LONDONMETRIC PROPERTY PLC
("LondonMetric" or the "Group" or the "Company")
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018
Structurally supported sectors and assets driving strong income backed returns

LondonMetric today announces its half yearly results for the six months ended 30 September 2018.

Income Statement	Six months to 30 Sept 2018	Six months to 30 Sept 2017
Net rental income (£m)[1]	47.1	44.5
EPRA Earnings (£m)	30.9	28.8
EPRA EPS (p)	4.4	4.2
IFRS EPS (p)	11.4	11.5
Reported Profit (£m)	79.3	79.6
Dividend per share (p)	3.8	3.7
Balance Sheet	**30 Sept 2018**	**31 March 2018**
IFRS net assets (£m)	1,198.6	1,149.5
IFRS NAV per share (p)	172.5	165.7
EPRA NAV per share (p)	172.1	165.2
LTV (%)[1,2]	37	35

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

2 Including deferred consideration payable and receivable on transactions that have exchanged in the period.

Continued income growth increases earnings and dividends
- Net rental income up 5.8% to £47.1m[1]
- Reported profit was £79.3m and EPRA earnings up 7.3% to £30.9m, 6.6% on a per share basis
- Dividend increased 2.7% to 3.8p, 117% covered, including a second quarterly interim dividend declared of 1.9p

Sector alignment and asset selection delivers further valuation gains, contributing to total returns
- EPRA NAV per share up 4.1% to 172.1p (March 2018: 165.2p)
- Driven by a revaluation surplus of £51.0m[1], reflecting a 2.7% uplift, with urban logistics increasing by 4.5%
- Equivalent yield compression on portfolio of 9bps and ERV growth of 0.9%
- Total Accounting Return of 6.7% and Total Property Return of 5.4%, outperforming IPD All Property by 210bps

Investment activity increases distribution weighting to 72% and further improves portfolio quality
- £139.0m of acquisitions increase urban logistics portfolio to 54 assets, representing 25% of total portfolio
  - 14 years' WAULT on acquisitions, with nearly 60% of income subject to contractual uplifts
- £92.5m of disposals including shorter let distribution, convenience, retail parks and residential
  - 10 years' WAULT on disposals, with retail assets sold at book, reflecting their strong income characteristics
- £39.4m of disposals post period end reduce retail parks to 5% and residential to 1% of the portfolio
  - includes £17.4m of distribution disposals at book value with a WAULT of under 2 years

31 asset management initiatives
- £1.2m pa income uplift from lettings, signed with a WAULT of 12 years
- £1.1m pa income uplift from rent reviews, 12% uplift above passing on a five yearly equivalent basis
- Offsets loss of income from Poundworld vacancy, where we are in active discussions on re-letting

Short cycle developments creating future long income at attractive yields
- Recently completed distribution developments are 68% let
- 0.9m sq ft in construction or pipeline at 6.5% yield on cost
- At Bedford, construction of three warehouses totalling 180,000 sq ft will complete in Q2 2019 with terms agreed on over half the space. Discussions ongoing on the remaining 500,000 sq ft and construction is subject to pre-lets

Portfolio metrics reflect our focus on long income, contractual uplifts and low operational requirements
- WAULT of 12 years with only 6% of income expiring within three years
- 54% of income subject to contractual uplifts
- 98.3% gross to net income ratio

Conservative financing continues to enhance income
- Average cost of debt at 2.9% and debt maturity of 4.5 years following new £75m facility with Wells Fargo

Andrew Jones, Chief Executive of LondonMetric, commented:

"Our alignment towards logistics and convenience assets together with the portfolio's sustainable and growing income has delivered another strong performance.

"As the real estate markets polarise further, we continue to refine the portfolio to ensure that it remains fit for purpose and outperforms. Our exposure to structurally supported sectors has grown further as we enthusiastically embrace the logistics market buoyed by the ongoing shift from bricks to clicks, constrained supply and rising occupier demand. In a yield tranquil environment, asset selection as well as sector calls are increasingly paramount to providing income certainty, income growth and capital enhancement.

"Looking ahead, the strength of our assets allows us to take a longer term investment horizon where we can collect, compound and grow our income and be a little less obsessed about predicting exact market movements or timing of cycles. This long term approach, combined with our beliefs in the merits of behaving as a 'true REIT' and our full shareholder alignment, will ensure that we continue to make rational decisions, grow our income and progress the dividend. After all, it is the consistency of compounding that produces a good performance and satisfied shareholders."

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Meeting and audio webcast

A meeting for investors and analysts will be held at 9.00 am today at 120 London Wall, London, EC2Y 5ET.
The conference call dial-in for the meeting is: +44 (0)330 3369105. (Participant Passcode: 3269662).
For the live webcast see: http://webcasting.brrmedia.co.uk/broadcast/5bf6ec57a05b353a6df242f2
An on demand recording will be available shortly after the meeting from the same link and also from:
http://www.londonmetric.com/investors/reports-and-presentations

Notes to editors

LondonMetric is a FTSE 250 REIT (ticker: LMP) that specialises in distribution, convenience and long income property. It focuses on strong and growing income and enhancing capital values. LondonMetric has 13 million sq ft under management. Further information is available at www.londonmetric.com

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Alternative performance measures: The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures are shown as a single line item 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 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

The Company's objective is to deliver attractive and dependable income returns to our shareholders whilst preserving and enhancing capital through owning structurally supported real estate let to good tenants. We aim to behave as a true REIT.

We continue to operate within a market framed by political and economic uncertainty combined with ongoing structural changes and the disruption from technology. Whilst we cannot predict exactly how these trends will play out, the direction of travel is clear and so we continue to adapt.

We believe that our strategy of prioritising a sustainable and growing income stream together with aligning the portfolio towards logistics and convenience has placed us in a good position to deliver continued outperformance. This approach has again delivered a strong financial performance in the half year period, with the Company increasing EPRA earnings by 7.3%, EPRA and IFRS NAV by 4.3% and reporting an IFRS profit of £79.3 million. The dividend in the period increased by 2.7% and was 117% covered by earnings, which gives us confidence in our ability to further progress our dividend.

Our strategic priorities and our focus on owning a fit for purpose portfolio allows us to take a longer term investment horizon where we can collect, compound and grow our income. In an environment where yields are likely to remain tranquil, we are increasingly conscious that asset selection, together with sector calls, is paramount to generating income certainty, income growth and capital enhancement.

Polarisation in real estate with logistics continuing to benefit from online adoption

It has been apparent for a while now that the various real estate sectors have been operating at different speeds. The sub sectors of 'beds, sheds and meds' have all continued to enjoy further yield compression and income growth, whilst legacy sectors of retail and office continue to be disrupted by online competition, political and economic uncertainty and the rise of flexible and more dynamic business models. Yields across the sectors are polarising, anticipating the trajectory, certainty and timing of future cashflows.

As noted in our full year results, we believe that the channel shift in retail is both material and permanent. The headwinds facing legacy real estate have continued as this channel shift has quickened, with the state of the UK's retailers dominating headlines on an almost daily basis. It is now very evident that the first phase of valuation falls across the retail property sector is underway, although valuers are still exhibiting a tendency to overprice the almost near certainty of further rental falls.

However, there is a second challenge looming that will prompt a further phase of valuation declines. It is becoming clear that the 'retail survivors' are fast inheriting an enormous pricing power that strengthens with every retailer failure. The strong survivors are the new price setters leaving landlords with the unenviable decision of either taking back yet another vacant unit or being a price taker and accepting reduced rents, shorter leases and more generous tenant incentives.

As recent CVAs have shown, it's not a case of 'prime' versus 'secondary' anymore, it's much more indiscriminate than that. Whilst many believe that we are entering the final stage of repricing, there are still too many retailers with outdated models, legacy estates and too much debt. As a result, further disruption and value destruction within the retail sector is inevitable.

The logistics market, however, continues to move in an opposite trajectory as the virtual tills continue to ring. The migration of sales online is leading to greater volumes and numerous returns coupled with increasing expectations of quicker deliveries. This is forcing occupiers to improve their distribution infrastructure, generate operational efficiencies and deliver with greater accuracy and speed.

These structural drivers will continue to drive the logistics market as online adoption grows further. Distribution take-up in 2018 has significantly exceeded levels recorded in 2017 and, although supply has responded, it remains both controlled and rational. The healthy demand/supply tension is driving rental growth, particularly in urban logistics where greater restriction of supply and strong competition from more valuable alternative uses is reducing availability of warehousing further.

Despite the continuing popularity of logistics amongst investors, we believe that valuations in the sector remain largely rational. The positive momentum in logistics is clear and investment returns are significantly more attractive than other sectors. However, we remain alert and conscious of investors exuberantly extrapolating the sector's fundamentals across all geographies and assets.

We are also conscious of the impact that BREXIT might have on occupier and investor appetite for UK property. Whilst the distribution sector will never be immune from the potential fallout from a disorderly departure from the EU, there is growing evidence that occupiers are intensifying their search for additional distribution space both to increase near term storage capacity as well as longer term solutions to maximise the efficiency of their global supply chains in a post BREXIT environment. As part of our customer focus, we continue to engage with our occupiers on these issues and their wider property requirements in a rapidly changing environment.

Our portfolio is aligned to sectors and assets that will outperform

Our exposure to structurally supported sectors has grown further. Over the period, we further aligned our assets towards distribution, which now accounts for 72% of our portfolio, up from 69% in March. We acquired £92.5 million of urban logistics in the period which, together with further investment into developments and post period end activity, has increased our urban logistics platform to £486 million, representing a third of our distribution exposure. Our focus on income and geography, has increased the WAULT on our urban logistics to nearly 10 years and its weighting to London and the South East to c.50%.

Whilst we will look to grow our logistics exposure further, our overwhelming focus is to own the right assets that can provide an 'all weather' portfolio and deliver consistent, reliable and growing income. In the same way that not all retail is equal, the same is true for logistics and discrimination between the future winners and losers is key.

Even though our portfolio is in good shape, a continual assessment of the market is necessary to check that market pricing is rational and correlated to income trajectories and total return expectations. Some regular activity ensures that it remains fit for purpose and, as a result, we monetised six older and shorter let distribution assets in the period, and a further two assets post period end.

Events at our Wakefield warehouse serve as a good reminder of the negative impact from income interruption. In 2015, we bought a new 527,000 sq ft building let to Poundworld at a low and reversionary rent of £4.85 psf, representing a yield on cost of 6.3%. After two years of occupation, and following administration, the building was vacated in September. Whilst current occupier discussions validate the attractiveness of the building and a successful letting has the potential to generate a material asset valuation uplift, we do not underestimate the impact of earnings interruption. It has also reaffirmed our belief that if you are not backing the winning occupiers then you need comfort from the quality of the underlying asset.

In retail and leisure, we have focused on low energy convenience and long income assets that we believe can successfully navigate the retail disruption. Together with our deep experience and occupier relationships, we expect these assets to generate comparable returns to distribution. Our retail and leisure portfolio has strong income characteristics and is:

- 100% let on long leases with over 12 years remaining, let at sustainable rents;
- typically single let in nature with low operational requirements; and
- has an average lot size of c.£10 million, with 43% of income subject to contractual uplifts.

These assets again performed well in the period, delivering a property return of 3.1%, and we continue to see strong interest for our assets from low energy pension fund investors. Our recent disposals have focused on retail parks where we have materially reduced our remaining exposure through sales at Launceston and Ipswich. These disposals totalled £43.9 million and were at book value, providing strong support for our valuations. We now have three wholly owned retail parks, representing just 5% of the portfolio, which is down from 17% three years ago.

