increase in bank interest payable of £0.5 million due to increased levels of debt. Total interest capitalised in the period was £1.8 million (2014: £0.6 million). Gross debt at the half year was £629.0 million compared with £573.3 million in September 2014.

Share of joint ventures

EPRA earnings from joint venture investments were £3.3 million, a reduction of £2.3 million over the previous period which included a one-off surrender receipt of £2.3 million following the re-gear of the Brake Brothers lease at Harlow. The profit in the period was generated by the MIPP and DFS Retail Warehouse joint ventures which contributed £2.0 million and £1.3 million respectively to EPRA earnings.

In addition the group received £1.1 million (2014: £1.0 million) in management fees for acting as property advisor to each of its joint ventures.

IFRS reported profit

A full reconciliation between EPRA earnings and IFRS reported profit is given in note 7 to the accounts and is summarised in the table below:

	Group £m	JV £m	Six months to 30 September 2015 £m	Group £m	JV £m	Six months to 30 September 2014 £m
EPRA earnings	20.1	3.3	23.4	15.3	5.6	20.9
Revaluation of investment property	47.0	0.2	47.2	49.5	2.8	52.3
Fair value of derivatives	(6.7)	–	(6.7)	(1.1)	(0.3)	(1.4)
Debt and hedging early close out costs	(0.1)	(0.2)	(0.3)	(0.6)	–	(0.6)
Profit/(loss) on disposal	1.0	(0.1)	0.9	(1.1)	0.5	(0.6)
Other items ¹	(0.2)	–	(0.2)	(0.9)	–	(0.9)
IFRS reported profit	61.1	3.2	64.3	61.1	8.6	69.7

¹ Other items include amortisation of intangible assets and deferred tax

The Group's reported profit for the six months to 30 September 2015 was £64.3 million compared with £69.7 million in the previous comparative period, a reduction of £5.4 million or 7.7%. As shown in the table above, the decrease was due to lower property revaluation gains and an adverse derivative movement reflecting decreases in future swap rates over the second quarter of the year.

Other movements in reported profit include profit on sale of properties of £0.9 million (2014: loss of £0.6 million) and associated debt and hedging break costs of £0.3 million (2014: £0.6 million). Disposals are discussed in detail in the Investment section of this report. The profit on disposal over March 2015 book value includes gains of £0.3 million on sales of retail assets and £0.4 million on sales of distribution assets plus further income of £0.2 million in relation to prior year sales.

Sales in the period generated profit over cost of £22.0 million, representing a return of 23%.

The amortisation of the MIPP management contract, acquired on merger with Metric Property Investments Plc in 2013, continues to flow through the income statement and is reflected in other items in the table above. In the previous period other items included the unwinding of deferred tax assets.

Balance sheet

During the six months to 30 September 2015 EPRA net assets increased 4.3% to £914.9 million. The movement during the period is shown in the table below:

	EPRA Net Assets £m	EPRA NAV per share p
At 1 April 2015	877.2	140.6
EPRA earnings	23.4	3.7
Property revaluation	47.2	7.6
Dividends paid	(34.3)	(5.5)
Other movements ¹	1.4	0.2
At 30 September 2015	914.9	146.6

¹ Other movements include profit on sales, debt and hedging early close out costs, amortisation of intangible assets and share based awards

The increase in EPRA net assets was principally due to the valuation gains on the property portfolio of £47.2 million arising primarily from market yield compression on distribution assets and value enhancing asset management initiatives which accounted for 36% of the total uplift. EPRA earnings in the period covered the 3.5p final dividend paid in July 2015. In addition the Group paid a 2p special dividend to distribute the realised gain arising on sale of Carter Lane in the previous year.

IFRS reported net assets increased by £30.9 million or 3.6% in the six months to £901.1 million.

EPRA net assets on a proportionately consolidated basis are as follows:

	Group £m	JV £m	30 September 2015 £m	Group £m	JV £m	31 March 2015 £m
Investment property	1,261.8	209.6	1,471.4	1,164.1	236.3	1,400.4
Gross debt	(551.2)	(77.8)	(629.0)	(465.5)	(97.5)	(563.0)
Cash	21.9	7.6	29.5	50.6	13.0	63.6
Other	47.4	(4.4)	43.0	(20.6)	(3.2)	(23.8)
EPRA net assets	779.9	135.0	914.9	728.6	148.6	877.2

Portfolio valuation

During the first six months to 30 September 2015 the Group's portfolio including its share of joint venture properties grew to £1,471.4 million, an increase of £71.0 million or 5.1% since March 2015. This movement in the investment portfolio is explained in the table below:

	Group £m	JV £m	30 September 2015 £m	31 March 2015 £m
Opening portfolio valuation	1,164.1	236.3	1,400.4	1,219.8
Acquisitions	75.3	3.4	78.7	268.0
Capital expenditure	36.2	0.6	36.8	32.8
Disposals	(84.8)	(31.2)	(116.0)	(254.4)
Revaluation	47.0	0.2	47.2	118.4
Lease incentives	24.0	0.3	24.3	15.8
Closing portfolio valuation	1,261.8	209.6	1,471.4	1,400.4

The expenditure on acquisitions in the period includes £29.1 million in respect of forward funded developments principally at Warrington and Wakefield. Other capital expenditure includes £30.2 million in respect of developments, principally at Islip which completed in September 2015 and has been reclassified at the half year as a completed investment property.

The Group has taken advantage of the strong investment market to dispose of assets that have delivered on their business plans and to reposition the portfolio into the prime sectors of retailer-led distribution and convenience retail. The disposal of six commercial and 15 residential assets in the period generated proceeds of £120.0 million and reduced the carrying value of property by £116.0 million. Included within the trade and other receivables balance of £64.5 million on the Group balance sheet is £56.4 million due on completion of property disposals at Milton Keynes and Wellingborough.

The core property portfolio of retail and distribution assets (including associated development) represented 91% of the total portfolio valuation at the half year compared to 90% in March 2015 as reflected in the following segmental analysis:

	30 September 2015 £m	31 March 2015 £m	30 September 2015 %	31 March 2015 %
Retail	548.6	567.8	37	41
Distribution	675.0	558.6	46	40
Offices	77.4	73.3	5	5
Residential	61.7	69.6	4	5
Development	108.7	131.1	8	9
Property value	1,471.4	1,400.4	100	100

Financing

Net debt on a proportionally consolidated basis at 30 September 2015 was £599.5 million, an increase of £100.1 million or 20.0% since March 2015. Gross debt has increased by £66.0 million to £629.0 million and cash resources have decreased by £34.1 million to £29.5 million.

