

**LONDONMETRIC PROPERTY PLC**  
 (“LondonMetric” or the “Group” or the “Company”)  
**HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**  
**STRONG INCOME GROWTH DELIVERS OUTPERFORMANCE**

LondonMetric today announces its half yearly results for the six months ended 30 September 2016.

<b>Income Statement</b>	<b>30 Sept 2016</b>	<b>30 Sept 2015</b>
EPRA Earnings (£m)	25.3	23.4
EPRA EPS (p)	4.0	3.7
Reported (Loss)/ Profit (£m)	(13.1)	64.3
Net rental income (£m) <sup>1</sup>	39.7	36.9
Dividend per share (p)	3.6	3.5
<b>Balance Sheet</b>	<b>30 Sept 2016</b>	<b>31 March 2016</b>
EPRA NAV per share (p)	143.0	147.7
Net borrowing (£m) <sup>1</sup>	590.7	591.2
LTV (%) <sup>1</sup>	36	38

<sup>1</sup> Including share of Joint Ventures

**EPRA earnings of £25.3 million or 4.0p per share, up 8%**

- Net rental income up 8% to £39.7 million

**Dividend grown to 3.6p, up 3%**

- Second quarterly interim dividend declared today of 1.8p with scrip alternative
- Dividend cover increased to 112% with further progression expected in final quarter

**EPRA NAV of 143.0p (FY 16: 147.7p)**

- Portfolio revaluation deficit<sup>1</sup> of £23.0 million, contributing to a reported loss of £13.1 million
- Property total return of 1.5% compared to IPD of 0.2%, 130 bps outperformance
- Portfolio valued at £1,482 million, core portfolio valuation fall of 1.1%

**Distribution weighting up to 58.5% of portfolio**

- £78.4 million of retail assets sold, reducing retail park weighting to 16.8%
- £32.2 million of distribution investments acquired, with a further £47.2 million post period end

**Income growth with structural support**

- £4.0 million of new income secured from completed developments
- £2.0 million of additional income from 11 lettings and 22 rent reviews
- 1.9% like-for-like income growth on core portfolio
- Rent reviews at 4.8% above previous passing and new lettings at 2.1% above ERV

**Short cycle development activity**

- Post period end, terms agreed to let our 357,000 sq ft development in Warrington and 140,000 sq ft at our Stoke development. These two lettings represent £2.9 million additional rent

**Portfolio metrics reflect income security, reliability and growth**

- Occupancy of 98.5% and WAULT of 12.6 years (12.0 years to first break)
- 22% of rental income subject to RPI uplifts and 29% subject to fixed uplifts

**Finances strengthened and diversified by £130 million private debt placement**

- Net debt of £590.7 million (FY 16: £591.2 million) and undrawn facilities of £183.8 million
- Debt maturity of 5.7 years (FY 16: 5.6 years) and average cost of debt at 3.3% (FY 16: 3.5%)

*Andrew Jones, Chief Executive of LondonMetric, commented:*

"At a time when the political and economic outlook remains uncertain, investors are increasingly looking for predictable income returns with the security of capital preservation. We continue to focus on compounding our long and strong income and value highly the repetitive, reliable and secure nature of our rents which gives us confidence to deliver dividend progression.

"Our income is structurally supported by our investment in the winning sectors and we continue to draw on our deep occupier relationships to make the correct investment decisions and create value. We have continued to sell down our mature retail parks and have further sharpened our focus on the distribution sector which offers higher growth opportunities. In particular, we have grown our 'last mile' distribution portfolio where we are capitalising on attractive demand/supply dynamics arising from consumer delivery demands for instant gratification."

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**Meeting and audio webcast**

A meeting for investors and analysts will be held at 9.00 am today at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. A conference call dial-in is available for the meeting: +44(0)20 7026 5967 (Participant Passcode: 2660679).

For the live webcast see: <http://webcasting.brrmedia.co.uk/broadcast/583881117b884957387e782d>

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

**Notes to editors**

LondonMetric is a FTSE 250 REIT (ticker: LMP) that 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 with a total of 12 million sq ft under management, the majority of which is in distribution. It employs an occupier-led approach with a focus on strong and growing income, asset management initiatives and short cycle development. LondonMetric works closely with retailers, logistics providers and leisure operators to help meet their evolving real estate requirements.

*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.*

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## **CEO's overview**

We have delivered a robust performance over the period and continue to generate long term shareholder value through our highly repetitive, predictable and growing income streams as well as good capital returns from our asset management activities and pre-let development programme. We expect income to be the major component of total property returns over the next few years, and so are focused on an investment strategy that will deliver repetitive income, income growth and capital appreciation. This is exactly what a REIT was designed to do and gives us the confidence to further progress the dividend in the future.

Given the lack of clarity that exists in the world, we will focus on the fundamentals – the winning sectors, reliable and consistent income returns and value add opportunities. We believe that modern logistics assets benefit from structural growth with highly defensive characteristics including low obsolescence risk, high occupancy and long leases.

### **Income growth with structural support**

Our management actions over this and previous periods have ensured that we have maintained our sector leading portfolio metrics with 12.6 years average lease lengths, 98.5% occupancy and a 98.0% gross to net income ratio. These robust metrics are reflective of the quality of our tenant list, the high occupier appeal of our real estate and our strong occupier relationships.

Our core focus, therefore, is to continue to enhance the income security, reliability and growth prospects of the portfolio. We have grown EPRA earnings by 8.1% over the period as income has flowed from completed developments, asset management initiatives, as well as agreed rent reviews at 4.8% above previous passing rents. Over half of the portfolio benefits from contractual rental uplifts which will help to drive future rental growth.

We have also adopted the same approach to our financing where we have continued to lengthen and strengthen our debt facilities with new lenders and under more flexible arrangements.

### **Aligning the portfolio to changing consumer shopping patterns**

Innovation and convenience continues to influence how we live and shop. Our portfolio of assets is further aligned to those sectors that are benefiting from a fast changing world. The early move into the distribution sector to capture the benefits from the rise in online and mobile shopping has seen our distribution portfolio grow to £867.0 million by the period end, representing nearly 60% of the total portfolio. Occupational demand for distribution space, both large and small, is strong. This is likely to remain the case for the foreseeable future as retailers improve their logistics infrastructure, leading to further falls in vacancy rates and positive rental growth.

We are continuing to take further advantage of this rapid growth in online retailing and have made further investments in last mile distribution depots.

Conversely, we have continued to reduce our investment within retail parks and the London residential sector, with £82.2 million of disposals in these sectors during the half year period. The early decision to down weight our retail park portfolio has seen our exposure to this sector fall from c.30% two years ago to a little over half of that today.

These sectoral choices have meant that we have materially outperformed the wider real estate market at both an income and capital return level.

## **Outlook**

Whilst the political outlook remains uncertain and the economy faces a number of challenges, investors are increasingly looking for assets with the potential to generate stable, consistent returns whilst still offering capital preservation. The motivated selling that we witnessed for a few weeks in the immediate aftermath of the referendum vote has largely subsided and liquidity is generally returning to the property market, although not everywhere and not for everything. The impact of this market uncertainty across the sector should result in a polarisation of performances, with those assets let on long leases and benefiting from structural growth, the likely winners. Investors are being increasingly discerning in their stock selection and more accurately pricing the underlying real estate fundamentals of security, longevity and growth.

We will look to focus on our reliable income, strong free cash flow, robust balance sheet and disciplined capital allocation. We have set the portfolio up to thrive in these conditions and it has performed exactly as we had hoped and so we will continue to be drawn to the winning sectors, and use our strong customer relationships to ensure that we continue to make the right structural decisions and our real estate remains fit for purpose.

## **Investment activity**

Our investment strategy of selling mature assets within the retail parks portfolio and reinvesting into our preferred distribution sector continues to be successfully implemented. Year to date we have sold £84.2 million of retail and leisure assets and made £79.4 million of distribution acquisitions.

## **Distribution**

Our weighting towards the distribution sector continues to grow and, including assets under development, totalled £867.0 million as at 30 September 2016, representing 58.5% of the total portfolio. Our distribution investment portfolio is 100% let, has a WAULT of 12.7 years and 57.1% of rental income is subject to contractual rental uplifts; retailers account for 74% of our distribution rental income.

Large distribution warehouses let to good covenants with long leases continue to be in high demand from investors and we have remained very disciplined and resisted buying where covenant strength, location, lease lengths and expected rental growth do not meet our investment criteria. We have continued to build our larger distribution warehouse portfolio by investing in our development sites in Wakefield and Warrington. These two developments total over 880,000 sq ft and have an attractive combined yield on cost of 6.6%.

As part of our hub and spoke strategy, we continue to see good value in last mile distribution warehouses. These are increasingly critical to the distribution networks for retailers and third party logistics providers servicing their spoke operations to larger hubs. These assets are typically c.100,000 sq ft or less in size, are well located and facilitate next day and same day delivery to major cities and conurbations. Yields are up to 100bps higher than available on larger hub locations and, as demonstrated by rent reviews that we have settled this year, offer stronger rental growth prospects.

During the half year, we acquired £32.2 million of last mile warehouse investments at a NIY of 6.4%:

- 112,000 sq ft development in Crawley for £20.1 million at an anticipated 6.3% yield on cost
- 89,000 sq ft warehouse in Hemel Hempstead for £8.3m at a NIY of 6.4% let to ITAB for 8.5 years
- 41,000 sq ft warehouse in Basildon for £3.8 million at a NIY of 6.5% let to Modular Heating Group for 4.0 years.

Post period end, nine further last mile investments were acquired for £47.2 million at a yield of 6.1%:

- 382,000 sq ft portfolio across six locations for £26.0 million at a NIY of 6.5% and with a WAULT of 7.0 years
- 74,000 sq ft warehouse in Stevenage for £7.3 million at a NIY of 6.3% let to Dixons Carphone with a WAULT of 8.7 years
- 53,000 sq ft warehouse pre-let development in Crawley for £10.7 million at a yield on cost of 5.2% let to Barker & Stonehouse with a WAULT of 15.0 years
- 30,000 sq ft warehouse in Bicester for £3.2 million at a NIY of 5.9% let to DPD with a WAULT of 9.5 years.