We continue to acquire selective long income, convenience retail and leisure opportunities. In the period, we invested £46.5 million on average lease lengths of 19 years and with 62% of income benefiting from contractual rental uplifts. A further £10.2 million of convenience assets were acquired post period end.

Income growth will continue to define this decade's investment winners and our portfolio's income metrics remain strong

We highlighted some time ago that we were in a period of yield tranquillity and that income and income growth would be the defining characteristics of the next decade's investment environment. Income remains central to our investment thesis and allows us to be a little less obsessed about predicting exact market movements or timing of cycles. In a time when demographic shifts show no signs of abatement and demand for liquidity is increasing, our investments have focused on long let assets with an inflation hedge that appeal to owners seeking to match long term liabilities.

Our portfolio's income metrics remain strong with long leases of 12 years, only 6% of income expiring within the next three years, occupancy at 94.4% and little defensive capex requirements. Our focus on single let properties continues to minimise our gross to net income leakage to under 2%.

We are strongly of the view that delivering income growth will be key to outperformance. Therefore, our portfolio has consciously been constructed to deliver this growth in three ways:

- Contractual uplifts in the form of RPI, CPI or fixed increases – 54% of our rental income benefits from some form of contractual uplift and this dominates our mega and regional logistics assets as well as our convenience and leisure assets;
- Organic growth through the five yearly rent review cycles – this dominates our urban logistics portfolio, where we are settling material uplifts on open market rent reviews; and
- Asset management initiatives – historically this was focused across our retail park assets but now is increasingly being undertaken within our urban logistics portfolio.

During the period, our lettings and rent reviews helped to deliver £2.3 million of additional income. Rent reviews were settled at 12% ahead of passing on a five yearly basis and average lease lengths of 12 years were achieved on lettings. Our distribution development at Bedford is progressing well and will provide a material source of future additional income.

Our financing activities continue to provide us with attractive debt at an average cost of 2.9% and average maturity of 4.5 years. In the period, we completed a new £75 million unsecured debt facility with Wells Fargo, of which £50 million has been drawn on a seven year term.

Outlook

We expect further polarisation of performance across real estate markets and continue to prepare ourselves to ensure that we remain fit for purpose.

Our exposure to structurally supported sectors has continued to grow as we enthusiastically embrace the logistics market buoyed by structural shifts from bricks to clicks, constrained supply and rising occupier demand. This will continue, as indeed will investor demand for these assets as they rebalance their portfolios away from traditional retail and office sectors.

We have a strong view on the disruption affecting retail property and a long history of experience to guide us. Whilst we remain attracted to the convenience sector, as a beneficiary of changing shopping patterns, we have continued to reduce our remaining exposure to the multi let general merchandise market which is facing increasing disruption. Whilst many will point to new opportunities for repositioning, or that pricing is close to the bottom, we believe there is still more value destruction to come as yields expand, more retailers fail and rents fall as the retail 'survivors' inherit almost unprecedented pricing power.

We know that the wider markets are uncertain, threats exist and a lot of the easy money has been made. However, we are not so pessimistic that we want to be defensive. We have made some sound decisions and are well positioned with a fit for purpose portfolio. An income focus allows us to be a little less obsessed about predicting exact market movements or timing of cycles.

We are still moving forward, but we remain rational and increasingly selective. Our long term approach, combined with our beliefs in the merits of behaving as a 'true REIT' and our full shareholder alignment, will ensure that we continue to make rational decisions and progress the dividend. After all it is the consistency of compounding that produces a good performance and satisfied shareholders.

Property Review

Our activities continue to focus on owning long let logistics and convenience assets

Acquisitions in the period totalled £139.0 million and focused mostly on the urban logistics and convenience sectors where we acquired long let assets in strong geographies. These assets had an average lease length of 14 years and nearly 60% of the income is subject to contractual uplifts. Consequently, together with reversionary potential, the blended acquisition NIY of 4.7% is expected to increase to 5.5% over the next five years.

As part of our disciplined portfolio management, we sold £92.5 million of assets at a NIY of 5.3% and with a WAULT of 10 years. These disposals comprised £36.0 million of older and shorter let distribution warehouses, £26.5 million of convenience and leisure assets and £30.0 million of assets outside our preferred sectors, namely Launceston Retail Park and 13 flats at our only residential asset in Chelsea.

Investment activity in the period by sub sector	Acquisitions		Disposals	
	Cost at share £m	NIY %	**Proceeds at share £m**	NIY %
Distribution[3]	**92.5**	4.6	**36.0**	5.9
Long Income	**16.6**	5.4	**–**	–
Convenience & Leisure[1,2,3]	**29.9**	4.9	**26.5**	4.6
Retail Parks	**–**	–	**21.9**	5.6
Residential	**–**	–	**8.1**	3.4
Total	**139.0**	4.7	**92.5**	5.3

[1] Includes acquisition of a portfolio of convenience assets for £12.1 million that exchanged in the period and completed post period end

[2] Includes disposal of Odeon Warrington for £13.7 million that exchanged in the period with a deferred completion in the second half of the year

[3] Excludes proceeds from disposals in Loughborough and South Elmsall totalling £47.5 million that exchanged last year but completed in the period and are reflected in the half year financial statements

Our activity over the period increased urban logistics exposure from 20% to 25% of the portfolio and total distribution exposure from 69% to 72%. Long income increased to 13% whilst convenience and leisure fell from 10% to 8%. Following a further sale post period end, directly owned retail parks now represent just 5%, down from 7% at the start of the period. Residential has also fallen to 1% with 34 flats remaining to sell of the original 149 owned.

Portfolio metrics remain strong, delivering sustainable and growing income

The portfolio's average lease length of 12.0 years (11.1 years to break) provides a high level of income security with only 6% of income expiring over three years and 43% over 10 years. Occupancy remains high at 94.4% and, whilst it fell from 97.5% at the start of the period as a result of the vacancy at our Wakefield distribution warehouse, this will revert back as we re-let the property. Gross to net income ratio of 98.3% continues to compare very favourably against our peers and reflects the low operational requirements of owning single let assets.

The portfolio continues to generate good income growth through:

- Contractual rental uplifts which applies to 54% of the portfolio's rental income, of which over half are inflation linked. During the period, we settled 15 contractual rent reviews, delivering £0.5 million of increased rent at an average of 12% above passing on a five yearly equivalent basis;

- Open market rental uplifts, principally on distribution, where we are delivering organic rental growth. During the period, we settled six open market reviews, delivering £0.6 million of additional income at an average of 10% above passing on a five yearly equivalent basis, with urban logistics seeing an increase of 52%; and
- Leasing activity where, in the period, we signed 10 leases or re-gears on an average of 12 year terms, generating £1.2 million additional income at rents in line with ERV.

Like for like income growth in the period was 3.0%, excluding our Poundworld distribution vacancy at Wakefield, or -0.1% including the vacancy. Whilst this vacancy reduced our contracted income in the period by £2.6 million, our contracted income fell by only £1.0 million to £93.4 million. As mentioned in the CEO's Overview, we are in active discussions on the re-letting of Wakefield.

Property Performance driven by urban logistics

Over the period, the portfolio delivered a total property return of 5.4%, significantly outperforming the IPD All Property return of 3.3%. Distribution delivered a total return of 6.6% whilst retail and leisure delivered a total return of 3.1%.

The portfolio revaluation gain over the period was £51.0 million, reflecting a 2.7% increase. This was driven by an equivalent yield compression of 9bps on a like for like basis and ERV growth of 0.9%. ERV growth was highest in urban logistics, which generated a 3.1% increase, whilst retail and leisure fell by 0.2%.

Distribution delivered a £45.9 million revaluation gain, a 3.5% increase. Urban logistics again outperformed with a 4.5% uplift and developments delivering a 20.3% increase equating to an £8.3 million uplift. Retail and leisure capital values fell by 0.4%, with a positive contribution from convenience and leisure of 1.7% offset by a 2.7% fall at our retail parks. Residential saw a £1.3 million valuation decline.

The investment portfolio's EPRA topped up net initial yield is 4.6%, which rises to 4.9% assuming full occupancy. The equivalent yield is 5.2%.

Distribution portfolio review

Our distribution assets are spread across the urban, regional and mega subsectors and are single let in nature. Including developments, their value increased over the period from £1,263 million to £1,385 million, accounting for 72% of our portfolio. The average WAULT is 12 years with 60% of income subject to contractual income uplifts.

As at 30 September 2018	Mega	Regional	Urban
Typical warehouse size	*500,000+ sq ft*	*100–500,000 sq ft*	*Up to 100,000 sq ft*
Value[1]	£513m	£400m	£472m
WAULT	13 years	14 years	10 years
Average Rent (psf)	£5.40	£6.15	£6.60
Topped up NIY[2]	4.5%	4.5%	4.7%
Contractual uplifts[3]	71%	74%	37%
Total Property Return	4.9%	7.9%	7.6%

[1] Including developments

[2] Excluding vacant assets

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

Increasing our urban logistics exposure to £486 million

Over recent years, we have been increasingly attracted to urban logistics where we continue to perceive investment returns will be greatest. The restricted supply in urban logistics together with strong occupier demand continues to generate highly favourable market dynamics which is driving strong rental growth.

Our recent distribution investments have focused exclusively on urban logistics and we have selectively grown this part of the portfolio over the last three years from £33 million to £486 million. During the period, we acquired £92.5 million of urban logistics at a NIY of 4.6% which is expected to increase to 5.4% over five years. These acquisitions had a WAULT of 11 years with 55% of the income subject to contractual uplifts:

- 340,000 sq ft portfolio let to occupiers including Ceva Logistics, DSV, Jewson and Vodafone for a further eight years, acquired for £49.1 million;
- 112,000 sq ft warehouse in Milton Keynes let to Royal Mail for a further 10 years, acquired for £12.0 million;
- 80,000 sq ft warehouse in Cambridgeshire let to Cambridge Commodities for a further 20 years, acquired for £10.0 million;
- 78,000 sq ft warehouse in Thorne let to Omega Plc for 20 years, acquired for £7.9 million; and
- 48,000 sq ft warehouse in Avonmouth let to Chep for a further nine years, acquired for £13.5 million.

Whilst we remain focused on growing our logistics exposure, our key focus is to own the right assets in strong geographies that can deliver consistent, reliable and growing income. Therefore, to ensure that our portfolio remains fit for purpose, we sold six of our oldest distribution assets for £36.0 million at a blended NIY of 5.9%, generating an ungeared IRR of 15% per annum since purchase.

The WAULT on the assets sold was only 5.7 years and their disposal has helped to increase the average lease length on our urban portfolio from 8.5 years to 9.6 years over the period. They were also located in less attractive and more northerly geographies and, consequently, our urban portfolio's geographical split has improved with c.50% located in London and the South East.

Post period end, our investment activity continued to focus on geography, income certainty and growth. We sold two assets in Leicester and Doncaster for £17.4 million with a WAULT of under two years. In addition, we acquired two assets for £14.1 million let for 17.4 years, 100% inflation linked and both South East located in:

- Basildon, where the unit is let for 20 years to WCM, with rental increases to RPI 1.5% – 4.5%; and
- Orpington, where the unit is let for 15 years to Selco, with rental increases at the higher of CPI 2-3% or open market;

Growing our distribution income through portfolio management

During the period, we settled eight distribution rent reviews across 2.9 million sq ft adding £0.9 million of income at 10% above passing on a five yearly equivalent basis.

