LONDONMETRIC PROPERTY PLC

("LondonMetric" or the "Group" or the "Company")

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

SIGNIFICANTLY INCREASED WEIGHTING TO URBAN LOGISTICS FROM A&J MUCKLOW ACQUISITION ENHANCING PORTFOLIO'S INCOME, EARNINGS & DIVIDEND GROWTH PROSPECTS

LondonMetric today announces its half year results for the six months ended 30 September 2019.

Income Statement	Six months to 30 Sept 2019	Six months to 30 Sept 2018
Net rental income (£m)[1,2]	54.9	47.1
EPRA Earnings (£m) [2]	35.2	30.9
EPRA EPS (p) [2]	4.6	4.4
Dividend per share (p)	4.0	3.8
Reported Profit excluding goodwill impairment and costs relating to Mucklow acquisition[3] (£m)	47.0	79.3
IFRS Reported (Loss)/Profit (£m)	(10.2)	79.3
IFRS EPS (p)	(1.3)	11.4

Balance Sheet	30 Sept 2019	31 March 2019
EPRA NAV per share (p) [2]	174.9	174.9
IFRS NAV per share (p)	174.3	174.7
EPRA net assets (£m)	1,465.0	1,218.7
IFRS net assets (£m)	1,460.3	1,216.8
LTV (%)[1,2]	37.9	32.2

1. Including share of Joint Ventures, excluding non-controlling interest
2. Further details on Alternative Performance Measures can be found in the Financial Review and definitions can be found in the Glossary
3. £48.3m of goodwill impairment and £8.9m of acquisition costs

Continued focus on income growth increases earnings and dividend

- Net rental income up 16.6% to £54.9m[1], including three months of income from the Mucklow acquisition
- Contracted income up 39% to £124.7m in the period
- EPRA earnings up 13.9% to £35.2m, 2.9% on a per share basis
- Dividend up 5.3% to 4.0p, 114% covered, including a Q2 interim dividend declared today of 2.0p

Sector alignment and asset selection delivering resilient portfolio performance

- Total Property Return of 3.5%, outperforming IPD All Property by 270bps
- Capital return of 1.0% (IPD All Property: -1.4%) with regional and urban logistics strongly outperforming
- EPRA NAV per share of 174.9p (March 2019: 174.9p) including 2.2p of revaluation surplus but after 2.5p of costs incurred from the Mucklow acquisition

Investment activity increases urban logistics weighting to 35% and reduces big box exposure to 18%

- £454.7m Mucklow acquisition helped to increase urban logistics portfolio value to £826m (March 2019: £504m)
- £109.0m of other logistics and long income acquisitions with a WAULT of 17 years at a NIY of 6.6%
- £14.1m of disposals at a NIY of 3.6%, including one Mucklow office and 22 flats with 9 flats remaining

52 asset management initiatives completed, including 14 relating to Mucklow assets

- Like for like income growth of 3.0%[2]
- £3.1m pa income uplift from lettings, regears and rent reviews
- PPE: 38 deals signed or agreed, adding £1.7m of income, with our last developed warehouse at Bedford under offer

Resilient portfolio focused on long income and operationally light assets that can deliver income growth

- WAULT of 11.3 years (12.5 years ex-Mucklow portfolio) and occupancy increased to 98.2% (+40bps)
- Gross to net income ratio improved to 98.7% (+50bps)
- Contractual rental uplifts on 52.3% of contracted income (62.4% ex-Mucklow portfolio)
- Greater income diversification and granularity with top 10 occupiers accounting for 39% of rent, down from 51%

Financing & Corporate

- EPRA cost ratio reduced further to 14.3% (March 2019: 15.0%)
- Integration of Mucklow proceeding well
- LTV at 37.9% and weighted average debt maturity of 5.3 years

Andrew Jones, Chief Executive of LondonMetric, commented:

"Against a backdrop of continued uncertainty and disruption, we have again delivered strong financial and operational outperformance, underpinned by a further realignment of our portfolio in response to macro trends that continue to impact direct real estate. We believe that these are profound and permanent shifts.

"The acquisition of A&J Mucklow was a significant milestone and accelerated our conviction call to increase our weighting to the urban logistics sector where rents are rising to reflect growing consumer demand for quicker and more efficient deliveries. We call it the Amazon race. This transaction, together with our other long income acquisitions, reflect the ongoing focus on improving our portfolio to benefit from the evolving consumer revolution and a global search for yield.

"We will therefore look to allocate further capital into these sectors and assets where the income is reliable, repetitive and which we expect to grow over time. After all, we expect income and income growth to be the defining characteristics of the next decade's investment environment. We remain convinced that this strategy will allow us to continue to outperform and to deliver our shareholders an attractive, progressive and well covered dividend."

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Meeting and audio webcast

A meeting for investors and analysts will be held at 8.30am today at 200 Aldersgate, Aldersgate Street, EC1A 4HD. The conference call dial-in for the meeting is: +44 (0)330 336 9125 (Participant Passcode: 6015938).
For the live webcast see: https://webcasting.brrmedia.co.uk/broadcast/5d7b96021e79456d8fcc51f5
An on demand recording will be available shortly after the meeting from the same link and from: http://www.londonmetric.com/investors/reports-and-presentations

Notes to editors

LondonMetric is a FTSE 250 REIT that owns one of the UK's leading listed logistics platforms alongside a diversified long income portfolio, with 17 million sq ft under management. It owns and manages desirable real estate that meets occupiers' demands, delivers reliable, repetitive and growing income-led returns and outperforms over the long term. Further information is available at www.londonmetric.com

Alternative performance measures: The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures and non-controlling interests are shown as single line items on the income statement and balance sheet. Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures and excludes non-controlling interests on a line by line basis. Alternative performance measures are financial measures which are not specified under IFRS but are used by management as they highlight the underlying performance of the Group's property rental business and are based on the EPRA Best Practice Recommendations (BPR) reporting framework which is widely recognised and used by public real estate companies.

CEO's Overview

We continue to live and work in an uncertain world where many established principles and practices are being disrupted amid ongoing political and economic uncertainty and the accelerating impact of new technology.

The pace of change continues to weigh heavily on the real estate sector as polarisation of performances accelerate and varying levels of optimism and pessimism are reflected in valuations. The fact is, for many in the sector, technology is changing quicker than many beliefs. Whilst change and disruption is scary, being left behind is scarier. Our decision many years ago to pivot from retail into logistics and convenience was in response to the increasing disruption from the shift in consumer spend to online and top up shopping. We believe this trend will continue for many years as online penetration rises and consumer expectations increase.

Our more recent focus on urban logistics is very much in response to these changes as well as our efforts to further improve our portfolio's resilience. The strong demand/supply dynamics in logistics provide terrific certainty and stability in an uncertain world and helps to ensure that the intrinsic value of warehousing, particularly urban, is growing every day. This has been our strong conviction call and one that prompted our strategic acquisition of A&J Mucklow Group in the period.

The portfolio decisions and our focus on generating reliable, repetitive and growing income has again delivered a strong performance in the half year period. Our total property return of 3.5% significantly outperformed IPD All Property by 270bps and our EPRA earnings increased by 13.9% (2.9% on a per share basis). Following today's second quarter dividend declaration of 2.0p per share, our dividend for the period has increased by 5.3%, which is 114% covered by earnings and reflects the confidence we have in our portfolio to deliver on our sustainable and progressive dividend policy.

The shift online continues unabated

The increasing amount of shopping moving online continues unabated and its impact is both profound and permanent. Over the last two years, the number of items sold online by Next has increased by 34% and latest projections estimate that the percentage of non-food retail spend online in the UK will rise from 23% to 28% within the next few years with some sectors already significantly higher than 30%. This disruption, which started like a whisper earlier this decade, is roaring ever louder.

This shift online continues to have a significant impact on retailers. On the one hand they are having to downsize and reduce the cost of their store estates as quickly as possible whilst, on the other, they are having to upscale and improve their logistics capabilities to contend with faster and more accurate delivery demands from their customers as well as holding higher levels of inventory and returns.

We call it the 'Amazon Race', who, despite their achievements to date, continue to set the benchmark; delivering a Nintendo game in eight minutes in California and a bottle of Pinot Noir in Seattle in only nine minutes from order. It is only possible to compete and service customer demands by having a market leading portfolio of warehouses located adjacent to major urban populations. In the right locations, urban logistics is increasingly benefiting from a perfect scenario of strongly rising demand and falling supply. Logistics is also seeing the secondary tailwind from shoppers returning online orders in the form of reverse logistics, where supply chains have to evolve to accommodate an estimated 35% of online orders returned.

Retail real estate remains highly challenged

The increase in the value of logistics warehousing has been closely mirrored by value destruction seen in large parts of physical retail, which has been indiscriminate across 'prime' or 'experiential' and secondary locations. Many commentators will now tell you that the major shifts in shopping patterns have taken place and that we are approaching an equilibrium between physical and online. We have not. In Next's latest results, they show that their stores account for just 43% of sales compared to 60% five years ago, whilst M&S has shifted its focus to become a "digital first" retailer with a store presence.

Retailers are reacting to these challenges by right-sizing store estates and reducing their rents. Their reinvention is well underway with ongoing CVAs and shortening lease lengths, but their flexibility to adapt is hampered by time, costs and the inflexibility of long term lease commitments. We will continue to see more failures as changing shopping patterns, outdated propositions, inflexible leases and more nimble competitors seal their fate.

There will be winners who have embraced the change and adapted. Indeed, a high percentage of online orders continue to be picked up in store and we believe that the right stores will remain integral to the omni-channel model. In order to remain efficient, however, the survivors have to drive down occupational costs. As Next identified "if stores are to remain open, rents must fall" and that is exactly what is happening. Despite this, rents remain way out of line with their value as collection centres or return depots and we are convinced that, after 25 years of almost continual rental growth and store expansions, this rental rebalancing still has a long way to go.

These significant challenges are weighing heavily on physical retail valuations with many investors realising that they are holding melting ice cubes with liquidity only achievable at eye watering discounts. Whilst some will see the sector as oversold and offering exciting opportunities, we very often see an expensive value trap. Market pricing for a lot of these assets continues to be determined by optimists, without enough clarity or consideration of where rents will eventually settle. We'd rather buy a great asset at a fair price, than a weak asset at a bargain price.

Despite further sentiment driven capital declines, our retail parks delivered a total property return of -2.6% in the period. However, whilst we are clearly not immune, our retail park exposure is very low, accounting for just 3.7% of our portfolio. As at the period end, these assets were 99.6% let on a WAULT of 9.4 years and at low rents, offering an attractive blended NIY of 7.0%.

Our increasing investment into urban logistics and convenience-led long income

It has been clear to us for some time that the shift in consumer shopping patterns towards online and convenience is both permanent and ongoing. Customer expectations for more efficient and quicker deliveries continue to rise and these long term trends framed our decision to pivot the portfolio.

Logistics has been an enormous beneficiary of the growth in online shopping. Whereas in retail real estate you increasingly have to be both brilliant and lucky, in logistics you just have to be disciplined and rational. We focused on where the new demand was likely to come from and executed ahead of our competitors. Consequently, since 2013, we have invested more than £2.1 billion in logistics and long income assets and over 90% of our portfolio is now aligned to these sectors, offering strong income growth potential and capital protection.

In big box logistics, whilst we are still seeing rental growth, it is noticeably less than in recent years. Occupier demand here is being matched (or even exceeded in some locations) by new supply which is tempering rental growth prospects. This expectation of slower growth has seen us reduce our big box logistics exposure from over 30% three years ago to 18% today.

Conversely, we have significantly increased our urban 'last mile' logistics where fragmented ownership creates fantastic opportunities for us and where we continue to see strong rental growth. Our recent purchase of Mucklow has enabled us to materially accelerate, improve and assemble an urban platform that is one of the largest in the UK. At £826 million, our urban logistics assets account for 35% of our £2.4 billion portfolio and is up from just £81 million or 5% three years ago.

We have continued to benefit from our decisions, as well as some excellent execution across our investment, asset management and finance teams. The benefits are visible in our EPRA NAV progression, which has grown from 112p in September 2013 to 175p today, and our half year EPRA earnings which have accelerated from 1.9 pps to 4.6 pps over the same period.

Looking forward, however, what really matters is what is yet to come and we are fully conscious that the future value of our assets is heavily dependent upon future income performance. Therefore, in a world where income and income growth will be the defining characteristics of the next decade's investment environment, it is logical for us to allocate our capital to sectors and assets where we expect the income streams to be reliable, predictable and which we expect to grow.

Our 'all weather' portfolio is well positioned with 98% occupancy, a WAULT of 11.3 years and over half of our income benefiting from contractual uplifts. In this current disruptive environment, we continue to focus strongly on the credit strength, quality and sector diversity of our occupiers. One of the benefits of the Mucklow acquisition was that it created a larger and more resilient portfolio with greater income diversification and granularity.

We continue to believe that there is more growth to come from the portfolio, particularly in urban logistics where rents are recalibrating to reflect higher occupational demand and a relatively finite supply of new space close to urban populations. Despite a strong performance to date, we expect to leverage our enlarged urban portfolio for many years to come, capturing the rental growth and harnessing the miracle of compounding. After all, if you own the right assets in the right sectors, time creates wealth.

