LONDONMETRIC PROPERTY PLC

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

Alignment with modern shopping habits continues to generate strong and growing returns

LondonMetric today announces its annual results for the year ended 31 March 2018.

Income Statement	**31 March 2018**	**31 March 2017**
Net rental income (£m)[1]	90.6	81.8
Reported Profit (£m)	186.0	63.0
EPRA Earnings (£m)	59.1	51.0
EPRA EPS (p)	8.5	8.2
Dividend per share (p)	7.9	7.5
Balance Sheet	**31 March 2018**	**31 March 2017**
IFRS net assets (£m)	1,149.5	1,006.9
EPRA net assets	1,146.6	1,030.5
EPRA NAV per share (p)	165.2	149.8
LTV (%)[1,2]	35	30

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 cash from deferred sales that completed post year end

Income Statement
- EPRA earnings up 15.9% to £59.1m, up 3.7% on a per share basis
- Net rental income up 10.8% to £90.6m[1], reflecting full benefit of equity raise and portfolio activity
- Reported profit of £186.0m driven by £121.6m[1] revaluation surplus, reflecting a 7.1% valuation uplift

Dividend increased 5.3% to 7.9p, 108% dividend cover
- Fourth quarterly interim dividend declared of 2.35p

Balance Sheet
- EPRA NAV per share up 10.3% to 165.2p (2017: 149.8p)
- Portfolio valued at £1,842.0m[1] with a 28bps equivalent yield compression
- Total Property Return of 13.7% against IPD All Property of 10.1%
- Total Accounting Return of 15.5%

Distribution weighting increased to 69%
- Distribution acquisitions of £306.4m at 5.9% yield
- Regional distribution sales of £88.2m at 5.3% yield
- Urban logistics grown to 45 assets, representing 29% of our end to end logistics portfolio
- Non distribution disposals of £163.4m, including sale of our last office investment
- Long income, convenience and leisure acquisitions of £78.5m at 6.2% yield

Income growth from asset management
- £3.1m pa income uplift from rent reviews and lettings. New leases signed with WAULT of 15.2 years
- £1.3m pa income uplift PPE, including four distribution rent reviews and lettings at 28% above passing
- 4.3% LFL income growth and 3.1% ERV growth

Short cycle developments creating future long income at attractive yields
- 1.0m sq ft in construction or pipeline at 6.5% yield on cost, of which 0.3m sq ft completed post year end
- Detailed terms on 350,000 sq ft at our Bedford development, underwriting a 7.0% yield on cost

Portfolio metrics reflect our focus on long income, contractual uplifts and low operational requirements
- WAULT of 12.4 years with only 6% of income expiring within three years
- 50.3% of income subject to contractual uplifts, 98.7% gross to net income ratio

Finances strengthened and improved
- Debt maturity of 4.8 years
- Average cost of debt fallen from 3.5% to 2.8%
- Cancellation and recouponing of interest rate swaps with short payback period
- EPRA cost ratio reduced to 15%

Andrew Jones, Chief Executive of LondonMetric, commented:

"Our objective of generating a repetitive and growing income stream continues to deliver strong returns, aided by our purposeful alignment towards modern shopping habits.

"Today's world is complex and increasingly dynamic. The impact of digital evolution and ongoing shifts in consumer shopping habits is being felt more than ever in the retail sector. Whilst the virtual tills are ringing, the physical ones are not. Many will tell you that we are entering the final act. We are not and there will be value destruction in parts of retail.

"Our early anticipation of these shifts and the global search for income led to our pivot towards distribution and long income assets which more accurately cater for modern shoppers' needs. Five years on from the merger that created LondonMetric, the Company and its shareholders continue to see the benefits of this focused strategy.

"Economic compounding is the essence of long term value creation. Our adoption of this principle, together with our occupier intelligence and property relationships has been instrumental in our success. Whilst we can never be totally immune, we believe that this approach gives us a competitive advantage to navigate these changing times, allows us to increase our earnings and, in turn, grow our dividends."

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Meeting and audio webcast

A meeting for investors and analysts will be held at 9.00 am today at FTI Consulting. A conference call dial-in is available for the meeting: +44 (0)330 336 9105 (Participant Passcode: 6058260). For the live webcast see:
https://webcasting.brrmedia.co.uk/broadcast/5ada026c7264e840320a5eef

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 adding value through asset management initiatives and short cycle developments. LondonMetric has 14 million sq ft under management. Further information is available at www.londonmetric.com

Alternative performance measures: The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures 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.

Chairman's statement

This year marked LondonMetric's fifth anniversary since its merger in 2013 and I am extremely proud of its progress and achievements. Over this period, we have doubled net rental income and EPRA earnings per share and delivered a total shareholder return of 119%, of which 43% was generated from dividends.

The Company has delivered a particularly strong financial performance in the year, resulting in a record reported profit of £186.0 million. On a per share basis, EPRA earnings were 3.7% higher, dividends increased by 5.3%, our third year of progression, and EPRA NAV rose by 10.3%, benefiting from a £121.6 million revaluation surplus. Total accounting return was 15.5%.

Critical to our long term success is our alignment to sectors supported by structural changes in shopping habits, which have been profound and, in our view, permanent. Distribution continues to benefit significantly from these changes and is one of the best performing real estate sectors. Over the year, our distribution assets increased by over £300 million to represent 69% of the portfolio, compared to 21% in 2013. They have delivered another strong performance which, together with a good performance from our convenience, leisure and long income assets, helped to deliver a total property return of 13.7% for the year, a 360 bps outperformance of IPD All Property.

As a REIT, our priority is to generate income returns and pass onto our shareholders in the form of a covered and progressive dividend. The portfolio's alignment to strong sectors, assets and tenants and its unexpired lease term of 12 years provides highly reliable and repetitive income. Our disposal activity in the year, particularly the sale of shorter let and older distribution assets, reflects our disciplined approach to portfolio management and the value we attach to reliable income.

We firmly believe that income will be an increasingly important component of total returns. Therefore, our focus is on owning assets that can also generate rental growth. Through a combination of contractual and open market rent reviews as well as our asset management, we increased like for like income by 4.3% in the year. With half of the portfolio subject to contractual rental increases and strong prospects for organic rental growth, particularly from our growing urban logistics portfolio, we are confident in our ability to grow our earnings and continue to progress the dividend.

Our people remain fundamental to the ongoing success of the Company and I would like to take this opportunity to thank the Board and all of our employees for their hard work. I should also like to welcome Suzanne Avery as a Non Executive Director and to thank Andrew Varley for his contribution and dedication to LondonMetric following his retirement earlier in the year.

Our combined occupier and property relationships continue to provide us with a competitive advantage and put LondonMetric in a strong position for the future.

I look forward to the next year with confidence.

Patrick Vaughan
Chairman
30 May 2018

Chief Executive's review

OVERVIEW

Our 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. In short, we aim to behave as a true REIT.

The advancement of technology continues to cause significant disruption to many industries and those that fail to adapt to change face an increasingly uncertain future. Over the past five years, we have successfully positioned the portfolio to navigate this disruption by pivoting away from multi-let operational retail assets and office property. We have instead focused on fit for purpose distribution, long income and convenience assets where changing consumer shopping habits are providing structural support.

Our occupier and property relationships improve our decision making and allow us to maintain our sector leading portfolio metrics. Whilst we can never be totally immune from all headwinds, we believe that these relationships and our robust approach give us a competitive advantage that allows us to increase our earnings, progress our dividend and see the value of our assets increase ahead of the market.

OUR PORTFOLIO IS ALIGNED TO MODERN SHOPPING HABITS

Digital evolution continues to cause significant disruption

Today's world is complex and more dynamic than ever with technological innovation impacting every aspect of society.

The rapid and permanent shift in consumer shopping habits has seen a material growth in pure online and omni-channel retailing. This has seen online non food retail sales hit 20%, compared to 13% in 2011, and this is forecast to reach 26% by 2020. Traditional brands are being replaced by names which barely existed a decade ago, but are now considered very much part of retail's New World Order: Amazon, eBay, boohoo, ASOS and Ocado to name a few. These retailers rely on their efficient and well located distribution network to service their customers' demands with ever increasing speed. We are no longer a nation of shopkeepers.

Whilst the virtual tills are ringing, the physical ones aren't. Physical retail sales are growing at their slowest rate since 2012. The outlook for more traditional retailers is very challenging and they are having to adapt continuously to remain relevant. Recently, New Look, Mothercare and Carpetright admitted that their store portfolios no longer meet their needs and have sought to radically shrink the size and cost of their estates. We have also seen both Toys R Us and Maplin fall away altogether, and it is inevitable that they will not be the last victims and that the list of retail failures will grow.

The retail channel shift is real, material and permanent. Stores today are increasingly having to provide convenience, value or extraordinary entertainment. If they cannot, then what is their purpose?

Primark's value and store only proposition continues to succeed whilst the likes of John Lewis, Next and Argos have successfully adapted their businesses for omni-channel retailing by actively managing their store portfolios and investing heavily in new distribution warehouses and technology systems; it is no coincidence that they report online sales well above 40% of total sales.

In food retail, the disruption from convenience operators such as Aldi and Lidl is forcing the established grocery market to drive further pricing and cost efficiencies as well as preparing for an onslaught from online competition. We have, therefore, consciously avoided large format food stores and distribution, instead focusing on convenience stores where changing habits have seen the growth of 'top up' shopping.

Distribution has strong structural support

Despite years of being unfashionable, the channel shift in retail spending is providing a significant boost to the distribution property sector; and this is only expected to continue.

Even after many years of strong take up, occupier demand for new distribution and warehouse space remains well above long term averages. Retailers and logistics operators are constantly improving their distribution infrastructure and warehousing to increase speed of delivery and cost efficiencies through automation, better locations and higher quality space; and this cycle of improvement is happening at a faster rate than ever before.

There remains a strong demand/supply imbalance, which is propelling rental growth across most parts of the UK. The best distribution space is highly sought after and occupiers are consequently prepared to pay record rents and sign long leases, often with contractual rental uplifts at review, as they look to protect their significant capital investments inside these warehouses. The search for greater efficiencies will, however, inevitably lead to the closure of some older, less fit for purpose logistics warehousing, which is something that we continue to address through our disposal activities.

Consumers' expectations are always rising, meaning that yesterday's 'wow' quickly becomes tomorrow's 'norm'. This is illustrated by increased expectations around speed of delivery, a trend which has underpinned our further investment within the urban logistics sector, particularly in assets close to large population centres. The real estate fundamentals are strong and so we will continue to build critical mass in major UK geographies, attracted by growing income streams and strong intrinsic land values, often supported by the added benefit of more valuable alternative uses.

Deflation and depreciation

The continuing transfer of sales to online represents a permanent and profound structural change. Its impact is illustrated in Next's latest results which listed 17 store closures and average rental falls of 25% on the 19 leases that it decided to renew. Similarly, New Look's CVA will see 60 stores close as well as reducing rents across 393 stores of between 20% and 60%. Together, they represent over 75% of New Look's UK store portfolio. Carpetright also confirmed the closure of 93 stores and reducing rents of between 30% and 50% on another 113, in aggregate representing over 50% of their UK estate.

The headwinds facing legacy real estate is a clear and present danger to the value of many retail assets. As well as store closures and rent reductions, retailers are demanding shorter leases and more advantageous incentive packages. The average lease taken by Next on lease renewals fell to seven years and they expect this to reduce to just five years. Whilst the store network still retains critical importance for omni-channel retailers, at current rental levels they are for many an increasingly declining asset. It is not evident that the property market is fully appreciating or pricing in the negative impact of these structural challenges. We no longer believe that it's as simple as 'prime' versus 'secondary'. It feels more indiscriminate than that.

Therefore, we have consciously avoided the most vulnerable sectors in retail and focused our retail exposure towards long income and convenience led assets let to the likes of Aldi, M&S, Wickes and B&M. As a result, our exposure to retail parks has fallen to only 7% and our retail and leisure portfolio is 100% let on leases with over 12 years remaining.

Our team has considerable experience in the retail market and our actions have allowed us to, so far, avoid the value destruction across the various sectors. This still has a long way to go, and whilst many in the property market want us to believe that we are entering the final act, we are not!

WE FOCUS ON SUSTAINABLE AND GROWING INCOME

Demographic trends accentuating the search for income

The extended period of low economic growth and low interest rates continues to create an almost desperate search for yield. We believe that this search is unlikely to change any time soon as a lower growth environment is combined with a demographic wave, as the population ages and life expectancy increases. In the UK, according to the ONS, the percentage of the population defined as old age dependent has risen from 24% ten years ago to 29% today and is forecast to increase to 41% by 2036.

Therefore, we believe that income will continue to be the defining characteristic of this decade's investment environment. The investing fraternity, including dedicated income funds, private investors, corporate and local authority pension funds are pivoting their approach more and more towards income returns that are reliable, predictable and growing.

These are compelling arguments and some real estate sectors are ideally suited to meet this need. Indeed, this is essentially the role that REITs in the UK were created to provide, passing 90% of their net income to shareholders, without the burden of double taxation.

Dividend security and growth from our portfolio

Income remains central to our investment thesis. Our ultimate priority is to pass income generated by our assets to shareholders, which is why we consistently pay out 90%+ of our earnings in dividends, and why, with the benefit of future rent reviews, finance and other corporate cost efficiencies, we are confident in our ability to progress our dividend.

Receiving a meaningful proportion of your total return in income not only provides a margin of safety against short term price fluctuations, it also helps compounding returns. Growth on growth is always underestimated.

Following the repositioning of the portfolio, our investment strategy today is more patient. This is allowing us to collect and compound our income and reduce the frictional costs of buying and selling that can negatively impact total returns; after all, the first rule of income compounding is to never interrupt it unnecessarily.

Fortunately, our portfolio is in good shape with long leases of over 12 years, occupancy at 97.5%, only 1.3% gross to net income leakage and little defensive capex requirement. We have also benefited from good like for like income growth over the year, and, going forward, we know that we have the certainty of future income growth through contractual rental increases across half of the portfolio.

Focusing on income and income growth is a simple idea but in a world of very low growth, it is one that we strongly believe in and one that we are taking seriously.

WE MANAGE, ENHANCE AND CREATE PROPERTY IN A RESPONSIBLE WAY

Delivering enhanced returns from our property
We continue to grow our income and improve the quality and attractiveness of our assets through de-risked asset management and short cycle development activity.

In the year, we completed the development of 0.6 million sq ft at a yield on cost of 6.4%, materially higher than the investment yield. As at the year end, we had 1.0 million sq ft of development underway or in the near term pipeline. This activity helps to further modernise our portfolio, with 28% now rated BREEAM Very Good, and it has reduced the average age of our distribution assets to 15 years.

Our 58 lettings and rent reviews helped to deliver £3.1 million of additional income with lettings achieved at 22% above ERV on average lease lengths of 15.2 years. Post year end, we have agreed and are in legals on further occupier transactions representing an additional £1.3 million of income. This includes four distribution lettings and rent reviews at 28% above passing rent.

We expect our income to continue to grow, particularly as we let the remainder of our recently completed developments and continue to settle distribution rent reviews at levels which are materially above passing.

OUR EXPERTISE AND RELATIONSHIPS SHAPE OUR DECISION MAKING

Disciplined decision making using our occupier intelligence
We take a disciplined, patient and rational approach to investing. We are obsessed about the credit quality of occupiers, the security of our income, quality of the real estate and its potential for income growth.