The movement in gross debt is summarised in the following table:

	Group £m	JV £m	30 September 2015 £m	Group £m	JV £m	31 March 2015 £m
Opening debt	465.5	97.5	563.0	415.5	57.5	473.0
Debt drawn	373.3	–	373.3	166.4	48.1	214.5
Debt repaid	(287.6)	(19.7)	(307.3)	(116.4)	(8.1)	(124.5)
Closing debt	551.2	77.8	629.0	465.5	97.5	563.0

The Group refinanced all of its existing debt facilities on 1 April 2015 except for its £196.2 million distribution facility with Helaba, replacing £269.3 million of debt with a new £400 million unsecured facility with a syndicate of five lending banks. The facility is for a five-year initial term and can be extended by up to two years. The refinancing simplified the Group's debt arrangements to provide greater operational flexibility for the development programme and to support the ongoing transactional activity.

At the half year debt of £355 million had been drawn under the Group's new unsecured facility and the Helaba distribution facility remained fully drawn.

The Group's joint venture arrangements were not affected by the refinancing and its share of debt repaid in the period was £19.7 million following sales of residential flats at Moore House, the distribution facility in Harlow and two MIPP retail assets in Lichfield and Londonderry. The MIPP debt facility with Deutsche Pfandbriefbank was reduced by £12.5 million to £112.5 million (Group share: £56.3 million).

The proportionally consolidated financing performance indicators used by the Board to monitor the Group's debt and liquidity structure and position are shown in the table below:

	30 September 2015	31 March 2015
Gross debt	£629.0m	£563.0m
Cash	£29.5m	£63.6m
Loan to Value	37%	36%
Cost of debt	3.5%	3.7%
Undrawn facilities	£56.3m	£83.4m
Average debt maturity	6.1 years	4.2 years
Hedging	95%	80%

Debt maturity and the average cost of debt both improved as a result of the unsecured refinancing to 6.1 years (March 2015: 4.2 years) and 3.5% (March 2015: 3.7%).

Loan to value at the half year net of cash resources and deferred consideration on sales of £56.4 million was 37% compared with 36% in March 2015.

The Group acquired an additional £350 million forward starting swaps and swaptions in the period to increase and extend its longer term hedging and reduce its exposure to interest rate fluctuations from unsecured borrowings. At 30 September 2015 the Group, including its share of joint ventures had hedged 95% of its existing borrowings (March 2015: 80%). This reduces to 82% as existing undrawn facilities are fully utilised. Independent advice on hedging strategy is given by J C Rathbone Associates.

Liquidity at the half year as measured by the Group's firepower of £142.2 million comprised available cash resources of £29.5 million, £56.3 million of committed undrawn facilities and £56.4 million of deferred consideration on sales which have completed since September. Liquidity has improved further post period end as the new unsecured facility agreed in April 2015 has been increased by a further £43.8 million, providing total firepower of £186.0 million to fund existing capital commitments of £93.2 million.

Key risks and uncertainties

Principal risks and uncertainties

The strategic priorities for the business are the delivery of sustainable, low risk, progressive earnings and long term capital growth. Issues which might prevent the attainment of these goals are identified and action is taken to reduce or remove the likelihood of such issues having a material adverse impact. The Company's appetite for risk is low where it prejudices the achievement of its strategic priorities.

The process for identifying, assessing and mitigating the principal risks of the business are set out in the Risk Management section on pages 43 to 48 of the 2015 Annual Report. The Board is satisfied that the systems for identifying, managing and mitigating risk are sound. The Board considers the Group's risk management at each meeting and is satisfied that there have been no significant changes since publication of the 2015 Annual Report.

The principal uncertainties and risks facing the Group are summarised as follows:

Strategy and market risk

Portfolio strategy

The Company's strategy is inappropriate for the current stage of the property cycle and the economic climate resulting in suboptimal returns for shareholders.

Economic outlook

The economy falters resulting in poorer than expected performance.

Property and transactional risk

Investment opportunities

The Company is unable to source opportunities and recycle capital into value enhancing and earnings accretive investments.

Valuation risk

There is no certainty that property values will be realised which would impact the Group's NAV and put pressure on loan covenants. This risk is inherent to the property industry.

Investment underperformance

Investments may otherwise not meet their financial objectives. This too impacts NAV and potentially loan covenants.

Development returns

Development projects fail to deliver expected returns due to inconsistent timing with the economic cycle and adverse letting conditions or increased costs, planning or construction delays.

Funding risk

The Company is unable to fund investment opportunities, which impacts the implementation of its strategy.

Financial risk**Interest rates**

Adverse interest rate movements increase financing costs, reduce profitability and increase the risk of a loan covenant breach.

Loan covenants

A loan covenant breach may result from a substantial decline in property values, a material loss of rental income or increased borrowing costs. A significant breach increases default risk, the acceleration of a loan and the ability to raise new finance.

Operational risk**Tenant default**

Tenant default and failure to let vacant units reduces earnings, dividend cover and if material puts pressure on loan covenants.

Staffing

An inability to attract, motivate and retain high calibre skilled staff jeopardises the deliverability of the Company's strategy.

Regulatory

Increased regulation associated with planning, environmental, health and safety and tax amongst others results in increased costs, impacts the re-letting prospects of an asset, damages corporate reputation and investor demand in the Company.

Group income statement

	Note	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Gross rental income		31,731	28,941	60,192
Property operating expenses		(313)	(592)	(2,582)
Net rental income	3	31,418	28,349	57,610
Property advisory fee income		1,105	982	2,211
Net income		32,523	29,331	59,821
Administrative costs		(6,629)	(6,503)	(12,502)
Amortisation of intangible asset		(161)	(177)	(347)
Total administrative costs		(6,790)	(6,680)	(12,849)
Profit on revaluation of investment properties	8	47,009	49,503	112,393
Profit/(loss) on sale of investment properties		953	(1,135)	13,395
Share of profits of joint ventures	9	3,256	8,598	14,303
Operating profit		76,951	79,617	187,063
Finance income		988	59	356
Finance costs	4	(13,598)	(9,240)	(27,104)
Profit before tax		64,341	70,436	160,315
Taxation	5	(4)	(743)	(864)
Profit for the period and total comprehensive income		64,337	69,693	159,451
Earnings per share				
Basic and diluted	7	10.3p	11.2p	25.5p
EPRA	7	3.7p	3.4p	6.6p