The portfolio of last mile assets currently totals £120.1 million across 1.2 million sq ft and 19 assets, with over 60% located in the South East.

In November 2016 we disposed of our Hut Group warehouse in Warrington which we funded the development of and completed over twelve months ago. The occupier had exercised its option to purchase the asset for £53.7 million and we generated a geared IRR of c.20% from the disposal.

## **Retail**

All of our retail investment activities during the period related to disposals, which has helped to reduce our exposure to retail parks, inclusive of developments, to 16.8% of the portfolio with our long income JV assets representing 7.1%. We remain opportunistic in our retail investment activities and have continued to grow our convenience retail portfolio which now accounts for 5.4% of the portfolio.

Seven retail assets were sold in the period for £86.3 million (Group share: £78.4 million) at close to book value:

- In Newry, our 165,000 sq ft Damolly Retail Park was sold for £30.7 million at a NIY of 7.4%. During ownership, new lettings were signed with Lidl, Pets at Home, Home Bargains and Costa
- In Kings Lynn, the refurbished 74,000 sq ft Pierpoint Retail Park was sold for £24.0 million at a NIY of 5.8%. New lettings were signed with Next, B&M, DFS, Tapi, Poundland and Greggs, increasing the rental income by 47% and the WAULT from 4.3 years to 13.3 years
- In Warrington, our 20,000 sq ft Fordton Retail Park was sold for £6.6 million at a NIY of 5.4%
- Our MIPP Joint Venture sold three properties in Chatham, Bridgwater and Grimsby for £15.9 million (Group share: £8.0m) at a NIY of 5.7%

- One Odeon Cinema was sold in Taunton for £9.1 million at a NIY of 5.5%. The sale reduces our cinema ownership to seven assets which account for £3.9 million of rental income p.a., 100% of which is RPI linked, and have a WAULT of 20.7 years.

Newry and Kings Lynn were significant retail park disposals for us and represented the opportunity to monetise two of our larger retail park investments following an intense period of asset management activity. We continue to sell down our retail portfolio and, post period end, we sold our retail unit in St Albans for £5.8 million at a NIY of 6.1%.

Post period end, our MIPP Joint Venture re-invested the proceeds from the three disposals made during the period into two single let warehouses:

- a 71,000 sq ft warehouse in Hull for £9.4 million (Group Share: £4.7 million) at a NIY of 7.5%, let to B&Q with a WAULT of 12.0 years
- a 40,000 sq ft warehouse in Dartford for £9.0 million (Group Share: £4.5 million) at a NIY of 6.2%, let to Wickes who had signed a new 20 year lease shortly prior to purchase

The MIPP Joint Venture continues to see opportunities in selective high quality assets that have smaller lot sizes and offer the potential to generate stable, consistent income returns whilst providing capital protection. Following discussions with our MIPP Joint Venture partner, we have agreed to extend the term of the Joint Venture by a further three years to 2023.

We continue to pursue convenience retail opportunities although this sector remains very competitively bid. Following completion of several convenience developments recently for Aldi and M&S, this modern right rented portfolio of convenience assets has grown to £80.0 million, representing 5.4% of the portfolio, with a WAULT of 18.3 years. The convenience portfolio offers an attractive hedge against inflation with 79% of our convenience income benefiting from some form of indexation.

## Residential

At Moore House in Chelsea, our last remaining residential asset in which we have a 40% share, we continue to patiently sell down individual units. Purchaser interest has been strong over recent months and we sold eight units in the period. A further four units have been sold post period end and nine units are currently under offer. There are 70 units remaining which represents less than half of the original 149 units owned.

## Asset management

During the period, our occupier transactions generated £2.0 million of rental income uplift, achieving a 4.1% uplift against ERV. EPRA like-for-like income growth on the investment portfolio was 1.1% and 1.9% for the core portfolio, which excludes our last remaining office. ERV growth in the period was 0.6% for the core portfolio.

A summary of occupier transactions undertaken in the period is set out below.

	Area sq ft '000	No. of transactions	Net uplift in income £m	WAULT to expiry years
New lettings and re-gears	76	11	0.9	13.8
Rent reviews	3,082	22	1.1	-
<b>Total</b>	<b>3,158</b>	<b>33</b>	<b>2.0</b>	<b>-</b>

## Lettings

11 lettings were undertaken generating a rental uplift of £0.9 million at an average of £17.80 per sq ft, 2.1% above ERV and with average lease lengths of 13.8 years. The main lettings in the period were at:

- Kirkstall, where we signed lettings with Peacocks, Holland & Barrett, Shoezone and Specsavers in the period totalling 14,000 sq ft at our newly developed retail park in Leeds. The development is now 95% let
- Ipswich, where Wickes signed a 15 year lease on 21,000 sq ft at our recently acquired development site
- Tonbridge, where lettings were signed with Go-Outdoors, Jollyes and Costa on 21,000 sq ft. Including the 15 year lease signed with Home Bargains previously, the former B&Q unit is now substantially pre-let.

Post period end, we signed lettings which generated £0.4 million of additional income including at:

- Launceston, where B&M has signed a 15 year lease on 17,000 sq ft. Including a further 13,000 sq ft lettings in discussions, the former B&Q unit is pre-let
- Dartford, where Wickes has signed a 20 year lease on 40,000 sq ft at our newly acquired investment
- Marlow, where Aptos has signed a 10 year lease on 9,000 sq ft of the third floor.

Post period end, we have also agreed terms to let our completed 357,000 sq ft distribution development in Warrington and 140,000 sq ft of our 270,000 sq ft distribution warehouse development in Stoke.

## Rent reviews

During the period, we agreed 22 rent reviews, including fixed uplifts, across 3.1 million sq ft at 4.8% above previous passing and 4.3% above ERV. Post period end, we have settled a further seven rent reviews across 950,000 sq ft.

Our distribution assets are benefiting from strong rental growth and, year to date, we have settled eight logistics rent reviews at 5.0% above previous passing and 3.5% above ERV. Three of these reviews related to open market settlements on last mile and regional warehouses where, across 354,000 sq ft, the average uplift was 16.2% above previous passing. The remaining reviews were RPI or fixed uplifts, four of which were annual uplifts and the other a five yearly review.

On our retail and leisure assets, year to date, we have settled 21 rent reviews at 2.4% above previous passing and 6.7% above ERV. The majority of these reviews were RPI linked rent reviews although we did settle six open market reviews at 2.7% above previous passing.

## Valuation

Despite the uncertainty seen during the period, the resilience and quality of our assets limited the revaluation impact. Our core portfolio valuation was 1.1% lower, benefiting from our distribution assets which held up strongly, falling by only 0.6%. The attractive fundamentals of the distribution sector led to robust investor demand during the period, and transactional evidence since suggests investor demand remains strong.

Our retail and leisure portfolio saw moderate softening, falling by 2.1%, albeit significantly outperforming the comparative IPD retail measure by 90 bps. Performance was polarised with larger retail parks falling 3.2% whilst our convenience, leisure and single let retail assets held up well, falling only 0.7%. The long lease lengths and attractive lot sizes of our retail portfolio gives us confidence in our valuations, as evidenced by our recent retail disposals where aggregate pricing was close to March 2016 book value.

Our last two non-core buildings at Moore House and Marlow saw more of an adverse valuation impact. Our office in Marlow was the worst performer, falling by 9.6%. We continue to let up the vacant third floor and closely monitor the South East office market to determine the best timing for disposal. Our residential building in Chelsea was also impacted and our residential valuations fell by 5.7%, although we continue to make good progress in selling the remaining units with 12 sold since 31 March 2016.

Overall, the valuation of the total portfolio was 1.5% lower. Against IPD all property, however, we significantly outperformed by 80 bps.

## Short Cycle Developments

Following the completion of 1.9 million sq ft of developments in FY 16, we successfully completed 615,000 sq ft of further developments in the period representing £4.0 million of additional income.

Excluding developments completed post period end, committed and pipeline developments currently total 1.2 million sq ft. We continue to de-risk our pipeline developments and we are also in discussions with several occupiers on redevelopment, regear and extension opportunities across the existing distribution warehouse estate.

We were delighted to have received the 2016 Winners Award for “Deal of the Year over 250,000 sq ft” from the Industrial Agents Society (IAS) for our one million sq ft Primark development in Islip which completed last year.



## Development Summary

Scheme	Tenants	Area sq ft '000	Additional rent £m	Yield on cost %	Expected PC date
<b>Completed in period</b>					
Wakefield	Poundworld	527	2.5	6.3	Sept 16
Liverpool	M&S, Aldi	29	0.5	5.9	July 16
Leicester	Home Bargains, Smyths Toys	29	0.4	7.4	July 16
Leicester	Aldi	19	0.3	5.7	Aug 16
Ferndown	M&S	11	0.3	5.4	May 16
		<b>615</b>	<b>4.0</b>	<b>6.3</b>	
<b>Committed</b>					
Warrington <sup>1</sup>	Terms agreed to let property	357	2.1	7.0	Nov 16
Kings Lynn <sup>1,3</sup>	Next, DFS, B&M, Tapi	64	1.0	11.3	Oct 16
Crawley	Barker & Stonehouse	53	0.6	5.2	Mar 17
Tonbridge	Home Bargains, Jollyes, Go-Outdoors	53	0.3	6.3	Q3 17
Ipswich <sup>2</sup>	Wickes	31	0.6	7.3	Q3 17
Tonbridge <sup>1</sup>	M&S, Halfords	18	0.4	10.1	Oct 16
Coventry	Aldi	18	0.3	7.9	Feb 17
Loughborough	Morrisons	12	0.5	5.1	Dec 16
		<b>606</b>	<b>5.8</b>	<b>7.2</b>	
<b>Pipeline</b>					
Bedford <sup>2</sup>	In discussions	660	4.3	7.0	2017/18
Stoke <sup>2</sup>	Terms agreed to let 140,000 sq ft	270	1.4	6.3	2017/18
Crawley <sup>2</sup>	In discussions	112	1.3	6.3	Q4 17
Launceston <sup>2</sup>	B&M and two tenants in legals	30	0.2	5.9	Q4 17
		<b>1,072</b>	<b>7.2</b>	<b>6.7</b>	

<sup>1</sup> Completed post period end

<sup>2</sup> Based on anticipated rents

<sup>3</sup> Sold in the period

## Distribution developments

### Bedford

The site has planning for up to 700,000 sq ft. Discussions are ongoing with the council over final matters and the land is expected to be acquired in the second quarter of 2017. Occupier demand remains strong and we are in discussions to let over half the space.