Over the year, we were a significant net investor in distribution and used our strong occupier and developer relationships to acquire over £300 million of distribution assets. Whilst we remain focused on growing our logistics exposure, that doesn't prevent us from selling to ensure that our portfolio remains fit for purpose. Therefore, we took advantage of the strong market to monetise £88.2 million of our older and shorter let distribution assets in geographies where we believe rental growth and occupier demand is less robust.

Whilst the market remains very competitive, we have a highly talented and focused team with strong relationships which puts us in a strong position to find new opportunities and make well informed decisions.

Disciplined financing
Our financing remains aligned to our property strategy. Loan to value of 35% provides us with flexibility to make further acquisitions and build our developments. Debt maturity remains at five years and we have reduced our cost of debt to 2.8% following the cancellation and recouponing of interest rate swaps, the cost of which has already been accounted for and has a payback period of 2.5 to 4.0 years. Our dividend is 108% covered and our EPRA cost ratio fell to 15% from 16% last year.

OUTLOOK
In an uncertain economic and political environment we believe that our income compounding model is increasingly attractive, especially as investors pivot their investment approach for low growth and demographic changes. Our income focus allows us to be a little less obsessed about predicting exact market movements or the exact timing of cycles, although our thoughts on these will be reflected in the management of our capital structure.

We remain highly nervous on the outlook for the retail sector with the tectonic plates shifting so materially that it's now a very difficult sector to navigate and deliver superior returns. For the best space in the best locations, this is cyclical; for the majority it is permanent disruption and for the weakest it will be highly problematic.

Conversely, distribution remains structurally supported by the fundamental changes in consumer shopping patterns with attractive demand/supply tension, especially for urban logistics where rental growth is strongest. This is providing reliable, sustainable and consistent rental income and a fantastic bedrock from which to grow our income and dividends.

Our returns over the year are a measure of the progress that we have made and reflect our longer term sector and property decisions. Looking forward, we seek to continually build a better company and believe that, despite an environment of profound political and economic change, our strategy positions us well to not only weather but also benefit from short term fluctuations in values.

Property review

We invest in real estate that delivers repetitive, dependable and growing income and that offers the best prospects for superior total returns. Our actions aim to strengthen our portfolio's income metrics.

Strong portfolio metrics provide income security and growth
We continue to maintain strong income metrics through our activities.

Average lease lengths of 12.4 years (11.3 years to break) provide a high level of income security with only 6% of income expiring over three years and nearly 60% with lease lengths of greater than 10 years. Occupancy remains high at 97.5% and will revert back to above 99% as we let the remainder of our recently completed distribution developments.

Gross to net income ratio of 98.7% compares very favourably against our peers and reflects the low operational requirements from owning single let assets. 50.3% of rental income benefits from fixed or inflation linked uplifts which provides certainty of income growth. Furthermore, through open market rental uplifts on distribution, we are delivering organic rental growth.

The strength of our occupiers is critical to the quality of our income. Our top five occupiers consist of Primark, Dixons Carphone, M&S, DHL and Argos and represent 35% of our income.

Our portfolio is further aligned to structurally supported real estate
Acquisitions in the year totalled £384.9 million as we continue to invest into our preferred sectors of distribution, long income, convenience retail and leisure. £306.4 million was invested into regional and urban distribution and further broadened our end to end logistics portfolio. Whilst competition for assets in these preferred sectors is strong, our acquisitions were at an attractive yield of 6.0% and a WAULT of 10.6 years.

As part of our disciplined portfolio management, we sold £156.3 million of assets within our preferred sectors at a yield of 5.2%. £88.2 million was in distribution where we monetised older assets that had a WAULT to first break of less than five years. This investment activity delivered 80 bps of positive yield arbitrage and provides greater certainty of income and income growth with alignment to superior assets.

The remainder of our sales related to assets outside of our preferred sectors, namely our last office asset in Marlow, two retail parks and 19 residential flats at our only residential asset, Moore House, Chelsea. Including sales agreed or under offer since the year end, only 37 flats remain of the original 149 owned in a joint venture, where we have a 40% share.

As a result of our investment and development activity, distribution increased to 69% of our total portfolio, up from 62% in 2017, with urban logistics representing nearly a third of our distribution portfolio. Conversely, retail parks exposure has fallen further to 7%.

	Acquisitions		Disposals	
Investment activity by sub sector	Cost at share £m	NIY %	Proceeds at share £m	NIY %
Distribution[1,3]	306.4	5.9	88.2	5.3
Long Income[3]	40.5	6.7	11.2	6.7
Convenience & Leisure[2]	38.0	5.6	56.9	4.7
Retail Parks	–	–	18.1	7.1
Office	–	–	68.5	6.7
Residential	–	–	8.7	2.5
Total	**384.9**	**6.0**	**251.6**	**5.7**

1 Includes costs relating to the site acquisition and full development of 680,000 sq ft at Bedford

2 Includes convenience disposal of Loughborough and regional distribution sale at South Elmsall that exchanged in the year with deferred completion post year end

3 Includes the investment value from an increase in our share of the DFS Joint Venture from 30.5% to 45.0%

Our actions are delivering strong returns
We have been a significant beneficiary of our early move into distribution where strong demand/supply dynamics have pushed capital values and rents significantly higher.

Over the year, the portfolio delivered a total property return of 13.7%, significantly outperforming IPD All Property which returned 10.1%. This return reflects the portfolio's sustainable and attractive income as well as a strong capital return.

The revaluation gain over the year was £121.6 million, reflecting a 7.1% increase. The second half gain was £68.8 million, helped by our development assets, particularly at our Bedford distribution development where we completed on the land acquisition.

The EPRA topped up net initial yield on the portfolio is now 4.9% and the equivalent yield is 5.3%, reflecting an equivalent yield compression of 28 bps over the year on a like for like basis.

Our actions accounted for approximately 50% of the valuation gains through our strong exposure to superior ERV growth, which averaged 3.1% in the year, and successfully executed asset management and development initiatives, which generated like for like income growth of 4.3%.

Distribution generated a capital uplift of £74.4 million, representing a 6.4% increase. The best performing segment was urban logistics which saw a 10.9% capital uplift driven by strong ERV growth of 6.6%.

Retail and leisure saw a £40.0 million valuation increase representing an 8.1% uplift, helped by good ERV growth and our asset management activity. All subsectors performed well. Retail parks delivered a 4.0% uplift, convenience and leisure delivered an 8.5% capital uplift, and our long income portfolio delivered 10.4%. At our last remaining residential property there was a £1.8 million fall in value, representing a 5.8% reduction.

As income becomes an increasingly important component of total returns, we believe that our strong income focused portfolio metrics will continue to generate superior future total returns.

Revaluation gain in the year	
Distribution	6.4%
Long Income	10.4%
Convenience & Leisure	8.5%
Retail Parks	4.0%
Residential	-5.8%
Developments	26.1%
Total portfolio	**7.1%**

Distribution

We invest in the subsectors of distribution that offer the most compelling returns.

Overview

The value of our end to end distribution portfolio, including developments, increased by 33% over the year to £1,262.5 million.

These are high quality single let assets with a WAULT of 12.1 years, offering an attractive mix of guaranteed rental uplifts on mega and regional distribution, and strong organic rental growth prospects on urban logistics.

Mega distribution continues to see strong investor demand and pricing remains highly competitive. Therefore, we have looked to increase our exposure to regional and urban logistics where we see more favourable pricing dynamics, greater income growth potential and more robust intrinsic value in the assets.

In the year, we invested £306.4 million at an attractive blended yield of 5.9% and with average lease lengths of 10.0 years.

Regional distribution

The investment market for regional distribution is also highly competitive as investors price in strong rental growth and leasing assumptions. Whilst we remain disciplined, we acquired four regional warehouses for £83.4 million at a net initial yield of 5.6%. Three were acquired through the Cabot portfolio acquisition and the fourth was a warehouse let to Clipper Logistics.

We have supplemented these acquisitions by investing into our development pipeline where we continue to access product at yields significantly in excess of investment value. At Bedford, we acquired a 40 acre development site and the majority of the site will be used to build two regional warehouses at a cost of £45.4 million representing a yield of 7.3%. The balance of the site will be used to build three urban logistics warehouses.

The strength of the market has prompted us to sell three regional assets for £88.2 million at a yield of 5.3%. These were older assets, let on short leases, with a WAULT to first break of 4.8 years, where we were uncertain on the prospects for future rental growth.

Urban logistics

Occupier demand for smaller distribution warehouses continues to grow as occupiers seek closer proximity to population centres to reduce their operational costs and delivery times. Urban logistics now represents 29% of our distribution portfolio, up from 17% in 2017. This has improved the balance of our end to end logistics platform significantly.

Over the year, we acquired 25 assets for £177.6 million, including three developments. The blended yield on the acquisitions was 5.7% with a WAULT of 9.3 years. These assets are let to strong occupiers in good locations and have attractive income growth potential.

We firmly believe in the outlook for urban logistics. Tight supply and significant occupier demand continue to drive material rental outperformance of urban logistics compared to regional or mega distribution. In addition, with over 70% of our urban assets in the south east and the Midlands, we benefit from the strong underlying land values from alternative uses. Therefore, we are comfortable that our urban logistics portfolio has shorter average lease lengths and a lower level of contractual rental uplifts.

Distribution portfolio split

As at 31 March 2018	**Mega**	**Regional**	**Urban**
Typical warehouse size	500,000+ sq ft	100–500,000 sq ft	Up to 100,000 sq ft
Value[1]	£501m	£395m	£367m
WAULT	13.2 years	14.2 years	8.5 years
Yield[2]	4.7%	4.5%	4.7%
Contractual uplifts[3]	74%	59%	28%

1 Including developments

2 Topped up Yield

3 Percentage of portfolio that benefits from contractual rental uplifts

Acquisitions

1,300,000 sq ft Cabot portfolio
£116.6 million acquisition of 11 urban and 3 regional assets. Acquired at a NIY of 6.1% and with a WAULT of 5.6 years.

680,000 sq ft in Bedford
The development site was unconditionally acquired at an anticipated development cost of £65.5 million and yield of 7.0%.

181,000 sq ft in Leyton, Weybridge, Peterborough, Cheltenham and Haverhill
£25.6 million acquisition of five warehouses at a NIY of 5.0%, rising to 5.6% over five years, and with a WAULT of 16.0 years.

364,000 sq ft in Ollerton
£37.4 million acquisition of a warehouse let to Clipper Logistics at a reversionary yield of 5.5%, with a WAULT of 19.8 years.

132,000 sq ft in Speke
£10.2 million acquisition of a warehouse let to Gefco. Acquired with a WAULT of 14.8 years.

120,000 sq ft in Huyton
£11.8 million acquisition of a forward funding development let to Antolin Interiors. Acquired at a yield of 6.1% and with a WAULT of 15.0 years.

90,000 sq ft in Coventry
£5.7 million acquisition of a warehouse let to DHL. Acquired at a NIY of 7.0% and with a WAULT of 10.0 years.

57,000 sq ft in Crawley
£6.9 million acquisition of six warehouses with a WAULT of 2.8 years. It is anticipated that the site will be redeveloped at a yield of c.6%.

62,000 sq ft in Frimley
Acquired a forward funding development for £13.1 million at an anticipated yield on cost of 5.3%.

51,000 sq ft in Crawley
£6.4 million acquisition of a warehouse let to TNT. Acquired at a NIY of 4.8% and a reversionary yield of 6.2%, with a WAULT of 6.4 years.

42,000 sq ft in Warrington
£4.4 million acquisition of a warehouse let to Hovis. Acquired at a NIY of 5.6% and with a WAULT of 9.7 years.

Disposals

290,000 sq ft in South Elmsall
The property let to Superdrug was sold for £15.0 million, reflecting a NIY of 6.2%. The disposal completed post year end and will be accounted for in the next financial year.

274,000 sq ft in Bolton
The property let to Tesco was sold for £24.4 million, reflecting a NIY of 5.4%. LondonMetric acquired it as part of the Cabot acquisition off a blended NIY of 6.1%.

272,500 sq ft in Daventry
The property let to the Royal Mail was sold for £48.8 million reflecting a NIY of 5.0%.

Post year end we disposed of 490,000 sq ft comprising six warehouses and a plot of land for £36.0 million, reflecting a blended NIY of 5.9%. The properties are located in the Midlands and North of England, with a WAULT to break of 5.3 years. The disposal of three of the assets is conditional on the purchaser arranging suitable financing.

Retail and leisure

We focus on long income and convenience led assets in strong locations that generate long term, attractive and reliable income.

Portfolio overview

Over recent years, we have significantly reduced our retail park exposure and shifted our retail exposure towards assets that have long leases, generate reliable income and/or are convenience-led.

Our retail and leisure portfolio is 100% let with average lease lengths of 12.9 years, let to strong retailers at affordable average rents of £18.50 psf. These assets are located in good geographies and valued at an attractive NIY of 5.5%.

Investment overview

Working in partnership with our occupiers, we acquired £78.5 million of long income, convenience and leisure retail in the year at a yield of 6.2% and with an average lease length of 12.1 years.

The investment market appetite for our retail and leisure assets is strong and we continue to see good liquidity. As a consequence, we disposed of £86.2 million in this sector.

Retail and leisure portfolio split

As at 31 March 2018	Long Income	Convenience & Leisure	Retail Parks
Value[1]	£229m	£181m	£140m
WAULT	11.0 years	17.2 years	11.1 years
Yield[2]	5.9%	4.9%	5.6%
Contractual uplifts[3]	32%	73%	13%

1 Including developments

2 Topped up Yield

3 Percentage of portfolio that benefits from contractual rental uplifts

Long income

Long income represents 12% of the total portfolio and consist of properties held within our DFS and MIPP joint ventures and several wholly owned properties. They have very limited operational requirements, are let on average for 11.0 years, typically to single tenants such as Dunelm, Wickes and DFS. A third of income has contractual uplifts.

During the year, we acquired £40.5 million of assets, principally one asset in New Malden. In addition, we sold two DFS stores and a B&Q unit for £11.2 million.

Convenience & Leisure

These assets represent 10% of the total portfolio, have an average lease length of 17.2 years and 73% of income is subject to contractual rental uplifts. They consist of 13 convenience-led stores let mainly to M&S, Aldi and LIDL, and five Odeon cinemas which were acquired as part of a portfolio of ten cinemas in November 2013, bought at an overall NIY of 7.2%.

During the year, we purchased £38.0 million of assets in Newport (Isle of Wight), Kendal, Weymouth and Ringwood at a NIY of 5.6%, and we sold two cinemas and two convenience assets for £56.9 million at a NIY of 4.7%. We continue to find attractive convenience opportunities.

Retail Parks

Over the last three years our retail park exposure has reduced from 15 to five today, representing just 7% of the overall portfolio. The five remaining assets are in good locations with strong occupier contentment and average lease lengths of 11.1 years. All have recently been asset managed.

During the year we sold two assets in less attractive geographies in Milford Haven and Newcastle-under-Lyme at values in line with our book. We expect to further monetise our retail park exposure.

Acquisitions

New Malden
£28.3 million acquisition of a 51,500 sq ft long income asset at a yield of 6.1% and with a WAULT of 14.4 years let to Currys PC World.

Newport (Isle of Wight) and Kendall
£24.6 million acquisition of two convenience assets let to M&S. Acquired at a blended NIY of 5.5% with a WAULT of 9.6 years.

DFS JV increase in equity share
An increase in our equity share of the DFS joint venture from 30.5% to 45.0%, represented £12.2 million of investment.