All amounts relate to continuing activities

Group balance sheet

	Note	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Non current assets				
Investment properties	8	1,261,773	1,125,230	1,164,140
Investment in equity accounted joint ventures	9	134,766	142,060	148,366
Intangible asset		336	667	497
Other tangible assets		440	434	435
Deferred tax assets		–	86	–
		1,397,315	1,268,477	1,313,438
Current assets				
Trade and other receivables	10	64,529	11,737	7,241
Cash and cash equivalents	11	21,860	45,309	50,568
		86,389	57,046	57,809
Total assets		1,483,704	1,325,523	1,371,247
Current liabilities				
Trade and other payables	12	24,904	40,723	31,971
Non current liabilities				
Borrowings	13	544,178	480,460	462,255
Derivative financial instruments	13	13,568	2,398	6,870
		557,746	482,858	469,125
Total liabilities		582,650	523,581	501,096
Net assets		901,054	801,942	870,151
Equity				
Called up share capital	14	62,804	62,804	62,804
Capital redemption reserve	15	9,636	9,636	9,636
Other reserve	15	223,137	223,252	223,061
Retained earnings	15	605,477	506,250	574,650
Equity shareholders' funds		901,054	801,942	870,151
Net asset value per share	7	144.4p	128.5p	139.4p
EPRA net asset value per share	7	146.6p	128.8p	140.6p

Group statement of changes in equity

Six months ended 30 September 2015 (Unaudited)

	Note	Share capital £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 period and total comprehensive income		–	–	–	64,337	64,337
Purchase of shares held in trust		–	–	(218)	–	(218)
Vesting of shares held in trust		–	–	294	12	306
Share-based awards		–	–	–	803	803
Dividends paid	6	–	–	–	(34,325)	(34,325)
At 30 September 2015		62,804	9,636	223,137	605,477	901,054

Year ended 31 March 2015 (Audited)

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2014		62,804	9,636	225,420	457,994	755,854
Profit for the year and total comprehensive income		–	–	–	159,451	159,451
Purchase of shares held in trust		–	–	(2,359)	–	(2,359)
Share-based awards		–	–	–	954	954
Dividends paid	6	–	–	–	(43,749)	(43,749)
At 31 March 2015		62,804	9,636	223,061	574,650	870,151

Six months ended 30 September 2014 (Unaudited)

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2014		62,804	9,636	225,420	457,994	755,854
Profit for the period and total comprehensive income		–	–	–	69,693	69,693
Purchase of shares held in trust		–	–	(2,168)	–	(2,168)
Share-based awards		–	–	–	466	466
Dividends paid	6	–	–	–	(21,903)	(21,903)
At 30 September 2014		62,804	9,636	223,252	506,250	801,942

Group cash flow statement

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Cash flows from operating activities			
Profit before tax	64,341	70,436	160,315
Adjustments for non-cash items:			
Profit on revaluation of investment properties	(47,009)	(49,503)	(112,393)
(Profit)/loss on sale of investment properties	(953)	1,135	(13,395)
Share of post-tax profit of joint ventures	(3,256)	(8,598)	(14,303)
Movement in lease incentives	(3,131)	(9,964)	(11,600)
Share-based payment amortisation	803	–	954
Amortisation of intangible asset	161	177	347
Net finance costs	12,610	9,181	26,748
Cash flows from operations before changes in working capital	23,566	12,864	36,673
Change in trade and other receivables	65	(3,226)	419
Change in trade and other payables	(5,876)	1,167	6,439
Cash flows from operations	17,755	10,805	43,531
Interest received	988	59	356
Interest paid	(5,397)	(6,728)	(13,763)
Tax (paid)/received	(4)	8	215
Financial arrangement fees and break costs	(5,269)	(1,158)	(5,533)
Cash flows from operating activities	8,073	2,986	24,806
Investing activities			
Purchase of investment properties	(79,499)	(149,337)	(279,740)
Purchase of other tangible assets	(55)	(24)	(25)
Capital expenditure on investment properties	(36,228)	(8,226)	(32,102)
Lease incentives paid	(20,866)	–	–
Sale of investment properties	30,224	66,122	248,356
Investments in joint ventures	(7)	(3,502)	(12,476)
Distributions from joint ventures	16,863	11,151	19,524
Cash flow from investing activities	(89,568)	(83,816)	(56,463)
Financing activities			
Dividends paid	(33,021)	(20,759)	(43,749)
Purchase of shares held in trust	(218)	(1,702)	(2,359)
Vesting of shares held in trust	306	–	–
New borrowings	373,276	104,455	166,379
Repayment of loan facilities	(287,556)	(34,212)	(116,403)
Cash flows from financing activities	52,787	47,782	3,868
Net decrease in cash and cash equivalents	(28,708)	(33,048)	(27,789)
Opening cash and cash equivalents	50,568	78,357	78,357
Closing cash and cash equivalents	21,860	45,309	50,568

Notes to the financial statements

1. Basis of preparation and general information

Basis of preparation

The condensed consolidated financial information included in this half yearly report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 “Interim Financial Reporting”, as adopted by the European Union. The current period information presented in this document is reviewed but unaudited and does not constitute statutory accounts within the meaning of S434 of the Companies Act 2006.

The financial information for the year to 31 March 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The accounting policies adopted are consistent with those as reported in the Group’s annual financial statements for the year to 31 March 2015 and in accordance with those the Group expects to be applicable at 31 March 2016.

Amendments to existing standards including IFRS 10, IFRS 11, IFRS 12 and IAS 28 (amendments), Annual Improvements to IFRSs: 2010 – 2012 and Annual Improvements to IFRSs: 2011 - 2013 which came into effect during 2015 have not had a significant impact on the accounting policies, method of computation or presentation of the condensed financial statements.

These condensed financial statements were approved by the Board of Directors on 25 November 2015.