Long income remains an attractive segment for us and we continue to see selective opportunities despite strong demand from institutional investors who are attracted by its resilient and reliable income generating characteristics. Our long income assets are focused on sectors that we believe are less susceptible to the migration of spend online and that will benefit from the changes in the way people live, shop and work namely convenience, discount, trade, leisure and roadside services. Following recent acquisitions of roadside car washes and petrol stations with convenience stores, our roadside portfolio has grown to c.£40 million with a WAULT of over 20 years.

Outlook

Our focus on owning the winning real estate sectors to deliver a reliable, repetitive and growing income supports our progressive and covered dividend policy.

Our expectations of income growth contrasts sharply with expectations for the wider property market where rental income is either flat or falling and where there is pressure on maintaining dividends. After all you can't be paid in yield. We believe in the power of income compounding and that the income we generate remains in our shareholders' pockets.

Whilst we can't predict exactly where political and economic uncertainty will take us, we have taken the economic high ground and know that we are on the right side of the structural change having made the tactical switch into logistics. We will ensure that we stay ahead and look to remain a beneficiary of these structural trends.

Furthermore, we remain rational and look for long term investments with compelling risk and reward opportunities that will enhance the portfolio's all weather properties.

Property Review

We continue to focus on owning the right assets in the right sectors

The acquisition of A&J Mucklow Group dominated our activity in the period. The transaction added a £454.7 million portfolio of highly complementary assets with 83% weighted towards logistics and long income.

Other acquisitions in the period totalled £109.0 million of which £60.0 million related to logistics assets let for an average of 17 years and with 83% of income subject to contractual rental uplifts. The balance related to long income acquisitions, let on average for 16 years and with 43% of income subject to contractual uplifts.

Disposals that exchanged in the period totalled £14.1 million, which is significantly lower than in previous periods. They included the sale of 22 residential flats, with just 9 flats now remaining, and one of the 11 non-core office assets acquired through the Mucklow acquisition which we sold at a 12% premium to book value. We are in active discussions on further office sales.

Investment activity in the period (excluding Mucklow transaction)	**Acquisitions[2]**		**Disposals[1,2]**	
	Cost at share £m	NIY %	**Proceeds at share £m**	NIY %
Distribution	**60.0**	6.3	**-**	-
Long Income	**49.0**	7.0	**0.6**	5.5
Office	**-**	-	**5.7**	6.0
Residential	**–**	–	**7.8**	1.6
Total	**109.0**	**6.6**	**14.1**	**3.6**

[1] Excludes a £10.5 million regional disposal in Wakefield that exchanged last year but completed in the period

[2] Includes the £6.3m acquisition of and subsequent £0.6m part disposal of a portfolio of IMO car washes which exchanged in the period but completed post period end

Our activity in the period significantly increased the size of our distribution platform from £1,339 million to £1,706 million and maintained our distribution weighting at over 70%. The Mucklow acquisition significantly increased our urban logistics weighting from 27% to 35% of the portfolio whilst our big box logistics exposure fell from 23% to 18%. Our retail parks exposure also fell from 5% to 4%.

Portfolio sector split[1]

	£m	**%**
Urban Logistics[2]	£826m	34.5%
Long Income	£531m	22.2%
Regional	£450m	18.8%
Mega	£430m	17.9%
Retail Parks	£89m	3.7%
Office	£63m	2.6%
Residential	£7m	0.3%

[1] Including development

[2] Including multi-let estates acquired through Mucklow

Our portfolio metrics remain strong and we continue to improve and grow our income

The portfolio's average lease length of 11.3 years (10.2 years to break) continues to provide a high level of income security with only 9% of income expiring over three years and 43% over 10 years.

The Mucklow assets acquired had a WAULT of 6.5 years at the end of the period compared to 12.5 years on the standalone LondonMetric portfolio. As we undertake planned initiatives on the Mucklow assets, we expect the total portfolio's WAULT to revert back towards our longer term average.

Occupancy increased from 97.8% to 98.2% and our gross to net income ratio improved from 98.3% to 98.7% which continues to compare very favourably against our peers and reflects high occupier contentment and the portfolio's very low operational requirements.

The portfolio continues to provide good income growth potential through:

- Contractual rental uplifts which apply to 52% of our income, over half of which is inflation linked. During the period, we settled 18 contractual rent reviews, delivering £0.6 million of increased rent at an average of 12% above passing on a five yearly equivalent basis;
- Open market rental reviews on urban logistics which represents 24% of our total contracted income, and where we have settled one review in the period and agreed a further four reviews post period end. These reviews were 33% above passing rent and there is potential for further material reversion; and
- Leasing activity where, in the period, we signed 10 leases and 21 regears with a WAULT of 11 years and 75% of the income benefiting from contractual rental uplifts. These deals generated £2.4 million of additional income.

In total, including Mucklow assets, we undertook 52 occupier initiatives in the period generating an additional £3.1 million of rent and growing like for like income by 3.0% on the standalone LondonMetric portfolio. Our contracted income increased over the period from £89.7 million (or £115.8 million including Mucklow) to £124.7 million. Post period end, a further 38 initiatives have been undertaken or agreed adding £1.7 million of rent.

Mucklow acquisition adds well located and reversionary assets, improving income diversification

One of our key focuses in the period has been to fully understand the Mucklow assets acquired and engage with occupiers to lengthen and grow the income from those assets. During the period, 14 occupier transactions were signed on the Mucklow portfolio adding £0.5 million of rent. Since the period end, we have signed or agreed a further 25 deals adding £0.5 million of rent.

We are excited by the prospects for the Mucklow assets, which we believe are in strong locations; 86% are in the Midlands, mainly in and around Birmingham; and a further 10% are in London & South East. As well as the additional development opportunities that we have acquired, some of these assets offer longer term redevelopment potential to alternative and higher value uses.

In this disruptive environment, we continue to focus strongly on the credit strength, quality and sector diversity of our occupiers. One of the benefits of the Mucklow acquisition was that it created a larger and more resilient portfolio with greater income diversification and granularity. Following the acquisition and other activity in the period, our top 10 occupiers now account for 39% of contracted rental income compared to 51% as at March 2019. In addition, as shown below, our exposure to retailers has fallen materially in the period.

Split of occupier income by type

	30 September 2019	31 March 2019
Business Services / Trade	31%	17%
Retailers – logistics	25%	34%
Retailers – stores	16%	18%
Third Party Logistics	14%	18%
Convenience[1] & Leisure	11%	12%
Other	3%	1%

[1] Includes roadside and wholesale

Top ten occupiers by income

	30 September 2019	31 March 2019
Primark	7.9%	10.9%
Dixons Carphone	6.3%	8.8%
DFS	5.4%	4.3%
M&S	3.8%	5.2%
Argos	3.4%	4.7%
Eddie Stobart	3.3%	4.6%
DHL	2.5%	3.5%
Odeon	2.5%	3.3%
Amazon[1]	2.1%	2.4%
Clipper Logistics	1.9%	2.6%
Top 10	**39.1%**	**50.3%**

[1] In the period, Amazon replaced Tesco as our 9th largest occupier

Property performance driven by urban and regional distribution

Over the period, the portfolio delivered a total property return of 3.5%, significantly outperforming the IPD All Property return of 0.8%. Distribution delivered a total return of 4.8%, long income delivered 2.5% whilst retail parks delivered -2.6%.

The outperformance was driven by capital returns, where the portfolio achieved a 1.0% return compared to IPD All Property which saw a capital return of -1.4%. Distribution delivered a 2.7% increase with regional increasing 5.3%, urban logistics rising 2.4% and mega up 0.6%. Long income was down 0.3% and retail parks fell by 5.9%.

On a like for like basis, the equivalent yield across the portfolio was flat and ERV growth was 0.5%. ERV growth was highest in urban logistics where there was a 1.1% increase, whilst mega and regional distribution were flat. The investment portfolio's EPRA topped up net initial yield is 4.9% and the equivalent yield is 5.4%.

Distribution portfolio review

Our distribution assets are spread across the mega, regional and urban subsectors. Including developments, their value increased over the period from £1,339 million to £1,706 million, accounting for 71% of our portfolio. The average WAULT is 11 years with 58% of income subject to contractual income uplifts.

As at 30 September 2019	**Mega**	**Regional**	**Urban[3]**
Typical warehouse size	***500,000+ sq ft***	***100–500,000 sq ft***	***Up to 100,000 sq ft***
Value[1]	£430m	£450m	£826m
WAULT	14.8yrs	14.4yrs	7.8yrs
Average Rent (psf)	£5.80	£6.20	£6.40
ERV (psf)	£5.50	£6.50	£7.00
Topped up NIY	4.5%	4.2%	4.8%
Contractual uplifts[2]	100%	78%	27%
Total Property Return[1]	3.0%	7.5%	4.3%

[1] Including developments

[2] Percentage of portfolio that benefits from contractual rental uplifts

[3] Including multi-let estates

Our recent purchase of A&J Mucklow has enabled us to materially accelerate, improve and enlarge our urban platform, and assemble one of the largest listed urban logistics portfolios in the UK. Including multi-let estates, Mucklow added £316 million of urban warehousing and helped to increase our urban portfolio value to £826 million at 30 September 2019, accounting for nearly 50% of our distribution exposure, compared to an £81 million valuation three years ago.

During the period, we also acquired £60.0 million of distribution assets at a blended NIY of 6.3% which is expected to increase to 6.9% over five years. These acquisitions had a WAULT of 17 years with 83% of the income subject to contractual uplifts and comprised:

- 299,000 sq ft regional warehouse let to John Wiley & Sons for 17 years, acquired for £17.8 million at a NIY of 9.0% with RPI linked rental uplifts
- 232,000 sq ft regional warehouse forward fund development pre-let to Croda for 20 years, acquired for £24.0 million at a yield on cost of 5.2% with RPI linked rental uplifts;
- 35,000 sq ft urban warehouse let to Mega Marble for 15 years, acquired for £5.7 million at a NIY of 5.0% with RPI linked rental uplifts;
- 26,000 sq ft urban warehouse let to Harrow Green for 17 years, acquired for £4.2 million at a reversionary yield of 6.0%; and
- an £8.4 million increase in ownership of two warehouses at a NIY of 5.9%, arising from the upweight in our DFS Joint Venture equity holding from 45% to 82%.

There were no distribution disposals in the period but, post period end, we sold a 84,000 sq ft warehouse let to Croda for £5.9 million at a NIY of 7.0%. With only two years left on the lease and with our large Croda forward funded development acquisition in the period we decided to monetise their existing facility.

Growing our distribution income through portfolio management

Distribution lettings and regears in the period were signed on 23 assets totalling 1.1 million sq ft. These deals added £2.4 million of income, at a WAULT of 10 years and incentives equivalent to six months' rent free:

- Urban logistics lettings were signed on nine assets totalling 0.3 million sq ft on average lease lengths of 11 years, adding £1.9 million of rent and mostly related to recently completed developments. At our Bedford Link development, we let 138,000 sq ft to L3 Macdonald Humfrey and Workstories, at Crawley we let 36,000 sq ft to Amazon and, at Tyseley, 58,000 sq ft has been let to Decora Blinds;

- Urban and regional regears were signed on 14 assets totalling 0.8 million sq ft with occupiers including XPO, John Wiley and Ceva. These deals generated additional income of £0.5 million, which represents an uplift on previous passing rent of 12% and increased the WAULT from 4 years to 10 years.

Post period end, we have signed and agreed a further 24 urban lettings and regears with a WAULT of 10 years; 22 of these were on Mucklow assets. These deals add £0.9 million of rent.

Distribution rent reviews in the period were settled across six assets totalling 1.8 million sq ft. Most of these were contractual reviews and added £0.4 million of income at 13% above passing on a five yearly equivalent basis:

- Two urban logistics reviews were settled, one of which was an open market review at 16% above previous passing rent. We continue to see good potential for further organic income growth with 73% of our urban logistics income subject to market reviews and average ERVs of £7.00 psf compared to passing rent of £6.40 psf. Post period end, we have settled and agreed four open market rent reviews in Milton Keynes, Hemel Hempstead, Birmingham and Coventry, adding rent of £0.4 million and representing a 33% uplift; and

- Four mega and regional reviews delivered £0.4 million of rental uplift in the period. Whilst rental growth is still positive in mega, it is tempered by increased levels of large box supply. However, with 100% of our mega distribution rental income subject to either fixed or RPI increases, we will continue to benefit from certainty of rental growth in this sub sector. Post period end, we settled one mega contractual review adding £0.1 million of additional rent, representing an 8% uplift.

Long Income review

Our long income assets are typically solus or cluster schemes that have low operational requirements and are let on long leases. They focus on sectors that we believe have benefited, and will continue to, benefit from the changes in the way people live, shop and work and that are insulated from structural dislocation, namely: convenience food, wholesale, discount retail, bulky goods, trade and DIY, cinemas, hotels and roadside services. A sector breakdown of these assets by value, including development, is provided below:

Convenience[1] & Leisure	£231.1m	(44%)
Retail	£186.3m	(35%)
Trade, DIY & Other	£113.5m	(21%)
Total	**£530.9m**	

[1] Convenience includes wholesale and roadside

The portfolio is 100% let with a WAULT of over 12 years, let to strong occupiers at affordable average rents and valued at an attractive NIY of 5.6%. The average lot size is less than £10 million with 50% of income subject to contractual uplifts. Attracted by low energy characteristics and strong portfolio metrics, these assets continue to see strong demand from institutions, pension fund investors and private high net worths.