Ringwood
£8.5 million (Group share: £4.3 million) acquisition by our MIPP JV of a 35,000 sq ft leisure development pre-let to Premier Inn, at a yield of 5.0% and a WAULT of 25.0 years.

Weymouth
Acquired a convenience-led development site with an initial development cost of £9.1 million, reflecting an anticipated yield on cost of 6.3%.

Post year end, our MIPP JV acquired two assets for £10.3 million (Group share: £5.1 million) at a blended yield of 5.4% and with a WAULT of 17.2 years. Wickes account for 60% of the income.

Disposals

Loughborough
£32.5 million disposal of a 55,000 sq ft Morrisons store at a NIY of 4.3%. The asset had been extended recently and a new 25 year lease was agreed with Morrisons. The disposal completed post year end and will be accounted for in the next financial year.

Milford Haven
The 84,000 sq ft retail park was sold for £15.3 million at a NIY of 6.9% and a WAULT of 8.5 years.

Derby
The 37,000 sq ft Odeon Cinema was sold for £12.6 million at a NIY of 4.7%.

Birkenhead
The 32,000 sq ft Vue Cinema was sold for £5.8 million at a NIY of 7.2%.

Hull
Our MIPP JV sold the 71,000 sq ft B&Q store for £11.6 million (Group Share £5.8 million), reflecting a blended NIY of 6.0%.

Guisborough
The 26,000 sq ft convenience scheme let to Aldi and Iceland was sold for £6.0 million at a NIY of 5.0% and with a WAULT of 11.9 years.

Swansea and Swindon
Two assets were sold by our DFS JV for £13.9 million (Group share: £5.4 million) at a blended yield of 7.5%.

Newcastle-under-Lyme
The 22,000 sq ft retail asset was sold for £2.8 million at a NIY of 8.0% and a WAULT of 9.0 years.

Asset management

Our asset management activity is generating further income and capital growth and is enhancing our real estate.

We undertook 58 occupier transactions in the year and generated £3.1 million of additional income. Like for like income growth was 4.3%.

Lettings

31 lettings were undertaken at 22% above ERV and with a WAULT of 15.2 years. This delivered £2.2 million of additional income, 74% of which has contractual uplifts:

- £0.6 million related to lettings at our recently completed developments in Crawley and Ipswich with a WAULT of 13.6 years and at 15% above ERV;
- £0.8 million arose from the full letting of our M&S anchored asset in Matlock and a 15.0 year regear at our new asset in New Malden;
- £0.5 million related to 21 retail lettings. These were undertaken at 25% above ERV and with a WAULT of 11.6 years; and
- £0.3 million related to regears at two Odeons where we are contributing towards internal refurbishment works and where the WAULT is 20.0 years.

One of the lettings was a 15 year regear on a 119,000 sq ft urban distribution asset purchased as part of the Cabot acquisition and where six years remained previously.

Post year end, including at our Frimley development, we have exchanged or agreed terms on five lettings across 0.3 million sq ft adding £1.1 million of income with an average lease length of 11.6 years. One of these lettings is an urban logistics regear where the rent has increased by 34% to £1.9 million and the term has been extended by 7.5 years.

Rent reviews

27 rent reviews were agreed across 3.0 million sq ft adding £0.9 million of income at 12.3% above passing on a five yearly equivalent basis and 6.3% above ERV:

- Nine distribution reviews at 9.5% above passing on a five yearly equivalent basis, four of which were urban logistics reviews where the average five yearly uplift was 10.5%; and
- 18 retail and leisure reviews at 5.8% above passing (16.6% on a five yearly equivalent basis), predominantly inflation linked reviews on cinema and convenience assets.

Post year end, we have settled or agreed three rent reviews which adds £0.2 million of income at 18.8% above passing on a five yearly equivalent basis. One of these is an urban logistics asset where the uplift was 42%.

Development

Short cycle developments improve the quality of our assets at attractive yields.

We completed five developments in the year across 578,000 sq ft at an anticipated yield on cost of 6.4%.

Developments under construction and in the pipeline at the year end totalled 1,031,000 sq ft and are expected to generate a yield of 6.5% on total costs of £124 million, of which a third has already been spent.

Since the year end, we have completed our Dagenham, Ipswich and Frimley developments across 273,000 sq ft.

Scheme	Sector	Area sq ft '000	Additional Rent £m	Yield on cost %	Practical completion[2]
Completed in the year					
Tonbridge	Retail	42	0.3	6.1	Q3 17
Huyton	Distribution	120	0.7	6.1	Q4 17
Stoke[3]	Distribution	277	1.5	6.3	Q1 18
Crawley[3]	Distribution	109	1.4	6.7	Q1 18
Launceston	Retail	30	0.3	6.2	Q4 17
		578	**4.2**	**6.4**	
Under construction and pipeline					
Dagenham[1]	Distribution	180	0.9	5.7	Q2 18
Ipswich[1]	Retail	31	0.7	6.9	Q2 18
Frimley[1,3]	Distribution	62	0.7	5.3	Q2 18
Bedford (Regional)[3]	Distribution	500	3.3	7.3	2019
Bedford (Urban)[3]	Distribution	180	1.3	6.4	2019
Ringwood	Leisure	35	0.2	5.0	Q4 18
Weymouth[3]	Retail	27	0.6	6.3	2019
Derby[3]	Retail	16	0.4	6.7	2019
		1,031	**8.1**	**6.5**	

1 Completed post year end

2 Based on calendar quarters and years

3 Anticipated yield on cost and rents

Stoke – the 277,000 sq ft development completed recently. 137,000 sq ft has been let to Michelin for 15 years and we are in advanced discussions on letting of the remaining unit.

Crawley – the 109,000 sq ft development completed recently and 32,000 sq ft is let to Boeing for 15 years. We are in advanced discussions on letting of the remainder.

Frimley – 38,000 sq ft of the 62,000 sq ft development has been pre-let to BAE Systems for 15 years and terms are agreed on the remaining unit.

Derby – we have pre-let the development to M&S, Starbucks and Nandos at a WAULT of 16 years. The site acquisition is expected to occur in July 2018 following receipt of planning consent.

Weymouth – we have pre-let 19,000 sq ft to Aldi and received offers 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 is expected in Q4 2018.

Bedford – we acquired 40 acres of land in the year. The site is in an established distribution location where we also own an Argos warehouse. Planning consent has been received and we expect to commence construction of three smaller urban warehouses shortly. Construction of two larger regional warehouses is subject to pre-lets. Occupier interest is strong and detailed terms have been drawn up on pre-letting the largest warehouse of 350,000 sq ft.

Financial review

Our strong financial returns this year are testament to sound property and financing decisions. Our patient and disciplined investment strategy continues to focus on owning fit for purpose real estate that delivers sustainable and growing income.

Overview

Our property portfolio is well positioned to support the advancement of technology and migration of consumer spending online and has delivered strong earnings and net asset growth this year.

IFRS reported profit has increased by £123.0 million to £186.0 million, predicated on a significant revaluation gain of £121.6 million in the year. IFRS net assets are £1,149.5 million or 165.7p per share, an increase of 13.2% on a per share basis in the year.

EPRA earnings have increased by 15.9% to £59.1 million or 8.5p per share. On a per share basis earnings are up 0.3p or 3.7% from 8.2p last year, reflecting the impact of the equity placing of 62.8 million shares in March 2017. EPRA NAV is £1,146.6 million or 165.2p per share, an increase of 11.3% or 10.3% on a per share basis.

The growth in underlying EPRA earnings has enabled us to increase our dividend for the year by 5.3% to 7.9p per share. The dividend continues to be fully covered by EPRA earnings at 108%. Three quarterly dividend payments totalling 5.55p per share have been made to date and a further 2.35p is proposed for payment on 11 July 2018. A scrip alternative to a cash dividend payment was offered to shareholders and 4.8 million shares were issued in the year. It is our intention to continue to offer shareholders this choice.

In July, we refinanced our secured loan facility with Helaba and cancelled £128 million interest rate swaps. We recouponed a further £190 million swaps in the second half of the year, reducing our average cost of debt to 2.8% at the year end (2017: 3.5%). We anticipate interest cost savings over the next 2.5 to 4.0 years which will pay back the total break cost of £19.0 million.

Our other financing metrics remain strong, with loan to value of 35% and average loan maturity, despite the passing of a year, of 4.8 years (2017: 5.2 years).

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 on 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.

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. It is also one of the financial performance targets under the variable incentive arrangements for Executive Directors.

Further details, definitions and reconciliations between EPRA measures and the IFRS financial statements can be found in note 8 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 year to 31 March	**Group £m**	**JV £m**	**2018 £m**	Group £m	JV £m	2017 £m
Gross rental income	**82.0**	**9.8**	**91.8**	73.9	9.1	83.0
Property costs	**(0.8)**	**(0.4)**	**(1.2)**	(0.8)	(0.4)	(1.2)
Net rental income	**81.2**	**9.4**	**90.6**	73.1	8.7	81.8
Management fees	**1.7**	**(0.8)**	**0.9**	1.7	(0.7)	1.0
Administrative costs	**(13.8)**	**(0.1)**	**(13.9)**	(13.3)	(0.1)	(13.4)
Net finance costs	**(16.5)**	**(2.0)**	**(18.5)**	(16.3)	(2.1)	(18.4)
EPRA earnings	**52.6**	**6.5**	**59.1**	45.2	5.8	51.0

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

	£m	p
EPRA earnings 2017	51.0	8.2
Net rental income	8.8	1.3
Management fees	(0.1)	–
Administrative costs	(0.5)	(0.1)
Net finance costs	(0.1)	–
Other[1]	–	(0.9)
EPRA earnings 2018	**59.1**	**8.5**

1 Opening earnings per share has been adjusted for the increased weighted average number of shares following the equity placing in March 2017

Net rental income

One of our key strategic priorities has been to grow sustainable income to support growth in EPRA earnings and a progressive dividend. This year we have increased net rental income by £8.8 million or 10.8% to £90.6 million, up from £81.8 million last year. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2017	81.8
Existing properties[1]	4.4
Developments[2]	4.2
Net acquisitions in 2018	3.8
Net disposals in 2017	(3.6)
Net rental income 2018	**90.6**

1 Properties held throughout 2017 and 2018

2 Developments completed in 2017 and 2018

Like for like income from our existing portfolio generated additional income of £4.4 million from lettings, rent reviews and regears and completed developments delivered a further £4.2 million. Net acquisitions this year increased income by £3.8 million.

Our property cost leakage is minimal as vacancy levels are extremely low. Net income as a percentage of gross rents has increased marginally this year to 98.7%.

Administrative costs

Administrative costs have increased by 3.7% to £13.9 million and are stated after capitalising staff costs of £1.8 million (2017: £1.8 million) in respect of time spent on development activity in the year.

Headcount is only slightly reduced and the cost increase is primarily due to the £0.6 million increase in the share based payment charge, reflecting additional awards granted to Directors since 2017.

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.

The ratio reflects total operating costs, including the cost of vacancy, as a percentage of gross rental income.

	2018 %	2017 %
EPRA cost ratio including direct vacancy costs	**15**	16
EPRA cost ratio excluding direct vacancy costs	**15**	15

The EPRA cost ratio for the year, including direct vacancy costs, has fallen 93 bps to 15.3% this year. The reduction is due to higher rents more than offsetting the increase in administrative expenses in the year.

The full calculation is shown in Supplementary note iv.

Net finance costs
Net finance costs, excluding the costs associated with repaying debt and terminating hedging arrangements on sales and refinancing in the year, were £18.5 million, a marginal increase of £0.1 million compared with last year.

This was due to decreases in interest receivable from forward funded developments that have completed and interest capitalised on developments of £1.3 million and £0.2 million respectively, offset by lower Group bank interest costs of £1.4 million. Group interest payable has fallen as a result of lower average rates following the cancellation of out of the money interest rate swaps in July and lower average debt balances this year. Further detail is provided in notes 5 and 10 to the financial statements.

Share of joint ventures
EPRA earnings from joint venture investments were £6.5 million, an increase of £0.7 million over last year as reflected in the table below.

For the year to 31 March	**2018 £m**	2017 £m
MIPP	**3.7**	3.4
Retail Warehouse (DFS)	**2.7**	2.2
Residential (Moore House)	**0.1**	0.2
	6.5	5.8

In September 2017 we increased our shareholding in the DFS joint venture by 14.5% to 45.0%. This resulted in a higher share of earnings in the second half of the year. At the same time, Atlantic Leaf Properties Limited acquired a 45.0% interest in the joint venture from LVSII Lux S.A.R.L. Income from our MIPP joint venture also increased as a result of prior period acquisitions contributing for the full year.

In addition, the Group received net management fees of £0.9 million for acting as property advisor to each of its joint ventures (2017: £1.0 million).

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

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

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

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

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

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

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

Dividend

The Company has continued to declare quarterly dividends and has offered shareholders a scrip alternative to cash payments. In the year to 31 March 2018 the Company paid the third and fourth quarterly dividends for 2017 and the first two quarterly dividends for 2018 at a total cost of £51.4 million or 7.6p per share as reflected in note 7 to the financial statements. The Company issued 4.8 million ordinary shares in the year under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £8.0 million to £43.4 million.

The first two quarterly payments for the current year of 1.85p per share were paid as Property Income Distributions (PIDs) in the year. The third quarterly payment of 1.85p was paid as a PID in April 2018 and the Company has proposed a fourth quarterly payment of 2.35p payable on 11 July 2018, of which 1.7p per share will be a PID, to shareholders on the register on the record date of 8 June 2018. The total dividend payable for 2018 has increased 5.3% to 7.9p, comprising a PID of 7.25p and an ordinary dividend of 0.65p.

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 8(a) to the financial statements and is summarised in the table below.

For the year to 31 March	**Group £m**	**JV £m**	**2018 £m**	Group £m	JV £m	2017 £m
EPRA earnings	**52.6**	**6.5**	**59.1**	45.2	5.8	51.0
Revaluation of investment property	**114.7**	**6.9**	**121.6**	22.2	(1.2)	21.0
Fair value of derivatives	**26.2**	**0.2**	**26.4**	0.2	0.1	0.3
Debt and hedging early close out costs	**(19.0)**	**(0.1)**	**(19.1)**	(3.5)	(0.1)	(3.6)
(Loss)/profit on disposal	**(2.1)**	**0.1**	**(2.0)**	(4.5)	(1.0)	(5.5)
Other items[1]	**–**	**–**	**–**	(0.2)	–	(0.2)
IFRS reported profit	**172.4**	**13.6**	**186.0**	59.4	3.6	63.0

1 Other items in the prior year include amortisation of intangible assets

The Group's reported profit for the year was £186.0 million compared with £63.0 million a year ago. The increase was driven by the property revaluation gain of £121.6 million compared with just £21.0 million last year.

Other movements in reported profit include a favourable movement in the fair value of derivatives of £26.4 million, which is offset by break costs of £19.1 million. The net favourable movement of £7.3 million compares with a loss of £3.3 million last year.

As part of the Helaba loan refinancing, we cancelled £128.4 million out of the money interest rate swaps at a cost of £6.3 million. In the second half of the year we recouponed a further £190 million interest rate swaps hedging our unsecured RCF at an additional cost of £12.7 million. These transactions are earnings accretive with a payback period of 2.5 to 4.0 years. For further details see the Financing section of this review.