Going concern

The Group’s business activities, together with the factors affecting its performance, position and future development are set out in the Business Overview. The finances of the Group, its liquidity position and borrowing facilities are set out in the Financial Review.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review the Directors have considered the Group’s cash balances, debt maturity profile of its undrawn facilities, and the long-term nature of tenant leases. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

2. Segmental information

Property value

	100% owned £000	Share of JV £000	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Retail	405,343	143,279	548,622	589,628	567,811
Distribution	668,835	6,123	674,958	440,600	558,606
Offices	77,400	–	77,400	180,900	73,300
Residential	1,545	60,186	61,731	75,617	69,573
Development	108,650	–	108,650	59,680	131,095
	1,261,773	209,588	1,471,361	1,346,425	1,400,385

Gross rental income

	100% owned £000	Share of JV £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Retail	13,009	4,674	17,683	19,312	37,054
Distribution	16,450	378	16,828	12,607	27,958
Offices	2,045	–	2,045	3,710	7,045
Residential	34	747	781	897	1,619
Development	193	–	193	211	360
	31,731	5,799	37,530	36,737	74,036

Net rental income

	100% owned £000	Share of JV £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Retail	12,730	4,636	17,366	19,216	35,412
Distribution	16,436	367	16,803	12,588	27,938
Offices	2,034	–	2,034	3,334	6,285
Residential	30	519	549	574	991
Development	188	–	188	189	321
	31,418	5,522	36,940	35,901	70,947

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 the 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 on-going basis. The Group operates entirely in the United Kingdom and no geographical split is provided in information reported to the Board.

3. Net income

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Gross rental income	31,731	28,941	60,192
Property operating expenses	(313)	(592)	(2,582)
	31,418	28,349	57,610

For the six months to 30 September 2015 11% of the Group's gross rental income was receivable from one tenant. For the two comparative periods no single tenant contributed more than 10% of the Group's gross rental income.

4. Finance costs

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Interest payable on bank loans and related derivatives	7,195	7,496	15,410
Debt and hedging early close out costs	70	624	3,891
Amortisation of loan issue costs	681	666	1,428
Commitment fees and other finance costs	721	36	509
Total borrowing costs	8,667	8,822	21,238
Less amounts capitalised on developments	(1,767)	(648)	(1,607)
Net borrowing costs	6,900	8,174	19,631
Fair value loss on derivative financial instruments	6,698	1,066	7,473
	13,598	9,240	27,104

5. Taxation

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
The tax charge comprises:			
Current tax			
Current tax charge on profit	4	–	35
Deferred tax			
Change in deferred tax	–	743	829
	4	743	864

As the Group is a UK-REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

6. Dividends

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Ordinary dividends paid			
2014 Final dividend: 3.5p per share	–	21,903	21,903
2015 Interim dividend: 3.5p per share	–	–	21,846
2015 Final dividend: 3.5p per share	21,843	–	–
2015 Special dividend: 2.0p per share	12,482	–	–
	34,325	21,903	43,749
Proposed dividend			
2016 Interim dividend: 3.5p per share	21,846		

The proposed dividend was approved by the Board on 25 November 2015 and has not been included as a liability or deducted from retained earnings as at 30 September 2015. The proposed dividend of 3.5p per share, of which 2.0p per share is a Property Income Distribution, is payable on 21 December 2015 to ordinary shareholders on the register at the close of business on 4 December 2015 and will be recognised as an appropriation of retained earnings in the six months to 31 March 2016.

7. 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 period and excludes the average number of shares held by the Employee Benefit Trust for the period.

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

a) EPRA Earnings

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

	Group £000	JV £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Gross rental income	31,731	5,799	37,530	36,737	74,036
Property costs	(313)	(277)	(590)	(836)	(3,089)
Net income	31,418	5,522	36,940	35,901	70,947
Management fees	1,105	(470)	635	585	1,262
Administrative costs	(6,629)	(94)	(6,723)	(6,622)	(12,643)
Net finance costs ¹	(5,842)	(1,623)	(7,465)	(8,916)	(18,622)
Other	(4)	–	(4)	–	(35)
EPRA earnings	20,048	3,335	23,383	20,948	40,909

¹ Group net finance costs reflect net borrowing costs of £6,900,000 (note 4) less early close out costs of £70,000 (note 4) and finance income of £988,000.

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

	Group £000	JV £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
EPRA earnings	20,048	3,335	23,383	20,948	40,909
Revaluation of investment property	47,009	175	47,184	52,321	118,375
Fair value of derivatives	(6,698)	(23)	(6,721)	(1,359)	(8,578)
Debt/hedging early close out costs	(70)	(179)	(249)	(624)	(3,949)
Profit/(loss) on disposal	953	(52)	901	(673)	13,870
Amortisation of intangible assets	(161)	–	(161)	(177)	(347)
Deferred tax	–	–	–	(743)	(829)
IFRS reported profit	61,081	3,256	64,337	69,693	159,451

b) Earnings per ordinary share

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Basic and diluted earnings	64,337	69,693	159,451
EPRA adjustments ¹	(40,954)	(48,745)	(118,542)
EPRA earnings	23,383	20,948	40,909

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

	Unaudited Six months to 30 September 2015	Unaudited Six months to 30 September 2014	Audited Year to 31 March 2015
<i>Number of shares (in thousands)</i>			
Ordinary share capital	628,044	628,044	628,044
Average number of shares held in employee trust	(3,878)	(3,125)	(3,509)
Weighted average number of ordinary shares	624,166	624,919	624,535
Basic and diluted earnings per share	10.3p	11.2p	25.5p
EPRA earnings per share	3.7p	3.4p	6.6p

c) Net assets per share

	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Equity shareholders' funds	901,054	801,942	870,151
Fair value of derivatives	13,568	2,398	6,870
Fair value of joint ventures' derivatives	230	(408)	205
EPRA net asset value	914,852	803,932	877,226

	Unaudited Six months to 30 September 2015	Unaudited Six months to 30 September 2014	Audited Year to 31 March 2015
<i>Number of shares (in thousands)</i>			
Ordinary share capital	628,044	628,044	628,044
Number of shares held in employee trust	(3,860)	(3,821)	(3,964)
Number of ordinary shares	624,184	624,223	624,080
Basic net asset value per share	144.4p	128.5p	139.4p
EPRA net asset value per share	146.6p	128.8p	140.6p

8. Investment properties

	Completed £000	Under development £000	Unaudited 30 September 2015 £000	Completed £000	Under development £000	Audited 31 March 2015 £000
Opening balance	1,033,045	131,095	1,164,140	858,668	171,885	1,030,553
Acquisitions	46,184	29,079	75,263	188,988	19,955	208,943
Capital expenditure	5,995	30,233	36,228	10,545	21,557	32,102
Disposals	(84,864)	–	(84,864)	(219,510)	(11,941)	(231,451)
Property transfers	106,433	(106,433)	–	106,310	(106,310)	–
Revaluation movement	38,205	8,804	47,009	76,398	35,995	112,393
Tenant incentives	8,125	15,872	23,997	11,646	(46)	11,600
	1,153,123	108,650	1,261,773	1,033,045	131,095	1,164,140

Investment properties are held at fair value as at 30 September 2015 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 30 September 2015 was £7.5 million (30 September 2014: £116.5 million, 31 March 2015: £16.0 million).