In urban logistics, reflecting the sector's strong rental growth, we settled two reviews in Leyton and Crawley at an average of 52% above previous rent, generating £0.3 million of additional income. Whilst these were particularly strong reversionary reviews, we continue to see good potential for further organic income growth with over 60% of our urban logistics subject to open market reviews and average ERVs of £7.40 psf compared to passing rent of £6.60 psf.

This contrasts with the more muted rental growth that bigger box logistics is experiencing generally. In the period, our mega and regional assets delivered 9% growth on a five yearly equivalent basis:

- three open market reviews were settled in Wakefield, Swindon and Bedford at 6% above previous passing, generating an uplift of £0.3 million; and
- three contractual reviews were settled at 10% above passing on a five yearly equivalent basis, generating an uplift of £0.3 million. This higher rental growth from contractual reviews validates our preference to have over 70% of our mega and regional assets subject to inflation or fixed uplifts.

Distribution lettings in the period added £0.8 million of income, comprising two urban logistics warehouses:

- a 7.5 year lease extension at Croydon where the rent increased by 34% to £1.9 million; and
- a new 10 year lease to DPD at our completed and fully let 62,000 sq ft development in Frimley

Post period end, we have agreed four further urban logistics lease re-gears at Basildon, Greenford, Doncaster and Havant, where the average lease length increases from 0.6 years to 7.5 years and the average rent rises by 35%, adding £0.4 million of income. As part of these re-gears, we will undertake some modernisation works to the buildings.

Retail & Leisure portfolio review

Over recent years, we have significantly reduced our retail park exposure and focused on selectively acquiring single let assets with long leases that generate reliable and growing income. Our retail and leisure portfolio is 100% let with a WAULT of 12 years, let to strong occupiers at affordable average rents of £18.00 psf and valued at an attractive NIY of 5.6%. The average lot size is £10 million with 43% of income subject to contractual uplifts.

As at 30 September 2018	Long Income	Convenience & Leisure	Retail Parks
Value[1]	£249m	£151m	£117m
WAULT	11 years	16 years	11 years
Average Rent (psf)	£19.00	£15.30	£19.50
Topped up NIY	5.9%	5.0%	5.7%
Contractual uplifts[2]	33%	84%	17%
Total Property Return	3.2%	5.4%	0.2%

[1] Including developments

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

Attracted by these strong characteristics, these assets continue to see good demand from low energy pension fund investors, as evidenced by our £48.4 million of disposals during the period which was transacted at a premium to book value. Overall, our retail and leisure disposals were broadly offset by £46.5 million of acquisitions. Reflecting our long income focus, the average WAULT on acquisitions of 19 years compared to 15 years for disposals, with investment yields broadly the same at 5.1%.

Our letting activity continues to deliver long leases and, in the period, we signed eight retail leases with a WAULT of 14 years, with contractual uplifts on 37% and average occupier incentives of only 8 months. 13 rent reviews were also settled generating an uplift of £0.2 million at 16% above previous passing on a five yearly equivalent basis. These reviews were almost exclusively on convenience and leisure assets with RPI or fixed uplifts.

Long income

Long income represents 13% of the portfolio and consists of properties held predominantly within our MIPP and DFS joint ventures. These assets have very limited operational requirements, are let on average for 11 years, typically to single tenants such as Dunelm, Wickes and DFS. A third of income has contractual uplifts.

During the period, we acquired £16.6 million at a NIY of 5.4% and a WAULT of 14 years:

- Four assets in Aldershot, Beverley, Newmarket and Telford totalling £21.4 million (Group Share: £10.7 million) were acquired by our MIPP JV. These assets are let predominantly to Wickes and the Range and other occupiers include Burger King, KFC and Costa; and
- A 34,000 sq ft asset in Derby let to Wickes was acquired for £5.9 million.

Convenience & Leisure

These assets represent 8% of the portfolio, have an average lease length of 16 years and 84% of income is subject to contractual rental uplifts. They consist of convenience-led stores let mainly to M&S, Aldi and Lidl, and five Odeon cinemas, mostly acquired as part of a portfolio of ten cinemas in 2013 at a NIY of 7.2%.

During the period, we purchased £29.9 million at a NIY of 4.9% and a reversionary yield of 5.4%, with a WAULT of 22 years:

- A 58,000 sq ft forward fund convenience development in Durham was acquired for £13.6 million pre-let to Lidl and The Range with a WAULT of 20 years and 40% of income RPI linked;
- A portfolio of eight roadside convenience assets were acquired for £12.1 million let for 24 years to Euro Garages under franchise agreements with Starbucks, Burger King, Greggs and Subway. The assets benefit from annual rental increases and occupy prominent roadside locations, with the largest two in Bicester; and
- A 35,000 sq ft acquisition of an Odeon Cinema in Hull for £4.3 million with a WAULT of 20 years.

Sales in the period totalled £26.5 million at a NIY of 4.6% and consisted of:

- Two assets let to Euro Garages for £2.2 million;
- Two M&S convenience stores for £10.7 million, which had delivered an ungeared IRR of 17% per annum since acquisitions; and
- A 36,000 sq ft Odeon Cinema in Warrington for £13.7 million, which had delivered an ungeared IRR of 20% per annum

Post period end, two convenience assets in London let to the Co-op for 16 years were acquired for £10.2 million.

Retail Parks

Over the last three years our direct retail park exposure has significantly reduced from 13 assets to three today. During the period, we sold a 70,000 sq ft retail park in Launceston for £21.9 million at a NIY of 5.6% and, post period end, we sold our Martlesham Heath Retail Park for £22.0 million at a NIY of 5.2%. These disposals were sold at book value. Retail Parks now represent just 5% of the total portfolio and consist of assets in Tonbridge, Coventry and Kirkstall let on average for a further 11 years.

Top occupiers

Greater than 2% of Total contracted rent	30 September 2018	31 March 2018
Primark	10.4%	10.2%
Dixons Carphone	8.5%	8.3%
M&S	6.7%	7.4%
Argos	4.5%	4.3%
Eddie Stobart	4.4%	4.3%
DFS[1]	4.2%	4.2%
Odeon	3.9%	3.5%
DHL	3.3%	4.3%
Tesco[1]	2.7%	2.2%
Clipper Logistics	2.5%	2.4%
Amazon	2.3%	2.3%
Wickes	2.2%	1.4%
Next	2.1%	2.0%

[1] 2018 numbers adjusted for inclusion of wider subsidiaries for comparative purposes

Developments

We completed three developments in the period at a yield on cost of 5.9%. Including Stoke, Crawley and Huyton, recently completed distribution developments across 749,000 sq ft are 68% let:

- At Crawley, two units totalling c.80,000 sq ft remain to let with advanced discussions on 47,000 sq ft
- At Stoke, we remain in discussions on letting the remaining unit of c.140,000 sq ft

Developments under construction and in the pipeline totalled 880,000 sq ft and are expected to generate a yield of 6.5% on total costs of £108 million.

	Sector	Area sq ft '000	Additional Rent £m	Yield on cost %	Practical Completion[1]
Completed in the period					
Dagenham	Distribution	180	0.9	5.7	Completed
Ipswich	Retail	31	0.7	6.9	Completed
Frimley	Distribution	62	0.7	5.3	Completed
		273	**2.3**	**5.9**	
Under construction and pipeline					
Bedford (Regional)[2]	Distribution	500	3.3	7.3	2019/2020
Bedford (Urban)[2]	Distribution	180	1.3	6.4	Q2 2019
Durham	Convenience	58	0.7	5.4	Q3 2019
New Malden[3]	Long Income	57	0.4	5.6	2020
Ringwood	Long Income	35	0.2	5.0	Dec 2018
Weymouth[2]	Convenience	27	0.6	6.3	2019/2020
Derby[2]	Convenience	16	0.4	6.7	2020
Telford	Long Income	7	0.1	5.7	Dec 2018
		880	**7.0**	**6.5**	

[1] Based on calendar quarters and years

[2] Anticipated yield on cost and rents

[3] Marginal yield on cost

Bedford – At the 40 acre site, construction of three urban warehouses commenced in the summer and will complete in Q2 2019. We are under offer on 55% of the 180,000 sq ft urban distribution development. We continue discussions to conclude pre-lets on the 500,000 sq ft of regional distribution development. Construction of these two units will be subject to agreeing pre-lets.

Durham – Forward funded development pre-let to Lidl and The Range with a WAULT of 20 years.

New Malden – Extension to and modification of an existing asset to accommodate three new convenience related occupiers. On completion, the asset will be let for c.17 years to occupiers including Dixons, an existing tenant, and Lidl, a new occupier who signed a pre-let for 25 years post period end on 11,000 sq ft. Planning consent is expected in Q2 2019.

Weymouth – 19,000 sq ft has been pre-let to Aldi and offers have been received on the letting of three small pods. The development is expected to have a WAULT of 18 years. The site has been purchased and planning consent for the Aldi unit is expected in December 2018.

Ringwood - Forward funded development pre-let to Premier Inn for 25 years.

Derby – The development has been pre-let to M&S, Starbucks and Nandos with a WAULT of 16 years. Acquisition of the development is subject to planning.

Telford – Forward funded development pre-let to Burger King, KFC and Costa with a WAULT of 21 years.

Financial Review

Our continued focus on owning fit for purpose real estate that provides sustainable and growing income for shareholders, has delivered another strong financial performance in the period. Both earnings and net assets have increased and our distribution assets now represent 72% of our portfolio.

IFRS reported profit for the period was £79.3 million compared with £79.6 million last year and included a portfolio revaluation gain of £51.0 million including share of joint ventures. IFRS net assets increased 4.3% since March to £1,198.6 million or 172.5p per share.

EPRA earnings have increased by 7.3% to £30.9 million or 4.4p per share. On a per share basis, EPRA earnings are up 0.2p or 6.6%, from 4.2p per share last half year. We have increased our dividend for the same period by 2.7% to 3.8p per share, which continues to be fully covered by EPRA earnings at 117%.

In July, we entered into a new £75 million unsecured debt facility with Wells Fargo, of which £50 million has been drawn on a seven year term. The undrawn balance of £25 million is on a five year term and can be extended by up to two years.

Our financing transactions have maintained or strengthened our key metrics. Our average cost of debt is 2.9% (March 18: 2.8%), loan to value is 37% (March 18: 35%), average maturity is 4.5 years (March 18: 4.8 years) and we have £103.5 million (March 18: £65.8 million) of undrawn facilities. Our debt strategy is well aligned with our real estate strategy and 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 are shown as a single line item 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 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 2017 and the balance sheet comparative is 31 March 2018.

Alternative performance measures

The Group uses alternative performance measures based on the European Public Real Estate (EPRA) Best Practice Recommendations (BPR) to supplement IFRS as they highlight the underlying performance of the Group's property rental business.