The disposal of our non core office in Marlow contributed to the loss on sales in the year, generating a loss over book value of £3.6 million. This was partly mitigated by the retention of rent for the deferred completion period of £1.2 million. The corresponding profit over original cost was £4.5 million. Profit on other retail and distribution sales reduced the overall loss to £2.0 million which compares to a loss of £5.5 million in 2017. The total profit over original cost of sales in the period was £17.9 million or 9.8% (2017: £7.4 million or 3.8%). Disposals are discussed in detail in the Property review.

Balance sheet

IFRS reported net assets increased by £142.6 million or 14.2% in the year to £1,149.5 million.

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. EPRA net assets have increased £116.1 million or 11.3% in the year to £1,146.6 million. On a per share basis EPRA net assets increased by 15.4p, or 10.3% to 165.2p. A reconciliation between EPRA net assets and IFRS reported net assets is provided in the table below and in note 8 to the financial statements.

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

As at 31 March	**Group £m**	**JV £m**	**2018 £m**	Group £m	JV £m	2017 £m
Investment property	**1,677.6**	**164.4**	**1,842.0**	1,373.4	160.4	1,533.8
Gross debt	**(650.0)**	**(58.9)**	**(708.9)**	(473.2)	(54.5)	(527.7)
Cash	**26.2**	**13.1**	**39.3**	42.9	3.2	46.1
Other net (liabilities)/assets	**(24.8)**	**(1.0)**	**(25.8)**	(20.4)	(1.3)	(21.7)
EPRA net assets	**1,029.0**	**117.6**	**1,146.6**	922.7	107.8	1,030.5
Derivatives	**2.8**	**0.1**	**2.9**	(23.4)	(0.2)	(23.6)
IFRS net assets	**1,031.8**	**117.7**	**1,149.5**	899.3	107.6	1,006.9

The table below highlights the principal movements in the year:

	£m	**p**
EPRA net asset value 2017	1,030.5	149.8
EPRA earnings	59.1	8.5
Property revaluation	121.6	17.6
Dividends	(51.4)	(7.6)
Other movements[1]	(13.2)	(3.1)
EPRA net asset value 2018	1,146.6	165.2

1 Other movements include loss on sales (£2.0 million) debt/hedging break costs (£19.1 million), share based awards (£0.1 million) offset by scrip shares issued (£8.0 million)

The increase in both IFRS and EPRA net assets per share was principally due to the property revaluation of 17.6p. EPRA earnings of 8.5p covered the 7.6p dividend charge.

The movement in EPRA net assets, together with the dividend paid in the year net of the scrip issue of shares of £43.4 million, results in a total accounting return of 15.5%. The full calculation can be found in supplementary note viii.

Portfolio valuation

Our property portfolio, including the share of joint venture assets, grew 20.0% in the year to £1,842.0 million. This was a result of significant net property investment and a strong valuation performance.

It has been another busy year with significant investment into the distribution sector, particularly urban logistics assets, that have seen the highest levels of rental and valuation growth. We have increased our distribution exposure (including distribution developments) to 69% from 62% last year.

As at 31 March	**£m**	**2018 %**	£m	2017 %
Distribution	**1,233.1**	**66.9**	927.4	60.4
Convenience & leisure	**174.7**	**9.5**	156.2	10.2
Long income	**220.8**	**12.0**	166.6	10.8
Retail parks	**139.8**	**7.6**	145.2	9.5
Offices	**–**	**–**	70.0	4.6
Investment portfolio	**1,768.4**	**96.0**	1,465.4	95.5
Residential	**30.1**	**1.6**	41.1	2.7
Development[1]	**43.5**	**2.4**	27.3	1.8
Property value	**1,842.0**	**100.0**	1,533.8	100.0

1 Represents distribution of £29.4 million (1.6%), long income of £8.2 million (0.5%) and convenience and leisure of £5.9 million (0.3%). Split in March 2017 was distribution of £22.8 million (1.5%) and retail parks of £4.5 million (0.3%)

Investment in development assets remains at modest levels as short cycle opportunities at Crawley, Stoke and Huyton completed in the year and new development opportunities at Bedford and Weymouth were acquired. The Group's commitment to development activity is demonstrated by the significant spend of £62.5 million in the year, which is reflected in the investment property movement table.

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

	Portfolio value[1] £m
Opening valuation 2017	1,533.8
Acquisitions	289.7
Developments	62.5
Capital expenditure on completed properties	20.4
Disposals	(191.0)
Revaluation	121.6
Lease incentives	5.0
Closing valuation 2018	**1,842.0**

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

The Group spent £289.7 million in the year acquiring 25 distribution and 3 retail properties.

Non core assets including our last office in Marlow and 19 residential flats at Moore House generated proceeds of £77.2 million. A further 10 commercial property sales generated additional proceeds of £126.9 million and reduced the total carrying value of property by £191.0 million, as reflected in the table above.

We exchanged to sell two further assets in the period, a distribution unit in South Elmsall let to Superdrug for £15.0 million and a Morrisons store in Loughborough for £32.5 million. Both had deferred completions and will be reflected as disposals in the financial statements in 2019.

Property values have increased by £121.6 million, most significantly in our urban logistics and development sectors and the portfolio has delivered a total property return of 13.7% compared to the IPD All Property index of 10.1%.

At the year end, the Group had capital commitments of £47.5 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Frimley, Bedford and Weymouth.

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

Financing

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

As at 31 March	**2018 £m**	2017 £m
Gross debt	**708.9**	527.7
Cash	**39.3**	46.1
Net debt	**669.6**	481.6
Loan to value[1]	**35%**	30%
Cost of debt[2]	**2.8%**	3.5%
Undrawn facilities	**65.8**	299.7
Average debt maturity	**4.8 years**	5.2 years
Hedging[3]	**73%**	87%

1 LTV at 31 March 2018 includes £47.5 million of deferred consideration receivable on sales at Loughborough and South Elmsall and excludes their £47.5 million property valuation (2017: £14.3 million)

2 Cost of debt is based on gross debt and includes amortised costs but excludes commitment fees

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

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

In July 2017 we refinanced our secured debt facility with Helaba and repaid £66.2 million by drawing additional unsecured debt. We extended the term by 2.7 years and reduced the average cost of debt. As part of the refinancing we cancelled £128.4 million interest rate swaps at a cost of £6.3 million. In the second half of the year, we recouponed a further £190 million interest rate swaps which hedge our unsecured RCF at a cost of £12.7 million.

Our MIPP joint venture increased and extended its debt facility with Deutsche Pfandbriefbank in September by £18.2 million and for a further three years to match the debt maturity to the duration of the joint venture agreement.

As reflected in the balance sheet, the Group's share of joint venture gross debt has increased by £4.4 million due to its additional investment in the DFS Retail Warehouse joint venture, which increased our share of debt by £7.4 million. This was offset by debt repaid following sales of £3.0 million.

These financing transactions have strengthened our key financial ratios with average debt cost falling to 2.8% (2017: 3.5%) and average debt maturity of 4.8 years (2017: 5.2 years).

We deployed our available undrawn facilities, partly generated following the equity placing in March 2017, to acquire assets in our preferred sectors and progress committed developments, reducing undrawn facilities at the year end to £65.8 million.

Loan to value, net of cash resources and deferred consideration on sales which complete and will be recognised next year, was 35% (2017: 30%). We intend to keep LTV below 40% to provide sufficient flexibility to execute transactions and take advantage of investment opportunities whilst maintaining sufficient headroom under our gearing covenants.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facility and private placement loan notes contain gearing and interest cover financial covenants. At 31 March 2018, the Group's gearing ratio as defined within these funding arrangements was 56% compared with the maximum limit of 125% and interest cover ratio was 5.0 times compared with the minimum level of 1.5 times.

The Group's policy is to substantially de-risk the impact of movements in interest rates by entering into hedging arrangements. Independent advice is given by J C Rathbone Associates. At 31 March 2018, 73% of our exposure to interest rate fluctuations was hedged by way of swaps and caps assuming existing debt facilities are fully drawn (2017: 87%). This has fallen as a result of the cancellation of £128 million interest rate swaps in the year. We continue to monitor our hedging profile in light of forecast interest rate movements.

Cash flow

During the year, the Group's cash balances decreased by £16.8 million as reflected in the table below.

As at 31 March	**2018 £m**	2017 £m
Cash flows from operations	**69.5**	63.7
Changes in working capital	**(1.1)**	10.6
Finance costs and taxation	**(16.4)**	(17.2)
Cash flows from operating activities	**52.0**	57.1
Cash flows from investing activities	**(178.1)**	7.5
Cash flows from financing activities	**109.3**	(64.3)
Net (decrease)/increase in cash	**(16.8)**	0.3

Cash inflows from operations were £5.8 million higher this year reflecting increases in net rental income.

Cash flows from operating activities have decreased by £5.1 million compared to last year due to changes in net working capital requirements.

Cash flows from investing activities reflect property acquisitions, including those classified as forward funded developments, of £306.2 million and capital expenditure and incentives of £59.3 million. These outflows were offset by net proceeds from disposals of £183.8 million and net distributions from joint ventures of £3.6 million.

Cash flows from financing activities reflect net new borrowings of £176.8 million, cash dividend payments of £43.4 million (which reflect the £8.0 million scrip saving), financing costs of £21.6 million and share purchases of £2.5 million.

New borrowings of £176.8 million and the cancellation of secured debt of £66.2 million reduced our available facilities in the year.

Further detail is provided in the Group cash flow statement.

Risk management

Our risk management procedures reduce the negative impact of risk on the 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 Board recognises its overall responsibility for undertaking a robust risk assessment and the extent to which it is willing to accept some level of risk in achieving its strategy. It considers risk at a high level at each meeting via a risk dashboard which enables material issues to be monitored so that key risks can be managed and emerging risks identified early with appropriate action taken to remove or reduce their likelihood and any potential negative impact.

The responsibility for detailed assurance on the risk management process has been delegated by the Board to the Audit Committee. The Audit Committee reviews the Company's risk register and internal controls in detail to consider the effectiveness of risk management and internal control processes and reports its findings to the Board. The Audit Committee last considered the register at its March 2018 meeting following a comprehensive review of the register.

The Executive Committee is responsible for the ongoing identification of risk and the design, implementation and maintenance of robust internal control systems assisted by senior management. Appropriate mitigation plans are developed based on an assessment of the impact and likelihood of a risk occurring. Executive Committee members are closely involved in day to day matters. The Company has a small number of employees and operates from one office. This and the relatively flat management structure enable risks to be swiftly identified so appropriate responses can be put in place.

Within the risk register, specific risks are identified and their probability rated by management as having either a high, medium or low impact. A greater weighting is applied the higher the significance and probability of a risk. These weightings are then mathematically combined to produce an overall gross risk rating which is colour coded using a traffic light system. Risk specific safeguards are identified, detailed in the register and rated as strong, medium or weak. The stronger the safeguard, the greater the weighting applied. The gross risk rating and strength of the safeguards against that risk are then combined to produce a resultant overall net risk. Consideration is given to the implementation of further action to reduce risk where necessary. Finally, every risk is allocated an owner and details of how the safeguards are evidenced is noted. The risk register is comprehensively reviewed at least once a year.

Our three risk areas

We consider risks under three main headings but recognise that they are often inextricably interlinked.

Corporate risks	These relate to the Group as a whole	Strategy, market, systems, employees, wider stakeholders, regulatory, social and environmental responsibilities
Property risks	These focus on the Group's core business	Portfolio composition and management, developments, valuation and occupiers
Financing risk	These focus on how the business operations are funded	Investors, joint ventures, debt and cash management

Principal risks

Principal risks and uncertainties are those that affect our business with the potential to cause material harm, impact our ability to execute our strategic priorities or exceed the Board's risk appetite.

No new principal risks have been identified and at a corporate level there has been no significant increase or decrease in any principal risk during the year.

Corporate governance and reporting bodies are increasing their focus on environmental, social and governance ("ESG") issues and how companies take into account wider stakeholder interests. These priorities have been broadly repeated in recent public statements from large institutional investors. To provide greater clarity and acknowledge that ESG concerns have become more mainstream we have split out non compliance with responsible business practices from non compliance with legal and regulatory obligations. We do not however consider that the overall risk has changed materially.

Corporate risks

1 Strategy

Risk	Impact	Mitigation	Commentary	Change
Our strategic objectives may be: • Inappropriate for the current economic climate or market cycle • Not achieved due to poor implementation **Appetite** The Board view the Company's strategic priorities as fundamental to its business and reputation.	• Suboptimal returns for shareholders • Missed opportunities • Ineffective threat management • Wrong balance of skills and resources for ongoing success	• Our strategy and objectives are regularly reviewed by the Board to adapt to change • We commission retail and logistics related research to assist strategic decision making • Senior management have extensive financial and real estate experience with strong, longstanding retailer relationships • We have a UK only portfolio in a world leading online shopping market • We undertake regular and rigorous portfolio reviews which take into account considerations such as sector weightings, tenant and geographical concentrations, perceived threats and market changes, balance of income to non income producing assets and asset management opportunities • Our three year forecast is regularly flexed and reported • The Executive Directors are closely involved in day to day management and a relatively flat organisational structure operating from one office makes it easier to identify market changes and monitor operations • Management's interests are aligned with external shareholders through their substantial shareholdings	• 91% of the portfolio is now in our preferred sectors of distribution, long income and convenience retail. These sectors have proved to be resilient and have real prospects for rental and capital growth driven by structural changes in consumer shopping habits. Logistics space is still heavily undersupplied. Having successfully anticipated the migration of consumer spending online, our sector choices have resulted in like for like rental growth of 4.3% this year • Executive Directors hold 10.7 million shares and comfortably meet the Company's high shareholding targets	**No significant change in risk** There has been no significant change in this risk during the year.

2 Economic and political factors

Risk	Impact	Mitigation	Commentary	Change
Economic and political factors may lead to a market downturn or specific sector turbulence. **Appetite** Market conditions are outside of the Company's control.	• Suboptimal returns for shareholders • Occupier demand and solvency may be impacted • Asset liquidity may reduce • Debt markets may be impacted	• We commission economic and market research and monitor market volatility • We have limited exposure to the London market • The majority of our portfolio is in resilient asset classes • We maintain a high weighted average unexpired lease term reducing re-letting risk • We have a low vacancy rate due to our strict investment and development criteria • Our occupier base is diverse. Acquisition due diligence considers tenant covenant strength, which is then monitored on an ongoing basis. Strong retailer relationships help to provide market intelligence • We have limited exposure to speculative development which is only undertaken where a researched supply/demand imbalance exists • We have medium term, flexible funding with significant headroom in covenant levels	• Our portfolio metrics continue to be strong. Our average unexpired lease length is 12.4 years and occupancy 97.5%, both high within the industry. Only 6% of our income expires within three years • We have further diversified our tenant base this year. Our top five tenants, which account for 35% of rent, are financially strong • Our exposure to the stagnated London residential market through our 40% interest in Moore House has reduced. As at today's date only 37 units remain unsold • We exited our last remaining, non core office asset at Marlow during the year • Although our portfolio is UK only, we acknowledge that Brexit uncertainty could impact occupier near term decision making	**No significant change in risk** While there has been no significant change in this risk at a corporate level during the year, a finely balanced UK General Election result and lack of clarity on Brexit arrangements mean continuing political and economic uncertainty. The Board has limited controls over such external factors but will continue to monitor them. Our strategy to closely align our portfolio to rapidly changing consumer shopping habits mean structural drivers in demand for our assets continue to outweigh these uncertainties at present.