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There has been no change in the valuation technique in the year. The total fees earned by CBRE 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 £68.3 million (30 September 2014: £228.5 million, 31 March 2015: £107.7 million). All other properties are freehold.

Included within the investment property valuation is £45.3 million (30 September 2014: £19.2 million, 31 March 2015: £20.8 million) in respect of lease incentives and rent free periods.

The historical cost of all of the Group’s investment properties at 30 September 2015 was £1,047.0 million (30 September 2014: £994.2 million, 31 March 2015: £984.7 million).

Capital commitments have been entered into amounting to £93.2 million (30 September 2014: £64.2 million, 31 March 2015: £82.8 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £0.8 million (30 September 2014: £0.5 million, 31 March 2015: £1.7 million) have been capitalised in the period, being directly attributable to the development projects in progress.

9. Investment in joint ventures

At 30 September 2015 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	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 one asset in the period for £6.9 million (Group share: £3.5 million) and disposed of one property in Lichfield for gross proceeds of £13.3 million (Group share: £6.7 million).

The LSP Green Park Distribution joint venture disposed of its remaining distribution facility in Harlow in June 2015 for £37.2 million (Group share: £18.6 million).

The Group also disposed of 14 residential flats for £15.4 million (Group share: £6.2 million) through its 40% interest in LSP London Residential Investments in the period.

At 30 September 2015, 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 30 September 2015 was £24.5 million (Group share: £7.5 million).

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

	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Audited Year to 31 March 2015 £000
Opening balance	148,366	108,990	108,990
Additions at cost	7	35,623	44,597
Share of profit in the period	3,256	8,598	14,303
Disposals	(2,088)	–	–
Profit distributions received	(14,775)	(11,151)	(19,524)
Closing balance	134,766	142,060	148,366

All Group interests are equity accounted for in these financial statements. The Group's share of the profit after tax and net assets of its associates and joint ventures is as follows:

	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	Unaudited 30 September 2015 £000	Unaudited 30 September 2015 £000
Summarised income statement	100%	100%	100%	100%	100%	100%	Group share
Net rental income	6,140	5,812	1,297	323	–	13,572	5,522
Administration expenses	(52)	(42)	(61)	(23)	(63)	(241)	(94)
Management fees	(491)	(225)	(275)	(92)	–	(1,083)	(470)
Revaluation (deficit)/gain	(279)	1,725	(529)	–	–	917	175
Finance income	31	2	1	–	–	34	5
Finance cost	(1,790)	(1,381)	(909)	(277)	–	(4,357)	(1,807)
Movement in derivatives	(121)	(139)	66	105	–	(89)	(23)
(Loss)/profit on disposal	(145)	–	(329)	(188)	771	109	(52)
Tax	–	–	–	(5)	–	(5)	–
Profit/(loss) after tax	3,293	5,752	(739)	(157)	708	8,857	3,256
EPRA adjustments							
Revaluation deficit/(gain)	279	(1,725)	529	–	–	(917)	(175)
Movement in derivatives	121	139	(66)	(105)	–	89	23
Loss/(profit) on disposal	145	–	329	188	(771)	(109)	52
Debt and hedging early close out costs	144	–	96	138	–	378	179
EPRA earnings	3,982	4,166	149	64	(63)	8,298	3,335
Summarised balance sheet							
Investment properties	207,475	149,720	150,465	–	–	507,660	209,588
Other current assets	806	63	339	54	2	1,264	583
Cash	13,312	334	2,086	70	39	15,841	7,639
Current liabilities	(10,490)	(1,159)	(934)	(124)	(41)	(12,748)	(6,044)
Bank debt	(90,000)	(71,800)	(27,442)	–	–	(189,242)	(77,876)
Unamortised finance costs	1,283	1,366	118	–	–	2,767	1,106
Derivative financial instruments	(496)	135	(58)	–	–	(419)	(230)
Net assets	121,890	78,659	124,574	–	–	325,123	134,766
Group share	50%	30.5%	40%	50%	31.4%		
Group share of net assets	60,945	23,991	49,830	–	–	134,766	

	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	Unaudited 30 September 2014 £000	Unaudited 30 September 2014 £000
Summarised income statement	100%	100%	100%	100%	100%	100%	Group share
Net rental income	5,486	6,944	1,570	5,464	–	19,464	7,552
Administration expenses	(45)	(282)	(25)	(1)	–	(353)	(119)
Management fees	(382)	(268)	(271)	(122)	–	(1,043)	(397)
Revaluation gain/(deficit)	6,121	3,546	(225)	(176)	–	9,266	2,818
Finance income	4	4	2	1	–	11	4
Finance cost	(1,626)	(504)	(1,286)	(293)	–	(3,709)	(1,429)
Movement in derivatives	(420)	(213)	(53)	33	–	(653)	(293)
Profit/(loss) on disposal	2	3,459	(154)	–	–	3,307	462
Tax	–	–	–	(505)	–	(505)	–
Profit/(loss) after tax	9,140	12,686	(442)	4,401	–	25,785	8,598
EPRA adjustments							
Revaluation (gain)/deficit	(6,121)	(3,546)	225	176	–	(9,266)	(2,818)
Movement in derivatives	420	213	53	(33)	–	653	293
(Profit)/loss on disposal	(2)	(3,459)	154	–	–	(3,307)	(462)
EPRA earnings	3,437	5,894	(10)	4,544	–	13,865	5,611
	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	Audited 31 March 2015 £000	Audited 31 March 2015 £000
Summarised balance sheet							
Investment properties	212,430	147,995	166,134	36,878	–	563,437	236,245
Other current assets	1,448	25	336	–	24	1,833	873
Cash	21,275	1,821	2,309	1,253	979	27,637	13,051
Current liabilities	(7,544)	(1,725)	(1,153)	(640)	(1,003)	(12,065)	(5,397)
Bank debt	(102,500)	(71,800)	(42,464)	(14,890)	–	(231,654)	(97,579)
Unamortised finance costs	1,527	1,546	275	67	–	3,415	1,378
Derivative financial instruments	(375)	274	(124)	(105)	–	(330)	(205)
Net assets	126,261	78,136	125,313	22,563	–	352,273	148,366
Group share	50%	30.5%	40%	50%	31.4%		
Group share of net assets	63,131	23,829	50,125	11,281	–	148,366	

10. Trade and other receivables

	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Trade receivables	2,602	4,451	2,847
Performance fees receivable	–	2,712	–
Amounts receivable from property sales	57,640	1,188	337
Prepayments and accrued income	2,409	2,376	1,744
Other receivables	1,878	1,010	2,313
	64,529	11,737	7,241

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

Trade receivables comprise rental income which is due on contractual payment dates with no credit period.