### Stoke

Planning consent for 270,000 sq ft was received earlier in the year and demolition work is expected to complete in December 2016. Terms have been agreed to let 140,000 sq ft of the proposed two unit scheme.

### Crawley

Planning is expected by December 2016 for the development of 112,000 sq ft, where work is expected to commence during the first quarter of 2017 and complete in the fourth quarter.

### Crawley

Construction of the 53,000 sq ft pre-let development is expected to complete in March 2017.

## **Retail developments**

### **Tonbridge**

The Halfords downsize was completed in October 2016 and M&S have now taken occupation. Planning consent to split and extend the former B&Q unit to 53,000 sq ft has been received and construction works are due to commence shortly with practical completion expected in the third quarter of 2017.

### **Ipswich**

Revised planning consent for the 31,000 sq ft development on the former Tesco site has been received. Construction is expected to complete in Autumn 2017 and discussions are ongoing with potential occupiers for the remaining 10,000 sq ft.

### **Coventry**

Development of the 18,000 sq ft Aldi store at the Airport Retail Park is expected to complete in February 2017. Planning has been received for a new Costa unit which is expected to be built by June 2017.

### **Loughborough**

Extension works to the Morrisons store is expected to complete in December 2016.

### **Launceston**

Planning has been submitted for the subdivision and refurbishment of the former B&Q unit and is expected to be approved at the start of 2017 with construction expected to complete by the end of 2017.

## Financial review

The growth in secure and sustainable income across the portfolio in particular in our preferred distribution sector, has delivered earnings growth in the period and we have significantly strengthened and diversified our financing position.

EPRA earnings and other performance measures are presented as alternatives to IFRS equivalent measures as they highlight the Group's underlying recurring performance. In addition, 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 have increased by 8.1% to £25.3 million or 4.0p per share, compared with £23.4 million or 3.7p last half year. Our dividend for the period of 3.6p per share comprises two quarterly payments of 1.8p per share and was 112% covered by EPRA earnings.

The reported loss of £13.1 million reflects a revaluation deficit in the period of £23.0 million and an adverse movement in the fair value of derivatives and debt break costs of £13.1 million.

EPRA NAV is £894.2 million or 143.0p per share, a decrease of 3.0% in the period since March 2016.

Our financial position and liquidity has been strengthened by a new £130 million private debt placement which we entered into in September, diversifying our funding sources and providing capacity for further investment into our preferred logistics sector.

Our financing ratios have improved, with LTV and the average cost of debt both falling to 36% (FY 16: 38%) and 3.3% (FY 16: 3.5%) respectively, complemented by average loan maturity and undrawn debt facilities both increasing to 5.7 years (FY 16: 5.6 years) and £183.8 million (FY 16: £69.9 million) respectively.

## Income statement

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

For the six months to 30 September	Group £m	JV £m	2016 £m	Group £m	JV £m	2015 £m
Gross rental income	<b>36.0</b>	<b>4.5</b>	<b>40.5</b>	31.7	5.8	37.5
Property costs	<b>(0.6)</b>	<b>(0.2)</b>	<b>(0.8)</b>	(0.3)	(0.3)	(0.6)
Net rental income	<b>35.4</b>	<b>4.3</b>	<b>39.7</b>	31.4	5.5	36.9
Management fees	<b>0.9</b>	<b>(0.4)</b>	<b>0.5</b>	1.1	(0.5)	0.6
Administrative costs	<b>(6.7)</b>	–	<b>(6.7)</b>	(6.6)	(0.1)	(6.7)
Net finance costs	<b>(7.1)</b>	<b>(1.1)</b>	<b>(8.2)</b>	(5.8)	(1.6)	(7.4)
<b>EPRA earnings</b>	<b>22.5</b>	<b>2.8</b>	<b>25.3</b>	20.1	3.3	23.4

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

	£m	p
EPRA earnings 2015	23.4	3.7
Net rental income	2.8	0.4
Administrative costs	(0.1)	–
Net finance costs	(0.8)	(0.1)
<b>EPRA earnings 2016</b>	<b>25.3</b>	<b>4.0</b>

## Net rental income

Net rental income increased 7.6% to £39.7 million. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2015	36.9
Like for like properties	0.5
Developments	4.4
Acquisitions	3.0
Disposals	(4.9)
Property costs	(0.2)
<b>Net rental income 2016</b>	<b>39.7</b>

The £3.0 million increase in rental income over the period was due to like for like growth and income from completed developments over the last 18 months, more than offsetting the impact of net sales.

Property costs have increased marginally by £0.2 million due to increased vacant unit costs associated with asset management and development activity. Our gross to net income ratio of 98% remains strong.

## Administrative costs and EPRA cost ratio

Administrative costs net of management fees in the period were £6.2 million (2015: £6.1 million). Staff costs of £0.9 million (2015: £0.8 million) have been capitalised in respect of time spent on development activity.

The Group's cost base continues to be closely monitored and the EPRA cost ratio is used as a key measure of effective cost management. The full calculation is shown in Supplementary note iv.

	2016	2015
For the six months to 30 September	%	%
EPRA cost ratio including direct vacancy costs	<b>17</b>	18
EPRA cost ratio excluding direct vacancy costs	<b>16</b>	17

## 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 £8.2 million, an increase of £0.8 million over the previous period. This was due to increased bank interest costs associated with higher levels of debt, commitment fees on undrawn facilities and a reduction in the amount of interest capitalised on development projects, offset by an increase in interest receivable from forward funded developments. The movements are shown in note 4 to the accounts. Underlying debt increased by £20.9 million between September 2015 and September 2016.

Our interest rate exposure is hedged by a combination of fixed and forward starting interest rate swaps and caps. Independent advice is given by J C Rathbone Associates.

## Share of joint ventures

EPRA earnings from joint venture investments were £2.8 million, a reduction of £0.5 million over the comparative period due to the impact of disposals as reflected in the table below.

For the six months to 30 September	2016 £m	2015 £m
MIPP	1.6	2.0
Retail Warehouse	1.1	1.3
Residential	0.1	–
	<b>2.8</b>	<b>3.3</b>

In addition the Group received management fees of £0.9 million for acting as property advisor to each of its joint ventures. The Group's MIPP joint venture disposed of three retail assets in the period and its residential joint venture sold a further eight flats at Moore House, London.

## IFRS reported profit

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

For the six months to 30 September	Group £m	JV £m	2016 £m	Group £m	JV £m	2015 £m
EPRA earnings	22.5	2.8	25.3	20.1	3.3	23.4
Revaluation of investment property	(17.9)	(5.1)	(23.0)	47.0	0.2	47.2
Fair value of derivatives	(9.4)	(0.1)	(9.5)	(6.7)	–	(6.7)
Debt and hedging early close out costs	(3.5)	(0.1)	(3.6)	(0.1)	(0.2)	(0.3)
(Loss)/profit on disposal	(1.6)	(0.5)	(2.1)	1.0	(0.1)	0.9
Other items <sup>1</sup>	(0.2)	–	(0.2)	(0.2)	–	(0.2)
<b>IFRS reported (loss)/profit</b>	<b>(10.1)</b>	<b>(3.0)</b>	<b>(13.1)</b>	61.1	3.2	64.3

<sup>1</sup> Other items include amortisation of intangible assets

The Group's reported loss was £13.1 million compared with a profit of £64.3 million in the previous comparative period. The adverse movement was due primarily to the property revaluation deficit of £23.0 million compared with a surplus of £47.2 million in the previous period.

In addition, the reduction in interest rates post the EU referendum has further increased our exposure to out of the money swaps. In April 2016 we bought down £66.3 million of legacy out of the money interest rate swaps at a cost of £3.5 million as reflected in the table above as debt close out costs.

## Balance sheet

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

As at	30 September			Group £m	JV £m	31 March 2016 £m
	Group £m	JV £m	2016 £m			
Investment property	1,324.7	157.7	1,482.4	1,346.2	174.7	1,520.9
Gross debt	(591.2)	(58.7)	(649.9)	(575.0)	(62.9)	(637.9)
Cash	48.9	10.3	59.2	42.6	4.1	46.7
Other net assets/(liabilities)	1.4	1.1	2.5	(11.7)	4.1	(7.6)
<b>EPRA net assets</b>	<b>783.8</b>	<b>110.4</b>	<b>894.2</b>	802.1	120.0	922.1

EPRA net assets have decreased £27.9 million or 3.0% since March 2016 to £894.2 million. The movement in the year is summarised below.

	EPRA Net Assets £m	EPRA NAV per share p
At 1 April 2016	922.1	147.7
EPRA earnings	25.3	4.0
Ordinary dividend paid	(23.4)	(3.8)
Property revaluation	(23.0)	(3.7)
Other movements <sup>1</sup>	(6.8)	(1.2)
<b>At 30 September 2016</b>	<b>894.2</b>	<b>143.0</b>

<sup>1</sup> Other movements include loss on sales (£2.1m), debt/hedging break costs (£3.6m), other movements (£1.1m)

## Portfolio valuation

The Group's portfolio valuation including its share of joint venture properties at 30 September 2016 was £1,482.4 million, a reduction of £38.5 million over the six months. This was a result of net divestment of assets and the adverse valuation movement. The 1.5% decline in our property valuation demonstrates the resilience of our portfolio compared with the wider property market as measured by IPD. This is discussed in more detail in the Asset Management review.