3 Human resources

Risk	Impact	Mitigation	Commentary	Change
There may be an inability to attract, motivate and retain high calibre employees. **Appetite** The Board believes it is vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change.	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.	• We maintain an organisational structure with clear responsibilities and reporting lines • Our remuneration structure and incentive arrangements are aligned with long term performance targets for the business • Senior management have significant shareholdings in the business • Annual appraisals identify training requirements and assess performance • Specialist support is contracted where appropriate • Our staffing plan focuses on experience and expertise necessary to deliver strategy • There is a phased refreshment plan for Non Executive Directors	• During the year the Board undertook an externally facilitated performance evaluation; its findings were extremely positive • The Chairman's letter of appointment has been extended for a further three years with a mutual six month rolling break option • We have diversified the Board's skill base through the appointment of Suzanne Avery who has extensive financial, banking and real estate experience. Succession planning and diversity remain high on the Board's agenda for 2019 • A number of flexible working initiatives have been introduced to improve employee wellbeing • The Executive Directors have significant unvested share awards in the Company to incentivise performance and retention providing stability to the management structure • Senior managers are incentivised in a similar way to the Executive Directors	**No significant change in risk** There has been no significant change in perceived risk from 2017.

4 Regulatory and tax framework

Risk	Impact	Mitigation	Commentary	Change
Non compliance with legal or regulatory obligations. **Appetite** The Board has no appetite where non compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	• Reputational damage • Potential loss of REIT status • Increased costs • Reduced access to debt and capital markets • Fines, penalties, sanctions	• We monitor regulatory changes that impact our business with support from specialist consultants, on issues such as health and safety, employment, data protection and anti-corruption related legislation • We have allocated responsibility for specific obligations to individuals with Executive Committee oversight • Our health and safety handbook is regularly updated and health and safety audits are carried out on developments • Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk, and community • Staff training is provided on wide ranging issues such as those identified above • We use external tax specialists to provide advice • Our REIT compliance is monitored • We consider the impact of legislative changes on strategy	• During the year a fire risk assessment was undertaken on our entire portfolio. This included a cladding review. All properties were rated as low risk • In response to the introduction of new legislation against the criminal facilitation of tax evasion and GDPR we have undertaken detailed mapping and risk assessment exercises, made changes to some of our policies and processes with assistance from Jones Day, our legal advisors	**No significant change in risk** The Board considers this risk to have remained broadly similar during the year. There has however been an increase in management time diverted to new regulations and evolving best practice due to the flow of recent changes which impact the business.

5 Responsible business approach

Risk	Impact	Mitigation	Commentary	Change
Non compliance with responsible business practices. **Appetite** The Board has a low tolerance for non compliance with risks which impact reputation and stakeholder sentiment towards the Company.	• Reputational damage • Suboptimal returns for shareholders • Asset liquidity may be impacted • Reduced access to debt and capital markets	• We monitor changes in law, stakeholder sentiment and best practice in relation to responsible business practices such as sustainability, environmental matters and our societal impact and receive advice and support from specialist consultants • We consider the impact of changes on strategy • We give proper consideration to the needs of our occupiers and shareholders by maintaining a high degree of engagement and also consider our impact on the environment and local communities • Responsibility for specific obligations has been allocated to individuals and is overseen by the Executive Committee. A responsible business Working Group meets at least three times a year and reports to the Board • Staff training is provided • EPC rating benchmarks are set to ensure compliance with Minimum Energy Efficiency Standards (MEES) that could otherwise impact the quality and desirability of our assets leading to higher voids, lost income and reduced liquidity • Sustainability targets are set, monitored and reported • Contractors are required to conform to our responsible development requirements	• During the year we met with over 200 investors and carried out an investor survey targeting 50% of our register on responsible business matters. Feedback was positive and will be incorporated into our 2019 sustainability targets • We met with the 30% Club Investor Group and joined Real Estate Balance which aims to promote greater gender diversity within the industry • The appointment of Suzanne Avery will add a fresh perspective to the Board on responsible business matters. Suzanne was formerly Managing Director of Real Estate Finance Group and Sustainability at RBS and is a co-founder of Real Estate Balance with keen interests in governance, responsible business practices and a number of societal issues • We supplemented direct meetings with our tenants with our biennial customer satisfaction survey of key occupiers. Tenant responses representing half our income scored us 8.5/10. Feedback has been discussed with several occupiers. We propose to increase the frequency of the survey to further improve processes • We have increased the green credentials of our portfolio over recent years through development and modernisation. 28% of our portfolio is now rated BREEAM Very Good, our GRESB score has improved to 69% and we have maintained our green star rating. 78% of our portfolio has an EPC of C or above • During the year we undertook numerous green initiatives. At Newark, for example we completed the UK's largest landlord funded distribution solar panel installation to provide a proportion of the tenants power requirements from renewable sources • Our Communities Policy and Charity and Communities Working Group aim to maximise the local benefits of our activities, for example urban regeneration and employment	**No significant change in risk** There has been no significant change in perceived risk from 2017, however focus on how companies take into account wider stakeholder interests has increased.

6 Systems, processes and financial management

Risk	Impact	Mitigation	Commentary	Change
Controls for safeguarding assets and supporting strategy may be weak. **Appetite** The Board's appetite for such risk is low and management continually strives to monitor and improve processes.	• Compromised asset security • Suboptimal returns for shareholders • Decisions made on inaccurate information	• The Company has a strong control culture • We have IT security systems in place with back up supported and tested by a specialist advisor • Our property assets are safeguarded by appropriate insurance • We have safety and security arrangements in place on our developments, multi-let and vacant properties • Appropriate data capture procedures ensure the accuracy of the property database and financial reporting systems • We maintain appropriate segregation of duties with controls over financial systems • Management receive timely financial information for approval and decision making • Cost control procedures ensure expenditure is valid, properly authorised and monitored	• During the course of the year we have improved our IT security and back up systems • We have also made improvements to our financial reporting processes and have further integrated our property database and our accounting system	**No significant change in risk** There has been no significant change in perceived risk from 2017.

Property risks

7 Investment risk

Risk	Impact	Mitigation	Commentary	Change
We may be unable to source affordable investment opportunities. **Appetite** 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.	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.	• Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities	• We used our strong occupier and developer relationships to acquire over £300 million of distribution assets and deployed all the equity we raised in March 2017 • Distribution assets now represent 69% of the portfolio, up from 62% last year • We made a strong valuation gain of £74.4 million on our distribution assets alone	**No significant change in risk** There has been no significant change in perceived risk from 2017.

8 Development risk

Risk	Impact	Mitigation	Commentary	Change
• Excessive capital may be allocated to activities with development risk • Developments may fail to deliver expected returns due to inconsistent timing with the economic and market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption **Appetite** The Board is willing to take some speculative development and planning risk if it represents a relatively small proportion of the total property portfolio and is supported by robust research in respect of demand and a high likelihood of planning approval.	• Poorer than expected performance • Reputational damage	• We only undertake short cycle and relatively uncomplicated developments on a pre-let basis or where there is high occupier demand • Development exposure as a percentage of our total portfolio is limited with larger projects phased • Development sites are acquired with planning consent where possible • Management have significant experience of complex development • We use standardised appraisals and cost budgets and monitor expenditure against budget to highlight potential overruns early • External project managers are appointed • Our procurement processes include tendering and the use of highly regarded firms with proven track records • We review and monitor contractor covenant strength	• Developments represent 2.4% of the portfolio at the year end. No developments completed in the year were late or over budget • Development activity this year has added rent of £4.2 million per annum. Of this 43% was built speculatively. We are in advanced discussions on the remaining unlet space • Assets under construction and in our development pipeline of 1.0 million sq ft, predominantly at our Bedford site, are expected to add a further £8.1 million of rental income. The Bedford development will be phased with the first phase commencing this year	**No significant change in risk** There has been no significant change in perceived risk from 2017.

9 Valuation risk

Risk	Impact	Mitigation	Commentary	Change
Investments may fall in value. **Appetite** There is no certainty that property values will be realised. This is an inherent risk in the industry.	Pressure on NAV growth and potentially loan covenants.	• Our core portfolio is pivoted to structural changes in shopping patterns with a significant supply imbalance in available distribution space • Our focus is on sustainable income with lettings to high quality tenants within a diversified portfolio of well located assets with a high weighted average unexpired lease term reducing the risk of negative movements in a downturn • The property cycle is continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions • Property portfolio performance is regularly reviewed and benchmarked on an asset by asset basis • We monitor tenant covenants and trading performance	• 50.3% of our income has contractually fixed or index linked uplifts • Our valuation gain this year was £121.6 million, with the largest increase in our urban logistics distribution and development sectors • A high average WAULT of 12.4 years was maintained • We have substantial headroom under our financial loan covenants	**No significant change in risk** There has been no significant change in perceived risk from 2017. Technological advances continue to cause significant disruption in the retail landscape. The Company's preferred asset classes are however aligned to modern shopping habits where the prospects for valuation preservation and growth are significantly better than traditional retail.

10 Transaction and tenant risk

Risk	Impact	Mitigation	Commentary	Change
• Property purchases and asset management initiatives may be inconsistent with strategy • Due diligence may fail to highlight risks • Lettings may be made to inappropriate tenants • Tenant failure risk **Appetite** The Board's appetite to risks arising out of poor due diligence processes on acquisitions, disposals 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.	Pressure on NAV, earnings and potentially loan covenants.	• We undertake thorough due diligence on all acquisitions including legal and property, tenant covenant strength and trading performance • Tenant concentration within the portfolio is considered for all acquisitions and leasing transactions. We have a diversified tenant base and limited exposure to individual occupiers in bespoke properties • Asset management initiatives undergo cost-benefit analysis prior to implementation • We use external advisors to benchmark lease transactions and advise on acquisition due diligence • Our experienced asset management team work closely with tenants to offer them real estate solutions that meet their business objectives. This proactive management approach helps to reduce vacancy risk • We monitor rent collection closely to identify potential issues	• Our tenant default rate within the industry is very low and we have no significant arrears. The impact of recent retailer collapses and CVAs has had a negligible impact on earnings • We maintain a high occupancy level within the industry despite a number of smaller speculative developments completing recently. Our EPRA vacancy rate at the year end was 2.5%	**No significant change in risk** There has been no significant change in perceived risk from 2017 despite a number of high profile retail casualties and more retailers looking to restructure their physical store portfolios through a CVA process. Retail occupiers continue to invest heavily in distribution and logistics and convenience retail fulfils a top up function for online shoppers.

Financing risk

11 Capital and finance risk

Risk	Impact	Mitigation	Commentary	Change
The Company may have insufficient funds and available credit. **Appetite** 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. The Board has some appetite for interest rate risk, loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.	Strategy implementation is at risk.	• We maintain a disciplined investment approach with competition for capital. Assets which have achieved target returns and strategic asset plans are sold • Cash flow forecasts are closely monitored • Relationships with a diversified range of lenders are nurtured and loan facilities regularly reviewed. The availability of debt and the terms on which it is available is considered as part of the Company's long term strategy • Loan facilities incorporate covenant headroom, appropriate cure provisions and flexibility • Headroom and non financial covenants are monitored • We maintain a modest level of gearing • The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process • Interest rate derivatives are used to fix or cap exposure to rising rates. A specialist hedging advisor is used	• The majority of our debt is diversified, unsecured and extremely flexible. Headroom on our revolving credit facility and proceeds from forecast capital recycling are sufficient to fund our forecast investment programme • During the year we reduced our secured loan with Helaba but extended its term to seven years and incorporated greater flexibility • We recouponed £190 million of swaps and cancelled £128 million in excess of our requirements. The cost of doing this has a 2.5 to 4.0 year payback period • 73% of facilities are hedged by way of interest rate swaps and caps	**No significant change in risk** There has been no significant change in perceived risk from 2017.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board has assessed the future viability and prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provision.

The Directors conducted this review taking account of the Group's current position, longer term strategy, principal risks and future plans.

Assessment of review period

The viability review was conducted over a three year period of assessment as in previous years, which the Board considered appropriate for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period
- It reflects the short cycle nature of the Group's developments and asset management initiatives. The average time taken from commitment of funds to practical completion of the five developments that completed in the year at Huyton, Stoke, Crawley, Tonbridge and Launceston was 15 months
- The average length of asset management initiatives involving significant reconfiguration of retail parks is under one year
- The Group's weighted average debt maturity at 31 March 2018 was 4.8 years
- Three years is considered to be the optimum balance between long term property investment and the inability to accurately forecast ahead given the cyclical nature of property investment

Assessment of prospects

The Group's business model consists of a rolling three year profit and cash flow forecast, with both a base case scenario, which only includes deals under offer, and also an assumed case which factors in reinvestment and development. The business model considers investment plans, capital commitments, dividend cover, loan covenants and REIT compliance metrics.

The Executive Committee provides regular strategic input to the financial forecasts covering investment, divestment and development plans, capital allocation and hedging. Executive Directors and senior managers receive regular presentations from external advisors on the macroeconomic outlook and retail market which assist with the development of strategy and forecasts.

Forecasts are updated at least quarterly, reviewed against actual performance and reported to the Board. At least one Board meeting each year focuses on strategy and presentations are given by senior managers.

Assessment of viability

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

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

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

In addition, further stress testing assessed the limits at which key financial covenants and ratios would be breached or deemed unacceptable. Property values would need to fall by approximately 40% and rental income fall by 59% to breach the loan to value and interest cover covenants under the existing debt facilities.

The Directors have taken into account the strong financial position at 31 March 2018, available cash and undrawn debt facilities, headroom under existing loan facilities and the Group's ability to raise new finance.

The Directors also noted that in the event of a severe threat to liquidity, other options existed to maintain viability including deferring non committed expenditure and selling assets.

Conclusion

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

Directors' responsibility statement

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Martin McGann
Finance Director
30 May 2018

Andrew Jones
Chief Executive
30 May 2018

Group income statement

For the year ended 31 March

	Note	**2018 £000**	2017 £000
Gross revenue	3	**83,709**	75,618
Gross rental income		**81,988**	73,905
Property operating expenses		**(828)**	(814)
Net rental income		**81,160**	73,091
Property advisory fee income		**1,721**	1,713
Net income		**82,881**	74,804
Administrative costs	4	**(13,800)**	(13,268)
Amortisation of intangible asset		**–**	(182)
Total administrative costs		**(13,800)**	(13,450)
Profit on revaluation of investment properties	9	**114,723**	22,200
Loss on sale of investment properties		**(2,139)**	(4,503)
Share of profits of joint ventures	10	**13,655**	3,560
Operating profit		**195,320**	82,611
Finance income		**415**	1,740
Finance costs	5	**(9,685)**	(21,340)
Profit before tax		**186,050**	63,011
Taxation	6	**(32)**	(13)
Profit for the year and total comprehensive income		**186,018**	62,998
Earnings per share			
Basic and diluted	8	**26.9p**	10.1p
EPRA	8	**8.5p**	8.2p

All amounts relate to continuing activities.