At 30 September 2015 there were trade receivables of £311,000 which were overdue and considered at risk (30 September 2014: £469,000, 31 March 2015: £225,000). A full provision has been made against these receivables.

11. Cash and cash equivalents

Cash and cash equivalents include £6.1 million (30 September 2014: £8.0 million, 31 March 2015: £8.2 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

12. Trade and other payables

	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Trade payables	1,793	2,333	8,404
Amounts payable on property acquisitions and disposals	2,667	19,512	5,193
Rent received in advance	11,487	8,987	8,953
Accrued interest	2,803	2,852	2,772
Other payables	1,861	2,537	593
Other accruals	4,293	4,502	6,056
	24,904	40,723	31,971

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

13. Borrowings

	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Bank loans	551,170	485,717	465,450
Unamortised finance costs	(6,992)	(5,257)	(3,195)
	544,178	480,460	462,255

On 1 April 2015 the Company agreed a new £400 million unsecured revolving credit facility with a syndicate of five lending banks. The facility can be increased to £500 million and is for an initial five year term, with a two year optional extension. Debt of £355.0 million was drawn at 30 September 2015 under the new credit facility. Certain bank loans at 30 September 2015 are secured by fixed charges over Group investment properties with a carrying value of £361.1 million.

The following table shows the contractual maturity profile of the Group's bank loans on an undiscounted cashflow basis and assuming settlement on the earliest repayment date.

	Principal £000	Interest £000	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Expiry:					
Less than one year	–	18,775	18,775	16,278	16,549
One to two years	–	19,477	19,477	114,961	104,452
Two to five years	355,000	53,052	408,052	412,278	209,277
More than five years	196,170	13,725	209,895	–	206,455
	551,170	105,029	656,199	543,517	536,733

The Group is exposed to interest rate risk from the use of debt financing at a variable rate. 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.

At 30 September 2015 and including its share of joint ventures, the Group had £597 million (30 September 2014: £406 million, 31 March 2015: £451 million) of hedges in place and its debt of £629.0 million (30 September 2014: £573.3 million, 31 March 2015: £563.0 million) was 95% (30 September 2014: 71%, 31 March 2015: 80%) fixed. Including its share of joint ventures, the average interest rate at 30 September 2015 including the cost of amortising finance arrangement fees was 3.5% (30 September 2014: 3.7%, 31 March 2015: 3.7%).

Details of the fair value of the Group's derivative financial instruments that were in place at 30 September 2015 are provided below:

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2015 %	Audited 31 March 2015 %	Unaudited 30 September 2015 £000	Audited 31 March 2015 £000	Unaudited 30 September 2015 £000	Audited 31 March 2015 £000
Interest rate caps – expiry						
Less than one year	2.3	4.0	67,500	4,000	–	–
One to two years	3.0	2.3	10,000	101,000	–	3
Two to five years	2.1	2.1	126,313	126,313	352	721
More than five years	2.0	2.0	18,150	18,150	471	537
	2.2	2.2	221,963	249,463	823	1,261

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2015 %	Audited 31 March 2015 %	Unaudited 30 September 2015 £000	Audited 31 March 2015 £000	Unaudited 30 September 2015 £000	Audited 31 March 2015 £000
Interest rate swaps - expiry						
Less than one year	3.3	–	10,500	–	(156)	–
One to two years	–	2.1	–	28,084	–	(297)
Two to five years	3.0	2.3	76,313	178,420	(3,944)	(4,243)
More than five years	2.2	2.0	537,290	187,290	(10,291)	(3,591)
	2.3	2.1	624,103	393,794	(14,391)	(8,131)
Total fair value					(13,568)	(6,870)

All derivative financial instruments are non-current interest rate derivatives and are carried at fair value following a valuation as at 30 September 2015 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.

14. Share capital

	Unaudited 30 September 2015 Number	Unaudited 30 September 2015 £000	Audited 31 March 2015 Number	Audited 31 March 2015 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	628,043,905	62,804	628,043,905	62,804

In June 2015 the Company granted options over 2,303,890 ordinary shares under its Long Term Incentive Plan and Deferred Bonus Plan and 236,733 ordinary shares in the Deferred Bonus Plan vested.

15. Reserves

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

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

16. Related party transactions and balances

The beneficial interests in the ordinary shares of the Company held by the Directors and their families who were in office during the period or at the date of this report are as follows:

	Ordinary shares of 10p each 30 September 2015	Ordinary shares of 10p each 30 September 2014	Ordinary shares of 10p each 31 March 2015
<u>Executive Directors</u>			
Andrew Jones	2,292,455	2,243,479	2,243,479
Martin McGann	2,364,174	2,341,585	2,341,585
Valentine Beresford	2,140,819	2,114,036	2,114,036
Mark Stirling	1,660,557	1,592,117	1,618,574
<u>Non-Executive Directors</u>			
Patrick Vaughan	15,277,500	16,337,997	15,277,500
Charles Cayzer	–	–	–
James Dean	20,000	20,000	20,000
Alec Pelmore	120,500	120,500	120,500
Andrew Varley	47,000	47,000	47,000
Philip Watson	214,000	214,000	214,000
Rosalyn Wilton	50,000	50,000	50,000

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 September 2015 and the date of this report.

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

	Group interest	Management fees		Dividends	
		Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2014 £000
LSP Green Park Property Trust	31.4%	–	–	223	–
LPS Green Park Distribution Holdings	50.0%	92	106	11,210	124
LSP London Residential Investments	40.0%	229	226	–	2,400
Metric Income Plus Partnership	50.0%	558	382	2,074	1,882
LMP Retail Warehouse JV PUT	30.5%	226	268	1,268	6,745
		1,105	982	14,775	11,151

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

17. Post balance sheet events

On 14 October 2015 the Group disposed of Watling Retail Park in Cannock for £7.5 million.

On 12 November 2015 the Group's Retail Warehouse joint venture completed the disposal of its property in Enfield let to DFS for £24.5 million (Group share £7.5 million).