The EPRA measures are widely recognised and used by public real estate companies and seek to improve transparency, comparability and relevance of published results in the sector. EPRA earnings 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**	**2018 £m**	Group £m	JV £m	2017 £m
Gross rental income	**42.4**	**5.5**	**47.9**	40.6	4.5	45.1
Property costs	**(0.5)**	**(0.3)**	**(0.8)**	(0.4)	(0.2)	(0.6)
Net rental income	**41.9**	**5.2**	**47.1**	40.2	4.3	44.5
Management fees	**0.9**	**(0.4)**	**0.5**	0.8	(0.4)	0.4
Administrative costs	**(6.9)**	**–**	**(6.9)**	(6.7)	–	(6.7)
Net finance costs	**(8.8)**	**(1.0)**	**(9.8)**	(8.5)	(0.9)	(9.4)
EPRA earnings[1]	**27.1**	**3.8**	**30.9**	25.8	3.0	28.8

[1] A full reconciliation to IFRS reported profit can be found in note 7(a) to the financial statements

The movement in EPRA earnings from the last half year is reflected in the table below.

	£m	**p**
EPRA earnings 2017	28.8	4.2
Net rental income	2.6	0.3
Management fees	0.1	–
Administrative costs	(0.2)	–
Net finance costs	(0.4)	(0.1)
EPRA earnings 2018	**30.9**	**4.4**

Net rental income

Net rental income increased 5.8% to £47.1 million, driving the growth in EPRA earnings and dividend payments. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2017	44.5
Existing properties[1]	0.7
Developments[2]	1.4
Acquisitions[3]	7.2
Disposals[3]	(6.5)
Property costs	(0.2)
Net rental income 2018	**47.1**

[1] Properties held since 1 April 2017

[2] Developments completed since 1 April 2017

[3] Acquisitions and disposals completed since 1 April 2017

Like for like income from our existing portfolio and completed developments delivered additional income of £2.1 million in the period compared with last half year. Net acquisitions increased income by a further £0.7 million.

Property costs have increased by £0.2 million due to increased vacant unit costs. However, our property cost leakage continues to be extremely low at 1.7%.

Administrative costs

Administrative costs have increased marginally to £6.9 million and are stated after capitalising staff costs of £0.9 million (2017: £0.9 million) in respect of time spent on development activity in the period.

EPRA cost ratio

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

For the six months to 30 September	**2018 %**	2017 %
EPRA cost ratio including direct vacancy costs	**15**	15
EPRA cost ratio excluding direct vacancy costs	**14**	15

The EPRA cost ratio for the period, including direct vacancy costs, has fallen 40 bps since March to 14.9%. 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 £9.8 million, an increase of £0.4 million over the previous period.

This was due to higher bank interest costs associated with higher average levels of debt this half year compared to the comparative six month period of £0.3 million, and a reduction of £0.1 million in interest capitalised on developments. Further detail is provided in notes 4 and 9 to the financial statements.

Our interest rate exposure is hedged by a combination of fixed and forward starting interest rate swaps and caps as discussed further in the Financing section of this review.

Share of joint ventures

EPRA earnings from joint venture investments were £3.8 million, an increase of £0.8 million over the comparative period as reflected in the table below.

For the six months to 30 September	**2018 £m**	2017 £m
MIPP	**2.5**	1.9
Retail Warehouse (DFS)	**1.3**	1.0
Residential (Moore House)	–	0.1
	3.8	3.0

In addition, the Group received net management fees of £0.5 million for acting as property advisor to each of its joint ventures (2017: £0.4 million).

Our MIPP joint venture received surrender income of £0.9 million in the period. Additional property costs and management fees incurred reduced the increase in EPRA earnings to £0.6 million compared with last half year.

In September 2017 we increased our shareholding in the DFS joint venture by 14.5% to 45.0% resulting in an increase in profits this year compared with the same period last year.

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 March 2018 of £29.1 million or 4.2p per share in the period as reflected in note 6 to the financial statements. The Company issued 0.6 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £1.1 million to £28.0 million.

The first quarterly payment for the current year of 1.9p per share was paid as a Property Income Distribution (PID) in October 2018. The second quarterly dividend will comprise a PID of 1.9p per share and has been approved by the Board for payment in January 2019. The total dividend payable for the half year of 3.8p represents an increase of 2.7% over the same comparative period.

IFRS reported profit

Management principally monitors the Group's underlying EPRA earnings which reflect earnings from core operational activities and excludes property and derivative valuation movements, profits and losses on disposal of properties and financing break costs. A full reconciliation between EPRA earnings and IFRS reported profit is given in note 7(a) to the accounts and is summarised in the table below.

For the six months to 30 September	**Group £m**	**JV £m**	**2018 £m**	Group £m	JV £m	2017 £m
EPRA earnings	**27.1**	**3.8**	**30.9**	25.8	3.0	28.8
Revaluation of investment property	**53.6**	**(2.6)**	**51.0**	50.0	2.8	52.8
Fair value of derivatives	**(0.4)**	**–**	**(0.4)**	10.5	0.1	10.6
Debt/hedging early close out costs	**–**	**–**	**–**	(6.3)	(0.1)	(6.4)
Loss on disposal	**(0.8)**	**(1.4)**	**(2.2)**	(5.8)	(0.4)	(6.2)
IFRS reported profit/(loss)	**79.5**	**(0.2)**	**79.3**	74.2	5.4	79.6

The Group's reported profit for the period was £79.3 million, a marginal decrease of £0.3 million over the previous comparative period. The property revaluation of £51.0 million represents the largest single contributor to reported profit and was £1.8 million lower than in the previous period.

Other movements in reported profit include loss on sales of properties and a small adverse movement in the fair value of derivatives. Together, these reduced reported profit by £2.6 million compared with a loss of £2.0 million last year, which also included swap break costs of £6.4 million and a corresponding favourable derivative movement of £10.6 million.

Sales of 13 flats at Moore House generated a loss on sale of £1.4 million. In the comparative period we disposed of our remaining office at Marlow generating a loss over book value of £3.6 million. The total profit over original cost of all sales in the period was £15.5 million representing a return of 14.3%.

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	30 September 2018 £m	Group £m	JV £m	31 March 2018 £m
Investment property	**1,756.2**	**165.8**	**1,922.0**	1,677.6	164.4	1,842.0
Gross debt	**(685.0)**	**(61.2)**	**(746.2)**	(650.0)	(58.9)	(708.9)
Cash	**30.7**	**7.4**	**38.1**	26.2	13.1	39.3
Other net liabilities	**(16.4)**	**(1.4)**	**(17.8)**	(24.8)	(1.0)	(25.8)
EPRA net assets	**1,085.5**	**110.6**	**1,196.1**	1,029.0	117.6	1,146.6
Derivatives	**2.4**	**0.1**	**2.5**	2.8	0.1	2.9
IFRS net assets	**1,087.9**	**110.7**	**1,198.6**	1,031.8	117.7	1,149.5

EPRA net assets have increased £49.5 million or 4.3% since March to £1,196.1 million. On a per share basis EPRA net assets increased by 6.9p, or 4.1% to 172.1p. The movement in the period is summarised below.

	EPRA Net Assets £m	EPRA NAV per share p
At 1 April 2018	1,146.6	165.2
EPRA earnings	30.9	4.4
Property revaluation	51.0	7.3
Dividends	(29.1)	(4.2)
Other movements[1]	(3.3)	(0.6)
At 30 September 2018	**1,196.1**	**172.1**

[1] Other movements include loss on sales (£2.2 million) and share based awards (£2.2 million), offset by scrip share issues (£1.1 million)

The increase in both IFRS and EPRA net assets per share was principally due to the property revaluation gain of 7.3p. EPRA earnings of 4.4p covered the 4.2p dividend paid in the period.

The movement in EPRA net assets per share, together with the dividend paid in the period, results in a total accounting return of 6.7%. The full calculation can be found in supplementary note viii.

Portfolio valuation

Our property portfolio, including the share of joint venture assets, grew by £80.0 million or 4.3% over the six month period to £1,922.0 million and was predicated on a strong valuation performance.

We have continued to invest in urban logistics assets that have once again delivered high levels of rental and valuation growth. Our distribution exposure has increased to 72% including distribution developments, up from 69% at the year end.

Following the sale of a further 13 flats at Moore House, our residential exposure has fallen to just 1% of our portfolio.

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

As at	**30 September 2018 £m**	**30 September 2018 %**	31 March 2018 £m	31 March 2018 %
Distribution	**1,349.5**	**70.2**	1,233.1	66.9
Convenience & leisure	**141.4**	**7.4**	174.7	9.5
Long income	**245.3**	**12.8**	220.8	12.0
Retail Parks	**117.0**	**6.1**	139.8	7.6
Investment portfolio	**1,853.2**	**96.5**	1,768.4	96.0
Residential	**19.8**	**1.0**	30.1	1.6
Development[1]	**49.0**	**2.5**	43.5	2.4
Property value	**1,922.0**	**100.0**	1,842.0	100.0

[1] Represents regional distribution of £24.9 million (1.3%), urban logistics of £10.9 million (0.6%), long income of £4.1 million (0.2%) and convenience and leisure of £9.1 million (0.4%). Split in March 2018 was regional distribution of £16.2 million (0.9%), urban logistics of £13.2 million (0.7%), long income of £8.2 million (0.5%) and convenience and leisure of £5.9 million (0.3%)

Investment in development assets remains at modest levels as projects at Frimley and Spenhill completed in the period and new opportunities at Durham and Telford were acquired. Total development expenditure of £18.7 million in the period is reflected in the movement table below.

	Portfolio value £m
Valuation as at 1 April 2018	1,842.0
Acquisitions	118.6
Developments	18.7
Capital expenditure on completed properties	10.6
Disposals	(115.5)
Revaluation	51.0
Lease incentives[1]	(3.4)
Valuation as at 30 September 2018	**1,922.0**

[1] Comprises incentive payments and rent frees of £6.6 million offset by amortisation costs of £1.0 million and amounts written off on disposal of £9.0 million

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

Property values have increased by £51.0 million in the half year, most significantly in our urban logistics and development sectors and the portfolio has delivered a total property return of 5.4% compared to the IPD All Property index of 3.3%.

The Group spent £118.6 million in the period acquiring £98.4 million urban logistics, £15.6 million long income and £4.6 million leisure assets.

We completed 11 commercial property and 13 residential flat sales in the period generating net proceeds of £122.3 million and reducing the book value of property by £124.5 million (including the cost of lease incentives written off of £9.0 million).

Two disposals at Loughborough and South Elmsall that exchanged last year have completed in the period generating proceeds of £47.5 million and have been accounted for in these financial statements.

Following the adoption of IFRS 15, we have changed our accounting policy to recognise the acquisition and disposal of property on completion of the transaction as opposed to unconditional exchange. We have elected not to restate comparatives in accordance with the transitional provisions of the standard.

We also exchanged to sell the Odeon cinema in Warrington for £13.7 million and to acquire a portfolio of assets for £12.1 million in the period, both of which have deferred completions and will be reflected in the financial statements in the second half of the year.

The Group had capital commitments of £27.6 million as reported in note 8 to the financial statements, relating primarily to committed developments in progress at Bedford and Durham.

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.

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 2018 £m**	31 March 2018 £m
Gross debt	**746.2**	708.9
Cash	**38.1**	39.3
Net debt	**708.1**	669.6
Loan to value[1]	**37%**	35%
Cost of debt[2]	**2.9%**	2.8%
Undrawn facilities	**103.5**	65.8
Average debt maturity	**4.5 years**	4.8 years
Hedging[3]	**77%**	80%

[1] LTV at 30 September 2018 includes £13.7 million deferred consideration receivable and £12.1 million deferred consideration payable (March 18: £47.5 million deferred consideration receivable)

[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 drawn

In July 2018 we entered into a new unsecured debt facility with Wells Fargo for £75 million, of which £50 million was immediately drawn on a seven year term. The undrawn balance of £25 million is on a five year term and can be extended by up to two years. This new facility lengthened our debt maturity and increases available undrawn facilities.