Group balance sheet

As at 31 March

	Note	**2018 £000**	2017 £000
Non current assets			
Investment properties	9	**1,677,555**	1,373,400
Investment in equity accounted joint ventures	10	**117,646**	107,567
Derivative financial instruments	14	**2,836**	–
Other tangible assets		**73**	310
		1,798,110	1,481,277
Current assets			
Trade and other receivables	11	**2,344**	18,758
Cash and cash equivalents	12	**26,162**	42,944
		28,506	61,702
Total assets		**1,826,616**	1,542,979
Current liabilities			
Trade and other payables	13	**33,576**	46,395
		33,576	46,395
Non current liabilities			
Borrowings	14	**643,551**	466,319
Derivative financial instruments	14	**–**	23,350
		643,551	489,669
Total liabilities		**677,127**	536,064
Net assets		**1,149,489**	1,006,915
Equity			
Called up share capital	16	**69,722**	69,238
Share premium		**96,079**	88,548
Capital redemption reserve		**9,636**	9,636
Other reserve		**222,502**	221,374
Retained earnings		**751,550**	618,119
Equity shareholders' funds		**1,149,489**	1,006,915
Net asset value per share	8	**165.7p**	146.4p
EPRA net asset value per share	8	**165.2p**	149.8p

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2018 and were signed on its behalf by:

Martin McGann
Finance Director
Registered in England and Wales, No 7124797

Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total £000
At 1 April 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	7	**484**	**7,531**	**–**	**–**	**(51,372)**	**(43,357)**
At 31 March 2018		**69,722**	**96,079**	**9,636**	**222,502**	**751,550**	**1,149,489**

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

Group cash flow statement

For the year ended 31 March

	2018 £000	2017 £000
Cash flows from operating activities		
Profit before tax	**186,050**	63,011
Adjustments for non cash items:		
Profit on revaluation of investment properties	**(114,723)**	(22,200)
Loss on sale of investment properties	**2,139**	4,503
Share of post tax profit of joint ventures	**(13,655)**	(3,560)
Movement in lease incentives	**(1,975)**	293
Share based payment	**2,420**	1,833
Amortisation of intangible asset	**–**	182
Net finance costs	**9,270**	19,600
Cash flows from operations before changes in working capital	**69,526**	63,662
Change in trade and other receivables	**1,730**	902
Change in trade and other payables	**(2,859)**	9,686
Cash flows from operations	**68,397**	74,250
Interest received	**52**	64
Interest paid	**(16,409)**	(17,149)
Tax paid	**(17)**	(34)
Cash flows from operating activities	**52,023**	57,131
Investing activities		
Purchase of investment properties	**(306,245)**	(147,348)
Capital expenditure on investment properties	**(56,199)**	(19,387)
Lease incentives paid	**(3,049)**	(6,495)
Sale of investment properties	**183,780**	165,035
Investments in joint ventures	**(12,662)**	(450)
Distributions from joint ventures	**16,238**	16,109
Cash flows from investing activities	**(178,137)**	7,464
Financing activities		
Dividends paid	**(43,357)**	(43,694)
Proceeds from issue of ordinary shares	**–**	92,772
Purchase of shares held in trust	**(2,783)**	(5,195)
Vesting of shares held in trust	**276**	4
New borrowings and amounts drawndown	**397,237**	226,181
Repayment of loan facilities	**(220,407)**	(328,000)
Financial arrangement fees and break costs	**(21,634)**	(6,340)
Cash flows from financing activities	**109,332**	(64,272)
Net (decrease)/increase in cash and cash equivalents	**(16,782)**	323
Opening cash and cash equivalents	**42,944**	42,621
Closing cash and cash equivalents	**26,162**	42,944

Notes forming part of the Group financial statements

For the year ended 31 March 2018

1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2018 or 31 March 2017, but is derived from those accounts. Statutory accounts for the years ended 31 March 2018 and 31 March 2017 have been reported on by the independent auditor. The independent auditor's reports on the Annual Reports and financial statements for 2018 and 2017 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2018 will be delivered to the Registrar following the Company's Annual General Meeting.

The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the year ended 31 March 2017.

a) General information

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is One Curzon Street, London, W1J 5HB. The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic report.

b) Statement of compliance

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

c) Basis of preparation

The financial statements are prepared on a going concern basis. The functional and presentational currency of the Group is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value. The accounting policies have been applied consistently in all material respects.

i) Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

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

Significant areas of estimation uncertainty

Property valuations

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

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

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

Significant areas of judgement
Revenue recognition
Certain transactions require management to make judgements as to whether, and to what extent, revenue should be recognised and the appropriate cut off for property transactions. Management consider whether the significant risks and rewards of ownership of assets have been transferred between buyer and seller and the point at which developments reach practical completion. Other complexities include accounting for rent free periods and capital incentive payments.

Significant transactions
Some property transactions are complex and require management to assess whether the acquisition of property through a corporate vehicle represents an asset acquisition or a business combination under IFRS 3. Where there are significant other assets and liabilities acquired in addition to property, the transaction is accounted for as a business combination. Where there are not it is accounted for as an asset purchase. Other complexities include conditionality inherent in transactions and deferred property completions.

ii) Adoption of new and revised standards
Standards and interpretations effective in the current period
During the year, the following new and revised Standards and Interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements:

Name	**Description**
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 12

Standards and interpretations in issue not yet adopted
The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that are mandatory for later accounting periods and which have not been adopted early:

Name	**Description**
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
IAS 40 (amendments)	Transfers of Investment Property
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 1 and IAS 28
IFRIC 22	Foreign Currency Transactions and Advance Considerations

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. Certain standards which might have an impact are discussed 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.
Impact	The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018: ***i. Classification and measurement*** IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through profit and loss ('FVTPL') and fair value through other comprehensive income ('FVTOCI'). The Group's financial assets at 31 March 2018 consist primarily of trade receivables which will continue to be reflected at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

	ii. Impairment The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39. The main area of potential impact to the Group is considered to be impairment provisioning of trade receivables. Gross trade receivables held at 31 March 2018 were £776,000 with an impairment provision recognised under IAS 39 of £2,200. The credit risk associated with unpaid rent is deemed to be low. We have performed an assessment of the impact of impairment losses recognised for trade receivables under IFRS 9 at 31 March 2018 through estimating the ECLs based on actual credit loss experienced over the past three years. Based on this assessment, the impact of impairment losses recognised under IFRS 9 is estimated to be immaterial. The Company holds loans and receivable balances with the subsidiaries of the Group as disclosed in note iv to the Company financial statements. Management do not estimate there to be a material impact on the Company financial statements from the recognition of impairment provisions for the loans and receivables under IFRS 9. 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 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. ***iii. Hedge accounting*** As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not adopt hedge accounting and therefore there is no impact of this change. ***iv. Disclosures*** The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures for financial instruments particularly in the year of adoption.
Date of adoption by Group	The Group intends to adopt the standard for financial years commencing on or after 1 April 2018. Comparatives for 2018 are not expected to be restated.

IFRS 15 Revenue from Contracts with Customers

Nature of change	The IASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.
Impact	Management has assessed the effects of applying the new standard on the Group's Financial Statements. ***i. Revenue recognition*** IFRS 15 does not apply to rental income which, at 31 March 2018 accounted for 98% of total gross revenue of the Group, but does apply to management fees and surrender premiums receivable. It also affects the timing of recognising property transactions at the point of completion rather than on unconditional exchange of contracts and when significant risks and rewards of ownership have passed. Management has assessed the recognition of management fee income and does not expect IFRS 15 to have an impact. Surrender premiums received will be considered on a case by case basis. The standard will affect the timing of recognising property transactions and the Group's accounting policy will change to recognising transactions upon completion. ***ii. Disclosures*** The new standard also introduces expanded disclosure requirements. These will change the nature and extent of the Group's revenue disclosures.

Date of adoption by Group	The Group intends to adopt the standard for financial years commencing on or after 1 April 2018. Comparatives for 2018 are not expected to be restated.
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. At present, as a lessee the Group holds a limited number of operating leases as reflected in note 15, the most significant being the lease of its head office in London. Management has performed an assessment of the impact of bringing operating leases on balance sheet based on leases held at 31 March 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. At this stage, the Group does not intend to adopt the standard before its effective date.

d) Basis of consolidation

i) Subsidiaries

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

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

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition, in other cases the purchase method is used.

ii) Joint ventures and associates

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

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

e) Property portfolio

i) Investment properties

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

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

Investment property is recognised as an asset when:

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

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

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

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

iv) Net rental income
Rental income from investment property leased out under an operating lease is recognised in the profit or loss on a straight line basis over the lease term. Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

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

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

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

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

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

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

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

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

g) Finance costs and income

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

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

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

h) Tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences. The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

i) Share based payments

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

j) Shares held in Trust

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

k) Dividends

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

2 Segmental information

As at 31 March			2018			2017
Property value	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**1,223,505**	**9,576**	**1,233,081**	921,165	6,172	927,337
Convenience & leisure	**174,700**	**–**	**174,700**	156,270	–	156,270
Long income	**95,250**	**125,580**	**220,830**	51,825	114,800	166,625
Retail parks	**139,775**	**–**	**139,775**	145,170	–	145,170
Office	**–**	**–**	**–**	70,000	–	70,000
Residential	**1,765**	**28,374**	**30,139**	1,655	39,456	41,111
Development	**42,560**	**925**	**43,485**	27,315	–	27,315
	1,677,555	**164,455**	**1,842,010**	1,373,400	160,428	1,533,828

For the year to 31 March			2018			2017
Gross rental income	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**57,737**	**513**	**58,250**	46,144	411	46,555
Convenience & leisure	**10,281**	**–**	**10,281**	8,634	–	8,634
Long income	**4,769**	**8,664**	**13,433**	3,481	7,747	11,228
Retail parks	**7,044**	**–**	**7,044**	11,557	–	11,557
Office	**2,007**	**–**	**2,007**	3,941	–	3,941
Residential	**58**	**617**	**675**	68	953	1,021
Development	**92**	**–**	**92**	80	–	80
	81,988	**9,794**	**91,782**	73,905	9,111	83,016

For the year to 31 March			2018			2017
Net rental income	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**57,656**	**513**	**58,169**	46,200	412	46,612
Convenience & leisure	**10,108**	**–**	**10,108**	8,500	–	8,500
Long income	**4,696**	**8,561**	**13,257**	3,387	7,683	11,070
Retail parks	**6,653**	**–**	**6,653**	11,211		11,211
Office	**1,904**	**–**	**1,904**	3,678	–	3,678
Residential	**57**	**319**	**376**	32	603	635
Development	**86**	**–**	**86**	83	–	83
	81,160	**9,393**	**90,553**	73,091	8,698	81,789

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

We have reclassified the operating segments this year to reflect the current portfolio mix and investment strategy. The retail segment has been split into three categories of convenience and leisure, long income and retail parks and the comparatives have been updated accordingly.

3 Gross revenue

For the year to 31 March	**2018 £000**	2017 £000
Gross rental income	**81,988**	73,905
Property advisory fee income	**1,721**	1,713
	83,709	75,618

For the year to 31 March 2018, 12% of the Group's gross rental income was receivable from one tenant. For the comparative period, 14% of the Group's gross rental income was receivable from one tenant.

4 Administration expenses

a) Total administration expenses

For the year to 31 March	**2018 £000**	2017 £000
Staff costs	**10,008**	9,787
Auditor's remuneration	**180**	184
Depreciation	**263**	105
Other administrative expenses	**3,340**	3,192
	13,791	13,268

b) Staff costs

For the year to 31 March	**2018 £000**	2017 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**8,422**	8,720
Less staff costs capitalised	**(1,835)**	(1,762)
	6,587	6,958
Social security costs	**702**	720
Pension costs	**301**	276
Share based payment	**2,418**	1,833
	10,008	9,787

The emoluments and pension benefits of the Directors are set out in detail within the Remuneration Committee report.

The long term share incentive plan ('LTIP') that was created following the merger in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £2.4 million (2017: £1.8 million).

The Company awarded 2,163,274 LTIP shares during the year, 1,661,282 of which were awarded to Executive Directors as shown in the Remuneration Committee report. The cost of acquiring the shares expected to vest under the LTIP of £2.8 million has been charged to reserves this year (2017: £5.2 million).

Employee costs of £1.8 million (2017: £1.8 million) have been capitalised in respect of time spent on development projects.

c) Staff numbers
The average number of employees including Executive Directors during the year was:

	2018 Number	2017 Number
Head office and property management	**31**	33

d) Auditor's remuneration

For the year to 31 March	**2018 £000**	2017 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**111**	74
Audit of subsidiary financial statements, pursuant to legislation	**4**	79
Other fees:		
Audit related assurance services	**27**	26
Other advisory services	**2**	–
Total fees for audit and other services	**144**	179

In addition to the above audit fees, £47,000 (2017: £31,000) was due to the Group's auditor in respect of its joint venture operations. This year, BDO LLP will be responsible for the audit of other subsidiary entities at a cost to the Group of £30,950.

5 Finance costs

For the year to 31 March	**2018 £000**	2017 £000
Interest payable on bank loans and related derivatives	**15,530**	16,916
Debt and hedging early close out costs	**18,981**	3,516
Amortisation of loan issue costs	**1,350**	1,409
Commitment fees and other finance costs	**1,705**	1,643
Total borrowing costs	**37,566**	23,484
Less amounts capitalised on the development of properties	**(1,695)**	(1,924)
Net borrowing costs	**35,871**	21,560
Fair value gain on derivative financial instruments	**(26,186)**	(220)
Total finance costs	**9,685**	21,340

During the year, the Group cancelled £128 million interest rate swaps and recouponed a further £190 million at a total cost of £19.0 million. Debt and hedging break costs in the Cash flow statement have been classified within financing activities this year. Prior year comparatives have been amended.

6 Taxation

For the year to 31 March	**2018 £000**	2017 £000
Current tax		
UK tax charge on profit	**32**	13

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

For the year to 31 March	**2018 £000**	2017 £000
Profit before tax	**186,050**	63,011
Tax at the standard rate of corporation tax in the UK of 19% (2017: 20%)	**35,350**	12,602
Effects of:		
Expenses not deductible for tax purposes	**–**	36
Tax effect of income not subject to tax	**(32,724)**	(11,913)
Share of post tax profit of joint ventures	**(2,594)**	(712)
UK tax charge on profit	**32**	13

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.

7 Dividends

For the year to 31 March	**2018 £000**	2017 £000
Ordinary dividends paid		
2016 Second interim dividend: 3.75p per share	**–**	23,404
2017 First quarterly interim dividend: 1.8p per share	**–**	11,257
2017 Second quarterly interim dividend: 1.8p per share	**–**	11,243
2017 Third quarterly interim dividend: 1.8p per share	**11,269**	–
2017 Fourth quarterly interim dividend: 2.1p per share	**14,457**	–
2018 First quarterly interim dividend: 1.85p per share	**12,817**	–
2018 Second quarterly interim dividend: 1.85p per share	**12,829**	–
	51,372	45,904
Quarterly dividend payable in 2019		
2018 Third quarterly interim dividend: 1.85p per share	**12,837**	
2018 Fourth quarterly interim dividend: 2.35p per share	**16,311**	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.85p per share, wholly as a Property Income Distribution ('PID'), on 19 April 2018 to ordinary shareholders on the register at the close of business on 16 March 2018.

The fourth quarterly interim dividend for 2018 of 2.35p per share, of which 1.7p is payable as a PID, will be payable on 11 July 2018 to shareholders on the register at the close of business on 8 June 2018. A scrip dividend alternative will be offered to shareholders as it was for the first three quarterly dividend payments.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the year to 31 March 2019.

During the year the Company issued 4,833,765 ordinary shares in relation to the last two quarterly dividend payments for 2017 and the first two quarterly dividend payments for 2018, which reduced the cash dividend payment by £8.0 million to £43.4 million.