	30 September 2016 £m	30 September 2016 %	31 March 2016 £m	31 March 2016 %
As at				
Distribution	832.0	56.1	784.4	35.7
Retail	490.0	33.1	543.8	51.6
Core Portfolio	1,322.0	89.2	1,328.2	87.3
Offices	72.3	4.8	80.2	5.3
Residential	48.8	3.3	55.9	3.7
Development <sup>1</sup>	39.3	2.7	56.6	3.7
<b>Property value</b>	<b>1,482.4</b>	<b>100.0</b>	<b>1,520.9</b>	<b>100.00</b>

<sup>1</sup> Distribution £35.0 million; Retail £4.3 million (FY 16: Distribution £40.0 million; Retail £16.6 million)

Investment in distribution assets, including those under development, has increased to 58.5% of the portfolio from 54.2% last year as reflected in Supplementary note ix.

Investment in development assets at the period end has fallen as four forward funded developments at Ferndown, Liverpool, Leicester and Wakefield have completed and been reclassified as investment property. Total development expenditure was £38.0 million, of which £15.7 million was in respect of these assets. In addition the Group acquired land at Crawley for £7.6 million and completed its remaining forward funded development at Warrington incurring expenditure of £11.9 million in the period.

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

	Portfolio value £m
Valuation as at 1 April 2016	1,520.9
Acquisitions	12.9
Developments	38.0
Capital expenditure on completed properties	12.8
Disposals	(80.0)
Revaluation	(23.0)
Lease incentives	0.8
<b>Valuation as at 30 September 2016</b>	<b>1,482.4</b>

Further detail on the split between Group and joint venture movements can be found in Supplementary note vii.

Seven retail assets were disposed of in the period generating gross proceeds of £78.4 million for the Group. A further eight residential flats were sold for £3.8 million at share. The associated carrying value of investment property reduced by £80.0 million as a result of the disposals. Included within the trade and other receivables balance of £27.5 million on the Group balance sheet is £24.0 million due on completion of the sale of Pierpoint Retail Park in King's Lynn.

Last year, the occupier at our recently completed development in Warrington exercised its option to purchase the asset for £53.7 million. This disposal completed in November 2016 and has been reflected as a transaction in the second half of the year.

## Financing

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

As at	30 September 2016 £m	31 March 2016 £m
Gross debt	<b>649.9</b>	637.9
Cash	<b>59.2</b>	46.7
Net debt	<b>590.7</b>	591.2
Loan to value <sup>1</sup>	<b>36%</b>	38%
Cost of debt <sup>2</sup>	<b>3.3%</b>	3.5%
Undrawn facilities	<b>183.8</b>	69.9
Average debt maturity	<b>5.7 years</b>	5.6 years

1 At 30 September 2016, LTV includes £72.6 million of deferred consideration receivable on sales at King's Lynn (£18.9 million)<sup>3</sup> and Warrington (£53.7 million) and excludes the value of Warrington of £53.7 million.

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

3 Gross proceeds of £24.0 million less capital commitments of £5.1 million

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

Net debt on a proportionately consolidated basis at 30 September 2016 was £590.7 million in line with March 2016.

In September 2016 the Group entered into a £130 million private placement at a blended coupon of 2.7% and a weighted average maturity of 8.3 years. The proceeds were used to repay the Group's existing unsecured debt, which remains available to draw in full. This improved the Group's debt maturity at the Half Year to 5.7 years (FY 16: 5.6 years) and substantially increased the Group's undrawn facilities by 163% to £183.8 million.

The other key financial ratios remain strong. Average debt cost has fallen to 3.3% (FY 16: 3.5%) and loan to value net of cash resources and deferred consideration on sales which completed post period end was 36% (FY 16: 38%).

The Group's share of joint venture gross debt has fallen by £4.2 million or 6.7% since last year as a result of sales of MIPP retail assets and residential flats at Moore House. The Moore House debt facility with RBS was extended by one year in August 2016.

At 30 September 2016, the Group had hedged 105% of its exposure to interest rate fluctuations by way of current and forward starting swaps and caps. This reduces to 82% as debt facilities are fully utilised.

## **Key risks and uncertainties**

### **Managing risk**

The strategic priorities for the business continue to be the delivery of sustainable, 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 Managing Risk section on pages 36 to 43 of the 2016 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. Significant changes to the risks being faced by the business since publication of the 2016 Annual Report are highlighted below.

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

### **Corporate risks**

#### **Corporate strategy**

The Company's strategy may be inappropriate for the current stage of the property cycle and the economic climate and as a result it may not be able to take advantage of opportunities and effectively manage threats or ensure that it has the right people, resources and systems in place.

#### **Economic and political outlook**

Risks from external factors may lead to a downturn in the economy or specific industry sector turbulence resulting in poorer than expected performance.

Following the result of the referendum vote in June and the US election in November the Board considers political and economic uncertainty to have increased.

#### **Human resources**

There may be an inability to attract, motivate and retain high calibre skilled staff which could jeopardise the delivery of the Company's strategy.

#### **Systems, processes and financial management**

Controls for safeguarding assets and supporting strategy may not be robust.

#### **Regulatory and tax framework**

Non-compliance with legal or regulatory obligations including planning, environmental, health and safety and tax could result in increased costs, impact the letting prospects of an asset, damage corporate reputation and investor demand in the Company.



## **Property and transactional risks**

### **Investment risk**

The Company may be unable to source investment opportunities at attractive prices and recycle capital into value enhancing and earnings accretive investments.

### **Development risk**

Excessive capital could be allocated to activities which carry development risk. Developments may fail to deliver expected returns due to inconsistent timing with the economic cycle, adverse letting conditions, increased costs, planning or construction delays.

### **Valuation risk**

Property values may not be realised which would impact the Group's NAV and put pressure on loan covenants. This risk is inherent to the property industry.

Increased political and economic uncertainty following the EU referendum outcome and US election result has increased this risk. The Company's resilient portfolio metrics have protected it to date from the larger valuation declines experienced by some of its industry peers. There is a continuing intention to reduce the Group's exposure to non core and retail park assets.

### **Transaction and tenant risk**

Property purchases may be inconsistent with strategy. Inadequate due diligence may be undertaken. Tenant default and failure to let vacant units could reduce earnings and dividend cover and if material put pressure on loan covenants.

## **Financing risks**

### **Capital and finance risk**

The Company may have insufficient funds and credit available to it to enable it to fund investment opportunities and implement strategy.

The £130 million private debt placement completed in September provides additional funding capacity for the Company.

## Group income statement

	Note	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Gross rental income		<b>36,033</b>	31,731	67,948
Property operating expenses		<b>(617)</b>	(313)	(830)
<b>Net rental income</b>	<b>3</b>	<b>35,416</b>	31,418	67,118
Property advisory fee income		<b>900</b>	1,105	2,191
Net income		<b>36,316</b>	32,523	69,309
Administrative costs		<b>(6,735)</b>	(6,629)	(13,636)
Amortisation of intangible asset		<b>(147)</b>	(161)	(315)
<b>Total administrative costs</b>		<b>(6,882)</b>	(6,790)	(13,951)
(Loss)/profit on revaluation of investment properties	8	<b>(17,896)</b>	47,009	51,063
(Loss)/profit on sale of investment properties		<b>(1,558)</b>	953	2,359
Share of (loss)/profit of joint ventures	9	<b>(3,004)</b>	3,256	4,528
<b>Operating profit</b>		<b>6,976</b>	76,951	113,308
Finance income		<b>1,386</b>	988	2,182
Finance costs	4	<b>(21,441)</b>	(13,598)	(32,748)
<b>(Loss)/profit before tax</b>		<b>(13,079)</b>	64,341	82,742
Taxation	5	<b>(15)</b>	(4)	(18)
<b>(Loss)/profit for the period and total comprehensive income</b>		<b>(13,094)</b>	64,337	82,724
<b>Earnings per share</b>				
Basic and diluted	7	<b>(2.1)p</b>	10.3p	13.3p
EPRA	7	<b>4.0p</b>	3.7p	7.8p

All amounts relate to continuing activities

## Group balance sheet

	Note	Unaudited 30 September 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
<b>Non current assets</b>				
Investment properties	8	1,324,755	1,261,773	1,346,110
Investment in equity accounted joint ventures	9	110,418	134,766	119,666
Intangible asset		36	336	182
Other tangible assets		340	440	392
		<b>1,435,549</b>	1,397,315	1,466,350
<b>Current assets</b>				
Trade and other receivables	10	27,532	64,529	16,049
Cash and cash equivalents	11	48,914	21,860	42,621
		<b>76,446</b>	86,389	58,670
<b>Total assets</b>		<b>1,511,995</b>	1,483,704	1,525,020
<b>Current liabilities</b>				
Trade and other payables	12	33,530	24,904	35,343
<b>Non current liabilities</b>				
Borrowings	13	584,627	544,178	567,910
Derivative financial instruments	13	32,989	13,568	23,570
		<b>617,616</b>	557,746	591,480
<b>Total liabilities</b>		<b>651,146</b>	582,650	626,823
<b>Net assets</b>		<b>860,849</b>	901,054	898,197
<b>Equity</b>				
Called up share capital	14	62,804	62,804	62,804
Capital redemption reserve	15	9,636	9,636	9,636
Other reserve	15	224,445	223,137	222,936
Retained earnings	15	563,964	605,477	602,821
<b>Equity shareholders' funds</b>		<b>860,849</b>	901,054	898,197
<b>Net asset value per share</b>	7	<b>137.6p</b>	144.4p	143.9p
<b>EPRA net asset value per share</b>	7	<b>143.0p</b>	146.6p	147.7p