Net debt has increased by £38.5 million (Group: £30.5 million, Share of JV: £8.0 million) in order to fund acquisitions and development expenditure.

Our key financial ratios remain strong with average debt cost of 2.9% (March 18: 2.8%) and average maturity of 4.5 years (March 18: 4.8 years).

Loan to value, net of cash resources and deferred consideration on purchases and sales which exchanged in the period and will complete in the second half of the year, was 37% (March 18: 35%) and it is our intention to keep this below 40%.

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

At 30 September 2018 we had hedged 77% of our exposure to interest rate fluctuations by way of swaps and caps (March 18: 80%). We 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 £4.5 million as reflected in the table below.

For the six months to 30 September	**2018** **£m**	2017 £m
Cash flows from operations	**43.2**	37.3
Changes in working capital	**(12.0)**	(8.3)
Finance costs and taxation	**(7.5)**	(8.1)
Cash flows from operating activities	**23.7**	20.9
Cash flows from investing activities	**(21.2)**	(157.4)
Cash flows from financing activities	**2.0**	125.1
Net increase/(decrease) in cash and cash equivalents	**4.5**	(11.4)

Cash flows from operating activities have increased by £2.8 million compared to the previous comparative period reflecting increases in net rental income.

Cash flows from investing activities reflect property acquisitions of £118.0 million and capital expenditure and incentives of £15.5 million offset by cash inflows from disposals of £105.5 million and net distributions from joint ventures of £6.8 million.

Cash flows from financing activities reflect net new borrowings of £35.0 million, cash dividend payments of £28.0 million, financing costs of £1.5 million and share purchases of £3.5 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 our business. They are critical to maintaining our sustainable, progressive earnings and long term capital growth whilst operating in a socially responsible manner. Although risk cannot be eliminated completely the Board's risk tolerance is low where it prejudices these objectives.

The process for identifying, assessing and mitigating the principal risks of the business are set out on pages 48 to 59 of the 2018 Annual Report in the Risk Management section. The Board is satisfied that these processes continue to be sound and it considers risk management at a high level at each of its meetings.

Since publication of the 2018 Annual Report there has been no significant change in the risks being faced by the business and no new principal risks have been identified.

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 and stakeholders and our regulatory, social and environmental responsibilities.

Strategy

The Group's strategy may be inappropriate for the current stage of the property cycle and economic climate. 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.

Economic and political factors

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

As reported in the CEO's Overview, 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.

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

As environmental, social and governance concerns, such as climate change and treating stakeholders fairly, have become more mainstream, non-compliance with responsible business practices 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 are risks associated with the Group's core business, they relate to portfolio composition and management, development activity, factors impacting capital value and tenants.

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 business funds its operations.

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 2018 £000**	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Gross revenue	3	**43,302**	41,443	83,709
Gross rental income		**42,355**	40,634	81,988
Property operating expenses		**(505)**	(401)	(828)
Net rental income		**41,850**	40,233	81,160
Property advisory fee income		**947**	809	1,721
Net income		**42,797**	41,042	82,881
Administrative costs		**(6,871)**	(6,735)	(13,800)
Profit on revaluation of investment properties	8	**53,646**	50,044	114,723
Loss on sale of investment properties		**(873)**	(5,796)	(2,139)
Share of (loss)/profit of joint ventures	9	**(195)**	5,419	13,655
Operating profit		**88,504**	83,974	195,320
Finance income		**159**	178	415
Finance costs	4	**(9,374)**	(4,541)	(9,685)
Profit before tax		**79,289**	79,611	186,050
Taxation	5	**(22)**	(18)	(32)
Profit for the period and total comprehensive income		**79,267**	79,593	186,018
Earnings per share				
Basic	7	**11.4p**	11.5p	26.9p
Fully diluted	7	**11.3p**	11.5p	26.9p
EPRA (basic and fully diluted)	7	**4.4p**	4.2p	8.5p

All amounts relate to continuing activities.

Group balance sheet

	Note	**Unaudited 30 September 2018 £000**	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Non current assets				
Investment properties	8	**1,756,250**	1,532,905	1,677,555
Investment in equity accounted joint ventures	9	**110,643**	113,856	117,646
Derivative financial instruments	13	**2,405**	–	2,836
Other tangible assets		**62**	287	73
		1,869,360	1,647,048	1,798,110
Current assets				
Trade and other receivables	10	**9,633**	55,208	2,344
Cash and cash equivalents	11	**30,697**	31,554	26,162
		40,330	86,762	28,506
Total assets		**1,909,690**	1,733,810	1,826,616
Current liabilities				
Trade and other payables	12	**32,502**	34,012	33,576
Non current liabilities				
Borrowings	13	**678,609**	622,985	643,551
Derivative financial instruments	13	**–**	12,885	–
		678,609	635,870	643,551
Total liabilities		**711,111**	669,882	677,127
Net assets		**1,198,579**	1,063,928	1,149,489
Equity				
Called up share capital	14	**69,783**	69,461	69,722
Share premium	15	**97,121**	91,946	96,079
Capital redemption reserve	15	**9,636**	9,636	9,636
Other reserve	15	**222,703**	223,462	222,502
Retained earnings	15	**799,336**	669,423	751,550
Equity shareholders' funds		**1,198,579**	1,063,928	1,149,489
Net asset value per share	7	**172.5p**	153.8	165.7p
EPRA net asset value per share	7	**172.1p**	155.7	165.2p

Group statement of changes in equity

Six months ended 30 September 2018 (Unaudited)

	Note	**Share capital £000**	**Share premium £000**	**Capital redemption reserve £000**	**Other reserve £000**	**Retained earnings £000**	**Total £000**
At 1 April 2018		69,722	96,079	9,636	222,502	751,550	1,149,489
Profit for the period and total comprehensive income		–	–	–	–	79,267	79,267
Purchase of shares held in trust		–	–	–	(3,773)	–	(3,773)
Vesting of shares held in trust		–	–	–	3,974	(3,662)	312
Share-based awards		–	–	–	–	1,329	1,329
Dividends	6	61	1,042	–	–	(29,148)	(28,045)
At 30 September 2018		**69,783**	**97,121**	**9,636**	**222,703**	**799,336**	**1,198,579**

Year ended 31 March 2018 (Audited)

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2017		69,238	88,548	9,636	221,374	618,119	1,006,915
Profit for the year and total comprehensive income		–	–	–	–	186,018	186,018
Purchase of shares held in trust		–	–	–	(2,783)	–	(2,783)
Vesting of shares held in trust		–	–	–	3,911	(3,635)	276
Share-based awards		–	–	–	–	2,420	2,420
Dividends	6	484	7,531	–	–	(51,372)	(43,357)
At 31 March 2018		69,722	96,079	9,636	222,502	751,550	1,149,489

Six months ended 30 September 2017 (Unaudited)

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 2017		69,238	88,548	9,636	221,374	618,119	1,006,915
Profit for the period and total comprehensive income		–	–	–	–	79,593	79,593
Purchase of shares held in trust		–	–	–	(1,823)	–	(1,823)
Vesting of shares held in trust		–	–	–	3,911	(3,635)	276
Share-based awards		–	–	–	–	1,072	1,072
Dividends	6	223	3,398	–	–	(25,726)	(22,105)
At 30 September 2017		69,461	91,946	9,636	223,462	669,423	1,063,928

Group cash flow statement

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Cash flows from operating activities			
Profit before tax	**79,289**	79,611	186,050
Adjustments for non-cash items:			
Profit on revaluation of investment properties	**(53,646)**	(50,044)	(114,723)
Loss on sale of investment properties	**873**	5,796	2,139
Share of post-tax loss/(profit) of joint ventures	**195**	(5,419)	(13,655)
Movement in lease incentives	**5,904**	1,886	(1,975)
Share-based payment	**1,329**	1,072	2,420
Net finance costs	**9,215**	4,363	9,270
Cash flows from operations before changes in working capital	**43,159**	37,265	69,526
Change in trade and other receivables	**(4,861)**	(2,497)	1,730
Change in trade and other payables	**(7,099)**	(5,848)	(2,859)
Cash flows from operations	**31,199**	28,920	68,397
Interest received	**42**	20	52
Interest paid	**(7,918)**	(8,254)	(16,409)
Tax received/(paid)	**348**	266	(17)
Cash flows from operating activities	**23,671**	20,952	52,023
Investing activities			
Purchase of investment properties	**(118,004)**	(209,541)	(306,245)
Capital expenditure on investment properties	**(13,327)**	(33,699)	(56,199)
Lease incentives paid	**(2,136)**	(1,631)	(3,049)
Sale of investment properties	**105,516**	88,306	183,780
Investments in joint ventures	**(8,315)**	(8,321)	(12,662)
Distributions from joint ventures	**15,123**	7,451	16,238
Cash flows from investing activities	**(21,143)**	(157,435)	(178,137)
Financing activities			
Dividends paid	**(28,045)**	(22,105)	(43,357)
Purchase of shares held in trust	**(3,773)**	(1,823)	(2,783)
Vesting of shares held in trust	**312**	276	276
New borrowings and amounts drawndown	**195,000**	285,000	397,237
Repayment of loan facilities	**(160,000)**	(128,170)	(220,407)
Financial arrangement fees and break costs	**(1,487)**	(8,085)	(21,634)
Cash flows from financing activities	**2,007**	125,093	109,332
Net increase/(decrease) in cash and cash equivalents	**4,535**	(11,390)	(16,782)
Opening cash and cash equivalents	**26,162**	42,944	42,944
Closing cash and cash equivalents	**30,697**	31,554	26,162

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 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The 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 2018, except for a number of new standards and amendments to IFRSs that became effective for the financial year beginning 1 April 2018 as noted below:

IFRS 9 Financial Instruments

Nature of change	IFRS 9 addresses the classification and measurement of financial assets and liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting. The Group has elected to apply IFRS 9 without restating comparatives, as permitted under the transitional provisions within IFRS 9.
Impact	The main impact to the Group is in relation to the impairment of trade receivables and the assessment of expected credit losses as opposed to incurred credit losses under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. It is no longer necessary for a credit event to have occurred before credit losses are recognised. We have performed an assessment of the Group's trade receivables at 30 September 2018 for impairment in accordance with the requirements of IFRS 9. We have based our estimate of expected credit losses on past experience of incurred credit losses and the trade debtor's current financial condition and have specifically provided against receivables where there is no realistic prospect of recovery, which at the half year amounted to £43,000. In addition to this, a credit loss allowance of £140,000 has been recognised against trade receivables at the half year.

	Changes to debt modification rules for non-substantial modifications may result in a gain or loss being recognised in the profit and loss equal to the difference in the present value of cash flows under the original and modified terms of the debt, discounted at the effective interest rate. We have reviewed debt modifications made in the previous year as a result of refinancing our secured facility with Helaba and have concluded that there is no material impact on the financial statements at transition.

IFRS 15 Revenue from Contracts with Customers

Nature of change	IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has elected to apply IFRS 15 without restating comparatives, as permitted under the transitional provisions within IFRS 15.
Impact	IFRS 15 does not apply to rental income which, at 30 September 2018, accounted for 98% of total gross revenue of the Group, but does apply to management fees and surrender premiums receivable. Management fees are recognised in the accounting period in which the service is rendered. Surrender premiums receivable are recognised on completion of the surrender. The standard also affects the timing of recognising property transactions. The Group's accounting policy has been amended to recognise property transactions at the point of completion, which is the point at which control of the property passes, rather than on unconditional exchange of contracts, which was the point at which significant risks and rewards were transferred under the previous accounting standard.

