LONDONMETRIC PROPERTY PLC
(“LondonMetric” or the “Group” or the “Company”)
ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019
Structurally supported portfolio continues to deliver attractive returns and support a progressive dividend

LondonMetric today announces its annual results for the year ended 31 March 2019.

Income Statement	**31 March 2019**	**31 March 2018**
Net rental income (£m)[1,2]	93.8	90.6
EPRA Earnings (£m) [2]	61.0	59.1
EPRA EPS (p) [2]	8.8	8.5
Dividend per share (p)	8.2	7.9
Reported Profit (£m)	119.7	186.0
IFRS EPS (p)	17.2	26.9
Balance Sheet		
EPRA NAV per share (p) [2]	174.9	165.2
IFRS NAV per share (p)	174.7	165.7
IFRS net assets (£m)	1,216.8	1,149.5
LTV (%)[1,2,3]	32	35

1. Including share of Joint Ventures
2. 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
3. Including deferred consideration receivable on transactions that have exchanged in the year

Continued income growth increases earnings and dividends
- Net rental income up 3.5% to £93.8m[1]
- EPRA EPS up 3.5% to 8.8p
- Dividend increased 3.8% to 8.2p, 107% covered by EPRA EPS, including Q4 dividend declared today of 2.5p
- Reported profit of £119.7m

Sector alignment and asset selection delivers further valuation gains, contributing to total returns
- EPRA NAV per share up 5.9% to 174.9p, IFRS NAV per share up 5.4% to 174.7p
- Driven by a revaluation surplus of £64.4m[1], a 3.6% uplift on the portfolio with distribution increasing by 6.8%
- Equivalent yield compression on portfolio of 10bps and ERV growth of 0.9%
- Total Accounting Return of 10.7% and Property Return of 9.0%, outperforming IPD All Property by 440bps

Investment activity increases distribution weighting to 72.5%, further improving portfolio quality
- £163.3m acquired, predominantly urban logistics which has grown to represent 27.3% of the portfolio
  - WAULT of 14 years, with 63% of income acquired subject to contractual uplifts
- £238.2m disposed, predominantly mega and regional distribution as well as retail parks which represents just 4.7% of the portfolio
  - WAULT of 9 years, generally in weaker geographies and over 30% was vacant

50 occupier transactions contributing to like for like income growth of 5.7% (2.9% excluding one off gains)
- £2.0m pa income uplift from lettings, signed with a WAULT of 11 years
  - Distribution regears increased WAULT from four to 11 years with 17% rental uplift on urban regears
- £1.2m pa income uplift from rent reviews, 12% uplift above passing on a five yearly equivalent basis
  - 28% uplifts on urban, 18% on long Income, 8% on mega and regional

0.9m sq ft of short cycle developments underway or planned creating future income at a yield of 6.7%
- At Bedford, 73% of the 188,000 sq ft development was pre-let post year end and construction of 500,000 sq ft under phase 2 remains subject to occupier commitments

Portfolio metrics reflect our focus on long income, contractual uplifts and low operational requirements
- WAULT of 12.5 years with only 3.5% of income expiring within three years
- 63% of income subject to contractual uplifts and gross to net income ratio remains above 98%

Conservative financing continues to enhance income
- LTV of 32% and debt maturity increased from 4.8 years to 6.4 years following two new debt arrangements

Recommended Offer for A&J Mucklow Group plc
- LondonMetric has today separately announced a £414.7 million recommended offer for A&J Mucklow Group plc (‘Mucklow’), a distribution and industrial REIT with a portfolio located predominantly in the West Midlands.

Andrew Jones, Chief Executive of LondonMetric, commented:

"These results again demonstrate that our pivot into distribution was the right strategy to ensure that we could deliver reliable, repetitive and growing income-led returns that will outperform over the long term. Over the six years since our merger, we have delivered a total shareholder return of 156% and significantly outperformed the FTSE 350 Real Estate Super Sector of 57%.

"We believe that today's announcement of the recommended offer for Mucklow is a natural next step for the Company. With a highly complementary portfolio focused on the outperforming urban logistics sector along with asset management opportunities, which play to LondonMetric's strengths and experience, we believe this transaction creates a compelling combination, which will offer attractive shareholder returns both today and in the years to come."

For further information, please contact:

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Meeting and audio webcast

A meeting for investors and analysts will be held at 10.30am today at FTI Consulting, 200 Aldersgate Street, London, EC1A 4HD. The conference call dial-in for the meeting is +44 (0) 330 336 9125 (participant passcode: 7868568). In addition, there will be a live webcast available at https://www.londonmetric.com/investors with an on demand recording of the webcast available shortly after the meeting from the same link.

Notes to editors

LondonMetric is a FTSE 250 REIT (ticker: LMP) that specialises in distribution, long income and convenience-led retail property. It focuses on strong and growing income and enhancing capital values. LondonMetric has 12 million sq ft under management. Further information is available at www.londonmetric.com

Forward looking statements: This announcement may contain certain forward-looking statements with respect to LondonMetric's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of LondonMetric speak only as of the date they are made. LondonMetric does not undertake to update forward-looking statements to reflect any changes in LondonMetric's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past share price performance cannot be relied on as a guide to future performance.

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

It's now ten years since we emerged from the Global Financial Crisis and history would suggest that we are in late cycle territory and that a correction is overdue. But looking ahead to the next decade, mitigating factors point to an extension of the current cycle.