## Group statement of changes in equity

Six months ended 30 September 2016 (Unaudited)

	Note	Share capital £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2016		62,804	9,636	222,936	602,821	898,197
Loss for the period and total comprehensive income		–	–	–	(13,094)	(13,094)
Purchase of shares held in trust		–	–	(2,124)	–	(2,124)
Vesting of shares held in trust		–	–	3,633	(3,590)	43
Share-based awards		–	–	–	1,231	1,231
Dividends paid	6	–	–	–	(23,404)	(23,404)
<b>At 30 September 2016</b>		<b>62,804</b>	<b>9,636</b>	<b>224,445</b>	<b>563,964</b>	<b>860,849</b>

Year ended 31 March 2016 (Audited)

	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 year and total comprehensive income		–	–	–	82,724	82,724
Purchase of shares held in trust		–	–	(419)	–	(419)
Vesting of shares held in trust		–	–	294	12	306
Share-based awards		–	–	–	1,606	1,606
Dividends paid	6	–	–	–	(56,171)	(56,171)
<b>At 31 March 2016</b>		<b>62,804</b>	<b>9,636</b>	<b>222,936</b>	<b>602,821</b>	<b>898,197</b>

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)
<b>At 30 September 2015</b>		<b>62,804</b>	<b>9,636</b>	<b>223,137</b>	<b>605,477</b>	<b>901,054</b>

## Group cash flow statement

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax	(13,079)	64,341	82,742
<b>Adjustments for non-cash items:</b>			
Loss/(profit) on revaluation of investment properties	17,896	(47,009)	(51,063)
Loss/(profit) on sale of investment properties	1,558	(953)	(2,359)
Share of post-tax loss/(profit) of joint ventures	3,004	(3,256)	(4,528)
Movement in lease incentives	417	(3,131)	(5,173)
Share-based payment amortisation	1,231	803	1,606
Amortisation of intangible asset	147	161	315
Net finance costs	20,055	12,610	30,566
Cash flows from operations before changes in working capital	31,229	23,566	52,106
Change in trade and other receivables	1,365	65	2,360
Change in trade and other payables	1,013	(5,876)	(165)
Cash flows from operations	33,607	17,755	54,301
Interest received	40	988	50
Interest paid	(8,783)	(5,397)	(16,516)
Tax paid	(3)	(4)	(8)
Financial arrangement fees and break costs	(4,476)	(5,269)	(6,960)
<b>Cash flows from operating activities</b>	<b>20,385</b>	<b>8,073</b>	<b>30,867</b>
<b>Investing activities</b>			
Purchase of investment properties	(50,891)	(79,499)	(179,000)
Purchase of other tangible assets	–	(55)	(60)
Capital expenditure on investment properties	(14,358)	(36,228)	(43,584)
Lease incentives paid	(1,506)	(20,866)	(26,006)
Sale of investment properties	55,723	30,224	123,353
Investments in joint ventures	(200)	(7)	(10)
Distributions from joint ventures	6,444	16,863	33,238
<b>Cash flow from investing activities</b>	<b>(4,788)</b>	<b>(89,568)</b>	<b>(92,069)</b>
<b>Financing activities</b>			
Dividends paid	(23,404)	(33,021)	(56,171)
Purchase of shares held in trust	(2,124)	(218)	(419)
Vesting of shares held in trust	43	306	306
New borrowings	146,181	373,276	478,275
Repayment of loan facilities	(130,000)	(287,556)	(368,736)
<b>Cash flows from financing activities</b>	<b>(9,304)</b>	<b>52,787</b>	<b>53,255</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,293</b>	<b>(28,708)</b>	<b>(7,947)</b>
Opening cash and cash equivalents	42,621	50,568	50,568
<b>Closing cash and cash equivalents</b>	<b>48,914</b>	<b>21,860</b>	<b>42,621</b>

# 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 2016 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 2016 and in accordance with those the Group expects to be applicable at 31 March 2017.

Amendments to existing standards including IFRS 10, IFRS 11, IFRS 12, IAS 1, IAS 16, IAS 27, IAS28 and IAS 38 (amendments) and Annual Improvements to IFRSs: 2012 – 2014 which came into effect during 2016 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 29 November 2016.

### Going concern

The Group's business activities, together with the factors affecting its performance, position and future development are set out in the CEO's Overview, Investment Activity and Asset Management reports. 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 requirements and the maturity profile of its undrawn facilities. 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 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Distribution	825,960	6,054	<b>832,014</b>	674,958	784,408
Retail	385,570	104,397	<b>489,967</b>	548,622	543,798
Offices	72,300	–	<b>72,300</b>	77,400	80,200
Residential	1,645	47,200	<b>48,845</b>	61,731	55,895
Development	39,280	–	<b>39,280</b>	108,650	56,550
	<b>1,324,755</b>	<b>157,651</b>	<b>1,482,406</b>	<b>1,471,361</b>	<b>1,520,851</b>

### Gross rental income

	100% owned £000	Share of JV £000	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Distribution	21,498	206	<b>21,704</b>	16,828	37,835
Retail	12,447	3,772	<b>16,219</b>	17,683	35,178
Offices	2,018	–	<b>2,018</b>	2,045	4,471
Residential	38	528	<b>566</b>	781	1,468
Development	32	–	<b>32</b>	193	80
	<b>36,033</b>	<b>4,506</b>	<b>40,539</b>	<b>37,530</b>	<b>79,032</b>

### Net rental income

	100% owned £000	Share of JV £000	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Distribution	21,442	205	<b>21,647</b>	16,803	37,688
Retail	12,004	3,738	<b>15,742</b>	17,366	34,469
Offices	1,910	–	<b>1,910</b>	2,034	4,434
Residential	28	342	<b>370</b>	549	1,014
Development	32	–	<b>32</b>	188	82
	<b>35,416</b>	<b>4,285</b>	<b>39,701</b>	<b>36,940</b>	<b>77,687</b>

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 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Gross rental income	<b>36,033</b>	31,731	67,948
Property operating expenses	<b>(617)</b>	(313)	(830)
	<b>35,416</b>	<b>31,418</b>	<b>67,118</b>

For the six months to 30 September 2016 14% of the Group's gross rental income was receivable from one tenant. For the comparative period to 30 September 2015 11% of the Group's gross rental income was receivable from one tenant and for the year to 31 March 2016 22% of the Group's gross rental income was receivable from two tenants.

#### 4. Finance costs

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Interest payable on bank loans and related derivatives	8,245	7,195	15,641
Debt and hedging early close out costs	3,514	70	77
Amortisation of loan issue costs	681	681	1,404
Commitment fees and other finance costs	817	721	1,595
Total borrowing costs	13,257	8,667	18,717
Less amounts capitalised on developments	(1,235)	(1,767)	(2,669)
Net borrowing costs	12,022	6,900	16,048
Fair value loss on derivative financial instruments	9,419	6,698	16,700
	<b>21,441</b>	<b>13,598</b>	<b>32,748</b>

#### 5. Taxation

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
The tax charge comprises:			
<b>Current tax</b>			
Current tax charge on profit	15	4	18

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

#### 6. Dividends

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
<b>Ordinary dividends paid</b>			
2015 Final dividend: 3.5p per share	–	21,843	21,843
2015 Special dividend: 2.0p per share	–	12,482	12,482
2016 Interim dividend: 3.5p per share	–	–	21,846
2016 Second Interim dividend: 3.75p per share	23,404	–	–
	<b>23,404</b>	<b>34,325</b>	<b>56,171</b>
<b>Quarterly dividend paid in October 2017</b>			
2017 First quarterly Interim dividend: 1.8p per share	11,257		
<b>Quarterly dividend proposed</b>			
2017 Second quarterly Interim dividend: 1.8p per share	11,257		

The Company paid a first quarterly interim dividend in respect of the current financial year of 1.8p per share, wholly as a Property Income Distribution (PID), on 7 October 2016.

The second quarterly interim dividend for 2017 of 1.8p per share was approved by the Board on 29 November 2016 and will be paid on 11 January 2017, wholly as a PID, to ordinary shareholders on the register at the close of business on 9 December 2016.



A scrip dividend alternative was available to shareholders for the first quarterly dividend and is intended for the second quarterly payment.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the six months to 31 March 2017.

## 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 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Gross rental income	36,033	4,506	<b>40,539</b>	37,530	79,032
Property costs	(617)	(221)	<b>(838)</b>	(590)	(1,345)
Net income	35,416	4,285	<b>39,701</b>	36,940	77,687
Management fees	900	(368)	<b>532</b>	635	1,326
Administrative costs	(6,735)	(32)	<b>(6,767)</b>	(6,723)	(13,808)
Net finance costs <sup>1</sup>	(7,122)	(1,076)	<b>(8,198)</b>	(7,465)	(16,736)
Other	(15)	–	<b>(15)</b>	(4)	(18)
EPRA earnings	22,444	2,809	<b>25,253</b>	23,383	48,451

<sup>1</sup> Group net finance costs reflect net borrowing costs of £12,022,000 (note 4) less early close out costs of £3,514,000 (note 4) and finance income of £1,386,000.