In addition, 'Amendments to IFRS 2 Share Based Payments' and 'Amendments to IAS 40 Investment Property' came into effect during the period and have not had a significant impact on the accounting policies, method of computation or presentation in the condensed financial statements.

The following new standard has been issued but is not yet effective and has therefore not been adopted by the Group:

IFRS 16 Leases

Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.
Impact	The standard does not impact the accounting for the rental income earned by the Group as lessor as it scopes out leases of investment properties. Management has performed an assessment of the impact of bringing operating leases on balance sheet based on leases held at 30 September 2018. IFRS 16 is estimated to have an immaterial impact to the Group.
Date of adoption by Group	Mandatory for the first time in the financial year commencing 1 April 2019. The Group does not intend to adopt the standard before its effective date.

These condensed financial statements were approved and authorised for issue by the Board of Directors on 27 November 2018.

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 £000	Share of JV £000	**Unaudited 30 September 2018 £000**	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Distribution	1,339,810	9,702	**1,349,512**	1,074,050	1,233,081
Convenience & leisure	141,420	–	**141,420**	184,895	174,700
Long income	111,310	133,961	**245,271**	219,520	220,830
Retail parks	117,010	–	**117,010**	136,095	139,775
Residential	1,780	17,962	**19,742**	35,123	30,139
Development	44,920	4,125	**49,045**	55,360	43,485
	1,756,250	165,750	**1,922,000**	1,705,043	1,842,010

Gross rental income

	100% owned £000	Share of JV £000	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Distribution	31,298	305	**31,603**	28,072	58,250
Convenience & leisure	4,465	–	**4,465**	5,270	10,281
Long income	3,064	5,048	**8,112**	5,936	13,433
Retail parks	3,493	–	**3,493**	3,495	7,044
Office	–	–	–	2,007	2,007
Residential	35	196	**231**	354	675
Development	–	–	–	–	92
	42,355	5,549	**47,904**	45,134	91,782

Net rental income

	100% owned £000	Share of JV £000	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Distribution	30,978	306	**31,284**	28,124	58,169
Convenience & leisure	4,392	–	**4,392**	5,156	10,108
Long income	3,034	4,843	**7,877**	5,874	13,257
Retail parks	3,407	–	**3,407**	3,272	6,653
Office	–	–	**–**	1,920	1,904
Residential	37	75	**112**	191	376
Development	2	–	**2**	(2)	86
	41,850	5,224	**47,074**	44,535	90,553

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.

3. Gross revenue

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Gross rental income	**42,355**	40,634	81,988
Property advisory fee income	**947**	809	1,721
	43,302	41,443	83,709

For the six months to 30 September 2018, 12% of the Group's gross rental income was receivable from one tenant. For the comparative periods to 30 September 2017 and 31 March 2018, 13% and 12% respectively of the Group's gross rental income was receivable from one tenant.

4. Finance costs

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Interest payable on bank loans and related derivatives	**7,936**	7,730	15,530
Debt and hedging early close out costs	**6**	6,367	18,981
Amortisation of loan issue costs	**692**	685	1,350
Commitment fees and other finance costs	**847**	869	1,705
Total borrowing costs	**9,481**	15,651	37,566
Less amounts capitalised on developments	**(538)**	(645)	(1,695)
Net borrowing costs	**8,943**	15,006	35,871
Fair value loss/(profit) on derivatives	**431**	(10,465)	(26,186)
	9,374	4,541	9,685

Debt and hedging break costs in the Cash flow statement have been classified within financing activities and prior period comparatives have been amended accordingly.

5. Taxation

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Current tax charge on profit	**22**	18	32

The current tax charge relates to income tax charged to non-resident landlords on property rental income in the Isle of Man. 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 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Ordinary dividends paid			
2017 Third quarterly Interim dividend: 1.8p per share	–	11,269	11,269
2017 Fourth quarterly Interim dividend: 2.1p per share	–	14,457	14,457
2018 First quarterly Interim dividend: 1.85p per share	–	–	12,817
2018 Second quarterly Interim dividend: 1.85p per share	–	–	12,829
2018 Third quarterly interim dividend: 1.85p per share	**12,837**	–	–
2018 Fourth quarterly interim dividend: 2.35p per share	**16,311**	–	–
	29,148	25,726	51,372

	Unaudited Six months to 30 September 2018 £000
Ordinary dividends payable	
2019 First quarterly interim dividend: 1.9p per share	**13,206**
2019 Second quarterly interim dividend: 1.9p per share	**13,212**

The Company paid its first quarterly interim dividend in respect of the current financial year of 1.9p per share, wholly as a Property Income Distribution (PID), on 5 October 2018 to ordinary shareholders on the register at the close of business on 31 August 2018.

The second quarterly interim dividend for 2019 of 1.9p per share will be paid on 10 January 2019, wholly as a PID, to ordinary shareholders on the register at the close of business on 7 December 2018. 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 2019.

During the period the Company issued 618,041 ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £1.1 million to £28.0 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 are detailed as follows:

	Group £000	JV £000	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Gross rental income	42,355	5,549	**47,904**	45,134	91,782
Property costs	(505)	(325)	**(830)**	(599)	(1,229)
Net income	41,850	5,224	**47,074**	44,535	90,553
Management fees	947	(409)	**538**	441	958
Administrative costs	(6,871)	(36)	**(6,907)**	(6,800)	(13,906)
Net finance costs[1]	(8,778)	(1,030)	**(9,808)**	(9,375)	(18,457)
Other	(22)	–	**(22)**	(18)	(32)
EPRA earnings	27,126	3,749	**30,875**	28,783	59,116

[1] Group net finance costs reflect net borrowing costs of £8,943,000 (note 4) less early close out costs of £6,000 (note 4) and finance income of £159,000.

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

	Group £000	JV £000	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
EPRA earnings	27,126	3,749	**30,875**	28,783	59,116
Revaluation of investment property	53,646	(2,600)	**51,046**	52,836	121,565
Fair value of derivatives	(431)	41	**(390)**	10,604	26,420
Debt and hedging early close out costs	(6)	–	**(6)**	(6,420)	(19,057)
Loss on disposal	(873)	(1,385)	**(2,258)**	(6,210)	(2,026)
IFRS reported profit/(loss)	79,462	(195)	**79,267**	79,593	186,018

b) Earnings per ordinary share

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Basic and diluted earnings	**79,267**	79,593	186,018
EPRA adjustments[1]	**(48,392)**	(50,810)	(126,902)
EPRA earnings	**30,875**	28,783	59,116

[1] Adjustments shown in table reconciling EPRA earnings with IFRS reported profit/(loss)

Weighted average number of shares (in thousands)	**Unaudited Six months to 30 September 2018**	Unaudited Six months to 30 September 2017	Audited Year to 31 March 2018
Ordinary share capital	**697,589**	693,649	695,121
Shares held in employee benefit trust	**(2,394)**	(3,019)	(2,983)
Weighted average number of ordinary shares[1]	**695,195**	690,630	692,138

[1] Fully diluted weighted average number of ordinary shares at 30 September 2018 is 700,558,000, which includes the expected vesting of all outstanding share awards. There was no material difference in the fully diluted weighted average number of ordinary shares in the previous comparative periods

Basic earnings per share	**11.4p**	11.5p	26.9p
Fully diluted earnings per share	**11.3p**	11.5p	26.9p
EPRA earnings per share (basic and fully diluted)	**4.4p**	4.2p	8.5p

c) Net assets per share

	Unaudited 30 September 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Equity shareholders' funds	**1,198,579**	1,063,928	1,149,489
Fair value of derivatives	**(2,405)**	12,885	(2,836)
Fair value of joint ventures' derivatives	**(91)**	90	(43)
EPRA net asset value	**1,196,083**	1,076,903	1,146,610

Number of shares (in thousands)	**Unaudited Six months to 30 September 2018**	Unaudited Six months to 30 September 2017	Audited Year to 31 March 2018
Ordinary share capital	**697,834**	694,613	697,216
Shares held in employee benefit trust	**(2,807)**	(2,777)	(3,323)
Number of ordinary shares	**695,027**	691,836	693,893

Basic net asset value per share	**172.5p**	153.8p	165.7p
EPRA net asset value per share	**172.1p**	155.7p	165.2p

8. Investment properties

	Completed £000	Under development £000	**Unaudited 30 September 2018 £000**	Completed £000	Under development £000	Audited 31 March 2018 £000
Opening balance	1,634,995	42,560	**1,677,555**	1,346,085	27,315	1,373,400
Acquisitions	109,277	8,907	**118,184**	274,562	32,064	306,626
Capital expenditure	10,082	6,916	**16,998**	20,236	29,584	49,820
Disposals	(105,865)	(500)	**(106,365)**	(172,038)	–	(172,038)
Property transfers	20,965	(20,965)	**–**	60,366	(60,366)	–
Revaluation movement	45,652	7,994	**53,646**	101,353	13,370	114,723
Tenant incentives	(3,776)	8	**(3,768)**	4,431	593	5,024
	1,711,330	44,920	**1,756,250**	1,634,995	42,560	1,677,555

Investment properties are held at fair value as at 30 September 2018 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills Advisory Services Limited ('Savills').

The valuation of property held for sale at 30 September 2018 was £52.9 million (30 September 2017: £79.6 million, 31 March 2018: £89.9 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 and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Long-term leasehold values included within investment properties amount to £116.9 million (30 September 2017: £90.7 million, 31 March 2018: £101.4 million). All other properties are freehold.

Included within the investment property valuation is £66.6 million (30 September 2017: £65.1 million, 31 March 2018: £70.3 million) in respect of lease incentives and rent free periods.

The historical cost of all of the Group's investment properties at 30 September 2018 was £1,362.9 million (30 September 2017: £1,251.8 million, 31 March 2018: £1,328.8 million).

Capital commitments have been entered into amounting to £27.6 million (30 September 2017: £51.3 million, 31 March 2018: £47.5 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £0.9 million (30 September 2017: £0.9 million, 31 March 2018: £1.8 million) have been capitalised in the period, being directly attributable to the development projects in progress.

Forward funded development costs of £6.6 million (30 September 2017: £2.4 million, 31 March 2018 £9.8 million) have been classified within investment property as acquisitions.

9. Investment in joint ventures

At 30 September 2018 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%
LMP Retail Warehouse JV PUT	Guernsey	Long income & distribution	45.0%
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 all joint venture interests is property investment in the UK in the sectors noted in the table above, which complements the Group's operations and contributes to the achievement of its strategy.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, acquired a forward funded development in Telford for £4.0 million (Group share: £2.0 million) and three further investment assets for £17.4 million (Group share: £8.7 million) in the period.

LSP London Residential Investments Limited disposed of 13 residential flats at Moore House for £20.2 million (Group share: £8.1 million) in the period.

At 30 September 2018, the freehold and leasehold investment properties were externally valued by CBRE and Savills.

The valuation of property held for sale by joint ventures at 30 September 2018 was £6.1 million (Group share: £2.9 million) (30 September 2017: £14.7 million (Group share: £6.2 million), 31 March 2018: £21.9 million (Group share: £8.8 million)).