Long Income portfolio metrics

WAULT	12.5 years
Average Rent (psf)	£15.20
Topped up NIY	5.6%
Contractual uplifts[1]	50%
Total Property Return	+2.5%

[1] Percentage of portfolio that benefits from contractual rental uplifts

We added to our long income portfolio during the period through the Mucklow acquisition where we gained assets let predominantly to Costco, Booker, Wickes, Waitrose and Safestore. As at the end of the period, these assets totalled £64.1 million and were valued at a blended NIY of 5.0% with a WAULT of 13 years.

In addition, we made £49.0 million of investments at a blended NIY of 7.0% and with a WAULT of 16 years. These consisted of several Co-op convenience stores, a package of 10 IMO car washes, a building let to Meggitt plc and a further increase in the ownership of eight stores arising from the upweight in our DFS Joint Venture.

Post period end, we acquired a further eight car washes for £4.5 million and a petrol station and convenience store let to the Co-op for £3.7 million.

Our letting activity continues to deliver long leases. In the period, we signed seven leases and regears with a WAULT of 14 years, occupier incentives of 10 months and rents in line with current passing. The largest deal was a regear on a B&Q store where the term was extended from eight to 12 years and the break removed. Other lease agreements were signed with Selco, Co-op, the Range and KFC.

Post period end, we have signed or agreed eight further lettings and regears with a WAULT of 16 years. These deals add £0.3 million of rent and mostly relate to properties in our DFS Joint Venture alongside a Booker store.

14 rent reviews were also settled in the period, generating an uplift of £0.2 million at 14% above previous passing on a five yearly equivalent basis. These reviews were almost exclusively convenience and leisure assets with RPI or fixed uplifts.

Development

0.3 million sq ft of developments completed in the period which are expected to generate £2.5 million of income reflecting a yield on cost of 6.2%. They comprised:

- 188,000 sq ft of urban logistics at our Bedford Link site, where two warehouses have been let to L3 Macdonald Humfrey and Workstories and where we are under offer on a remaining 50,000 sq ft unit
- a 58,000 sq ft urban logistics warehouse in Tyseley (Phase 1a) let to Decora Blinds
- a 58,000 sq ft long income scheme in Durham fully let to Lidl and The Range with a WAULT of 20 years

0.4 million sq ft of developments were under construction at the period end. These developments are expected to generate £2.8 million of additional income, reflecting a yield on cost of 6.2%, and comprise:

- a 232,000 sq ft regional distribution warehouse pre-let to Croda which we agreed to forward fund in the period and which is expected to complete in Q3 2020
- 77,000 sq ft of urban logistics across seven warehouses in Tyseley (Phase 1b), which completed post period end and where there is strong occupier interest
- 55,000 sq ft extension of a distribution unit in Swindon let to Oak Furniture which completes in Q4 2019
- 19,000 sq ft convenience development in Weymouth that has been let to Aldi and completes in Q1 2020. Offers have been received on the letting of three small pods totalling a further 8,000 sq ft, development of which is conditional on planning

1.0 million sq ft of potential developments are in the pipeline and consists of:

- the further development of two warehouses at our Bedford Link site, totalling 500,000 sq ft of distribution warehousing, where we anticipate a 7.3% yield on cost
- further development potential at our Tyseley site (Phase 2) which is conditional on planning, subject to occupier commitment and which consists of:
    - up to 180,000 sq ft of distribution warehousing across a 10 acre site and where we are in discussions with potential occupiers on the majority of the space
    - Up to 15,000 sq ft of roadside service and convenience food across a two acre site and where we are in discussions with a potential occupier
- up to 210,000 sq ft of distribution development through our i54 site option in Wolverhampton
- 57,000 sq ft of redevelopment in New Malden involving extension to and modification of an asset which will be let for 16 years to Dixons, Lidl and several other convenience food occupiers. Construction is conditional on planning which is expected imminently.

Sustainability

We continue to improve the quality of our assets through development and asset management. 84% of developments (by area) that completed in the period and that were under construction in the second half are expected to be certified BREEAM Very Good. Furthermore, we continue to engage with our occupiers on energy efficiency initiatives, particularly across our distribution portfolio.

This activity, together with other responsible business and sustainability actions that we have taken, have contributed to a continued improvement in ESG related surveys and benchmark scores. In the period, we further improved our GRESB score from 67 to 71, which allowed us to maintain our Green Star. We also maintained our EPRA Gold star and further improved our FTSE4Good score from 3.1 to 3.5, further consolidating our position in that index.

Financial Review

We are reporting another strong set of results this half year. The portfolio has benefited from the corporate acquisition of A&J Mucklow Group in the period together with significant asset management activity.

The acquisition completed by way of a Scheme of Arrangement on 27 June 2019 and has contributed £4.9 million to EPRA earnings in the three month period. The entire issued share capital was acquired for a total consideration of £413.0 million, representing cash of 204.5p and 2.19 LondonMetric shares for each Mucklow share held, which resulted in 138.6 million new shares in the Company being issued.

The consideration paid generated a surplus of £48.3 million over the fair value of assets acquired. This goodwill was created predominantly by the strong performance of the LondonMetric share price up to the final offer price being determined and has therefore been fully impaired in the period and charged to the income statement, along with transaction costs of £8.9 million.

In April, the Group increased its interest in the DFS joint venture from 45% to 82% by acquiring its partner's interest and repaying the external debt facility with M&G. Our interest is now consolidated in the Group accounts and our remaining partner's 18% share is deducted as a non-controlling interest.

The IFRS reported loss for the period attributable to equity shareholders was £10.2 million, after charging goodwill and Mucklow transaction costs of £57.2 million. EPRA earnings for the enlarged group increased 13.9% to £35.2 million, growing 2.9% on a per share basis since last year to 4.6p. Our dividend remains covered 1.14 times by underlying EPRA earnings and has increased 5.3% compared to the same period last year.

IFRS net assets increased 20.0% to £1,460.3 million, reflecting the inclusion of the Mucklow portfolio of 64 assets and a revaluation surplus at share of £16.6 million. EPRA NAV per share was maintained at 174.9p after offsetting the cost of the Mucklow acquisition equivalent to 2.5p per share.

Our financing metrics remain strong. Average cost of debt has fallen marginally to 3.0% (March 2019: 3.1%), average maturity is 5.3 years (March 2019: 6.4 years) and loan to value is 37.9% (March 2019: 32.2%), having funded the cash offer for Mucklow by increasing our unsecured RCF. We have £71.0 million of undrawn facilities which provides flexibility and optionality.

Presentation of financial information

The Group financial statements are prepared in accordance with IFRS, where the Group's interests in joint ventures and any non-controlling interests are shown as single line items in the consolidated income statement and balance sheet and all subsidiaries are consolidated at 100%.

Management monitors the performance of the business principally on a proportionately consolidated basis, which includes the Group's share of joint ventures and excludes any non-controlling interest on a line by line basis in the financial statements. These measures, presented on a proportionately consolidated basis, are alternative performance measures, as they are not defined under IFRS.

The figures and commentary in this review are consistent with our management approach, as we believe this provides a meaningful analysis of overall performance. The income statement and cash flow comparatives are for the six month period to 30 September 2018 and the balance sheet comparative is 31 March 2019.

Alternative performance measures

The Group uses alternative performance measures based on the European Public Real Estate (EPRA) Best Practice Recommendations (BPR) to supplement IFRS.

The EPRA measures are widely recognised and used in our sector and seek to improve the transparency, comparability and relevance of published results, as they highlight the underlying performance of the Group's property rental business. EPRA earnings per share is one of the Group's KPIs and supports the level of dividend payments.

Further details, definitions and reconciliations between EPRA measures and the IFRS financial statements can be found in note 7 to the financial statements, Supplementary notes i to vii and in the Glossary.

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	Non-controlling interest £m	2019 £m	Group £m	JV £m	2018 £m
Gross rental income	52.9	3.3	(0.6)	**55.6**	42.4	5.5	47.9
Property costs	(0.6)	(0.1)	–	**(0.7)**	(0.5)	(0.3)	(0.8)
Net rental income	52.3	3.2	(0.6)	**54.9**	41.9	5.2	47.1
Management fees	0.6	(0.3)	–	**0.3**	0.9	(0.4)	0.5
Administrative costs	(7.7)	–	0.1	**(7.6)**	(6.9)	–	(6.9)
Net finance costs	(11.8)	(0.8)	0.1	**(12.5)**	(8.8)	(1.0)	(9.8)
Other[1]	–	–	0.1	**0.1**	–	–	–
EPRA earnings	33.4	2.1	(0.3)	**35.2**	27.1	3.8	30.9

[1] Other items include the tax charge attributable to the non-controlling interest

Net rental income

We continue to focus on delivering growth in earnings and a progressive dividend, supported by growth in underlying net rental income, which increased 16.6% in the period to £54.9 million. This was largely due to the Mucklow portfolio contributing £6.9 million in the three month period since acquisition.

Movements in net rental income are reflected in the table below.

	£m
Net rental income 2018	47.1
Existing properties[1]	1.5
Developments[2]	0.9
Acquisitions[3]	10.1
Disposals[3]	(4.8)
Property costs	0.1
Net rental income 2019	**54.9**

[1] Properties held since 1 April 2018

[2] Developments completed since 1 April 2018

[3] Acquisitions and disposals completed since 1 April 2018

Income from lettings, rent reviews and regears of our existing portfolio and completed developments generated additional income of £2.4 million, of which £1.2 million was due to our increased shareholding in DFS. Income from net acquisitions of £5.3 million included the Mucklow contribution of £6.9 million and the impact of other net disposals which reduced income by £1.6 million compared to the previous year.

Property costs have decreased by £0.1 million reflecting lower vacant unit costs this half year and our property cost leakage has fallen further to 1.3% (September 2018: 1.7%, March 2019: 1.8%).

Administrative costs

Administrative costs have increased by £0.7 million to £7.6 million and are stated after capitalising staff costs of £1.0 million (2018: £0.9 million) in respect of time spent on development projects in the period. Headcount has increased to 35 at the period end from 28 in March following the Mucklow acquisition, which contributed £0.3 million towards the increase in overheads.

EPRA cost ratio

We continue to use the EPRA cost ratio as a key measure of effective cost management and at 14.3%, having fallen 70 bps since March, it remains one of the lowest in our sector.

For the six months to 30 September	**2019 %**	2018 %
EPRA cost ratio including direct vacancy costs	**14.3**	14.9
EPRA cost ratio excluding direct vacancy costs	**13.6**	14.1

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

Net finance costs

Net finance costs, excluding the costs associated with repaying debt and terminating hedging arrangements on sales and refinancing in the period were £12.5 million, an increase of £2.7 million over the previous period.

This reflected additional interest charges on the Mucklow £60 million SWIP debt facility and on increased unsecured borrowings utilised to fund the acquisition and repay their HSBC facility as discussed in note 14 to the financial statements. Gross debt increased £336.8 million over the six month period to £963.0 million.

In addition, the average interest rate payable over the period was marginally higher than in the previous comparative period, as we replaced our RCF borrowings with longer dated private placement debt in March 2019. However, the average cost of debt fell 10 bps over the six months to 30 September 2019 to 3.0%.

Further detail is provided in notes 4 and 9 to the financial statements.

Share of joint ventures

EPRA earnings from joint venture investments were £2.1 million, a decrease of £1.7 million over the comparative period as reflected in the table below.

For the six months to 30 September	**2019 £m**	2018 £m
Metric Income Plus Partnership (MIPP)	**2.0**	2.5
LMP Retail Warehouse JV (DFS)	**0.1**	1.3
	2.1	3.8

This decrease was primarily due to the earnings from our interest in DFS being consolidated into the Group results from April 2019. During the period, DFS contributed £2.4 million in total to EPRA earnings compared with £1.3 million for the previous comparative period.

Income from our MIPP joint venture fell by £0.5 million as a result of one off surrender income of £0.7 million in the previous period.

The Group received net management fees of £0.3 million for acting as property advisor to each of its joint ventures (2018: £0.5 million) which have fallen as a result of the Group's increased interest in DFS.

Dividend

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

The Company paid the third and fourth quarterly dividends for the year to 31 March 2019 of £30.7 million or 4.4p per share in the period as reflected in note 6 to the financial statements. The Company issued 1.3 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £2.6 million to £28.1 million.

The first quarterly payment for the current year of 2.0p per share was paid as a Property Income Distribution (PID) in October 2019. The second quarterly dividend will comprise a PID of 2.0p per share and has been approved by the Board for payment in January 2020. The total dividend payable for the half year of 4.0p represents an increase of 5.3% over the same comparative period.

IFRS reported profit

Management principally monitors the Group's underlying EPRA earnings which reflect earnings from operational activities and excludes property and derivative valuation movements, profits and losses on disposal of properties, financing break costs, goodwill and acquisition costs.

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

For the six months to 30 September	**Group £m**	**JV £m**	**Non-controlling interest £m**	**2019 £m**	Group £m	JV £m	2018 £m
EPRA earnings	33.4	2.1	(0.3)	**35.2**	27.1	3.8	30.9
Revaluation of property	19.3	(3.5)	0.8	**16.6**	53.6	(2.6)	51.0
Fair value of derivatives	(2.5)	(0.3)	–	**(2.8)**	(0.4)	–	(0.4)
Profit/(loss) on disposal	0.6	(2.3)	–	**(1.7)**	(0.8)	(1.4)	(2.2)
Debt/hedging early close out costs	(0.3)	–	–	**(0.3)**	–	–	–
Impairment of goodwill	(48.3)	–	–	**(48.3)**	–	–	–
Acquisition costs	(8.9)	–	–	**(8.9)**	–	–	–
IFRS reported (loss)/profit	(6.7)	(4.0)	0.5	**(10.2)**	79.5	(0.2)	79.3

The Group's reported profit for the period before exceptional goodwill and acquisition costs of £57.2 million was £47.0 million compared with £79.3 million in the comparative period, primarily due to the property revaluation being £34.4 million lower.