8 Earnings and net assets per share

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

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

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

a) EPRA earnings

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

For the year to 31 March	**Group £000**	**JV £000**	**2018 £000**	Group £000	JV £000	2017 £000
Gross rental income	**81,988**	**9,794**	**91,782**	73,905	9,111	83,016
Property costs	**(828)**	**(401)**	**(1,229)**	(814)	(413)	(1,227)
Net rental income	**81,160**	**9,393**	**90,553**	73,091	8,698	81,789
Management fees	**1,721**	**(763)**	**958**	1,713	(732)	981
Administrative costs	**(13,800)**	**(106)**	**(13,906)**	(13,268)	(85)	(13,353)
Net finance costs[1]	**(16,475)**	**(1,982)**	**(18,457)**	(16,304)	(2,094)	(18,398)
Other	**(32)**	**–**	**(32)**	(13)	–	(13)
EPRA earnings	**52,574**	**6,542**	**59,116**	45,219	5,787	51,006

1 Group net finance costs reflect net borrowing costs of £35,871,000 (note 5) less early close out costs of £18,981,000 (note 5) and finance income of £415,000

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

For the year to 31 March	**Group £000**	**JV £000**	**2018 £000**	Group £000	JV £000	2017 £000
EPRA earnings	**52,574**	**6,542**	**59,116**	45,219	5,787	51,006
Revaluation of investment property	**114,723**	**6,842**	**121,565**	22,200	(1,227)	20,973
Fair value of derivatives	**26,186**	**234**	**26,420**	220	108	328
Debt and hedging early close out costs	**(18,981)**	**(76)**	**(19,057)**	(3,516)	(126)	(3,642)
(Loss)/profit on disposal	**(2,139)**	**113**	**(2,026)**	(4,503)	(982)	(5,485)
Amortisation of intangible assets	**–**	**–**	**–**	(182)	–	(182)
IFRS reported profit	**172,363**	**13,655**	**186,018**	59,438	3,560	62,998

b) Earnings per ordinary share

For the year to 31 March	**2018 £000**	2017 £000
Basic and diluted earnings	**186,018**	62,998
EPRA adjustments[1]	**(126,902)**	(11,992)
EPRA earnings	**59,116**	51,006

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

For the year to 31 March	**2018 Number of shares £000**	2017 Number of shares £000
Weighted average number of ordinary shares[1]	**692,138**	625,457

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

Basic and diluted earnings per share	26.9p	10.1p
EPRA earnings per share	8.5p	8.2p

c) Net assets per share

As at 31 March	**2018 £000**	2017 £000
Equity shareholders' funds	**1,149,489**	1,006,915
Fair value of derivatives	**(2,836)**	23,350
Fair value of joint ventures' derivatives	**(43)**	229
EPRA net asset value	**1,146,610**	1,030,494

As at 31 March	**2018 Number of shares £000**	2017 Number of shares £000
Ordinary share capital	**697,216**	692,383
Number of shares held in employee trust	**(3,323)**	(4,502)
Number of ordinary shares	**693,893**	687,881

Basic net asset value per share	**165.7p**	146.4p
EPRA net asset value per share	**165.2p**	149.8p

Further EPRA performance measures are reflected in the Supplementary notes.

9 Investment properties

a) Investment properties

As at 31 March	Completed £000	Under development £000	Total £000	Completed £000	Under development £000	Total £000
			2018			2017
Opening balance	**1,346,085**	**27,315**	**1,373,400**	1,289,560	56,550	1,346,110
Acquisitions	**274,562**	**32,064**	**306,626**	81,043	60,840	141,883
Other capital expenditure	**20,236**	**29,584**	**49,820**	18,055	7,901	25,956
Disposals	**(172,038)**	**–**	**(172,038)**	(174,965)	(650)	(175,615)
Property transfers	**60,366**	**(60,366)**	**–**	103,976	(103,976)	–
Revaluation movement	**101,353**	**13,370**	**114,723**	15,615	6,585	22,200
Movement in tenant incentives and rent free uplifts	**4,431**	**593**	**5,024**	12,801	65	12,866
	1,634,995	**42,560**	**1,677,555**	1,346,085	27,315	1,373,400

Investment properties are held at fair value as at 31 March 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 31 March 2018 was £89.9 million (2017: £40.9 million).

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

Long term leasehold values included within investment properties amount to £101.4 million (2017: £102.0 million). All other properties are freehold.

Included within the investment property valuation is £70.3 million (2017: £65.3 million) in respect of unamortised lease incentives and rent free periods.

The historical cost of all of the Group’s investment properties at 31 March 2018 was £1,328.8 million (2017: £1,135.5 million).

Capital commitments have been entered into amounting to £47.5 million (2017: £57.8 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.8 million (2017: £1.8 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £9.8 million (2017: £52.7 million) have been classified within investment property as acquisitions.

b) Valuation technique and quantitative information

Asset type	Fair value 2018 £000	Valuation technique	ERV Weighted average (£ per sq ft)	ERV Range (£ per sq ft)	Net initial yield Weighted average %	Net initial yield Range %	Reversionary yield Weighted average %	Reversionary yield Range %
Distribution	**1,223,505**	Yield capitalisation	5.95	3.36-16.02	4.57	0-6.78	4.98	3.92-7.36
Convenience and leisure	**174,700**	Yield capitalisation	15.37	9.01-27.00	4.88	3.99-7.30	4.48	3.36-7.00
Long income	**95,250**	Yield capitalisation	21.21	16.33-36.86	5.6	4.52-7.21	4.96	4.60-6.21
Retail parks	**139,775**	Yield capitalisation	19.18	14.13-25.86	5.49	5.02-5.88	5.56	4.93-6.32
Development – distribution	**29,385**	Residual	7.35	6.97-11.56	6.69	5.29-6.98	6.52	4.92-6.90
Development – convenience and leisure	**5,015**	Residual	16.00	16.00	6.27	6.27	5.00	5.00
Development – long income	**8,160**	Residual	18.47	18.47	6.92	6.92	5.33	5.33
Residential	**1,765**	Comparison	n/a	n/a	n/a	n/a	n/a	n/a

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2018. The fair value at 31 March 2018 represents the highest and best use.

i) Technique

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

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

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

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

ii) Sensitivity

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

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

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

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

iii) Process

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

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

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

10 Investment in joint ventures

At 31 March 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 sectors**	**Group share**
Metric Income Plus Partnership	England	Long income & leisure	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 development site in Ringwood for £8.5 million (Group share: £4.3 million) and sold a B&Q warehouse in Hull for £11.6 million (Group share: £5.8 million) in the year. The partnership agreement was extended to June 2023 and its debt facility with Deutsche Pfandbriefbank was increased by £18.2 million and extended for a further three years to April 2023.

The Group increased its investment in the LMP Retail Warehouse joint venture in September 2017 to 45.0% at a cost of £7.9 million. The joint venture, which holds a portfolio of DFS assets, disposed of two assets in Swansea and Swindon in the year for £13.9 million (Group share: £5.4 million).

The Group also disposed of 19 residential flats for £21.6 million (Group share: £8.7 million) through its 40% interest in LSP London Residential Investments Limited in the year.

At 31 March 2018, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE Limited and Savills Advisory Services Limited. The valuation of property held for sale by joint ventures at 31 March 2018 was £21.9 million (Group share: £8.8 million), (2017: £1.6 million and Group share £0.7 million).

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

As at 31 March	**2018 £000**	2017 £000
Opening balance	**107,567**	119,666
Additions at cost	**12,662**	450
Share of profit in the year	**13,655**	3,560
Disposals	**(3,964)**	(5,384)
Profit distributions received	**(12,274)**	(10,725)
	117,646	107,567

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

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	Total 2018 £000	Group share 2018 £000
Summarised income statement					
Gross rental income	**11,066**	**9,466**	**1,543**	**22,075**	**9,794**
Property costs	**(129)**	**(86)**	**(746)**	**(961)**	**(401)**
Net rental income	**10,937**	**9,380**	**797**	**21,114**	**9,393**
Administration expenses	**(75)**	**(82)**	**(85)**	**(242)**	**(106)**
Management fees	**(910)**	**(329)**	**(460)**	**(1,699)**	**(763)**
Revaluation	**16,775**	**904**	**(4,879)**	**12,800**	**6,842**
Finance income	**21**	**–**	**2**	**23**	**12**
Finance cost	**(2,626)**	**(1,979)**	**(8)**	**(4,613)**	**(2,070)**
Derivative movement	**473**	**(6)**	**–**	**467**	**234**
Profit/(loss) on disposal	**1,275**	**580**	**(2,000)**	**(145)**	**113**
Profit/(loss) after tax	**25,870**	**8,468**	**(6,633)**	**27,705**	**13,655**
Group share of profit/(loss) after tax	**12,935**	**3,373**	**(2,653)**	**13,655**	
EPRA adjustments:					
Revaluation	**(16,775)**	**(904)**	**4,879**	**(12,800)**	**(6,842)**
Derivative movement	**(473)**	**6**	**–**	**(467)**	**(234)**
(Profit)/loss on disposal	**(1,275)**	**(580)**	**2,000**	**145**	**(113)**
Debt and hedging early close out costs	**11**	**185**	**9**	**205**	**76**
EPRA earnings	**7,358**	**7,175**	**255**	**14,788**	**6,542**
Group share of EPRA earnings	**3,679**	**2,761**	**102**	**6,542**	
Summarised balance sheet					
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**	

	Metric Income Plus Partnership £000	LMP Retail Warehouse JV PUT £000	LSP London Residential Investments £000	Total 2017 £000	Group share 2017 £000
Summarised income statement					
Gross rental income	10,290	9,881	2,381	22,552	9,111
Property costs	(115)	(20)	(874)	(1,009)	(413)
Net rental income	10,175	9,861	1,507	21,543	8,698
Administration expenses	(24)	(93)	(77)	(194)	(85)
Management fees	(774)	(384)	(570)	(1,728)	(732)
Revaluation	5,123	(2,035)	(7,921)	(4,833)	(1,227)
Finance income	39	2	3	44	22
Finance cost	(2,766)	(2,365)	(343)	(5,474)	(2,242)
Derivative movement	251	(80)	19	190	108
(Loss)/profit on disposal	(95)	977	(3,080)	(2,198)	(982)
Tax	(1)	–	–	(1)	–
Profit/(loss) after tax	11,928	5,883	(10,462)	7,349	3,560
Group share of profit/(loss) after tax	5,964	1,781	(4,185)	3,560	
EPRA adjustments:					
Revaluation	(5,123)	2,035	7,921	4,833	1,227
Derivative movement	(251)	80	(19)	(190)	(108)
Loss/(profit) on disposal	95	(977)	3,080	2,198	982
Debt and hedging early close out costs	204	–	60	264	126
EPRA earnings	6,853	7,021	580	14,454	5,787
Group share of EPRA earnings	3,426	2,128	233	5,787	
Summarised balance sheet					
Investment properties	174,370	110,775	98,641	383,786	160,428
Other current assets	268	–	289	557	240
Cash	4,029	779	2,371	7,179	3,200
Current liabilities	(3,089)	(1,021)	(526)	(4,636)	(2,068)
Bank debt	(75,900)	(54,470)	–	(130,370)	(54,563)
Unamortised finance costs	716	658	–	1,374	559
Derivative financial instruments	(462)	6	–	(456)	(229)
Net assets	99,932	56,727	100,775	257,434	107,567
Group share of net assets	49,967	17,290	40,310	107,567	

11 Trade and other receivables

As at 31 March	**2018 £000**	2017 £000
Trade receivables	**776**	280
Amounts receivable from property sales	**10**	14,931
Prepayments and accrued income	**1,443**	3,455
Other receivables	**115**	92
	2,344	18,758

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual quarter days with no credit period. At 31 March 2018, trade receivables of £2,200 were overdue and considered at risk (2017: none).

12 Cash and cash equivalents

Cash and cash equivalents include £5.3 million (2017: £5.3 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

13 Trade and other payables

As at 31 March	**2018 £000**	2017 £000
Trade payables	**2,582**	9,118
Amounts payable on property acquisitions and disposals	**1,173**	1,832
Rent received in advance	**15,973**	13,724
Accrued interest	**785**	1,664
Other payables	**4,139**	3,102
Other accruals and deferred income	**8,924**	16,955
	33,576	46,395

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

14 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	**2018 £000**	2017 £000
Secured bank loans	**130,000**	196,170
Unsecured bank loans	**520,000**	277,000
Unamortised finance costs	**(6,449)**	(6,851)
	643,551	466,319

Certain bank loans at 31 March 2018 are secured by fixed charges over Group investment properties with a carrying value of £357.7 million (2017: £388.6 million).

b) Financial risk management

Financial risk factors

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

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

i) Credit risk

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

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

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

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

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

ii) Liquidity risk

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

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

The Group had cash reserves of £26.2 million (2017: £42.9 million) and available and undrawn bank loan facilities at 31 March 2018 of £53.8 million (2017: £296.8 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 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**

As at 31 March 2017	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Bank loans	12,245	12,245	265,620	251,672	541,782
Derivative financial instruments	5,712	6,500	21,529	16	33,757
	17,957	18,745	287,149	251,688	575,539

iii) Market risk – interest rate risk

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

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

At 31 March 2018, 73% of the Group's exposure (including share of joint ventures) to interest rate fluctuations was hedged by way of current and forward starting swaps and caps assuming existing debt facilities are fully drawn (2017: 87%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2018 including the cost of amortising finance arrangement fees, was 2.8% (2017: 3.5%). A 1% increase or decrease in interest rates would decrease or increase the Group's annual profit before tax by £2.3 million or £1.6 million respectively.

iv) Capital risk management

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern so that it can provide returns to shareholders and as such it seeks to maintain an appropriate mix of debt and equity. The capital structure of the Group consists of debt, which includes long term borrowings and undrawn debt facilities, and equity comprising issued capital, reserves and retained earnings. The Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

c) Financial instruments

i) Categories of financial instruments

As at 31 March	Measured at amortised cost 2018 £000	2017 £000	Measured at fair value 2018 £000	2017 £000
Non current assets				
Derivative financial instruments (see 14c(iii))	**–**	–	**2,836**	–
Current assets				
Cash and cash equivalents (note 12)	**26,162**	42,944	**–**	–
Trade receivables (note 11)	**776**	280	**–**	–
Other receivables (note 11)	**115**	92	**–**	–
	27,053	43,316	**2,836**	–
Non current liabilities				
Derivative financial instruments (see 14c(iii))	**–**	–	**–**	23,350
Borrowings (note 14a)	**643,551**	466,319	**–**	–
Current liabilities				
Trade payables (note 13)	**2,582**	9,118	**–**	–
Accrued interest (note 13)	**785**	1,664	**–**	–
Other accruals (note 13)	**8,924**	16,955	**–**	–
Other payables (note 13)	**4,139**	3,102	**–**	–
	659,981	497,158	**–**	23,350

ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2018.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2018 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**2018 %**	2017 %	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Less than one year	**2.0**	2.0	**100,000**	16,313	**–**	–
One to two years	**3.0**	2.0	**10,000**	100,000	**–**	1
Two to five years	**2.0**	2.3	**19,620**	29,620	**74**	121
	2.1	2.1	**129,620**	145,933	**74**	122

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2018 %**	2017 %	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Less than one year	**0.6**	–	**50,000**	–	**18**	–
One to two years	**2.0**	0.6	**10,000**	50,000	**(122)**	(134)
Two to five years	**1.3**	2.0	**425,000**	166,960	**2,866**	(6,187)
More than five years	**–**	2.1	**–**	425,000	**–**	(17,151)
	1.3	1.9	**485,000**	641,960	**2,762**	(23,472)
Total fair value					**2,836**	(23,350)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 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.