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

	Unaudited Six months to 30 September 2018 £000	Unaudited Six months to 30 September 2017 £000	Audited Year to 31 March 2018 £000
Opening balance	**117,646**	107,567	107,567
Additions at cost	**8,315**	8,321	12,662
Share of (loss)/profit in the period	**(195)**	5,419	13,655
Disposals	**(3,230)**	(2,907)	(3,964)
Profit distributions received	**(11,893)**	(4,544)	(12,274)
Closing balance	**110,643**	113,856	117,646

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

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	**Unaudited 30 September 2018 £000**	**Unaudited 30 September 2018 £000**
Summarised income statement	100%	100%	100%	**100%**	**Group share**
Gross rental income	7,233	3,856	490	**11,579**	**5,549**
Property costs	(403)	(3)	(304)	**(710)**	**(325)**
Net rental income	6,830	3,853	186	**10,869**	**5,224**
Administrative costs	(19)	(23)	(41)	**(83)**	**(36)**
Management fees	(535)	(151)	(185)	**(871)**	**(409)**
Revaluation	(1,747)	(1,028)	(3,160)	**(5,935)**	**(2,600)**
Finance income	120	–	1	**121**	**60**
Finance cost	(1,344)	(928)	–	**(2,272)**	**(1,090)**
Derivative movement	82	(1)	–	**81**	**41**
Loss on disposal	–	–	(3,461)	**(3,461)**	**(1,385)**
Profit/(loss) after tax	3,387	1,722	(6,660)	**(1,551)**	**(195)**
Group share of profit/(loss) after tax	1,694	775	(2,664)	**(195)**	
EPRA adjustments					
Revaluation	1,747	1,028	3,160	**5,935**	**2,600**
Derivative movement	(82)	1	–	**(81)**	**(41)**
Loss on disposal	–	–	3,461	**3,461**	**1,385**
EPRA earnings	5,052	2,751	(39)	**7,764**	**3,749**
Group share of EPRA earnings	2,526	1,238	(15)	**3,749**	
Summarised balance sheet					
Investment properties	207,480	97,840	44,905	**350,225**	**165,750**
Other current assets	585	–	141	**726**	**349**
Cash	10,898	2,334	2,171	**15,403**	**7,369**
Current liabilities	(3,588)	(826)	(290)	**(4,704)**	**(2,286)**
Bank debt	(80,518)	(46,619)	–	**(127,137)**	**(61,247)**
Unamortised finance costs	1,055	198	–	**1,253**	**617**
Derivative financial instruments	182	–	–	**182**	**91**
Net assets	136,094	52,927	46,927	**235,948**	**110,643**
Group share of net assets	68,047	23,825	18,771	**110,643**	

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	Unaudited 30 September 2017 £000	Unaudited 30 September 2017 £000
Summarised income statement	100%	100%	100%	100%	Group share
Gross rental income	5,604	4,426	809	10,839	4,500
Property costs	(66)	(5)	(410)	(481)	(198)
Net rental income	5,538	4,421	399	10,358	4,302
Administrative costs	(75)	(33)	(40)	(148)	(65)
Management fees	(425)	(172)	(255)	(852)	(368)
Revaluation	7,757	1,099	(3,952)	4,904	2,792
Finance income	–	–	2	2	1
Finance cost	(1,285)	(1,017)	(11)	(2,313)	(968)
Derivative movement	282	(4)	–	278	139
Loss on disposal	(15)	(385)	(622)	(1,022)	(414)
Profit/(loss) after tax	11,777	3,909	(4,479)	11,207	5,419
Group share of profit/(loss) after tax	5,888	1,322	(1,791)	5,419	
EPRA adjustments					
Revaluation	(7,757)	(1,099)	3,952	(4,904)	(2,792)
Derivative movement	(282)	4	–	(278)	(139)
Loss on disposal	15	385	622	1,022	414
Debt and hedging early close out costs	–	144	11	155	53
EPRA earnings	3,753	3,343	106	7,202	2,955
Group share of EPRA earnings	1,877	1,036	42	2,955	

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	Audited 31 March 2018 £000	Audited 31 March 2018 £000
Summarised balance sheet	100%	100%	100%	100%	Group share
Investment properties	183,355	98,630	70,935	352,920	164,455
Other current assets	351	37	208	596	272
Cash	21,682	1,142	4,434	27,258	13,128
Current liabilities	(3,002)	(950)	(290)	(4,242)	(2,043)
Bank debt	(75,900)	(46,619)	–	(122,519)	(58,938)
Unamortised finance costs	1,169	321	–	1,490	729
Derivative financial instruments	85	–	–	85	43
Net assets	127,740	52,561	75,287	255,588	117,646
Group share of net assets	63,870	23,661	30,115	117,646	

10. Trade and other receivables

	Unaudited 30 September 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Trade receivables	**5,690**	2,102	776
Amounts receivable from property sales	**851**	48,861	10
Prepayments and accrued income	**1,360**	4,021	1,443
Other receivables	**1,732**	224	115
	9,633	55,208	2,344

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 2018 there were trade receivables of £43,000 which were overdue and considered at risk (30 September 2017: £8,300, 31 March 2018: £2,200).

In addition to these specific provisions and in accordance with IFRS 9, an impairment provision of £140,000 has been made against trade receivables based on expected credit losses.

11. Cash and cash equivalents

Cash and cash equivalents include £3.9 million (30 September 2017: £4.7 million, 31 March 2018: £5.3 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 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Trade payables	**2,445**	6,472	**2,582**
Amounts payable on property acquisitions and disposals	**2,218**	3,096	**1,173**
Rent received in advance	**15,757**	13,857	**15,973**
Accrued interest	**803**	1,140	**785**
Other payables	**1,877**	1,939	**4,139**
Other accruals and deferred income	**9,402**	7,508	**8,924**
	32,502	34,012	**33,576**

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 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Secured Bank loans	**130,000**	130,000	130,000
Unsecured Bank loans	**555,000**	500,000	520,000
Unamortised finance costs	**(6,391)**	(7,015)	(6,449)
	678,609	622,985	643,551

Certain bank loans at 30 September 2018 are secured by fixed charges over Group investment properties with a carrying value of £365.1 million.

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

As at 30 September 2018	**Less than one year £000**	**One to two years £000**	**Two to five years £000**	**More than five years £000**	**Total £000**
Bank loans	**18,186**	**18,236**	**477,308**	**254,763**	**768,493**
Derivative financial instruments	**984**	**905**	**1,356**	**–**	**3,245**
	19,170	**19,141**	**478,664**	**254,763**	**771,738**

As at 31 March 2018	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Bank loans	16,047	16,091	426,590	270,587	729,315
Derivative financial instruments	1,000	1,244	2,439	–	4,683
	17,047	17,335	429,029	270,587	733,998

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

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

Details of the fair value of the Group's derivative financial instruments that were in place at 30 September 2018 are provided below:

	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**Unaudited 30 September 2018 %**	Audited 31 March 2018 %	**Unaudited 30 September 2018 £000**	Audited 31 March 2018 £000	**Unaudited 30 September 2018 £000**	Audited 31 March 2018 £000
Less than one year	**3.0**	2.0	**10,000**	100,000	**–**	–
One to two years	**–**	3.0	**–**	10,000	**–**	–
Two to five years	**2.0**	2.0	**19,620**	19,620	**50**	74
	2.3	2.1	**29,620**	129,620	**50**	74

	Average rate		Notional amount		Fair value	
Interest rate swaps - expiry	**Unaudited 30 September 2018 %**	Audited 31 March 2018 %	**Unaudited 30 September 2018 £000**	Audited 31 March 2018 £000	**Unaudited 30 September 2018 £000**	Audited 31 March 2018 £000
Less than one year	**2.0**	0.6	**10,000**	50,000	**(76)**	18
One to two years	**–**	2.0	**–**	10,000	**–**	(122)
Two to five years	**1.1**	1.3	**350,000**	425,000	**2,431**	2,866
	1.1	1.3	**360,000**	485,000	**2,355**	2,762
Total fair value					**2,405**	2,836

All derivative financial instruments are non-current interest rate derivatives and are carried at fair value following a valuation as at 30 September 2018 by J C Rathbone Associates Limited.

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

14. Share capital

	Unaudited 30 September 2018 Number	**Unaudited 30 September 2018 £000**	Audited 31 March 2018 Number	Audited 31 March 2018 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**697,834,237**	**69,783**	697,216,196	69,722

In June 2018, the Company granted options over 2,125,515 ordinary shares under its Long Term Incentive Plan.

In addition, 2,017,875 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2015 vested along with 574,242 ordinary shares in the Director's Deferred Bonus Plan. The share price on vesting was 187.63p.

The Company issued 618,041 ordinary shares in the period under the terms of its Scrip Dividend Scheme.

15. 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 and Metric Property Investments Plc by the Company, the cost of the Company's shares held in treasury and the cost of shares held in trust to provide for the Company's future obligations under share award schemes.
Retained earnings	The cumulative profits and losses after the payment of dividends.

16. Analysis of movement in net debt

			Unaudited 30 September 2018			Audited 31 March 2018
	Cash and cash equivalents £000	**Borrowings £000**	**Net debt £000**	Cash and cash equivalents £000	Borrowings £000	Net debt £000
Opening balance	**26,162**	**643,551**	**617,389**	42,944	466,319	423,375
Cash movement	**4,535**	**35,000**	**30,465**	(16,782)	176,830	193,612
Loan issue costs paid	**–**	**(634)**	**(634)**	–	(948)	(948)
Amortisation of loan issue costs	**–**	**692**	**692**	–	1,350	1,350
Closing balance	**30,697**	**678,609**	**647,912**	26,162	643,551	617,389

17. Related party transactions

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

		Management fees		**Profit distributions**	
	Group interest	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000	**Unaudited Six months to 30 September 2018 £000**	Unaudited Six months to 30 September 2017 £000
LSP London Residential Investments Ltd	40.0%	**154**	212	**8,680**	1,800
Metric Income Plus Partnership	50.0%	**642**	425	**2,601**	1,863
LMP Retail Warehouse JV PUT	45.0%	**151**	172	**612**	881
		947	809	**11,893**	4,544

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

18. Events after the balance sheet date

Post period end, the Group has transacted on the following:

- Acquisitions:
    - A portfolio of eight convenience assets for £12.1 million;
    - Distribution units in Basildon (£6.3 million) and Orpington (£7.8 million); and
    - Two convenience assets in London, let to the Co-op, for £10.2 million.
- Disposals:
    - Distribution units in Leicester (£7.5 million) and Doncaster (£9.9 million); and
    - A retail park in Ipswich for £22.0 million.