Sales of 22 flats at Moore House generated a loss on sale of £2.3 million. Other Group sales generated a £0.6 million profit over book value, primarily at Grove Park, Leicester which was our first sale out of the Mucklow portfolio acquired in June.

Balance sheet

EPRA net asset value is a key measure of the Group's overall performance, reflecting both income and capital returns. It excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between IFRS and EPRA net assets is detailed in the table below and in note 7(c) to the financial statements.

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

As at	Group £m	JV £m	Non-controlling interest £m	30 September 2019 £m	Group £m	JV £m	31 March 2019 £m
Investment property	2,315.9	101.4	(16.2)	**2,401.1**	1,688.0	158.2	1,846.2
Trading property	1.1	–	–	**1.1**	–	–	–
	2,317.0	101.4	(16.2)	**2,402.2**	1,688.0	158.2	1,846.2
Gross debt	(922.8)	(40.2)	–	**(963.0)**	(565.0)	(61.2)	(626.2)
Cash	48.5	4.6	(0.4)	**52.7**	20.6	3.5	24.1
Other (liabilities)/assets	(34.9)	(0.8)	8.8	**(26.9)**	(24.1)	(1.3)	(25.4)
EPRA net assets	1,407.8	65.0	(7.8)	**1,465.0**	1,119.5	99.2	1,218.7
Derivatives	(4.1)	(0.6)	–	**(4.7)**	(1.6)	(0.3)	(1.9)
IFRS net assets	1,403.7	64.4	(7.8)	**1,460.3**	1,117.9	98.9	1,216.8

IFRS reported net assets have increased 20.0% since March to £1,460.3 million, largely reflecting the acquisition of the Mucklow portfolio of assets and corresponding share issue.

EPRA net assets per share is unchanged since last reported in March at 174.9p per share, with the revaluation surplus of 2.2p per share offsetting most of the exceptional costs of the acquisition of 2.5p per share. Excluding these exceptional charges, EPRA net assets per share has increased 1.4% in the period, as summarised below.

		EPRA Net Assets £m	EPRA NAV per share p
At 1 April 2019		1,218.7	174.9
EPRA earnings		35.2	4.6
Dividends		(30.7)	(4.0)
Property revaluation		16.6	2.2
Acquisition of Mucklow	Issue of new shares at 204.5p	283.6	–
	Goodwill	(48.3)	(1.3)
	Acquisition costs	(9.1)	(1.2)
Other movements[1]		(1.0)	(0.3)
At 30 September 2019		**1,465.0**	**174.9**

[1] Other movements include loss on sales (£1.7 million), debt break costs (£0.3 million) and share based awards (£1.6 million), offset by scrip share issue savings (£2.6 million)

The goodwill arising on acquisition includes Mucklow transaction costs of £6.5 million and fair value adjustments as reflected in note 14 to the financial statements, reducing net assets per share by 1.3p.

The movement in EPRA net assets per share, together with the dividend paid in the period, results in a total accounting return of 4.4p or 2.5% per share. The full calculation can be found in supplementary note viii.

Portfolio valuation

The Mucklow acquisition dominated our investment activity in the period, growing the portfolio by 64 complementary assets worth £454.7 million on acquisition and enabling us to significantly increase our preferred urban logistics sector which now represents 35% of our portfolio. This included £13.6 million of Mucklow developments assets.

Our segmental reporting has been amended following the acquisition to reflect a new office sector and to combine convenience, leisure and long income assets as one category.

Further sales of 22 flats at Moore House have reduced our residential exposure to just 0.3% of our portfolio. Our development exposure remains modest at 2.3% of the portfolio and includes the remaining site at Bedford, our forward funded development in Goole, a pre-let convenience development in Weymouth and the Tyseley development site acquired as part of the Mucklow portfolio.

A breakdown of the property portfolio by sector is reflected in the table below.

As at	**30 September 2019 £m**	**30 September 2019 %**	31 March 2019 £m	31 March 2019 %
Distribution	**1,658.1**	**69.2**	1,292.6	70.0
Long income	**524.3**	**21.9**	389.5	21.2
Retail Parks	**88.5**	**3.7**	87.0	4.7
Offices	**61.9**	**2.6**	–	–
Investment portfolio	**2,332.8**	**97.4**	1,769.1	95.9
Residential	**6.7**	**0.3**	17.3	0.9
Development[1]	**56.7**	**2.3**	59.8	3.2
Property portfolio value	**2,396.2**	**100.0**	1,846.2	100.0
Head lease and right of use assets	**6.0**		–	
	2,402.2		1,846.2	

[1] Represents regional distribution £33.6 million (1.4%), urban logistics £14.4 million (0.6%), long income £6.6 million (0.3%), office £1.0 million and other land £1.1 million at 30 September 2019. Split of prior period comparatives was regional distribution £22.6 million (1.2%), urban logistics £23.9 million (1.3%), long income £13.3 (0.7%).

Our property portfolio, including the share of joint venture assets, grew by £550.0 million over the six month period to £2.4 billion. The movement in the portfolio is reflected in the table below.

	Portfolio value[1] £m
Valuation as at 1 April 2019	1,846.2
Acquisitions	522.1
Developments	29.3
Capital expenditure on completed properties	3.8
Disposals	(28.6)
Revaluation	16.6
Lease incentives[2]	6.8
Head lease and right of use assets	6.0
Valuation as at 30 September 2019	**2,402.2**

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

[2] Comprises incentive payments and rent frees of £8.5 million offset by amortisation costs of £1.0 million and amounts written off on surrender of £0.7 million

Property values have increased by £16.6 million in the half year, most significantly in our distribution and development sectors and the portfolio has delivered a total property return of 3.5% compared to the IPD All Property index of 0.8%.

In addition to the Mucklow corporate acquisition, the Group spent a further £81.0 million in the period acquiring £28.8 million distribution and £16.5 million long income assets and increased our investment in DFS assets by £35.7 million.

We completed three commercial property disposals along with the 22 residential flat sales in the period generating net proceeds of £26.9 million at share and reducing the book value of property by £28.6 million.

One disposal in Wakefield that exchanged last year completed in the period, generating proceeds of £10.5 million and has been accounted for in these financial statements. We also exchanged to buy a portfolio of IMO car wash assets for £6.3 million in the period. This acquisition completed and will be accounted for in the second half of the year.

The Group had capital commitments of £38.9 million as reported in note 8 to the financial statements, relating primarily to our forward funded development in progress at Goole.

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

Taxation

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

A&J Mucklow Group previously operated as a UK REIT. Their activities have been incorporated into the LondonMetric Group REIT since acquisition.

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise.

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

Financing

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

As at	**30 September 2019 £m**	31 March 2019 £m
Gross debt	**963.0**	626.2
Cash	**52.7**	24.1
Net debt	**910.3**	602.1
Loan to value[1]	**37.9%**	32.2%
Cost of debt[2]	**3.0%**	3.1%
Undrawn facilities	**71.0**	373.5
Average debt maturity	**5.3 years**	6.4 years
Hedging[3]	**72%**	73%

[1] LTV at 31 March 2019 includes £10.5 million deferred consideration receivable on sales

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

[3] Based on the notional amount of existing hedges and total debt facilities

Net debt has increased £308.2 million in the period, primarily to fund the cash offer for Mucklow and transaction costs of £135 million, incorporate its SWIP £60 million loan and repay its £20 million HSBC facility in full. Further debt was drawn to fund other acquisitions and development expenditure in the period, increasing our LTV to 37.9%. It remains our intention to keep this below 40% over the longer term.

As reported last year, we repaid our DFS joint venture's £21 million debt facility with M&G in April, at the same time as increasing our equity holding to 82%.

Mucklow's £60 million fixed rate loan was reflected at its fair value on acquisition in accordance with IFRS 3, increasing debt by £2.9 million. This premium will be released on a straight-line basis to finance costs over the remaining term of the facility. On 24 September 2019 Mucklow's 675,000 listed preference shares were repurchased at their fair value of £1.1 million and subsequently cancelled.

Our key financial ratios remain strong with average debt cost reducing to 3.0% (March 2019: 3.1%) and average maturity of 5.3 years (March 2019: 6.4 years). The utilisation of the RCF in the period, and its weighting at the period end, has offset the positive impact of our new SWIP and private placement debt facilities, which have an average maturity period of 9.1 years at 30 September 2019.

The Group has available undrawn facilities of £71.0 million to cover its contracted capital commitments of £38.9 million reported in note 8 of the financial statements.

The Group has comfortably complied throughout the period with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging arrangements. At 30 September 2019 we had hedged 72% of our exposure to interest rate fluctuations by way of swaps, caps and fixed rates. We are advised by JCRA and continue to monitor our hedging profile in light of forecast interest rate movements.

Cash flow

During the period, the Group's cash balances increased by £27.9 million as reflected in the table below.

For the six months to 30 September	**2019** **£m**	2018 £m
Cash flows from operating activities	**10.5**	23.7
Cash flows from investing activities	**(223.2)**	(21.2)
Cash flows from financing activities	**240.6**	2.0
Net increase in cash and cash equivalents	**27.9**	4.5

The net cash inflow from operating activities of £10.5 million is stated after charging exceptional acquisition costs paid in the period of £15.6 million as reported in note 14. After adjusting for these one off costs, cash flows from operating activities were £26.1 million, representing an increase of £2.4 million or 10.1% compared to last year.

The Group spent £241.5 million acquiring property and subsidiaries in the period and received net cash proceeds of £30.2 million from property disposals and joint ventures. Capital expenditure on asset management and development activities cost the Group £11.9 million.

Cash inflows from financing activities reflect net new borrowings of £273.9 million, offset by cash dividend and distribution payments of £28.5 million, financing costs of £1.9 million and share purchases of £2.9 million.

Further detail is provided in the Group Cash Flow Statement.

Key risks and uncertainties

Risk management

Our risk management procedures reduce the negative impact of risk on the business and are critical to the generation of reliable and growing, income-led returns and long term outperformance. The Board recognises its overall responsibility for undertaking a robust risk assessment and for establishing the extent to which it is willing to accept some level of risk in achieving its strategic goals whilst ensuring that stakeholder interests are protected. Although risk cannot be eliminated completely, the Board's risk tolerance is low.

The processes for identifying, assessing and mitigating the principal risks of the business are set out in our 2019 Annual Report on pages 50 to 63. The Board is satisfied that these processes continue to be sound and risk management is considered at each of the Board's meetings.

Since publication of the 2019 Annual Report and having taken into account our acquisition of A&J Mucklow Group, there has been no significant change in the risks being faced by the business and no new principal risks have been identified. Brexit and the upcoming General Election dominate economic and political risk with a continuing period of uncertainty which may negatively impact the investment, capital, financial, labour and occupier markets. It may be difficult to adequately foresee emerging risks and uncertainties arising out of these events necessitating more boardroom debate on the consequences, alternative strategies and adjustments to current business strategy. We are conscious of the impact that Brexit might have on occupier and investor appetite for UK property and continue to engage with our occupiers on these issues and their wider property requirements. As reported in the CEO's Overview, we believe however that the accelerating impact of new technology and profound structural changes in the retail landscape will be more important than what ultimately happens with the UK's relationship with the EU.

The principal risks and uncertainties facing the Group and the Board's appetite for each are summarised as follows:

Corporate risks

These risks relate to the business as a whole and include those which affect strategy, our market, systems, employees and wider stakeholders, our regulatory and social and environmental responsibilities.

Strategy

The Group's strategy may be inappropriate for the current economic climate or market cycle or may be poorly implemented. This may lead to underperformance and an inability to take advantage of opportunities. Threat management may be ineffective and we may not have the most appropriate skillsets, resources and systems in place.

The Board view the Group's strategic priorities as fundamental to its business and reputation.

Brexit, economic and political factors

A disruptive Brexit and other political factors may lead to a downturn in the economy or specific industry and sector turbulence resulting in poorer than expected performance. These external factors may impact occupier demand for our assets and disrupt tenant businesses exerting pressure on their ability to pay rent and ultimately their solvency. They may also reduce asset liquidity and impact debt markets.

Whilst economic and political factors are researched and monitored, feeding into strategy, market conditions are outside of the Board's control.

Human resources

There may be an inability to attract, motivate and retain high calibre skilled staff which could jeopardise delivery of the Group’s strategy and its ability to maintain a competitive advantage.

The Board believes it is vitally important to have the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change.

Regulatory and tax framework

Non-compliance with legal or regulatory obligations such as planning, environmental, health and safety and tax could result in increased costs or fines and may impact the letting prospects of assets, damage corporate reputation and access to debt and capital markets.

The Board has no appetite where non-compliance risks injury or damage to a broad range of stakeholders, assets and reputation.

Responsible business approach

Non-compliance with responsible business practices relating to environmental, social and governance concerns, such as climate change and treating stakeholders fairly, may similarly damage corporate reputation, access to debt and capital markets and lettings.