On 18 November 2015 the Group completed the acquisition of a distribution unit in Gillette Way, Reading let to DHL for £28.8 million.

On 24 November 2015 the Group agreed to forward fund the development of a new 356,000 sq ft distribution warehouse at Omega South, Warrington at a total cost of c.£30 million.

Directors' responsibility statement

The Directors are responsible for preparing the condensed set of financial statements, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- This condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union, and
- This condensed set of financial statements includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

By order of the Board

Andrew Jones

Chief Executive

Martin McGann

Finance Director

26 November 2015

Independent review report to LondonMetric Property Plc

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2015 which comprises the Group income statement, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

DELOITTE LLP

Chartered Accountants and Statutory Auditor
26 November 2015

Supplementary information

i EPRA Summary table

	30 September 2015	30 September 2014	31 March 2015
EPRA earnings	3.7p	3.4p	6.6p
EPRA net asset value	146.6p	128.8p	140.6p
EPRA triple net asset value	144.4p	128.5p	139.4p
EPRA vacancy rate	0.1%	0.3%	0.3%
EPRA cost ratio (including vacant property costs)	18%	18%	19%
EPRA cost ratio (excluding vacant property costs)	17%	16%	17%
EPRA net initial yield	4.4%	4.8%	4.9%
EPRA "topped up" net initial yield	5.5%	6.1%	5.8%

ii EPRA proportionally consolidated income statement

For the six months to 30 September	Group £000	JV £000	2015 £000	Group £000	JV £000	2014 £000
Gross rental income	31,731	5,799	37,530	28,941	7,796	36,737
Property costs	(313)	(277)	(590)	(592)	(244)	(836)
Net income	31,418	5,522	36,940	28,349	7,552	35,901
Management fees	1,105	(470)	635	982	(397)	585
Administrative costs	(6,629)	(94)	(6,723)	(6,503)	(119)	(6,622)
Net finance costs	(5,842)	(1,623)	(7,465)	(7,491)	(1,425)	(8,916)
Other	(4)	–	(4)	–	–	–
EPRA earnings	20,048	3,335	23,383	15,337	5,611	20,948

iii EPRA proportionally consolidated balance sheet

	Group £000	JV £000	30 September 2015 £000	Group £000	JV £000	31 March 2015 £000
Investment property	1,261,773	209,588	1,471,361	1,164,140	236,245	1,400,385
Gross debt	(551,170)	(77,876)	(629,046)	(465,450)	(97,579)	(563,029)
Cash	21,860	7,639	29,499	50,568	13,051	63,619
Other	47,393	(4,355)	43,038	(20,603)	(3,146)	(23,749)
EPRA net assets	779,856	134,996	914,852	728,655	148,571	877,226
Loan to value	38%	34%	37%	36%	36%	36%
Cost of debt	3.5%	3.5%	3.5%	3.7%	3.6%	3.7%
Undrawn facilities	45,000	11,250	56,250	72,191	11,250	83,441

iv EPRA cost ratio

	2015 £000	2014 £000
For the six months to 30 September		
Property operating expenses	313	592
Administration expenses	6,629	6,503
Share of joint venture property operating, administration expenses and management fees	841	760
Less:		
Joint venture property management fee income	(1,105)	(982)
Ground rents	(24)	(94)
Total costs including vacant property costs (A)	6,654	6,779
Group vacant property costs	(132)	(850)
Share of joint venture vacant property costs	(142)	(159)
Total costs excluding vacant property costs (B)	6,380	5,770
Gross rental income	31,731	28,941
Share of joint venture gross rental income	5,799	7,796
	37,530	36,737
Less:		
Ground rents	(24)	(94)
Total gross rental income (C)	37,506	36,643
Total EPRA cost ratio (including vacant property costs) (A)/(C)	18%	18%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	17%	16%

v EPRA net initial yield and “topped up” net initial yield

	30 September 2015 £000	31 March 2015 £000
Investment property – wholly-owned	1,261,773	1,164,140
Investment property – share of joint ventures	209,588	236,245
Less development properties	(108,650)	(131,095)
Less residential properties	(61,731)	(69,573)
Completed property portfolio	1,300,980	1,199,717
Allowance for:		
Estimated purchasers’ costs	75,457	69,584
Estimated costs to complete	49,838	33,754
EPRA property portfolio valuation (A)	1,426,275	1,303,055
Annualised contracted rental income	62,570	63,605
Share of joint ventures	10,409	12,222
Less development properties	(8,818)	(11,333)
Less residential properties	(1,069)	(1,140)
Annualised net rents (B)	63,092	63,354
Contractual rental increased for rent free periods	13,668	9,783
Contractual rental increases for fixed uplifts	2,096	1,855
“Topped up” net annualised rent (C)	78,856	74,992
EPRA net initial yield (B/A)	4.4%	4.9%
EPRA “topped up” net initial yield (C/A)	5.5%	5.8%

vi EPRA vacancy rate

	30 September 2015 £000	31 March 2015 £000
Annualised estimated rental value of vacant premises	108	255
Portfolio estimated rental value ¹	74,162	70,615
EPRA vacancy rate	0.1%	0.3%

¹ Excludes residential and development properties

vii EPRA capital expenditure analysis

	Group £000	JV £000	30 September 2015 £000	Group £000	JV £000	31 March 2015 £000
Opening valuation	1,164,140	236,245	1,400,385	1,030,553	189,205	1,219,758
Acquisitions	46,184	3,469	49,653	208,943	59,049	267,992
Developments	59,312	–	59,312	21,557	–	21,557
Capital expenditure	5,995	573	6,568	10,545	727	11,272
Disposals	(84,864)	(31,179)	(116,043)	(231,451)	(22,854)	(254,305)
Revaluation	47,009	175	47,184	112,393	5,982	118,375
Lease incentives	23,997	305	24,302	11,600	4,136	15,736
Closing valuation	1,261,773	209,588	1,471,361	1,164,140	236,245	1,400,385

viii Total accounting return

	30 September 2015 £000	30 September 2014 £000	31 March 2015 £000
EPRA net asset value			
– at end of year	914,852	803,932	877,226
– at start of year	877,226	756,970	756,970
Increase	37,626	46,962	120,256
Dividend paid	34,325	21,903	43,749
Increase including dividend	71,951	68,865	164,005
Total accounting return	8.2%	9.1%	21.7%