The reconciliation of EPRA earnings to IFRS reported (loss)/profit can be summarised as follows:

	Group £000	JV £000	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
EPRA earnings	22,444	2,809	<b>25,253</b>	23,383	48,451
Revaluation of investment property	(17,896)	(5,140)	<b>(23,036)</b>	47,184	49,787
Fair value loss on derivatives	(9,419)	(67)	<b>(9,486)</b>	(6,721)	(16,832)
Debt/hedging early close out costs	(3,514)	(111)	<b>(3,625)</b>	(249)	(488)
(Loss)/profit on disposal	(1,558)	(495)	<b>(2,053)</b>	901	2,121
Amortisation of intangible assets	(147)	–	<b>(147)</b>	(161)	(315)
IFRS reported (loss)/profit	(10,090)	(3,004)	<b>(13,094)</b>	64,337	82,724

b) Earnings per ordinary share

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Basic and diluted (losses)/earnings	<b>(13,094)</b>	64,337	82,724
EPRA adjustments <sup>1</sup>	<b>38,347</b>	(40,954)	(34,273)
EPRA earnings	<b>25,253</b>	23,383	48,451

<sup>1</sup> Adjustments shown in table reconciling EPRA profit with IFRS reported (loss)/profit

	Unaudited Six months to 30 September 2016	Unaudited Six months to 30 September 2015	Audited Year to 31 March 2016
<i>Number of shares (in thousands)</i>			
Ordinary share capital	<b>628,044</b>	628,044	628,044
Average number of shares held in employee trust	<b>(4,044)</b>	(3,878)	(3,885)
<b>Weighted average number of ordinary shares</b>	<b>624,000</b>	624,166	624,159
<b>Basic and diluted earnings per share</b>	<b>(2.1)p</b>	10.3p	13.3p
<b>EPRA earnings per share</b>	<b>4.0p</b>	3.7p	7.8p

c) Net assets per share

	Unaudited 30 September 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Equity shareholders' funds	<b>860,849</b>	901,054	898,197
Fair value of derivatives	<b>32,989</b>	13,568	23,570
Fair value of joint ventures' derivatives	<b>404</b>	230	338
<b>EPRA net asset value</b>	<b>894,242</b>	914,852	922,105

	Unaudited Six months to 30 September 2016	Unaudited Six months to 30 September 2015	Audited Year to 31 March 2016
<i>Number of shares (in thousands)</i>			
Ordinary share capital	<b>628,044</b>	628,044	628,044
Number of shares held in employee trust	<b>(2,628)</b>	(3,860)	(3,945)
<b>Number of ordinary shares</b>	<b>625,416</b>	624,184	624,099
<b>Basic net asset value per share</b>	<b>137.6p</b>	144.4p	143.9p
<b>EPRA net asset value per share</b>	<b>143.0p</b>	146.6p	147.7p

## 8. Investment properties

	Completed £000	Under development £000	Unaudited 30 September 2016 £000	Completed £000	Under development £000	Audited 31 March 2016 £000
Opening balance	<b>1,289,560</b>	<b>56,550</b>	<b>1,346,110</b>	1,033,045	131,095	1,164,140
Acquisitions	<b>12,910</b>	<b>33,296</b>	<b>46,206</b>	109,546	70,290	179,836
Capital expenditure	<b>12,854</b>	<b>4,703</b>	<b>17,557</b>	13,720	34,665	48,385
Disposals	<b>(68,311)</b>	–	<b>(68,311)</b>	(128,493)	–	(128,493)
Property transfers	<b>58,169</b>	<b>(58,169)</b>	–	204,823	(204,823)	–
Revaluation movement	<b>(20,731)</b>	<b>2,835</b>	<b>(17,896)</b>	41,991	9,072	51,063
Tenant incentives	<b>1,024</b>	<b>65</b>	<b>1,089</b>	14,928	16,251	31,179
	<b>1,285,475</b>	<b>39,280</b>	<b>1,324,755</b>	1,289,560	56,550	1,346,110

Investment properties are held at fair value as at 30 September 2016 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 2016 was £59.5 million (30 September 2015: £7.5 million, 31 March 2016: £62.8 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 £93.5 million (30 September 2015: £68.3 million, 31 March 2016: £93.9 million). All other properties are freehold.

Included within the investment property valuation is £53.6 million (30 September 2015: £45.3 million, 31 March 2016: £52.5 million) in respect of lease incentives and rent free periods.

The historical cost of all of the Group’s investment properties at 30 September 2016 was £1,119.4 million (30 September 2015: £1,047.0 million, 31 March 2016: £1,127.9 million).

Capital commitments have been entered into amounting to £46.2 million (30 September 2015: £93.2 million, 31 March 2016: £85.5 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £0.9 million (30 September 2015: £0.8 million, 31 March 2016: £1.5 million) have been capitalised in the period, being directly attributable to the development projects in progress.

## 9. Investment in joint ventures

At 30 September 2016 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, disposed of three properties in the period for gross proceeds of £15.9 million (Group share: £8.0 million).

The Group also disposed of eight residential flats for £9.5 million (Group share: £3.8 million) through its 40% interest in LSP London Residential Investments in the period.

At 30 September 2016, 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 2016 was £7.7 million (Group share: £3.1 million) (30 September 2015: £24.5 million (Group share: £7.5 million), 31 March 2016: £17.4 million (Group share: £8.7 million)). The movement in the carrying value of joint venture interests in the period is summarised as follows:

	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000	Audited Year to 31 March 2016 £000
Opening balance	119,666	148,366	148,366
Additions at cost	200	7	10
Share of (loss)/profit in the period	(3,004)	3,256	4,528
Disposals	(3,583)	(2,088)	(14,110)
Profit distributions received	(2,861)	(14,775)	(19,128)
<b>Closing balance</b>	<b>110,418</b>	<b>134,766</b>	<b>119,666</b>

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	Unaudited 30 September 2016 £000	Unaudited 30 September 2016 £000
	100%	100%	100%	100%	Group share
<b>Summarised income statement</b>					
Gross rental income	4,936	4,950	1,320	11,206	4,506
Property costs	(61)	(13)	(465)	(539)	(221)
Net rental income	4,875	4,937	855	10,667	4,285
Administrative costs	(17)	(24)	(42)	(83)	(32)
Management fees	(385)	(192)	(292)	(869)	(368)
Revaluation	(2,198)	(3,305)	(7,582)	(13,085)	(5,140)
Finance income	24	2	1	27	13
Finance cost	(1,487)	(1,157)	(262)	(2,906)	(1,200)
Movement in derivatives	(97)	(85)	19	(163)	(67)
Loss on disposal	(115)	–	(1,094)	(1,209)	(495)
<b>Profit/(loss) after tax</b>	<b>600</b>	<b>176</b>	<b>(8,397)</b>	<b>(7,621)</b>	<b>(3,004)</b>
<b>EPRA adjustments</b>					
Revaluation	2,198	3,305	7,582	13,085	5,140
Movement in derivatives	97	85	(19)	163	67
Loss on disposal	115	–	1,094	1,209	495
Debt and hedging early close out costs	203	–	25	228	111
<b>EPRA earnings</b>	<b>3,213</b>	<b>3,566</b>	<b>285</b>	<b>7,064</b>	<b>2,809</b>
<b>Summarised balance sheet</b>					
Investment properties	147,470	120,380	118,000	385,850	157,651
Other current assets	51	2	7,107	7,160	2,868
Cash	18,627	609	2,046	21,282	10,316
Current liabilities	(2,876)	(1,048)	(521)	(4,445)	(1,967)
Bank debt	(71,775)	(60,328)	(11,029)	(143,132)	(58,699)
Unamortised finance costs	747	858	44	1,649	653
Derivative financial instruments	(810)	1	–	(809)	(404)
<b>Net assets</b>	<b>91,434</b>	<b>60,474</b>	<b>115,647</b>	<b>267,555</b>	<b>110,418</b>
<b>Group share</b>	<b>50%</b>	<b>30.5%</b>	<b>40%</b>		
<b>Group share of net assets</b>	<b>45,717</b>	<b>18,445</b>	<b>46,256</b>	<b>110,418</b>	

	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
<b>Summarised income statement</b>	100%	100%	100%	100%	100%	100%	Group share
Gross rental income	6,217	5,812	1,869	343	–	14,241	5,800
Property costs	(77)	–	(572)	(20)	–	(669)	(278)
<b>Net rental income</b>	<b>6,140</b>	<b>5,812</b>	<b>1,297</b>	<b>323</b>	<b>–</b>	<b>13,572</b>	<b>5,522</b>
Administrative costs	(52)	(42)	(61)	(23)	(63)	(241)	(94)
Management fees	(491)	(225)	(275)	(92)	–	(1,083)	(470)
Revaluation	(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)	–
<b>Profit/(loss) after tax</b>	<b>3,293</b>	<b>5,752</b>	<b>(739)</b>	<b>(157)</b>	<b>708</b>	<b>8,857</b>	<b>3,256</b>
<b>EPRA adjustments</b>							
Revaluation	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
<b>EPRA earnings</b>	<b>3,982</b>	<b>4,166</b>	<b>149</b>	<b>64</b>	<b>(63)</b>	<b>8,298</b>	<b>3,335</b>
	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 2016 £000	Audited 31 March 2016 £000
<b>Summarised balance sheet</b>	100%	100%	100%	100%	100%	100%	Group share
Investment properties	165,335	123,685	135,875	–	–	424,895	174,741
Other current assets	12,912	75	349	–	–	13,336	6,620
Cash	3,198	3,285	3,596	20	–	10,099	4,049
Current liabilities	(3,588)	(3,971)	(860)	–	–	(8,419)	(3,349)
Bank debt	(77,075)	(60,328)	(14,933)	–	–	(152,336)	(62,911)
Unamortised finance costs	1,068	1,011	29	–	–	2,108	854
Derivative financial instruments	(713)	86	(19)	–	–	(646)	(338)
<b>Net assets</b>	<b>101,137</b>	<b>63,843</b>	<b>124,037</b>	<b>20</b>	<b>–</b>	<b>289,037</b>	<b>119,666</b>
<b>Group share</b>	<b>50%</b>	<b>30.5%</b>	<b>40%</b>	<b>50%</b>	<b>–</b>		
<b>Group share of net assets</b>	<b>50,569</b>	<b>19,472</b>	<b>49,615</b>	<b>10</b>	<b>–</b>	<b>119,666</b>	

## 10. Trade and other receivables

	Unaudited 30 September 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Trade receivables	246	2,602	1,771
Amounts receivable from property sales	24,199	57,640	11,402
Prepayments and accrued income	3,023	2,409	2,744
Other receivables	64	1,878	132
	<b>27,532</b>	<b>64,529</b>	<b>16,049</b>

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 2016 there were trade receivables of £16,000 which were overdue and considered at risk (30 September 2015: £311,000, 31 March 2016: £nil). A full provision has been made against these receivables.