The Board has a low tolerance for non-compliance which impacts reputation and stakeholder sentiment towards the Group.

Systems, processes and financial management

Controls for safeguarding assets and financial management systems may not be robust compromising security and the accuracy of information which may lead to losses and negatively impact decision making processes.

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

Property risks

These risks are associated with our core business, they relate to portfolio composition and management, development activity, factors impacting capital values and occupiers.

Investment risk

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

The Board aims to keep this risk to a minimum but matters outside of its control may have a negative impact. The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise.

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, contractor failure or other supply chain interruption.

The Board is willing to take some speculative development and planning risk if it represents a relatively small proportion of the overall portfolio and is supported by robust research into tenant demand and where there is a high likelihood of planning approval.

Valuation risk

Property values may not be realised. This risk is inherent to the property industry.

Transaction and tenant risk

Acquisitions and asset management initiatives may be inconsistent with strategy and due diligence undertaken may be inadequate. Tenant default and failure to let vacant assets may impact earnings and, if material, could reduce dividend cover and put pressure on loan covenants.

The Board's appetite for risks arising out of poor due diligence processes on investment, divestment and lettings is low. The Board is willing to accept a higher degree of risk in relation to tenant covenant strength and unexpired lease term on urban logistics assets where there is high occupational demand, redevelopment opportunity or alternative site use.

Financing risks

Financing risks relate to how we fund our operations through cash management, capital and debt markets and joint ventures.

Capital and finance risk

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

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. It accepts a low degree of market standard inflexibility in return for the availability of credit and has some appetite for interest rate risk. Loans are not fully hedged. This follows cost benefit analysis and takes into account that loans are not fully drawn all the time.

Group income statement

	Note	**Unaudited Six months to 30 September 2019 £m**	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Gross revenue	3	**53.5**	43.3	86.8
Gross rental income		**52.9**	42.4	85.1
Property operating expenses		**(0.6)**	(0.5)	(1.2)
Net rental income		**52.3**	41.9	83.9
Property advisory fee income		**0.6**	0.9	1.7
Net income		**52.9**	42.8	85.6
Administrative costs		**(7.7)**	(6.9)	(13.7)
Impairment of goodwill on acquisition of subsidiaries	14	**(48.3)**	–	–
Acquisition costs	14	**(8.9)**	–	–
Profit on revaluation of investment properties	8	**19.3**	53.6	75.9
Profit/(loss) on sale of investment properties		**0.6**	(0.8)	0.6
Share of loss of joint ventures	9	**(4.0)**	(0.2)	(6.4)
Operating profit		**3.9**	88.5	142.0
Finance income		**0.4**	0.2	0.4
Finance costs	4	**(15.0)**	(9.4)	(22.9)
(Loss)/profit before tax		**(10.7)**	79.3	119.5
Taxation	5	**–**	–	0.2
(Loss)/profit for the period and total comprehensive income		**(10.7)**	79.3	119.7
Attributable to:				
Equity shareholders		**(10.2)**	79.3	119.7
Non-controlling interest	18	**(0.5)**	–	–
Earnings per share				
Basic	7	**(1.3)p**	11.4p	17.2p
Fully diluted	7	**(1.3)p**	11.3p	17.1p
EPRA Earnings per share				
Basic	7	**4.6p**	4.4p	8.8p
Fully diluted	7	**4.5p**	4.4p	8.7p

All amounts relate to continuing activities.

Group balance sheet

	Note	**Unaudited 30 September 2019 £m**	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Non current assets				
Investment properties	8	**2,315.9**	1,756.2	1,688.0
Investment in equity accounted joint ventures	9	**64.4**	110.7	98.9
Derivative financial instruments	13	**–**	2.4	–
Other tangible assets		**0.4**	0.1	0.4
		2,380.7	1,869.4	1,787.3
Current assets				
Trading properties		**1.1**	–	–
Trade and other receivables	10	**6.3**	9.6	5.8
Cash and cash equivalents	11	**48.5**	30.7	20.6
		55.9	40.3	26.4
Total assets		**2,436.6**	1,909.7	1,813.7
Current liabilities				
Trade and other payables	12	**41.6**	32.5	36.4
Non current liabilities				
Borrowings	13	**916.8**	678.6	558.9
Derivative financial instruments	13	**4.1**	–	1.6
Lease liabilities	8	**6.0**	–	–
		926.9	678.6	560.5
Total liabilities		**968.5**	711.1	596.9
Net assets		**1,468.1**	1,198.6	1,216.8
Equity				
Called up share capital	15	**84.0**	69.8	70.0
Share premium	16	**103.3**	97.1	100.8
Capital redemption reserve	16	**9.6**	9.6	9.6
Other reserve	16	**492.7**	222.7	221.7
Retained earnings	16	**770.7**	799.4	814.7
Equity shareholders' funds		**1,460.3**	1,198.6	1,216.8
Non-controlling interest	18	**7.8**	–	–
Total equity		**1,468.1**	1,198.6	1,216.8
Net asset value per share	7	**174.3p**	172.5p	174.7p
EPRA net asset value per share	7	**174.9p**	172.1p	174.9p

Group statement of changes in equity

Six months ended 30 September 2019 (Unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controllin g interest £m	Total equity £m
At 1 April 2019	70.0	100.8	9.6	221.7	814.7	**1,216.8**	–	**1,216.8**
Loss for the period and total comprehensive income	–	–	–	–	(10.2)	**(10.2)**	(0.5)	**(10.7)**
Share issue on acquisition	13.9	–	–	269.5	–	**283.4**	–	**283.4**
Purchase of shares held in trust	–	–	–	(2.9)	–	**(2.9)**	–	**(2.9)**
Vesting of shares held in trust	–	–	–	4.4	(4.4)	**–**	–	**–**
Share-based awards	–	–	–	–	1.3	**1.3**	–	**1.3**
Investment from non-controlling interest	–	–	–	–	–	**–**	8.7	**8.7**
Distribution to non-controlling interest	–	–	–	–	–	**–**	(0.4)	**(0.4)**
Dividends	0.1	2.5	–	–	(30.7)	**(28.1)**	–	**(28.1)**
At 30 September 2019	**84.0**	**103.3**	**9.6**	**492.7**	**770.7**	**1,460.3**	**7.8**	**1,468.1**

Year ended 31 March 2019 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2018	69.7	96.1	9.6	222.5	751.6	1,149.5	–	1,149.5
Profit for the year and total comprehensive income	–	–	–	–	119.7	119.7	–	119.7
Purchase of shares held in trust	–	–	–	(4.8)	–	(4.8)	–	(4.8)
Vesting of shares held in trust	–	–	–	4.0	(3.7)	0.3	–	0.3
Share-based awards	–	–	–	–	2.7	2.7	–	2.7
Dividends	0.3	4.7	–	–	(55.6)	(50.6)	–	(50.6)
At 31 March 2019	70.0	100.8	9.6	221.7	814.7	1,216.8	–	1,216.8

Six months ended 30 September 2018 (Unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2018	69.7	96.1	9.6	222.5	751.6	1,149.5	–	1,149.5
Profit for the period and total comprehensive income	–	–	–	–	79.3	79.3	–	79.3
Purchase of shares held in trust	–	–	–	(3.8)	–	(3.8)	–	(3.8)
Vesting of shares held in trust	–	–	–	4.0	(3.7)	0.3	–	0.3
Share-based awards	–	–	–	–	1.3	1.3	–	1.3
Dividends	0.1	1.0	–	–	(29.1)	(28.0)	–	(28.0)
At 30 September 2018	69.8	97.1	9.6	222.7	799.4	1,198.6	–	1,198.6

Group cash flow statement

	Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Cash flows from operating activities			
(Loss)/profit before tax	**(10.7)**	79.3	119.5
Adjustments for non-cash items:			
Profit on revaluation of investment properties	**(19.3)**	(53.6)	(75.9)
(Profit)/loss on sale of investment properties	**(0.6)**	0.8	(0.6)
Share of post-tax loss of joint ventures	**4.0**	0.2	6.4
Movement in lease incentives	**(3.9)**	6.0	(5.0)
Impairment of goodwill on acquisition	**48.3**	–	–
Share-based payment	**1.3**	1.3	2.7
Net finance costs	**14.6**	9.2	22.5
Cash flows from operations before changes in working capital	**33.7**	43.2	69.6
Change in trade and other receivables	**(1.4)**	(4.9)	0.4
Change in trade and other payables	**(10.9)**	(7.1)	–
Cash flows from operations	**21.4**	31.2	70.0
Interest received	**0.1**	0.1	0.1
Interest paid	**(11.0)**	(7.9)	(16.2)
Tax received	**–**	0.3	0.3
Cash flows from operating activities	**10.5**	23.7	54.2
Investing activities			
Purchase of subsidiary undertakings	**(119.6)**	–	–
Purchase of investment properties	**(121.9)**	(118.0)	(159.0)
Capital expenditure on investment properties	**(9.3)**	(13.3)	(27.6)
Lease incentives paid	**(2.6)**	(2.2)	(3.2)
Sale of investment properties	**20.2**	105.5	261.0
Investments in joint ventures	**(0.3)**	(8.3)	(5.1)
Distributions from joint ventures	**10.3**	15.1	17.5
Purchase of tangible assets	**–**	–	(0.4)
Cash flows from investing activities	**(223.2)**	(21.2)	83.2
Financing activities			
Dividends paid	**(28.1)**	(28.0)	(50.6)
Distribution to non-controlling interest	**(0.4)**	–	–
Purchase of shares held in trust	**(2.9)**	(3.8)	(4.8)
Vesting of shares held in trust	**–**	0.3	0.3
New borrowings and amounts drawn down	**295.0**	195.0	360.0
Repayment of loan facilities	**(21.1)**	(160.0)	(445.0)
Financial arrangement fees and break costs	**(1.9)**	(1.5)	(2.9)
Cash flows from financing activities	**240.6**	2.0	(143.0)
Net increase/(decrease) in cash and cash equivalents	**27.9**	4.5	(5.6)
Opening cash and cash equivalents	**20.6**	26.2	26.2
Closing cash and cash equivalents	**48.5**	30.7	20.6

Notes to the financial statements

1. Basis of preparation and general information

Basis of preparation

The condensed consolidated financial information included in this Half Year Report has been prepared in accordance with the Disclosure Guidance 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 section 434 of the Companies Act 2006.

The financial information for the year to 31 March 2019 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.

These condensed financial statements were approved and authorised for issue by the Board of Directors on 27 November 2019. The same accounting policies, estimates, presentation and methods of computation are followed in the Half Year Report as those applied in the Group's annual financial statements for the year to 31 March 2019, except as noted below.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and became effective for the Group from 1 April 2019. It has been adopted retrospectively in accordance with the transition provisions of the standard, with the cumulative effect of initially applying the new standard recognised on 1 April 2019. Comparatives have not been restated.

The standard requires lessees to recognise assets (the right to use the leased item) and liabilities (a financial liability to pay rentals) on the balance sheet for most leases. The accounting for lessors under IFRS 16 is substantially unchanged from its predecessor, IAS 17.

As a lessee, the Group holds two types of operating leases:

- Head leases – a limited number of investment properties owned by the Group are situated on land held through leasehold arrangements where ground rent is payable by the Group as lessee
- Office leases - the lease of the Group's head office in London

The impact of adopting IFRS 16 has been to recognise at 30 September 2019 a £6.0 million non current lease liability and equal and opposite right of use asset included in investment property as a non current asset.

Business combination

The acquisition of A&J Mucklow Group on 27 June 2019 has been treated as a business combination in accordance with IFRS 3 using the acquisition method.

The cost of the acquisition is measured as the fair value of the consideration paid for the business. Acquisition costs are recognised in the income statement as incurred. Any excess of the cost over the Group's interest in the fair value of the identifiable net assets acquired is treated as goodwill, which is initially recognised as an asset at cost and subsequently tested for impairment. Further information is provided in note 14.

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 and Property Review. 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 £m	Share of JV £m	Non-controlling interest £m	**Unaudited 30 September 2019 £m**	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Distribution	1,662.0	–	(3.9)	**1,658.1**	1,349.5	1,292.6
Long income	440.5	96.1	(12.3)	**524.3**	386.7	389.5
Retail parks	88.5	–	–	**88.5**	117.0	87.0
Office	61.9	–	–	**61.9**	–	–
Residential	1.4	5.3	–	**6.7**	19.8	17.3
Development[1]	56.7	–	–	**56.7**	49.0	59.8
	2,311.0	101.4	(16.2)	**2,396.2**	1,922.0	1,846.2
Head lease and right of use assets	6.0	–	–	**6.0**	–	–
	2,317.0	101.4	(16.2)	**2,402.2**	1,922.0	1,846.2

[1] Includes trading property of £1.1 million in the current period

Gross rental income

	100% owned £m	Share of JV £m	Non-controlling interest £m	**Unaudited Six months to 30 September 2019 £m**	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Distribution	35.8	–	(0.1)	**35.7**	31.6	64.3
Long income	12.2	3.2	(0.5)	**14.9**	12.6	24.4
Retail parks	3.8	–	–	**3.8**	3.5	6.4
Office	1.1	–	–	**1.1**	–	–
Residential	–	0.1	–	**0.1**	0.2	0.4
	52.9	3.3	(0.6)	**55.6**	47.9	95.5

Net rental income

	100% owned £m	Share of JV £m	Non-controlling interest £m	**Unaudited Six months to 30 September 2019 £m**	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Distribution	35.4	–	(0.1)	**35.3**	31.3	63.5
Long income	12.2	3.2	(0.5)	**14.9**	12.3	24.0
Retail parks	3.6	–	–	**3.6**	3.4	6.1
Office	1.1	–	–	**1.1**	–	–
Residential	–	–	–	**–**	0.1	0.2
	52.3	3.2	(0.6)	**54.9**	47.1	93.8

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's chief operating decision makers and for which discrete financial information is available.

Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment. However, property assets are reviewed on an ongoing basis.

The Group operates almost entirely in the United Kingdom and no geographical split is provided in information reported to the Board.

We have reclassified the operating segments this year following the acquisition of A&J Mucklow Group as discussed in note 14. A new office category has been introduced and long income now includes convenience and leisure as one of its sub categories.

3. Gross revenue

	Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Gross rental income	**52.9**	42.4	85.1
Property advisory fee income	**0.6**	0.9	1.7
	53.5	43.3	86.8

For the comparative periods to 30 September 2018 and 31 March 2019, 12% and 22% of the Group's gross rental income was receivable from one and two tenants respectively.

4. Finance costs

	Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Interest payable on bank loans and related derivatives	**10.9**	7.9	16.3
Debt and hedging early close out costs	**0.3**	–	–
Amortisation of loan issue costs	**0.7**	0.7	1.4
Interest on lease liabilities	**0.1**	–	–
Commitment fees and other finance costs	**0.9**	0.9	1.9
Total borrowing costs	**12.9**	9.5	19.6
Less amounts capitalised on developments	**(0.4)**	(0.5)	(1.1)
Net borrowing costs	**12.5**	9.0	18.5
Fair value loss on derivatives	**2.5**	0.4	4.4
	15.0	9.4	22.9

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value loss on derivatives of £2.5 million (30 September 2018: £0.4 million, 31 March 2019: £4.4 million) and early close out costs of debt of £0.3 million (30 September 2018 and 31 March 2019: £nil).

5. Taxation

	Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
UK tax (credit)/charge on profit	–	–	(0.2)

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 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Ordinary dividends paid			
2018 Third quarterly interim dividend: 1.85p per share	**–**	12.8	12.8
2018 Fourth quarterly interim dividend: 2.35p per share	**–**	16.3	16.3
2019 First quarterly interim dividend: 1.9p per share	**–**	–	13.2
2019 Second quarterly interim dividend: 1.9p per share	**–**	–	13.3
2019 Third quarterly interim dividend: 1.9p per share	**13.3**	–	–
2019 Fourth quarterly interim dividend: 2.5p per share	**17.4**	–	–
	30.7	29.1	55.6
Ordinary dividends payable			
2020 First quarterly interim dividend: 2.0p per share	**16.8**		
2020 Second quarterly interim dividend: 2.0p per share	**16.8**		

The Company paid its first quarterly interim dividend in respect of the current financial year of 2.0p per share, wholly as a Property Income Distribution (PID), on 7 October 2019 to ordinary shareholders on the register at the close of business on 30 August 2019.

The second quarterly interim dividend for the current year of 2.0p per share will be paid on 10 January 2020, wholly as a PID, to ordinary shareholders on the register at the close of business on 6 December 2019. A scrip dividend alternative will be offered to shareholders as it was for the first quarterly dividend 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 2020.

During the period the Company issued 1.3 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £2.6 million to £28.1 million.

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 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 and the reconciliations to IFRS reported profit are disclosed in the Financial Review and in Supplementary note ii.

b) Earnings per ordinary share attributable to equity shareholders

		Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Basic and diluted earnings		**(10.2)**	79.3	119.7
EPRA adjustments[1]				
Revaluation of investment property	Group	**(19.3)**	(53.6)	(75.9)
	JV	**3.5**	2.6	11.5
Fair value of derivatives	Group	**2.5**	0.4	4.4
	JV	**0.3**	–	0.3
(Profit)/loss on disposals	Group	**(0.6)**	0.8	(0.6)
	JV	**2.3**	1.4	1.6
Debt early close out costs	Group	**0.3**	–	–
Acquisition costs	Group	**8.9**	–	–
Impairment of goodwill on acquisition	Group	**48.3**	–	–
Non-controlling interest share of adjustments		**(0.8)**	–	–
EPRA earnings		**35.2**	30.9	61.0

[1] EPRA adjustments are also shown in the table reconciling EPRA earnings with IFRS reported profit/(loss) in supplementary note ii

	Weighted average number of shares (millions)	Weighted average number of shares (millions)	Weighted average number of shares (millions)
Ordinary share capital	**772.1**	697.6	698.4
Shares held in employee benefit trust	**(2.3)**	(2.4)	(2.8)
Weighted average number of ordinary shares - basic	**769.8**	695.2	695.6
Employee share schemes	**6.8**	5.4	5.2
Weighted average number of ordinary shares – fully diluted	**776.6**	700.6	700.8
Earnings per share			
Basic	**(1.3)p**	11.4p	17.2p
Fully diluted	**(1.3)p**	11.3p	17.1p
EPRA Earnings per share			
Basic	**4.6p**	4.4p	8.8p
Fully diluted	**4.5p**	4.4p	8.7p

c) Net assets per share attributable to equity shareholders

		Unaudited 30 September 2019 £m	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Equity shareholders' funds		**1,460.3**	1,198.6	1,216.8
Fair value of derivatives	Group	**4.1**	(2.4)	1.6
	JV	**0.6**	(0.1)	0.3
EPRA net asset value		**1,465.0**	1,196.1	1,218.7

	Number of shares (millions)	Number of shares (millions)	Number of shares (millions)
Ordinary share capital	**839.9**	697.8	700.0
Shares held in employee benefit trust	**(2.3)**	(2.8)	(3.4)
Number of ordinary shares	**837.6**	695.0	696.6
Net asset value per share	**174.3p**	172.5p	174.7p
EPRA net asset value per share	**174.9p**	172.1p	174.9p

8. Investment properties

	Completed £m	Under development £m	**Unaudited 30 September 2019 £m**	Completed £m	Under development £m	Audited 31 March 2019 £m
Opening balance	1,628.2	59.8	**1,688.0**	1,635.0	42.6	1,677.6
Acquisitions	579.2	24.1	**603.3**	147.0	12.7	159.7
Capital expenditure	3.5	5.2	**8.7**	14.1	16.3	30.4
Disposals	(15.6)	(0.3)	**(15.9)**	(247.2)	(0.5)	(247.7)
Property transfers	37.4	(37.4)	**–**	21.0	(21.0)	–
Revaluation movement	15.2	4.1	**19.3**	66.2	9.7	75.9
Tenant incentives	6.4	0.1	**6.5**	(7.9)	–	(7.9)
Property portfolio	2,254.3	55.6	**2,309.9**	1,628.2	59.8	1,688.0
Head lease and right of use assets			**6.0**			–
			2,315.9			1,688.0

Investment properties are held at fair value as at 30 September 2019 based on external valuations performed by professionally qualified valuers CBRE Limited (‘CBRE’), Savills (UK) Limited (‘Savills’) and Cushman & Wakefield Debenham Tie Leung Limited (‘Cushman & Wakefield’).

The valuation of property held for sale at 30 September 2019 was £5.9 million (30 September 2018: £52.9 million, 31 March 2019: £10.6 million).

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value. There has been no change in the valuation technique in the period.

The total fees earned by CBRE, Savills and Cushman & Wakefield from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Long-term leasehold values included within investment properties amount to £180.3 million (30 September 2018: £116.9 million, 31 March 2019: £109.4 million). All other properties are freehold.

Included within the investment property valuation is £69.0 million (30 September 2018: £66.6 million, 31 March 2019: £62.5 million) in respect of lease incentives and rent free periods.

The historical cost of all of the Group’s investment properties at 30 September 2019 was £1,893.4 million (30 September 2018: £1,362.9 million, 31 March 2019: £1,295.6 million).

Capital commitments have been entered into amounting to £38.9 million (30 September 2018: £27.6 million, 31 March 2019: £19.7 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.0 million (30 September 2018: £0.9 million, 31 March 2019: £1.9 million) have been capitalised in the period, being directly attributable to the development projects in progress.

Forward funded development costs of £3.6 million (30 September 2018: £6.6 million, 31 March 2019 £10.4 million) have been classified within investment property as acquisitions.

At 30 September 2019 investment properties included £6.0 million for the head lease right of use assets which have been recognised following adoption of IFRS 16 on 1 April 2019.

9. Investment in joint ventures

At 30 September 2019 the following principal property interests, being jointly-controlled entities, have been equity accounted for in these financial statements:

	Country of Incorporation or Registration[1]	Property Sector	Group Share
Metric Income Plus Partnership	England	Long income	50.0%
LSP London Residential Investments Ltd	Guernsey	Residential	40.0%

[1] The registered address for entities incorporated in England is One Curzon Street, London, W1J 5HB. The registered address for entities incorporated in Guernsey is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP.

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

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, disposed of a property in Oldham let to Wickes for £4.5 million (Group share: £2.3 million) in the period.

LSP London Residential Investments Limited disposed of 22 residential flats at Moore House for £20.9 million (Group share: £8.4 million) in the period.

The Group increased its interest in the DFS joint venture to 82% in April 2019 by acquiring its partner's interest. The external debt facility with M&G was repaid in full and the Group's interest in LMP Retail Warehouse JV Holdings Limited is now accounted for as a subsidiary and consolidated in these financial statements. The remaining partner's 18% share is reflected as a non-controlling interest. Further information is provided in note 18(b).

At 30 September 2019, the freehold and leasehold investment properties were externally valued by CBRE and Savills.

There was no property held for sale by joint ventures at 30 September 2019 (30 September 2018: £6.1 million (Group share: £2.9 million), 31 March 2019: £5.8 million (Group share: £2.8 million)).

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

	Unaudited Six months to 30 September 2019 £m	Unaudited Six months to 30 September 2018 £m	Audited Year to 31 March 2019 £m
Opening balance	**98.9**	117.6	117.6
Additions at cost	**0.3**	8.3	5.1
Share of loss in the period	**(4.0)**	(0.2)	(6.4)
Disposals	**(20.5)**	(3.2)	–
Profit distributions received	**(10.3)**	(11.8)	(17.4)
Closing balance	**64.4**	110.7	98.9

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

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	**Unaudited 30 September 2019 £m**	**Unaudited 30 September 2019 £m**
Summarised income statement	100%	100%	100%	**100%**	**Group share**
Gross rental income	6.0	0.5	0.2	**6.7**	**3.3**
Property costs	–	–	(0.2)	**(0.2)**	**(0.1)**
Net rental income	6.0	0.5	–	**6.5**	**3.2**
Management fees	(0.5)	–	(0.1)	**(0.6)**	**(0.3)**
Revaluation	(6.6)	–	(0.4)	**(7.0)**	**(3.5)**
Net finance cost	(1.4)	(0.2)	–	**(1.6)**	**(0.8)**
Derivative movement	(0.6)	–	–	**(0.6)**	**(0.3)**
Loss on disposal	(0.1)	–	(5.8)	**(5.9)**	**(2.3)**
(Loss)/profit after tax	(3.2)	0.3	(6.3)	**(9.2)**	**(4.0)**
Group share of (loss)/profit after tax	(1.6)	0.1	(2.5)	**(4.0)**	
EPRA adjustments					
Revaluation	6.6	–	0.4	**7.0**	**3.5**
Derivative movement	0.6	–	–	**0.6**	**0.3**
Loss on disposal	0.1	–	5.8	**5.9**	**2.3**
EPRA earnings	4.1	0.3	(0.1)	**4.3**	**2.1**
Group share of EPRA earnings	2.0	0.1	–	**2.1**	
Summarised balance sheet					
Investment properties	192.1	–	13.4	**205.5**	**101.4**
Other current assets	0.5	–	–	**0.5**	**0.3**
Cash	8.1	–	1.5	**9.6**	**4.6**
Current liabilities	(2.9)	–	(0.1)	**(3.0)**	**(1.5)**
Bank debt	(80.5)	–	–	**(80.5)**	**(40.2)**
Unamortised finance costs	0.9	–	–	**0.9**	**0.4**
Derivative financial instruments	(1.2)	–	–	**(1.2)**	**(0.6)**
Net assets	117.0	–	14.8	**131.8**	**64.4**
Group share of net assets	58.5	–	5.9	**64.4**	

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	Unaudited 30 September 2018 £m	Unaudited 30 September 2018 £m
Summarised income statement	100%	100%	100%	100%	Group share
Gross rental income	7.2	3.9	0.5	11.6	5.5
Property costs	(0.4)	–	(0.3)	(0.7)	(0.3)
Net rental income	6.8	3.9	0.2	10.9	5.2
Administrative costs	–	(0.1)	–	(0.1)	–
Management fees	(0.5)	(0.2)	(0.2)	(0.9)	(0.4)
Revaluation	(1.7)	(1.0)	(3.2)	(5.9)	(2.6)
Net finance cost	(1.3)	(0.9)	–	(2.2)	(1.0)
Derivative movement	0.1	–	–	0.1	–
Loss on disposal	–	–	(3.5)	(3.5)	(1.4)
Profit/(loss) after tax	3.4	1.7	(6.7)	(1.6)	(0.2)
Group share of profit/(loss) after tax	1.7	0.8	(2.7)	(0.2)	
<u>EPRA adjustments</u>					
Revaluation	1.7	1.0	3.2	5.9	2.6
Derivative movement	(0.1)	–	–	(0.1)	–
Loss on disposal	–	–	3.5	3.5	1.4
EPRA earnings	5.0	2.7	–	7.7	3.8
Group share of EPRA earnings	2.5	1.3	–	3.8	

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	Audited 31 March 2019 £m	Audited 31 March 2019 £m
Summarised balance sheet	100%	100%	100%	100%	Group share
Investment properties	202.1	91.4	40.0	333.5	158.2
Other current assets	0.6	–	0.1	0.7	0.4
Cash	4.5	1.1	1.9	7.5	3.5
Current liabilities	(3.4)	(0.9)	(0.2)	(4.5)	(2.2)
Bank debt	(80.5)	(46.6)	–	(127.1)	(61.2)
Unamortised finance costs	1.0	0.1	–	1.1	0.5
Derivative financial instruments	(0.6)	–	–	(0.6)	(0.3)
Net assets	123.7	45.1	41.8	210.6	98.9
Group share of net assets	61.9	20.3	16.7	98.9	

10. Trade and other receivables

	Unaudited 30 September 2019 £m	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Trade receivables	**3.3**	5.7	0.9
Amounts receivable from property sales	**0.1**	0.8	3.8
Prepayments and accrued income	**2.3**	1.4	1.0
Other receivables	**0.6**	1.7	0.1
	6.3	9.6	5.8

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 2019 there were trade receivables of £24,000 which were overdue and considered at risk (30 September 2018: £43,000, 31 March 2019: £44,600).