ix Portfolio split and valuation

	30 September 2015		31 March 2015	
	£m	%	£m	%
Retail	470.1	32.0	490.7	35.0
Leisure	78.5	5.3	77.1	5.5
Distribution – retail	522.7	35.5	402.2	28.7
Distribution – non retail	152.3	10.3	156.4	11.2
Office	77.4	5.3	73.3	5.2
Investment Portfolio	1,301.0	88.4	1,199.7	85.6
Development – retail	46.8	3.2	32.8	2.4
Development – distribution	61.9	4.2	98.3	7.0
Residential	61.7	4.2	69.6	5.0
	1,471.4	100.0	1,400.4	100.0
Retail (Group and JV split)				
Wholly-owned	326.8	69.5	345.3	70.4
Metric Income Plus Partnership	103.7	22.1	106.2	21.6
LMP Retail Warehouse JV Property Unit Trust	39.6	8.4	39.2	8.0
	470.1	100.0	490.7	100.0

x Investment portfolio yields

	30 September 2015			31 March 2015		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Retail	5.0	5.9	5.7	5.2	6.0	5.9
Leisure	6.1	6.1	7.1	6.1	6.2	7.4
Distribution	3.6	5.0	5.2	4.2	5.4	5.7
Office	5.9	6.1	6.3	6.3	6.3	6.2
Investment portfolio	4.4	5.5	5.6	4.9	5.8	5.9

xi Investment portfolio – Key statistics

As at 30 September 2015	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Retail	2,556	12.4	11.6	99.7	16.90
Leisure	322	21.9	21.9	100.0	15.60
Distribution – Retail	5,593	14.5	13.7	100.0	5.10
Distribution – Non Retail	1,249	11.9	11.0	100.0	6.60
Office	231	7.8	7.8	100.0	21.30
Investment portfolio	9,951	13.4	12.7	99.9	8.50
Distribution development	1,510				
Retail development	159				
Total investment & development	11,620				

xii Total property returns (%)

	All commercial property	All property	All Property	All property
	30 September 2015 %	30 September 2015 %	30 September 2014 %	31 March 2015 %
Capital return	4.2	4.0	5.7	11.1
Income return	2.7	2.6	2.9	5.8
Total return	7.0	6.7	8.8	17.5

xiii Contracted rental income

	30 September 2015 £m	30 September 2014 £m	31 March 2015 £m
Retail	31.0	33.8	31.6
Leisure	5.0	5.0	5.0
Distribution – retail	27.7	22.2	23.1
Distribution – non retail	8.3	4.6	8.8
Office	4.9	9.6	4.7
Investment portfolio	76.9	75.2	73.2
Development – retail	2.5	1.1	2.1
Development – distribution	6.3	5.5	9.2
Residential	1.0	1.2	1.1
Total portfolio	86.7	83.0	85.6

xiv Rent subject to expiry

As at 30 September 2015	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Retail	3.3	32.4	80.4	93.8	100.0
Leisure	–	–	8.9	8.9	100.0
Distribution	2.5	32.4	50.3	87.4	100.0
Office	13.4	39.2	100.0	100.0	100.0
Total investment & development portfolio	4.4	31.6	62.9	86.1	100.0

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

	30 September 2015		31 March 2015	
	£m	%	£m	%
Retail	8.3	24.7	8.3	26.4
Leisure	5.0	100.0	5.0	100.0
Distribution	25.2	59.5	16.2	50.8
Office	3.0	60.9	3.0	64.1
	41.5	48.4	32.5	44.4

xvi Top ten assets (by value¹)

As at 30 September 2015	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Primark, Islip, Northamptonshire	1,062	25.0	25.0	100%	5.00
Dixons Carphone, Newark	726	17.8	17.8	100%	5.30
Primark Distribution Centre, Thrapston	783	17.0	17.0	100%	5.10
Marlow International, Marlow	231	7.8	7.8	100%	21.30
Argos, Bedford	658	7.2	7.2	100%	5.80
Eddie Stobart, Dagenham	410	15.8	15.8	100%	7.45
Royal Mail, Daventry	273	7.9	7.9	100%	9.15
HUT, Warrington	690	15.0	15.0	100%	5.50
Marks & Spencer, Sheffield	626	8.2	5.8	100%	4.15
Kirkstall Bridge Shopping Park, Leeds	119	13.8	12.8	66%	20.45

¹ Excluding residential asset

xvii Top ten occupiers

As at 30 September 2015	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark ¹	9.3	27.6	10.9
Dixons Carphone	6.2	5.3	7.3
DFS	4.7	0.7	5.5
M&S	4.7	8.5	5.5
Odeon	4.6	Private	5.4
Argos ¹	4.1	0.8	4.7
The Hut Group	3.8	Private	4.4
B&Q ¹	3.6	8.1	4.2
Royal Mail	3.3	4.8	3.8
Eddie Stobart	3.1	Private	3.6
Top 10	47.4		55.3
Other commercial income	38.3		44.7
Total commercial	85.7		100.0
Residential	1.0		
Total Group	86.7		

¹ Market capitalisation of parent company

Definitions

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 adjusting for the inclusion of rent free periods

Cost of debt

Weighted average interest rate payable

Debt maturity

Weighted average period to expiry of drawn debt

EPRA Cost Ratio

Total operating costs 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 Like for Like Income Growth

The movement in rental income on properties owned throughout the current and previous periods under review. The movement includes revenue recognition and lease accounting adjustments but excludes properties held for development and residential

EPRA NAV per Share

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

EPRA NNNAV per Share

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

EPRA net initial yield

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

EPRA topped up net initial yield

EPRA net initial yield adjusted for expiration or 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 income 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)

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

Loan to Value (LTV)

Net debt expressed as a percentage of the total value of investment and development properties and including residential assets

Net Rental Income

The rental income receivable after deduction for ground rents and other net property outgoings including void costs and net service charge expenses

Occupancy Rate

The ERV of the let units as a percentage of the total ERV of the investment portfolio

Omni Channel Retailing

The evolution of multi channel retailing providing a seamless shopping experience for the consumer through all available shopping channels, ie physical, internet, mobile, social media, telephone, catalogue 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 per share between the periods plus the dividend per share paid during the year expressed as a percentage of the EPRA NAV per share at the beginning of the period

Total Property Return (TPR)

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

Weighted Average Interest Rate

The total loan interest and derivative costs per annum (including the amortisation of finance costs) at the period end 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 net rental income

Yield Shift

The movement in the yield of the property over a given period. Yield compression is a commonly used term for a reduction in yields