15 Commitments under operating leases

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

As at 31 March	**2018 £000**	2017 £000
Less than one year	**83,087**	78,420
Between one and five years	**323,519**	304,595
Between six and ten years	**313,920**	292,985
Between 11 and 15 years	**213,107**	192,168
Between 16 and 20 years	**96,093**	92,599
Over 20 years	**47,380**	59,872
	1,077,106	1,020,639

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

As at 31 March	**2018 £000**	2017 £000
Less than one year	**337**	810
Between one and five years	**–**	337
	337	1,147

16 Share capital

As at 31 March	**2018 Number**	**2018 £000**	2017 Number	2017 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**697,216,196**	**69,722**	692,382,431	69,238

In June 2017, the Company granted options over 2,163,274 ordinary shares under its Long Term Incentive Plan and 608,280 ordinary shares under the Director's Deferred Bonus Plan.

In addition, 2,212,076 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2014 vested along with 606,160 ordinary shares in the Director's Deferred Bonus Plan. The share price on vesting was 171.65p.

The Company issued 4,833,765 shares under the terms of its Scrip Dividend Scheme in the year.

No disclosures have been made in accordance with IFRS 2 for share based payments to employees other than those in the Remuneration Committee report on the basis of materiality.

17 Reserves

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

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
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.

18 Analysis of movement in net debt

	2018			2017		
	Cash and cash equivalents £000	**Borrowings £000**	**Net debt £000**	Cash and cash equivalents £000	Borrowings £000	Net debt £000
As at 31 March						
Opening balance	**42,944**	**466,319**	**423,375**	42,621	567,910	525,289
Cash movement	**(16,782)**	**176,830**	**193,612**	323	(101,819)	(102,142)
Loan issue costs paid	**–**	**(948)**	**(948)**	–	(1,181)	(1,181)
Amortisation of loan issue costs	**–**	**1,350**	**1,350**	–	1,409	1,409
Closing balance	**26,162**	**643,551**	**617,389**	42,944	466,319	423,375

19 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	
For the year to 31 March	Group interest	**2018 £000**	2017 £000	**2018 £000**	2017 £000
LSP Green Park Property Trust	31.4%	**–**	–	**–**	10
LSP London Residential Investments	40.0%	**384**	475	**5,303**	5,120
Metric Income Plus Partnership	50.0%	**1,008**	854	**3,750**	3,434
LMP Retail Warehouse JV Property Unit Trust	45.0%	**329**	384	**3,221**	2,161
		1,721	1,713	**12,274**	10,725

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

20 Events after the balance sheet date

On 11 April 2018 the Group conditionally exchanged to sell four distribution and two industrial warehouses for £36.0 million.

The Group completed the disposal of the Superdrug Distribution Centre in South Elmsall for £15.0 million on 26 April 2018.

On 27 April 2018 the Group's residential joint venture exchanged on a bulk sale of 10 flats at Moore House, London for £17.0 million.

On 7 May 2018 the Group completed the disposal of the Morrisons store at Loughborough for £32.5 million.

On 8 May 2018 the Group's Metric Income Plus partnership completed the acquisition of a forward funded development in Telford for £4.0 million (Group share: £2.0 million).

On 10 May 2018 the Group's Metric Income Plus partnership completed the acquisition of a Wickes store in Newmarket for £6.3 million (Group share: £3.1 million).

Supplementary information (not audited)

i EPRA summary table

	2018	2017
EPRA earnings per share	**8.5p**	8.2p
EPRA net asset value per share	**165.2p**	149.8p
EPRA triple net asset value per share	**165.7p**	146.4p
EPRA vacancy rate	**2.5%**	0.4%
EPRA cost ratio (including vacant property costs)	**15%**	16%
EPRA cost ratio (excluding vacant property costs)	**15%**	15%
EPRA net initial yield	**4.5%**	4.5%
EPRA 'topped up' net initial yield	**4.9%**	5.4%

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

ii EPRA proportionally consolidated income statement

For the year to 31 March	**Group £000**	**JV £000**	**2018 £000**	Group £000	JV £000	2017 £000
Gross rental income	**81,988**	**9,794**	**91,782**	73,905	9,111	83,016
Property costs	**(828)**	**(401)**	**(1,229)**	(814)	(413)	(1,227)
Net rental income	**81,160**	**9,393**	**90,553**	73,091	8,698	81,789
Management fees	**1,721**	**(763)**	**958**	1,713	(732)	981
Administrative costs	**(13,800)**	**(106)**	**(13,906)**	(13,268)	(85)	(13,353)
Net finance costs	**(16,475)**	**(1,982)**	**(18,457)**	(16,304)	(2,094)	(18,398)
Other	**(32)**	**–**	**(32)**	(13)	–	(13)
EPRA earnings	**52,574**	**6,542**	**59,116**	45,219	5,787	51,006

iii EPRA proportionally consolidated balance sheet

As at 31 March	**Group £000**	**JV £000**	**2018 £000**	Group £000	JV £000	2017 £000
Investment property	**1,677,555**	**164,455**	**1,842,010**	1,373,400	160,428	1,533,828
Gross debt	**(650,000)**	**(58,938)**	**(708,938)**	(473,170)	(54,563)	(527,733)
Cash	**26,162**	**13,128**	**39,290**	42,944	3,200	46,144
Other net (liabilities)/assets	**(24,710)**	**(1,042)**	**(25,752)**	(20,476)	(1,269)	(21,745)
EPRA net assets	**1,029,007**	**117,603**	**1,146,610**	922,698	107,796	1,030,494
Loan to value	**35%**	**28%**	**35%**	30%	32%	30%
Cost of debt	**2.7%**	**3.4%**	**2.8%**	3.6%	3.4%	3.5%
Undrawn facilities	**53,750**	**12,050**	**65,800**	296,750	2,938	299,688

iv EPRA cost ratio

For the year to 31 March	**2018 £000**	2017 £000
Property operating expenses	**828**	814
Administration expenses	**13,800**	13,268
Share of joint venture property operating, administration expenses and management fees	**1,270**	1,230
Less:		
Joint venture property management fee income	**(1,721)**	(1,713)
Ground rents	**(127)**	(121)
Total costs including vacant property costs (A)	**14,050**	13,478
Group vacant property costs	**(253)**	(548)
Share of joint venture vacant property costs	**(204)**	(236)
Total costs excluding vacant property costs (B)	**13,593**	12,694
Gross rental income	**81,988**	73,905
Share of joint venture gross rental income	**9,794**	9,111
	91,782	83,016
Less:		
Ground rents	**(127)**	(121)
Total gross rental income (C)	**91,655**	82,895
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**15%**	16%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**15%**	15%

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

As at 31 March	**2018 £000**	2017 £000
Investment property – wholly owned	**1,677,555**	1,373,400
Investment property – share of joint ventures	**164,455**	160,428
Less development properties	**(43,485)**	(27,315)
Less residential properties	**(30,139)**	(41,111)
Completed property portfolio	**1,768,386**	1,465,402
Allowance for:		
Estimated purchasers' costs	**120,250**	99,647
Estimated costs to complete	**30,848**	39,309
EPRA property portfolio valuation (A)	**1,919,484**	1,604,358
Annualised passing rental income	**78,378**	65,169
Share of joint ventures	**9,263**	8,814
Less development properties	**(1,198)**	(1,243)
Less residential properties	**(352)**	(526)
Annualised net rents (B)	**86,091**	72,214
Contractual rental increases for rent free periods	**6,247**	10,558
Contractual rental increases for stepped rental uplifts	**1,685**	3,151
'Topped up' net annualised rent (C)	**94,023**	85,923
EPRA net initial yield (B/A)	**4.5%**	4.5%
EPRA 'topped up' net initial yield (C/A)	**4.9%**	5.4%

vi EPRA Vacancy rate

As at 31 March	**2018 £000**	2017 £000
Annualised estimated rental value of vacant premises	**2,407**	384
Portfolio estimated rental value[1]	**95,808**	86,228
EPRA vacancy rate	**2.5%**	0.4%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at 31 March	**Group 2018 £000**	**JV 2018 £000**	**Total 2018 £000**	Group 2017 £000	JV 2017 £000	Total 2017 £000
Opening valuation	**1,373,400**	**160,428**	**1,533,828**	1,346,110	174,741	1,520,851
Acquisitions	**274,562**	**15,180**	**289,742**	81,043	9,146	90,189
Developments[1]	**61,648**	**848**	**62,496**	68,741	–	68,741
Capital expenditure[2]	**20,236**	**125**	**20,361**	18,055	561	18,616
Disposals	**(172,038)**	**(18,937)**	**(190,975)**	(175,615)	(22,631)	(198,246)
Revaluation	**114,723**	**6,842**	**121,565**	22,200	(1,227)	20,973
Lease incentives	**5,024**	**(31)**	**4,993**	12,866	(162)	12,704
Closing valuation	**1,677,555**	**164,455**	**1,842,010**	1,373,400	160,428	1,533,828

1 Includes capitalised interest of £1.7 million (2017: £1.9 million) and capitalised staff costs of £1.8 million (2017: £1.8 million)

2 Capital expenditure on completed properties

viii Total accounting return

For the year to 31 March	**2018 £000**	2017 £000
EPRA net asset value		
– at end of year	**1,146,610**	1,030,494
– at start of year	**1,030,494**	922,105
Increase	**116,116**	108,389
Dividend paid	**43,357**	43,694
Equity placing	**–**	(92,772)
Net increase	**159,473**	59,311
Total accounting return	**15.5%**	6.4%

ix Portfolio split and valuation

As at 31 March	**2018 £m**	**2018 %**	2017 £m	2017 %
Mega distribution	**500.8**	**27.2**	477.8	31.1
Regional distribution	**379.0**	**20.6**	303.4	19.8
Urban logistics	**353.3**	**19.1**	146.2	9.5
Distribution	**1,233.1**	**66.9**	927.4	60.4
Convenience & leisure	**174.7**	**9.5**	156.2	10.2
Long income	**220.8**	**12.0**	166.6	10.8
Retail parks	**139.8**	**7.6**	145.2	9.5
Office	**–**	**–**	70.0	4.6
Investment portfolio	**1,768.4**	**96.0**	1,465.4	95.5
Development – distribution[1]	**29.4**	**1.6**	22.8	1.5
Development – retail[2]	**14.1**	**0.8**	4.5	0.3
Residential	**30.1**	**1.6**	41.1	2.7
Total portfolio	**1,842.0**	**100.0**	1,533.8	100.0

1 Represents regional distribution of £16.2 million (0.9%) and urban logistics of £13.2 million (0.7%) at 31 March 2018

2 Represents long income of £8.2 million (0.5%) and convenience and leisure of £5.9 million (0.3%) at 31 March 2018

x Investment portfolio yields

	2018			2017		
As at 31 March	**EPRA NIY %**	**EPRA topped up NIY %**	**Equivalent yield %**	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	4.3	4.6	5.3	4.1	5.0	5.5
Convenience & leisure	4.7	4.9	5.3	5.1	5.2	6.0
Long income	5.6	5.9	5.5	6.2	6.5	6.0
Retail parks	4.5	5.6	5.6	3.8	5.7	5.9
Office	–	–	–	5.8	6.5	7.4
Investment portfolio	4.5	4.9	5.3	4.5	5.4	5.8

xi Investment portfolio – Key statistics

As at 31 March 2018	Area £000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	11,333	12.1	11.2	96.2	5.60
Convenience & leisure	563	17.2	17.0	100.0	16.70
Long income	1,192	11.0	9.3	100.0	19.70
Retail parks	443	11.1	9.3	100.0	18.90
Investment portfolio	**13,531**	**12.4**	**11.3**	**97.5**	**7.40**
Distribution development[1]	62				
Retail development[1]	69				
Commercial portfolio	**13,662**				

1 Excludes development sites at Bedford, Weymouth and Derby

xii Total property returns

For the year to 31 March	**All property 2018 %**	All property 2017 %
Capital return	**7.9**	1.7
Income return	**5.5**	5.6
Total return	**13.7**	7.4

xiii Contracted rental income

As at 31 March	**2018 £m**	2017 £m
Distribution	**61.1**	50.9
Convenience & leisure	**9.4**	8.8
Long income	**13.9**	11.5
Retail parks	**8.4**	9.4
Office	**–**	4.9
Investment portfolio	**92.8**	85.5
Development – distribution	**0.4**	0.8
Development – retail	**0.8**	0.5
Commercial portfolio	**94.0**	86.8
Residential	**0.4**	0.5
Total portfolio	**94.4**	87.3

xiv Rent subject to expiry

As at 31 March 2018	**Within 3 years %**	**Within 5 years %**	**Within 10 years %**	**Within 15 years %**	**Within 20 years %**	**Over 20 years %**
Distribution	7.5	15.8	44.0	72.8	84.0	100.0
Convenience & leisure	3.7	3.7	22.4	27.6	44.5	100.0
Long income	0.6	10.1	41.1	88.6	97.6	100.0
Retail parks	5.6	5.6	45.6	89.7	100.0	100.0
Commercial portfolio	**5.9**	**12.8**	**41.5**	**72.2**	**83.5**	**100.0**

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

As at 31 March	**2018 £m**	**2018 %**	2017 £m	2017 %
Distribution	**34.6**	**56.2**	29.9	57.8
Convenience & leisure	**6.9**	**73.4**	7.7	87.5
Long income	**4.7**	**32.2**	3.4	29.6
Retail parks	**1.1**	**12.5**	1.4	14.1
Office	**–**	**–**	3.0	60.9
Commercial portfolio	**47.3**	**50.3**	45.4	52.4

xvi Top ten assets (by value)

As at 31 March 2018	Area £000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.5	100.0	22.5	22.5
Eddie Stobart, Dagenham	454	4.1	100.0	25.5	25.5
Primark, Thrapston	783	4.2	100.0	14.5	14.5
Dixons Carphone, Newark	726	4.4	100.0	15.3	15.3
Argos, Bedford	658	3.8	100.0	4.7	4.7
Amazon, Omega South, Warrington	357	2.1	100.0	13.7	13.7
Poundworld, Wakefield	527	2.6	100.0	13.5	13.5
M&S, Sheffield	626	2.6	100.0	5.7	3.3
Kirkstall Bridge, Leeds	120	2.5	100.0	10.4	7.9
Airport Retail Park, Coventry	138	2.0	100.0	9.5	8.9

xvii Top ten occupiers

As at 31 March 2018	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark[1]	9.7	21.4	10.2
Dixons Carphone	7.8	2.4	8.3
M&S	7.0	4.6	7.4
DHL[1]	4.1	39.0	4.3
Argos[1]	4.1	6.9	4.3
Eddie Stobart	4.1	0.5	4.3
DFS	3.6	0.5	3.9
Odeon[1]	3.3	2.1	3.5
Poundworld	2.7	n/a	2.9
Clipper Logistics	2.2	0.4	2.4
Top ten	48.6		51.5
Other commercial	45.4		48.1
Total commercial	**94.0**		99.6
Residential	0.4		0.4
Total Group	**94.4**		100.0

1 Market capitalisation of Parent Company

Glossary

Building Research Establishment Environmental Assessment Methodology ('BREEAM')
A set of assessment methods and tools designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build

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

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

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

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

EPRA Earnings per Share ('EPS')
Recurring earnings from core operational activities divided by the average number of shares in issue over the year

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

EPRA 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 taking into account the net effects of straight lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, turnover based rent, surrender premiums and car parking income

Group
LondonMetric Property Plc and its subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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