Based on the IFRS 9 expected credit loss model, an impairment provision of £151,000 (30 September 2018: £140,000, 31 March 2019: £140,000). has been made against trade receivables.

11. Cash and cash equivalents

Cash and cash equivalents include £10.5 million (30 September 2018: £3.9 million, 31 March 2019: £5.7 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 2019 £m	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Trade payables	**2.8**	2.4	2.3
Amounts payable on property acquisitions and disposals	**0.9**	2.2	2.1
Rent received in advance	**21.6**	15.8	14.7
Accrued interest	**1.4**	0.8	0.9
Other payables	**6.2**	1.9	6.5
Other accruals and deferred income	**8.7**	9.4	9.9
	41.6	32.5	36.4

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

13. Borrowings

	Unaudited 30 September 2019 £m	Unaudited 30 September 2018 £m	Audited 31 March 2019 £m
Secured Bank loans	**192.8**	130.0	130.0
Unsecured Bank loans	**730.0**	555.0	435.0
	922.8	685.0	565.0
Unamortised finance costs	**(6.0)**	(6.4)	(6.1)
	916.8	678.6	558.9

Certain bank loans at 30 September 2019 are secured by fixed charges over Group investment properties with a carrying value of £544.5 million. Secured fixed rate debt acquired as part of the acquisition of A&J Mucklow Group was reflected at fair value on acquisition in accordance with IFRS 3, increasing secured bank loans by £2.9 million as disclosed in note 14.

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

As at 30 September 2019	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**	**Total £m**
Bank loans	**26.0**	**120.5**	**587.7**	**337.6**	**1,071.8**
Derivative financial instruments	**1.0**	**1.1**	**0.5**	**–**	**2.6**
	27.0	**121.6**	**588.2**	**337.6**	**1,074.4**

As at 31 March 2019	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	17.8	17.8	213.0	437.7	686.3
Derivative financial instruments	0.8	0.8	0.8	–	2.4
	18.6	18.6	213.8	437.7	688.7

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

The Group uses interest rate swaps, caps and fixed rates to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan.

Details of the fair value of the Group's derivative financial instruments that were in place at 30 September 2019 are provided below.

	Average rate		**Notional amount**		**Fair value**	
Interest rate caps – expiry	**Unaudited 30 September 2019 %**	Audited 31 March 2019 %	**Unaudited 30 September 2019 £m**	Audited 31 March 2019 £m	**Unaudited 30 September 2019 £m**	Audited 31 March 2019 £m
Less than one year	**–**	3.0	**–**	10.0	**–**	–
One to two years	**–**	–	**–**	–	**–**	–
Two to five years	**2.0**	2.0	**19.6**	19.6	**–**	–
	2.0	2.3	**19.6**	29.6	**–**	–

	Average rate		**Notional amount**		**Fair value**	
Interest rate swaps - expiry	**Unaudited 30 September 2019 %**	Audited 31 March 2019 %	**Unaudited 30 September 2019 £m**	Audited 31 March 2019 £m	**Unaudited 30 September 2019 £m**	Audited 31 March 2019 £m
Less than one year	**–**	2.0	**–**	10.0	**–**	–
One to two years	**–**	–	**–**	–	**–**	–
Two to five years	**1.1**	1.1	**350.0**	350.0	**(4.1)**	(1.6)
	1.1	1.1	**350.0**	360.0	**(4.1)**	(1.6)
Total fair value					**(4.1)**	(1.6)

All derivative financial instruments are non-current interest rate derivatives and are carried at fair value following a valuation as at 30 September 2019 by JCRA.

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

14. Business combination

On 27 June 2019, the Company acquired the entire issued share capital of A&J Mucklow Group, a distribution and industrial REIT with a complementary portfolio of assets located predominantly in the West Midlands. The acquisition was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. On 24 September 2019, following the repurchase and cancellation of its listed preference shares for £1.1 million, A&J Mucklow Group plc was re-registered as a private limited company, changing its name to A&J Mucklow Group Limited.

The portfolio was acquired for a total consideration of £413.0 million, representing cash of £129.4 million or 204.5p per ordinary share acquired, and 138.6 million new ordinary shares issued at 204.6p, being the closing share price of the Company on 27 June 2019, totalling £283.6 million.

The fair value of assets acquired was £364.7 million as reflected in the table below. The resulting goodwill on acquisition was £48.3 million, which has been fully impaired in the period as the future cash flows arising in the form of rental income were fully incorporated into the fair value of the assets acquired.

The goodwill arising includes exceptional transaction costs of £6.5 million which were incurred by Mucklow pre acquisition and the fair value adjustments noted in the table below. In addition and most significantly, the Company's strong share price performance and its premium to the previously reported EPRA NAV at 31 March 2019 upon which the offer was based, increased the fair value of the consideration paid, which is calculated with reference to the Company's share price at completion, thereby creating goodwill. The share price increased to 204.6p on completion of the transaction, representing a 17% premium to EPRA NAV at 31 March 2019.

	Book value £m	Fair value of trading properties £m	Fair value of fixed rate debt £m	Fair value of preference shares £m	**Fair value £m**
Investment properties	453.6	–	–	–	**453.6**
Property, plant and equipment	0.1	–	–	–	**0.1**
Trading properties	0.1	1.0	–	–	**1.1**
Trade and other receivables	2.7	–	–	–	**2.7**
Cash and cash equivalents	9.8	–	–	–	**9.8**
Total assets	466.3	1.0	–	–	**467.3**
Trade and other payables	(18.8)	–	–	–	**(18.8)**
Current tax liabilities	(0.7)	–	–	–	**(0.7)**
Borrowings	(79.8)	–	(2.9)	(0.4)	**(83.1)**
Total liabilities	(99.3)	–	(2.9)	(0.4)	**(102.6)**
Fair value of net assets acquired	367.0	1.0	(2.9)	(0.4)	**364.7**
Cash consideration					129.4
Equity instruments					283.6
Fair value of consideration paid					**413.0**
Goodwill on acquisition					**48.3**

The cost of the acquisition as reflected in the Group cash flow statement of £119.6 million reflects the cash consideration of £129.4 million less the £9.8 million Mucklow cash balance.

Acquisition costs incurred by the Company of £9.1 million have been paid in the period (£8.9 million charged to the income statement and £0.2 million to other reserves). In addition and subsequent to completion, the Group paid Mucklow acquisition costs of £6.5 million and repaid the HSBC £20 million banking facility in full.

The acquisition has contributed £6.9 million to gross rental income, £4.9 million to EPRA earnings and £15.9 million to retained profit since acquisition. Had A&J Mucklow Group been part of the Group since 1 April 2019, the combined gross rental income, EPRA earnings and retained losses for the Group at 30 September 2019 would have been £59.0 million, £40.1 million and £2.4 million respectively.

15. Share capital

	Unaudited 30 September 2019 Number	**Unaudited 30 September 2019 £m**	Audited 31 March 2019 Number	Audited 31 March 2019 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	**839,945,781**	**84.0**	699,991,840	70.0

As reported in note 14, the Company issued 138,615,684 ordinary shares as part of the consideration for the acquisition of A&J Mucklow Group on 27 June 2019. In addition, the Company issued 1,338,257 ordinary shares under the terms of its Scrip Dividend Scheme during the period.

In June 2019, the Company granted options over 2,034,253 ordinary shares under its Long Term Incentive Plan. In addition, 2,111,973 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2016 vested along with 420,394 ordinary shares in the Director's Deferred Bonus Plan. The average share price on vesting was 207.3p.

16. Reserves

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

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited, Metric Property Investments Plc and A&J Mucklow Group 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.

17. Analysis of movement in net debt

	Unaudited 30 September 2019			Audited 31 March 2019		
	Cash and cash equivalents £m	**Borrowings £m**	**Net debt £m**	Cash and cash equivalents £m	Borrowings £m	Net debt £m
Opening balance	**20.6**	**558.9**	**538.3**	26.2	643.6	617.4
Cash movement	**27.9**	**295.0**	**267.1**	(5.6)	(85.0)	(79.4)
Debt acquired	**–**	**60.0**	**60.0**	–	–	–
Loan issue costs paid	**–**	**(0.7)**	**(0.7)**	–	(1.1)	(1.1)
Fair value of debt	**–**	**2.9**	**2.9**	–	–	–
Amortisation of loan issue costs	**–**	**0.7**	**0.7**	–	1.4	1.4
Closing balance	**48.5**	**916.8**	**868.3**	20.6	558.9	538.3

18. Related party transactions

a) Joint Ventures

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

		Management fees		Profit distributions	
	Group interest	**Unaudited Six months to 30 September 2019 £m**	Unaudited Six months to 30 September 2018 £m	**Unaudited Six months to 30 September 2019 £m**	Unaudited Six months to 30 September 2018 £m
LSP London Residential Investments Ltd	40%	**0.1**	0.2	**8.2**	8.7
Metric Income Plus Partnership	50%	**0.5**	0.6	**2.1**	2.6
LMP Retail Warehouse JV PUT	45%	**–**	0.1	**–**	0.6
		0.6	0.9	**10.3**	11.9

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

b) Non-controlling interest

The Group's non-controlling interest represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns 10 DFS assets.

On 26 April 2019, LMP Retail Warehouse JV Holdings Limited acquired its joint venture partner's 45% interest in LMP Retail Warehouse JV Property Unit Trust, which subsequently transferred its assets to LMP Retail Warehouse JV Holdings Limited.

The Group's interest increased from 45% to 82%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet.

As at the period end, the non-controlling interest share of losses and net assets was £0.5 million and £7.8 million respectively, with distributions of £0.4 million paid during the period.

19. Events after the balance sheet date

Post period end, the Group has acquired a petrol station and convenience store let to the Co-op for £3.7 million, a portfolio of IMO car wash assets for £10.8 million and has sold assets, including its distribution warehouse in Doncaster, for £9.2 million. Further information is provided in the Property Review.

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 Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

By order of the Board

Andrew Jones
Chief Executive

Martin McGann
Finance Director

27 November 2019

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 2019 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 19. 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 Financial Reporting Council. 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group 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 Financial Reporting Council 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