Directors' responsibility statement

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

- This condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union; and
- This condensed set of financial statements includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure 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 2018

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 2018 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 18. 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 2018 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 2018

Supplementary information

i EPRA Summary table

	30 September 2018	30 September 2017	31 March 2018
EPRA earnings per share	**4.4p**	4.2p	8.5p
EPRA net asset value per share	**172.1p**	155.7p	165.2p
EPRA triple net asset value per share	**172.5p**	153.8p	165.7p
EPRA vacancy rate	**5.6%**	0.6%	2.5%
EPRA cost ratio (including vacant property costs)	**15%**	15%	15%
EPRA cost ratio (excluding vacant property costs)	**14%**	15%	15%
EPRA net initial yield	**4.3%**	4.4%	4.5%
EPRA 'topped up' net initial yield	**4.6%**	5.2%	4.9%

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

ii EPRA proportionally consolidated income statement

For the six months to 30 September	Group £000	JV £000	**2018 £000**	Group £000	JV £000	2017 £000
Gross rental income	42,355	5,549	**47,904**	40,634	4,500	45,134
Property costs	(505)	(325)	**(830)**	(401)	(198)	(599)
Net rental income	41,850	5,224	**47,074**	40,233	4,302	44,535
Management fees	947	(409)	**538**	809	(368)	441
Administrative costs	(6,871)	(36)	**(6,907)**	(6,735)	(65)	(6,800)
Net finance costs	(8,778)	(1,030)	**(9,808)**	(8,461)	(914)	(9,375)
Other	(22)	–	**(22)**	(18)	–	(18)
EPRA earnings	27,126	3,749	**30,875**	25,828	2,955	28,783

iii EPRA proportionally consolidated balance sheet

			30 September			31 March
As at	Group £000	JV £000	**2018 £000**	Group £000	JV £000	2018 £000
Investment property	1,756,250	165,750	**1,922,000**	1,677,555	164,455	1,842,010
Gross debt	(685,000)	(61,247)	**(746,247)**	(650,000)	(58,938)	(708,938)
Cash	30,697	7,369	**38,066**	26,162	13,128	39,290
Other net liabilities	(16,416)	(1,320)	**(17,736)**	(24,710)	(1,042)	(25,752)
EPRA net assets	1,085,531	110,552	**1,196,083**	1,029,007	117,603	1,146,610
Loan to value	37%	33%	**37%**	35%	28%	35%
Cost of debt	2.9%	3.4%	**2.9%**	2.7%	3.4%	2.8%
Undrawn facilities	93,750	9,741	**103,491**	53,750	12,050	65,800

iv EPRA cost ratio

For the six months to 30 September	**2018 £000**	2017 £000
Property operating expenses	**505**	401
Administrative costs	**6,871**	6,735
Share of joint venture property, administrative and management costs	**770**	632
Less:		
Joint venture property management fee income	**(947)**	(809)
Ground rents	**(58)**	(68)
Total costs including vacant property costs (A)	**7,141**	6,891
Group vacant property costs	**(291)**	(226)
Share of joint venture vacant property costs	**(85)**	(116)
Total costs excluding vacant property costs (B)	**6,765**	6,549
Gross rental income	**42,355**	40,634
Share of joint venture gross rental income	**5,549**	4,500
	47,904	45,134
Less: Ground rents	**(58)**	(68)
Total gross rental income (C)	**47,846**	45,066
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**15%**	15%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**14%**	15%

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

As at	**30 September 2018 £000**	31 March 2018 £000
Investment property – wholly-owned	**1,756,250**	1,677,555
Investment property – share of joint ventures	**165,750**	164,455
Less development properties	**(49,045)**	(43,485)
Less residential properties	**(19,742)**	(30,139)
Completed property portfolio	**1,853,213**	1,768,386
Allowance for:		
Estimated purchasers' costs	**126,018**	120,250
Estimated costs to complete	**16,308**	30,848
EPRA property portfolio valuation (A)	**1,995,539**	1,919,484
Annualised passing rental income	**78,247**	78,378
Share of joint ventures	**9,744**	9,263
Less development properties	**(1,391)**	(1,198)
Less residential properties	**(190)**	(352)
Annualised net rents (B)	**86,410**	86,091
Contractual rental increases for rent free periods	**5,036**	6,247
Contractual rental increases for stepped rental uplifts	**1,100**	1,685
'Topped up' net annualised rent (C)	**92,546**	94,023
EPRA net initial yield (B/A)	**4.3%**	4.5%
EPRA 'topped up' net initial yield (C/A)	**4.6%**	4.9%

vi EPRA vacancy rate

As at	30 September 2018 £000	31 March 2018 £000
Annualised estimated rental value of vacant premises	**5,474**	2,407
Portfolio estimated rental value[1]	**97,194**	95,808
EPRA vacancy rate	**5.6%**	2.5%

[1] Excludes residential and development properties

vii EPRA capital expenditure analysis

As at	Group £000	JV £000	30 September 2018 £000	Group £000	JV £000	31 March 2018 £000
Opening valuation	1,677,555	164,455	**1,842,010**	1,373,400	160,428	1,533,828
Acquisitions	109,277	9,309	**118,586**	274,562	15,180	289,742
Developments[1]	15,823	2,904	**18,727**	61,648	848	62,496
Capital expenditure[2]	10,082	527	**10,609**	20,236	125	20,361
Disposals	(106,365)	(9,172)	**(115,537)**	(172,038)	(18,937)	(190,975)
Revaluation	53,646	(2,600)	**51,046**	114,723	6,842	121,565
Lease incentives	(3,768)	327	**(3,441)**	5,024	(31)	4,993
Closing valuation	1,756,250	165,750	**1,922,000**	1,677,555	164,455	1,842,010

[1] Includes capitalised interest of £0.5 million (March 2018: £1.7 million) and capitalised staff costs of £0.9 million (March 2018: £1.8 million)

[2] Capital expenditure on completed properties

viii Total accounting return

As at	30 September 2018 p/share	30 September 2017 p/share	31 March 2018 p/share
EPRA net asset value per share			
– at end of period	**172.1**	155.7	165.2
– at start of period	**165.2**	149.8	149.8
Increase	**6.9**	5.9	15.4
Dividend paid	**4.2**	3.9	7.6
Net increase	**11.1**	9.8	23.0
Total accounting return	**6.7%**	6.5%	15.4%

ix Portfolio split and valuation

As at	£m	30 September 2018 %	£m	31 March 2018 %
Mega distribution	**513.8**	**26.7**	500.8	27.2
Regional distribution	**374.8**	**19.5**	379.0	20.6
Urban logistics	**460.9**	**24.0**	353.3	19.1
Distribution	**1,349.5**	**70.2**	1,233.1	66.9
Convenience & leisure	**141.4**	**7.4**	174.7	9.5
Long income	**245.3**	**12.8**	220.8	12.0
Retail parks	**117.0**	**6.1**	139.8	7.6
Investment portfolio	**1,853.2**	**96.5**	1,768.4	96.0
Development – distribution[1]	**35.8**	**1.9**	29.4	1.6
Development – retail[2]	**13.2**	**0.6**	14.1	0.8
Residential	**19.8**	**1.0**	30.1	1.6
Total portfolio	**1,922.0**	**100.0**	1,842.0	100.0

[1] Represents regional distribution of £24.9 million (1.3%) and urban logistics of £10.9 million (0.6%) at 30 September 2018

[2] Represents long income of £4.1 million (0.2%) and convenience and leisure of £9.1 million (0.4%) at 30 September 2018

x Investment portfolio yields

As at	EPRA NIY %	EPRA topped up NIY %	30 September 2018 Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	31 March 2018 Equivalent yield %
Distribution	**3.9**	**4.3**	**5.0**	4.3	4.6	5.3
Convenience & leisure	**4.9**	**5.0**	**5.4**	4.7	4.9	5.3
Long income	**5.7**	**5.9**	**5.5**	5.6	5.9	5.5
Retail parks	**5.3**	**5.7**	**5.7**	4.5	5.6	5.6
Investment portfolio	**4.3**	**4.6**	**5.2**	4.5	4.9	5.3

xi Investment portfolio – Key statistics

As at 30 September 2018	**Area ’000 sq ft**	**WAULT to expiry years**	**WAULT to first break years**	**Occupancy %**	**Average rent £ per sq ft**
Distribution	11,212	12.0	11.3	91.8	6.00
Convenience & leisure	508	15.6	15.3	100.0	15.30
Long income	1,337	10.9	9.3	100.0	19.00
Retail parks	367	11.0	9.2	100.0	19.50
Investment portfolio	**13,424**	**12.0**	**11.1**	**94.4**	**7.70**

xii Total property returns

	All property 30 September 2018 %	All property 30 September 2017 %	All property 31 March 2018 %
Capital return	**2.9**	3.3	7.9
Income return	**2.5**	2.8	5.5
Total return	**5.4**	6.1	13.7

xiii Contracted rental income

As at	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Distribution	**61.4**	57.1	61.1
Convenience & leisure	**7.8**	10.4	9.4
Long income	**15.5**	14.5	13.9
Retail parks	**7.1**	8.4	8.4
Investment portfolio	**91.8**	90.4	92.8
Development – distribution	–	2.4	0.4
Development – retail[1]	**1.4**	0.5	0.8
Commercial portfolio	**93.2**	93.3	94.0
Residential	**0.2**	0.5	0.4
Total portfolio	**93.4**	93.8	94.4

[1] Represents long income of £0.3 million and convenience and leisure of £1.1 million at 30 September 2018

xiv Rent subject to expiry

As at 30 September 2018	**Within 3 years %**	**Within 5 years %**	**Within 10 years %**	**Within 15 years %**	**Within 20 years %**	**Over 20 years %**
Distribution	8.4	17.3	47.3	78.4	83.3	100.0
Convenience & leisure	4.0	4.0	24.3	29.8	89.1	100.0
Long income	1.8	10.0	37.8	88.7	97.2	100.0
Retail parks	1.1	1.1	43.4	87.9	100.0	100.0
Commercial portfolio	**6.3**	**13.6**	**43.2**	**76.3**	**87.5**	**100.0**

xv Contracted rent subject to RPI or fixed uplifts

	30 September 2018		31 March 2018	
	£m	**%**	£m	%
Distribution	**36.6**	**59.6**	34.6	56.2
Convenience & leisure	**7.4**	**83.7**	6.9	73.4
Long income	**5.1**	**32.7**	4.7	32.2
Retail parks	**1.2**	**16.8**	1.1	12.5
Commercial portfolio	**50.3**	**54.0**	47.3	50.3

xvi Top ten assets (by value)

As at 30 September 2018	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.6	100.0	22.0	22.0
Eddie Stobart, Dagenham	454	4.1	100.0	25.0	25.0
Primark, Thrapston	783	4.1	100.0	14.0	14.0
Dixons Carphone, Newark	726	4.4	100.0	14.8	14.8
Argos, Bedford	657	4.1	100.0	4.2	4.2
M&S, Sheffield	626	2.6	100.0	5.2	5.2
Amazon, Warrington	357	2.1	100.0	13.2	13.2
Wakefield	527	–	–	–	–
Tesco, Croydon	191	1.9	100.0	9.6	9.6
Burlington Road, New Malden	51	1.9	100.0	13.0	8.6

xvii Top ten occupiers

As at 30 September 2018	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark[1]	9.7	18.9	10.4
Dixons Carphone	7.9	2.0	8.5
M&S	6.3	4.8	6.7
Argos[1]	4.2	6.9	4.5
Eddie Stobart	4.1	0.4	4.4
DFS	3.9	0.4	4.2
Odeon[1]	3.7	1.6	3.9
DHL[1]	3.1	30.4	3.3
Tesco	2.5	20.9	2.7
Clipper Logistics	2.3	0.3	2.5
Top ten	**47.7**		**51.1**
Other commercial	45.5		48.7
Total commercial	**93.2**		**99.8**
Residential	0.2		0.2
Total Group	**93.4**		**100.0**

[1] Market capitalisation of Parent Company

Glossary

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

Gross rental income
Rental income for the period from let properties reported under IFRS, after 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)
Investment Property Databank (IPD) is a wholly owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns

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

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

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

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

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

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

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

Property Income Distribution (PID)
Dividends from profits of the Group's tax-exempt property 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