## 11. Cash and cash equivalents

Cash and cash equivalents include £6.2 million (30 September 2015: £6.1 million, 31 March 2016: £4.9 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 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Trade payables	3,763	1,793	4,780
Amounts payable on property acquisitions and disposals	6,677	2,667	9,595
Rent received in advance	14,285	11,487	12,160
Accrued interest	1,359	2,803	1,897
Other payables	1,976	1,861	525
Other accruals	5,470	4,293	6,386
	<b>33,530</b>	<b>24,904</b>	<b>35,343</b>

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 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Secured Bank loans	196,170	551,170	179,989
Unsecured Bank loans	395,000	–	395,000
Unamortised finance costs	(6,543)	(6,992)	(7,079)
	<b>584,627</b>	<b>544,178</b>	<b>567,910</b>

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

Certain bank loans at 30 September 2016 are secured by fixed charges over Group investment properties with a carrying value of £384.7 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.

	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
As at 30 September 2016					
Bank loans	<b>14,445</b>	<b>14,445</b>	<b>305,159</b>	<b>338,508</b>	<b>672,557</b>
Derivative financial instruments	<b>5,254</b>	<b>5,451</b>	<b>21,568</b>	<b>3,061</b>	<b>35,334</b>
	<b>19,699</b>	<b>19,896</b>	<b>326,727</b>	<b>341,569</b>	<b>707,891</b>

  

	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
As at 31 March 2016					
Bank loans	14,358	14,358	43,112	578,087	649,915
Derivative financial instruments	5,750	6,279	18,389	5,767	36,185
	20,108	20,637	61,501	583,854	686,100

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.

Details of the fair value of the Group's derivative financial instruments that were in place at 30 September 2016 are provided below:

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2016 %	Audited 31 March 2016 %	Unaudited 30 September 2016 £000	Audited 31 March 2016 £000	Unaudited 30 September 2016 £000	Audited 31 March 2016 £000
<b>Interest rate caps – expiry</b>						
Less than one year	<b>3.0</b>	2.4	<b>10,000</b>	77,500	–	–
One to two years	<b>2.0</b>	2.0	<b>116,313</b>	16,313	–	4
Two to five years	<b>3.0</b>	2.1	<b>10,000</b>	110,000	–	128
More than five years	<b>2.0</b>	2.0	<b>18,150</b>	18,150	<b>65</b>	234
	<b>2.1</b>	2.2	<b>154,463</b>	221,963	<b>65</b>	366

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2016 %	Audited 31 March 2016 %	Unaudited 30 September 2016 £000	Audited 31 March 2016 £000	Unaudited 30 September 2016 £000	Audited 31 March 2016 £000
<b>Interest rate swaps - expiry</b>						
Less than one year	<b>0.0</b>	3.3	–	10,500	–	(12)
One to two years	<b>0.6</b>	3.2	<b>50,000</b>	16,313	<b>(288)</b>	(624)
Two to five years	<b>2.0</b>	2.9	<b>10,000</b>	60,000	<b>(451)</b>	(3,185)
More than five years	<b>2.0</b>	1.9	<b>497,290</b>	467,290	<b>(32,315)</b>	(20,115)
	<b>1.8</b>	2.1	<b>557,290</b>	554,103	<b>(33,054)</b>	(23,936)
<b>Total fair value</b>					<b>(32,989)</b>	(23,570)

All derivative financial instruments are non-current interest rate derivatives and are carried at fair value following a valuation as at 30 September 2016 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.

The Group has complied throughout the year comfortably with the financial covenants contained in its debt funding arrangements.

## 14. Share capital

	Unaudited 30 September 2016 Number	Unaudited 30 September 2016 £000	Audited 31 March 2016 Number	Audited 31 March 2016 £000
<b>Issued, called up and fully paid</b>				
Ordinary shares of 10p each	<b>628,043,905</b>	<b>62,804</b>	628,043,905	62,804

In June 2016 the Company granted options over 2,711,575 ordinary shares under its Long Term Incentive Plan and Deferred Bonus Plan and 414,727 ordinary shares in the Deferred Bonus Plan vested. In August 2016, 2,305,973 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2013 also 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

Management fees 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 2016 £000	Unaudited Six months to 30 September 2015 £000	Unaudited Six months to 30 September 2016 £000	Unaudited Six months to 30 September 2015 £000
LSP Green Park Property Trust	31.4%	–	–	–	223
LPS Green Park Distribution Holdings	50.0%	–	92	10	11,210
LSP London Residential Investments	40.0%	243	229	–	–
Metric Income Plus Partnership	50.0%	465	558	1,768	2,074
LMP Retail Warehouse JV PUT	30.5%	192	226	1,083	1,268
		<b>900</b>	1,105	<b>2,861</b>	14,775

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

There has been no significant movement in the beneficial interests of the Directors and their families who were in office during the period or at the date of this report.

## 17. Post balance sheet events

On 13 October 2016 the Group acquired a distribution warehouse in Stevenage for £7.3 million.

On 14 November 2016 the Group completed the acquisition of Unit 1 Bicester Distribution Park for £3.2 million.

On 16 November 2016 the Group completed the disposal of Alban Park in St Albans for £5.8 million to Dunelm Estates Limited.

On 16 November 2016 the Group's MIPP joint venture acquired a B&Q unit in Hull for £9.4 million (Group share: £4.7 million).

On 17 November 2016 the Group acquired a portfolio of six properties for £26.0 million.

On 21 November 2016 the Group's MIPP joint venture acquired a Wickes unit in Dartford for £9.0 million (Group share: £4.5 million).

On 22 November 2016 the Group acquired a pre-let development in Crawley for £10.7 million.

On 23 November 2016 the Group completed the disposal of its distribution warehouse in Warrington let to The HUT Group for £53.7 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

29 November 2016

# 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 2016 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.

## Scope of 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 2016 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

29 November 2016

## Supplementary information

### i EPRA Summary table

	30 September 2016	30 September 2015	31 March 2016
EPRA earnings per share	<b>4.0p</b>	3.7p	7.8p
EPRA net asset value per share	<b>143.0p</b>	146.6p	147.7p
EPRA triple net asset value per share	<b>137.6p</b>	144.4p	143.9p
EPRA vacancy rate	<b>1.5%</b>	0.1%	0.7%
EPRA cost ratio (including vacant property costs)	<b>17%</b>	18%	17%
EPRA cost ratio (excluding vacant property costs)	<b>16%</b>	17%	17%
EPRA net initial yield	<b>4.8%</b>	4.4%	4.9%
EPRA "topped up" net initial yield	<b>5.4%</b>	5.5%	5.4%

### ii EPRA proportionally consolidated income statement

For the six months to 30 September	Group £000	JV £000	2016 £000	Group £000	JV £000	2015 £000
Gross rental income	<b>36,033</b>	<b>4,506</b>	<b>40,539</b>	31,731	5,799	37,530
Property costs	<b>(617)</b>	<b>(221)</b>	<b>(838)</b>	(313)	(277)	(590)
Net income	<b>35,416</b>	<b>4,285</b>	<b>39,701</b>	31,418	5,522	36,940
Management fees	<b>900</b>	<b>(368)</b>	<b>532</b>	1,105	(470)	635
Administrative costs	<b>(6,735)</b>	<b>(32)</b>	<b>(6,767)</b>	(6,629)	(94)	(6,723)
Net finance costs	<b>(7,122)</b>	<b>(1,076)</b>	<b>(8,198)</b>	(5,842)	(1,623)	(7,465)
Other	<b>(15)</b>	–	<b>(15)</b>	(4)	–	(4)
<b>EPRA earnings</b>	<b>22,444</b>	<b>2,809</b>	<b>25,253</b>	20,048	3,335	23,383

### iii EPRA proportionally consolidated balance sheet

	30 September			31 March		
	Group £000	JV £000	2016 £000	Group £000	JV £000	2016 £000
Investment property	<b>1,324,755</b>	<b>157,651</b>	<b>1,482,406</b>	1,346,110	174,741	1,520,851
Gross debt	<b>(591,170)</b>	<b>(58,699)</b>	<b>(649,869)</b>	(574,989)	(62,911)	(637,900)
Cash	<b>48,914</b>	<b>10,316</b>	<b>59,230</b>	42,621	4,049	46,670
Other	<b>1,325</b>	<b>1,150</b>	<b>2,475</b>	(11,641)	4,125	(7,516)
<b>EPRA net assets</b>	<b>783,824</b>	<b>110,418</b>	<b>894,242</b>	802,101	120,004	922,105
Loan to value	<b>37%</b>	<b>31%</b>	<b>36%</b>	38%	34%	38%
Cost of debt	<b>3.3%</b>	<b>3.4%</b>	<b>3.3%</b>	3.5%	3.6%	3.5%
Undrawn facilities	<b>178,750</b>	<b>5,000</b>	<b>183,750</b>	64,931	5,000	69,931

#### iv EPRA cost ratio

	2016 £000	2015 £000
For the six months to 30 September		
Property operating expenses	617	313
Administration expenses	6,735	6,629
Share of joint venture property operating, administration expenses and management fees	621	841
Less:		
Joint venture property management fee income	(900)	(1,105)
Ground rents	(64)	(24)
<b>Total costs including vacant property costs (A)</b>	<b>7,009</b>	<b>6,654</b>
Group vacant property costs	(395)	(132)
Share of joint venture vacant property costs	(114)	(142)
<b>Total costs excluding vacant property costs (B)</b>	<b>6,500</b>	<b>6,380</b>
Gross rental income	36,033	31,731
Share of joint venture gross rental income	4,506	5,799
	40,539	37,530
Less: Ground rents	(64)	(24)
<b>Total gross rental income (C)</b>	<b>40,475</b>	<b>37,506</b>
<b>Total EPRA cost ratio (including vacant property costs) (A)/(C)</b>	<b>17%</b>	<b>18%</b>
<b>Total EPRA cost ratio (excluding vacant property costs) (B)/(C)</b>	<b>16%</b>	<b>17%</b>