DELOITTE LLP
Statutory Auditor
London, United Kingdom
27 November 2019

Supplementary information

i EPRA Summary table

	30 September 2019	30 September 2018	31 March 2019
EPRA earnings per share	**4.6p**	4.4p	8.8p
EPRA net asset value per share	**174.9p**	172.1p	174.9p
EPRA triple net asset value per share	**174.3p**	172.5p	174.7p
EPRA vacancy rate	**1.8%**	5.6%	2.2%
EPRA cost ratio (including vacant property costs)	**14.3%**	14.9%	15.0%
EPRA cost ratio (excluding vacant property costs)	**13.6%**	14.1%	14.1%
EPRA net initial yield	**4.4%**	4.3%	4.3%
EPRA 'topped up' net initial yield	**4.9%**	4.6%	4.7%

ii EPRA proportionally consolidated income statement

For the six months to 30 September	Group £m	JV £m	Non-controlling interest £m	**2019 £m**	Group £m	JV £m	2018 £m
Gross rental income	52.9	3.3	(0.6)	**55.6**	42.4	5.5	47.9
Property costs	(0.6)	(0.1)	–	**(0.7)**	(0.5)	(0.3)	(0.8)
Net rental income	52.3	3.2	(0.6)	**54.9**	41.9	5.2	47.1
Management fees	0.6	(0.3)	–	**0.3**	0.9	(0.4)	0.5
Administrative costs	(7.7)	–	0.1	**(7.6)**	(6.9)	–	(6.9)
Net finance costs	(11.8)	(0.8)	0.1	**(12.5)**	(8.8)	(1.0)	(9.8)
Other	–	–	0.1	**0.1**	–	–	–
EPRA earnings	33.4	2.1	(0.3)	**35.2**	27.1	3.8	30.9
Revaluation of property	19.3	(3.5)	0.8	**16.6**	53.6	(2.6)	51.0
Fair value of derivatives	(2.5)	(0.3)	–	**(2.8)**	(0.4)	–	(0.4)
Profit/(loss) on disposal	0.6	(2.3)	–	**(1.7)**	(0.8)	(1.4)	(2.2)
Debt/hedging early close out costs	(0.3)	–	–	**(0.3)**	–	–	–
Impairment of goodwill	(48.3)	–	–	**(48.3)**	–	–	–
Acquisition costs	(8.9)	–	–	**(8.9)**	–	–	–
IFRS reported (loss)/profit	(6.7)	(4.0)	0.5	**(10.2)**	79.5	(0.2)	79.3

iii EPRA proportionally consolidated balance sheet

As at	Group £m	JV £m	Non-controlling interest £m	**30 September 2019 £m**	Group £m	JV £m	31 March 2019 £m
Investment property	2,315.9	101.4	(16.2)	**2,401.1**	1,688.0	158.2	1,846.2
Trading property	1.1	–	–	**1.1**	–	–	–
	2,317.0	101.4	(16.2)	**2,402.2**	1,688.0	158.2	1,846.2
Gross debt	(922.8)	(40.2)	–	**(963.0)**	(565.0)	(61.2)	(626.2)
Cash	48.5	4.6	(0.4)	**52.7**	20.6	3.5	24.1
Other (liabilities)/assets	(34.9)	(0.8)	8.8	**(26.9)**	(24.1)	(1.3)	(25.4)
EPRA net assets	1,407.8	65.0	(7.8)	**1,465.0**	1,119.5	99.2	1,218.7
Derivatives	(4.1)	(0.6)	–	**(4.7)**	(1.6)	(0.3)	(1.9)
IFRS net assets	1,403.7	64.4	(7.8)	**1,460.3**	1,117.9	98.9	1,216.8
Loan to value (%)	38.0	35.2	–	**37.9**	31.8	36.5	32.2
Cost of debt (%)	3.0	3.2	–	**3.0**	3.1	3.5	3.1
Undrawn facilities	68.8	2.2	–	**71.0**	363.8	9.7	373.5

iv EPRA cost ratio

For the six months to 30 September	**2019 £m**	2018 £m
Property operating expenses	**0.6**	0.5
Administrative costs	**7.6**	6.8
Share of joint venture property costs, administrative costs and management fees	**0.4**	0.8
Less:		
Joint venture property management fee income	**(0.6)**	(0.9)
Ground rents	**–**	(0.1)
Total costs including vacant property costs (A)	**8.0**	7.1
Group vacant property costs	**(0.4)**	(0.3)
Share of joint venture vacant property costs	**(0.1)**	–
Total costs excluding vacant property costs (B)	**7.5**	6.8
Gross rental income	**52.9**	42.4
Share of joint venture gross rental income	**3.3**	5.5
Share of non-controlling interest gross rental income	**(0.6)**	–
	55.6	47.9
Less: Ground rents	**–**	(0.1)
Total gross rental income (C)	**55.6**	47.8
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**14.3%**	14.9%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**13.6%**	14.1%

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

As at	**30 September 2019 £m**	31 March 2019 £m
Investment property – wholly owned	**2,309.9**	1,688.0
Investment property – share of joint ventures	**101.4**	158.2
Trading property	**1.1**	–
Less development properties	**(56.7)**	(59.8)
Less residential properties	**(6.7)**	(17.3)
Less non-controlling interest	**(16.2)**	–
Completed property portfolio	**2,332.8**	1,769.1
Allowance for:		
Estimated purchasers' costs	**158.6**	120.3
Estimated costs to complete	**27.3**	14.8
EPRA property portfolio valuation (A)	**2,518.7**	1,904.2
Annualised passing rental income	**106.8**	74.5
Share of joint ventures	**6.1**	9.4
Less development properties	**(1.6)**	(1.1)
Less residential properties	**(0.1)**	(0.2)
Annualised net rents (B)	**111.2**	82.6
Contractual rental increases for rent free periods	**10.5**	5.3
Contractual rental increases for stepped rental uplifts	**2.5**	1.3
'Topped up' net annualised rent (C)	**124.2**	89.2
EPRA net initial yield (B/A)	**4.4%**	4.3%
EPRA 'topped up' net initial yield (C/A)	**4.9%**	4.7%

vi EPRA vacancy rate

As at	**30 September 2019 £m**	31 March 2019 £m
Annualised estimated rental value of vacant premises	**2.2**	1.9
Portfolio estimated rental value[1]	**124.2**	90.1
EPRA vacancy rate	**1.8%**	2.2%

[1] Excludes residential and development properties

vii EPRA capital expenditure analysis

As at	Group £m	JV £m	Non-controlling interest £m	**30 September 2019 £m**	Group £m	JV £m	31 March 2019 £m
Opening valuation	1,688.0	158.2	–	**1,846.2**	1,677.6	164.4	1,842.0
Acquisitions[1,2]	580.3	(41.2)	(17.0)	**522.1**	147.0	9.3	156.3
Developments[3]	29.3	–	–	**29.3**	29.0	5.3	34.3
Capital expenditure[4]	3.5	0.3	–	**3.8**	14.1	0.9	15.0
Disposals	(15.9)	(12.7)	–	**(28.6)**	(247.7)	(11.1)	(258.8)
Revaluation	19.3	(3.5)	0.8	**16.6**	75.9	(11.5)	64.4
Lease incentives	6.5	0.3	–	**6.8**	(7.9)	0.9	(7.0)
Head lease ROU asset	6.0	–	–	**6.0**	–	–	–
Closing valuation	2,317.0	101.4	(16.2)	**2,402.2**	1,688.0	158.2	1,846.2

[1] Group acquisitions in the current period include £579.2 million completed investment properties as reflected in note 8 and trading property of £1.1 million
[2] DFS upweight from 45% to 82% has been reflected in this table as an acquisition by the Group and offset as a disposal by the JV
[3] Group developments include acquisitions and capital expenditure on properties under development as reflected in note 8
[4] Capital expenditure on completed properties

viii Total accounting return

	30 September 2019 p/share	30 September 2018 p/share	31 March 2019 p/share
EPRA net asset value per share			
– at end of period	**174.9**	172.1	174.9
– at start of period	**174.9**	165.2	165.2
Increase	**–**	6.9	9.7
Dividend paid	**4.4**	4.2	8.0
Net increase	**4.4**	11.1	17.7
Total accounting return	**2.5%**	6.7%	10.7%

ix Portfolio split and valuation

As at	£m	30 September 2019 %	£m	31 March 2019 %
Mega distribution	**429.5**	**17.9**	427.1	23.1
Regional distribution	**416.6**	**17.4**	385.5	20.9
Urban logistics	**812.0**	**33.9**	480.0	26.0
Distribution	**1,658.1**	**69.2**	1,292.6	70.0
Long income	**524.3**	**21.9**	389.5	21.1
Retail parks	**88.5**	**3.7**	87.0	4.7
Offices	**61.9**	**2.6**	–	–
Investment portfolio	**2,332.8**	**97.4**	1,769.1	95.9
Development[1]	**56.7**	**2.3**	59.8	3.2
Residential	**6.7**	**0.3**	17.3	0.9
Total portfolio	**2,396.2**	**100.0**	1,846.2	100.0
Head lease and right of use assets	**6.0**		–	
	2,402.2		1,846.2	

[1] Represents regional distribution £33.6 million (1.4%), urban logistics £14.4 million (0.6%), long income £6.6 million (0.3%), office £1.0 million and other land £1.1 million at 30 September 2019. Split of prior period comparatives was regional distribution £22.6 million (1.2%), urban logistics £23.9 million (1.3%), long income £13.3 (0.7%).

x Investment portfolio yields

As at	EPRA NIY %	EPRA topped up NIY %	30 September 2019 Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	31 March 2019 Equivalent yield %
Distribution	**4.1**	**4.6**	**5.1**	3.9	4.3	4.9
Long income	**5.1**	**5.6**	**5.7**	5.4	5.6	5.6
Retail parks	**6.2**	**7.0**	**6.8**	6.1	6.3	6.2
Offices	**5.7**	**6.3**	**6.5**	–	–	–
Investment portfolio	**4.4**	**4.9**	**5.4**	4.3	4.7	5.1

xi Investment portfolio – Key statistics

As at 30 September 2019	Area ’000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	13,324	11.1	10.0	97.3	6.20
Long income	2,547	12.5	11.8	100.0	15.20
Retail parks	388	9.4	7.6	99.6	17.10
Offices	246	6.7	5.5	100.0	16.80
Investment portfolio	**16,505**	**11.3**	**10.2**	**98.2**	**7.80**

xii Total property returns

	All property 30 September 2019 %	All property 30 September 2018 %	All property 31 March 2019 %
Capital return	**1.0**	2.9	3.9
Income return	**2.5**	2.5	4.9
Total return	**3.5**	5.4	9.0

xiii Contracted rental income

As at	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Distribution	**80.5**	61.4	59.0
Long income	**31.9**	23.3	23.6
Retail parks	**6.6**	7.1	5.9
Offices	**4.1**	–	–
Investment portfolio	**123.1**	91.8	88.5
Development – distribution	**1.3**	–	–
Development – long income	**0.3**	1.4	1.0
Commercial portfolio	**124.7**	93.2	89.5
Residential	–	0.2	0.2
Total portfolio	**124.7**	93.4	89.7

xiv Rent subject to expiry

As at 30 September 2019	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	10.1	21.4	46.4	76.7	85.7	100.0
Offices	11.0	18.5	93.1	100.0	100.0	100.0
Long income	7.1	9.9	24.9	66.5	93.3	100.0
Retail parks	1.2	17.4	57.0	86.6	100.0	100.0
Commercial portfolio	**8.9**	**18.1**	**43.0**	**75.3**	**88.9**	**100.0**

xv Contracted rent subject to RPI or fixed uplifts

	30 September 2019		31 March 2019	
As at	£m	%	£m	%
Distribution	**47.4**	**58.0**	42.4	71.8
Long income	**16.1**	**50.0**	12.8	52.0
Retail parks	**1.0**	**15.1**	1.3	22.6
Offices	**0.7**	**15.7**	–	–
Commercial portfolio	**65.2**	**52.3**	56.5	63.2

xvi Top ten assets (by value)

As at 30 September 2019	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.7	100	21.0	21.0
Eddie Stobart, Dagenham	454	4.1	100	24.0	24.0
Primark, Thrapston	783	4.2	100	13.0	13.0
Argos, Bedford	657	4.1	100	14.5	14.5
Dixons Carphone, Newark	726	4.4	100	13.8	13.8
Tesco, Croydon	191	1.9	100	8.6	8.6
Amazon, Warrington	357	2.1	100	12.2	12.2
DHL, Reading	230	1.8	100	5.8	5.8
Clipper Logistics, Ollerton	364	2.0	100	18.0	18.0
Burlington Road, New Malden	51	1.9	100	12.1	7.5

xvii Top ten occupiers

As at 30 September 2019	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark[1]	9.9	17.1	7.9
Dixons Carphone	7.9	1.6	6.3
DFS	6.7	0.5	5.4
M&S	4.7	3.5	3.8
Argos[1]	4.2	4.7	3.4
Eddie Stobart	4.1	0.3	3.3
DHL	3.1	34.4	2.5
Odeon	3.1	0.8	2.5
Amazon	2.6	691.2	2.1
Clipper Logistics	2.4	0.2	1.9
Top ten	**48.7**		**39.1**
Other commercial	76.0		60.9
Total commercial	**124.7**		**100.0**

[1] Market capitalisation of Parent Company

Glossary

A&J Mucklow Group or A&J Mucklow or Mucklow
A&J Mucklow Group Plc acquired on 27 June 2019 and re-registered as A&J Mucklow Group Limited on 24 September 2019

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

Commercial portfolio
The Group's property portfolio excluding residential properties

Contracted Rent
The annualised rent excluding rent free periods

Cost of debt
Weighted average interest rate payable

Debt maturity
Weighted average period to expiry of drawn debt

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

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

EPRA Earnings per Share (EPS)
Underlying earnings from the Group's property rental business divided by the average number of shares in issue over the period

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

EPRA 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 as a percentage of the total ERV of the Investment Portfolio

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

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

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

Gross rental income
Rental income for the period from let properties reported under IFRS, after accounting for lease incentives and rent free periods. Gross rental income will include, where relevant, turnover based rent, surrender premiums and car parking income

Group
LondonMetric Property Plc and its subsidiaries

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

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

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

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

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

Loan to Value (LTV)
Net debt expressed as a percentage of the total property portfolio value at the period end, adjusted for deferred completions on sales

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

Net Debt
The Group's bank loans net of cash balances at the period end

Net Rental Income
Gross rental income receivable after deduction for ground rents and other net property outgoings including void costs and net service charge expenses

Occupancy Rate
The ERV of the let units as a percentage of the total ERV of the Investment Portfolio

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 rental business under the REIT regulations. The PID dividend is paid after deducting withholding tax at the basic rate

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

Total Accounting Return (TAR)
The movement in EPRA NAV per share plus the dividend paid during the period expressed as a percentage of the EPRA NAV per share at the beginning of the period

Total Property Return (TPR)
Unlevered weighted capital and income return of the property portfolio as calculated by IPD

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

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

Weighted Average Unexpired Lease Term (WAULT)
Average unexpired lease term across the investment portfolio weighted by Contracted Rent