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

	30 September 2016 £000	31 March 2016 £000
Investment property – wholly-owned	1,324,755	1,346,110
Investment property – share of joint ventures	157,651	174,741
Less development properties	(39,280)	(56,550)
Less residential properties	(48,845)	(55,895)
Completed property portfolio	1,394,281	1,408,406
Allowance for:		
Estimated purchasers’ costs	94,811	95,772
Estimated costs to complete	40,783	43,967
<b>EPRA property portfolio valuation (A)</b>	<b>1,529,875</b>	<b>1,548,145</b>
Annualised contracted rental income	65,840	71,945
Share of joint ventures	8,500	8,064
Less development properties	(487)	(3,972)
Less residential properties	(686)	(856)
<b>Annualised net rents (B)</b>	<b>73,167</b>	<b>75,181</b>
Contractual rental increased for rent free periods	7,620	5,334
Contractual rental increases for fixed uplifts	2,444	3,641
<b>“Topped up” net annualised rent (C)</b>	<b>83,231</b>	<b>84,156</b>
<b>EPRA net initial yield (B/A)</b>	<b>4.8%</b>	<b>4.9%</b>
<b>EPRA “topped up” net initial yield (C/A)</b>	<b>5.4%</b>	<b>5.4%</b>

## vi EPRA vacancy rate

	<b>30 September 2016 £000</b>	31 March 2016 £000
Annualised estimated rental value of vacant premises	<b>1,253</b>	604
Portfolio estimated rental value <sup>1</sup>	<b>82,761</b>	82,720
<b>EPRA vacancy rate</b>	<b>1.5%</b>	0.7%

<sup>1</sup> Excludes residential and development properties

## vii EPRA capital expenditure analysis

	Group £000	JV £000	30 September 2016 £000	Group £000	JV £000	31 March 2016 £000
Opening valuation	<b>1,346,110</b>	<b>174,741</b>	<b>1,520,851</b>	1,164,140	236,245	1,400,385
Acquisitions	<b>12,910</b>	<b>1</b>	<b>12,911</b>	109,546	3,477	113,023
Developments	<b>37,999</b>	–	<b>37,999</b>	104,955	–	104,955
Capital expenditure	<b>12,854</b>	<b>38</b>	<b>12,892</b>	13,720	761	14,481
Disposals	<b>(68,311)</b>	<b>(11,686)</b>	<b>(79,997)</b>	(128,493)	(64,749)	(193,242)
Revaluation	<b>(17,896)</b>	<b>(5,140)</b>	<b>(23,036)</b>	51,063	(1,276)	49,787
Lease incentives	<b>1,089</b>	<b>(303)</b>	<b>786</b>	31,179	283	31,462
Closing valuation	<b>1,324,755</b>	<b>157,651</b>	<b>1,482,406</b>	1,346,110	174,741	1,520,851

## viii Total accounting return

	<b>30 September 2016 £000</b>	30 September 2015 £000	31 March 2016 £000
EPRA net asset value			
– at end of year	<b>894,242</b>	914,852	922,105
– at start of year	<b>922,105</b>	877,226	877,226
(Decrease)/increase	<b>(27,863)</b>	37,626	44,879
Dividend paid	<b>23,404</b>	34,325	56,171
(Decrease)/increase including dividend	<b>(4,459)</b>	71,951	101,050
<b>Total accounting return</b>	<b>(0.5)%</b>	8.2%	11.5%

## ix Portfolio split and valuation

	30 September 2016		31 March 2016	
	£m	%	£m	%
Distribution	832.0	56.1	784.4	51.6
Retail	429.3	29.0	474.8	31.2
Leisure	60.7	4.1	69.0	4.5
Office	72.3	4.8	80.2	5.3
<b>Investment Portfolio</b>	<b>1,394.3</b>	<b>94.0</b>	<b>1,408.4</b>	<b>92.6</b>
Development – distribution	35.0	2.4	40.0	2.6
Development – retail	4.3	0.3	16.6	1.1
Residential	48.8	3.3	55.9	3.7
	<b>1,482.4</b>	<b>100.0</b>	<b>1,520.9</b>	<b>100.0</b>
<b>Retail (Group and JV split)</b>				
Wholly-owned – Retail Parks	244.9	16.5	293.9	19.3
Wholly-owned – Convenience retail	80.0	5.4	66.6	4.4
Metric Income Plus Partnership	73.7	5.0	82.7	5.4
LMP Retail Warehouse JV Property Unit Trust	30.7	2.1	31.6	2.1
	<b>429.3</b>	<b>29.0</b>	<b>474.8</b>	<b>31.2</b>

## x Investment portfolio yields

	30 September 2016			31 March 2016		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	4.7	5.2	5.5	4.7	5.2	5.4
Retail	4.7	5.8	5.8	4.8	5.8	5.8
Leisure	6.1	6.1	7.1	6.0	6.0	7.0
Office	5.5	5.5	7.2	5.3	5.6	6.6
<b>Investment portfolio</b>	<b>4.8</b>	<b>5.4</b>	<b>5.8</b>	<b>4.9</b>	<b>5.4</b>	<b>5.7</b>

## xi Investment portfolio – Key statistics

As at 30 September 2016	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	8,462	12.7	12.1	100.0	5.60
Retail	2,196	12.1	11.2	98.1	17.20
Leisure	261	20.7	20.7	100.0	15.10
Office	231	7.7	7.7	85.9	21.50
<b>Investment portfolio</b>	<b>11,150</b>	<b>12.6</b>	<b>12.0</b>	<b>98.5</b>	<b>8.00</b>
Distribution development <sup>1</sup>	739				
Retail development	61				
<b>Total investment &amp; development</b>	<b>11,950</b>				

<sup>1</sup> Excludes conditional development site at Bedford

## xii Total property returns (%)

	All property 30 September 2016 %	All property 30 September 2015 %	All property 31 March 2016 %
Capital return	<b>(1.3)</b>	4.0	4.9
Income return	<b>2.8</b>	2.6	5.3
Total return	<b>1.5</b>	6.7	10.5

## xiii Contracted rental income

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Distribution	<b>46.6</b>	36.0	42.3
Retail	<b>28.0</b>	31.0	31.3
Leisure	<b>3.9</b>	5.0	4.4
Office	<b>4.4</b>	4.9	4.9
<b>Investment portfolio</b>	<b>82.9</b>	76.9	82.9
Development – distribution	<b>0.1</b>	6.3	2.5
Development – retail	<b>0.4</b>	2.5	0.8
Residential	<b>0.7</b>	1.0	0.9
<b>Total portfolio</b>	<b>84.1</b>	86.7	87.1

## xiv Rent subject to expiry

As at 30 September 2016	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	6.2	38.9	70.5	88.4	100.0
Retail	11.1	37.2	81.4	90.3	100.0
Leisure	-	-	11.4	11.4	100.0
Office	31.7	100.0	100.0	100.0	100.0
<b>Total investment &amp; development portfolio</b>	<b>8.9</b>	<b>39.7</b>	<b>72.9</b>	<b>86.0</b>	<b>100.0</b>

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

	30 September 2016		31 March 2016	
	£m	%	£m	%
Distribution	<b>26.7</b>	<b>57.1</b>	26.0	57.9
Retail	<b>8.7</b>	<b>30.6</b>	8.9	27.7
Leisure	<b>3.9</b>	<b>100.0</b>	4.4	100.0
Office	<b>3.0</b>	<b>68.3</b>	3.0	60.9
	<b>42.3</b>	<b>50.7</b>	42.3	49.0



## xvi Top ten assets (by value<sup>1</sup>)

As at 30 September 2016	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.4	100	24.0	24.0
Primark, Thrapston	783	4.0	100	16.0	16.0
Dixons Carphone, Newark	726	4.3	100	16.8	16.8
Marlow International, Marlow	231	4.4	86	7.7	7.7
Argos, Bedford	658	3.8	100	6.2	6.2
Eddie Stobart, Dagenham	410	3.1	100	14.8	14.8
HUT, Warrington	690	3.8	100	14.1	14.1
Royal Mail, Daventry	273	2.5	100	6.9	6.9
Marks & Spencer, Sheffield	626	2.6	100	7.2	4.8
Kirkstall Bridge Shopping Park, Leeds	120	2.4	95	11.9	9.5

<sup>1</sup> Excluding residential asset

## xvii Top ten occupiers

As at 30 September 2016	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark <sup>1</sup>	9.4	20.1	11.3
Dixons Carphone	5.8	3.9	6.9
M&S	5.3	5.4	6.4
Argos <sup>1</sup>	4.1	5.2	4.9
The Hut Group	3.8	Private	4.5
Odeon <sup>1</sup>	3.5	2.8	4.2
DFS	3.5	0.5	4.2
Royal Mail	3.3	4.7	4.0
Eddie Stobart	3.1	Private	3.7
Allergan	3.0	60.4	3.6
<b>Top 10</b>	<b>44.8</b>		<b>53.7</b>
Other commercial income	38.6		46.3
<b>Total commercial</b>	<b>83.4</b>		<b>100.0</b>
Residential	0.7		
<b>Total Group</b>	<b>84.1</b>		

<sup>1</sup> 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 period

## **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 of rent free periods or other lease incentives such as discounted rent periods and stepped rents

## **EPRA Vacancy**

The Estimated Rental Value (ERV) of immediately available vacant space divided by total annualised 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 property portfolio value at the period end

## **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 plus the dividend paid during the period expressed as a percentage of the EPRA NAV at the beginning of the period

## **Total Property Return (TPR)**

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

## **Total Shareholder Return (TSR)**

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

## **Weighted Average Interest Rate**

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

## **Weighted Average Unexpired Lease Term (WAULT)**

Average unexpired lease term across the investment portfolio weighted by net rental income