Firstly, annual growth rates over the last decade have been relatively constrained and markets have remained largely rational. Secondly, interest rates have barely moved from their unprecedented low levels and, with a relatively modest outlook for wage inflation and the global economy, are unlikely to change significantly in the medium term. Finally, we live in a world where technological and political disruption is challenging long established principles and an ageing population is creating an unprecedented demand for income.

This backdrop has wide ranging consequences for real estate. Whilst many continue to see property as a trading commodity and an opportunity to reposition and crystallise capital appreciation, we believe that the most attractive characteristic of property is its income compounding quality over the longer term. The ability to generate reliable, repetitive and growing income returns makes certain property sectors a perfect asset class in which to deploy capital in the current investment environment.

However, we are acutely aware that this doesn't apply to all property. History would suggest that downward repricing is caused by serious imbalances in supply and demand. The real estate market is not seeing such imbalances but some real estate sectors are facing disruption in demand from structural change that is material, permanent and unrelated to a property cycle downturn. In particular, the migration to online shopping is causing a serious downturn in traditional retail property and this disruption will continue to cause a downward trajectory in income and have a destructive impact on valuations.

The Company's actions and strong performance continue to reflect its focus on owning good assets, in structurally supported sectors of logistics and convenience-led retail, that are let to strong occupiers, on long leases and that can deliver reliable and growing income.

During the year, the Company increased EPRA earnings per share by 3.5% and dividends per share by 3.8%, a fourth year of progression. It significantly outperformed IPD All Property, increased EPRA NAV per share by 5.9% and reported a profit of £119.7 million. Further debt arrangements have also been put in place to lengthen our debt maturity and provide flexibility whilst maintaining a prudent level of gearing.

As a measure of our longer term progress and performance, over the six years since our merger, we have delivered a total shareholder return of 156% and significantly outperformed the FTSE 350 Real Estate Super Sector average of 57%. Despite much uncertainty, we look forward to building on this performance knowing that our decisions put us in a strong position to outperform and further progress the dividend.

We recognise that the success of the Company is reliant on our people and I would like to thank the Board and all of our employees for their continued hard work. We have reviewed the structure of the Board during the year in the light of changes to the Corporate Governance Code. As a consequence, Alec Pelmore and Philip Watson retired as Non Executive Directors at the end of the year. I thank them both for their dedication over nine years and I warmly welcome Robert Fowlds, who joined the Board on 31 January 2019.

To ensure a balance between Executive and Non Executive Directors, both Valentine Beresford and Mark Stirling will step down at the AGM in July, but will remain an integral part of the senior executive team in their respective roles as Investment Director and Asset Director.

I am also pleased that we have agreed a £414.7 million recommended offer to acquire A&J Mucklow Group plc . The combination of their assets, approximately 70% of which is in distribution and industrial property, is consistent with our strategy of increasing our urban logistics exposure. The combination has compelling strategic and portfolio rationale with strong operational and financial benefits. I am delighted to say that we think this deal will be immediately earnings enhancing for shareholders. There will be work to do, but we are excited by the reversionary and asset management potential of their assets which will underpin and further support our progressive dividend policy.

Patrick Vaughan
Chairman
23 May 2019

CHIEF EXECUTIVE'S REVIEW

Overview

The Company's purpose is to own and manage UK real estate that can deliver reliable, repetitive and growing income-led returns and that will outperform over the long term. In summary, we aim to behave as a true REIT.

We continue to operate within a market framed by political and economic uncertainty combined with ongoing structural changes and technological disruption. Whilst it's not always easy to predict outcomes, the direction of travel is clear so we continue to prepare and adapt.

The property market appears to be broadly in a state of equilibrium and this period of yield tranquillity is set to continue. As I commented at the half year, however, we continue to see a further polarisation across certain real estate subsectors as yields adjust further to more realistically reflect the anticipated trajectory, certainty and timing of future rental cashflows. 'Beds, sheds & meds' continue to be clear winners whilst operational shopping centres, department stores and retail parks have been the undeniable losers.

I also stated previously that I didn't think that the market was properly discriminating and that it was time to own not only the winning sectors but also the right assets in those sectors. Today, we believe these principles are more important than ever to delivering attractive long term returns.

It is this focus that frames our capital allocation and has created what we believe is an 'all weather' portfolio of fit for purpose distribution and long income assets where we can take a longer term investment view and collect, compound and grow our income.

Logistics continuing to benefit from online adoption

Despite the gloomy headlines for retail, it's not necessarily a case of consumers shopping less but more about how they are choosing to shop.

The internet continues to change consumer shopping patterns with sales continually moving away from physical stores towards online. The percentage of non-food retail sales that are now online has grown to an estimated 23% and is expected to increase further to 28% by 2023. Indeed we believe that these profound changes will be of greater significance over the next 5–10 years than what ultimately happens with the UK's relationship with the EU.

These shifts in consumer shopping patterns are causing significant challenges for many established retailer business models. Those retailers that adapt quickly enough will ultimately win, probably at the expense of those who cling to the old ways, who will likely fail and disappear. The survivors are already inheriting unprecedented pricing power on lease renewal negotiations which will further compound this advantage. This shift is firmly underway and it continues to influence our sectoral choices, asset selections and credit decisions.

It is clear that the ecommerce revolution is continuing to drive sustained demand for logistics and warehouse space with CBRE reporting record logistics take up in 2018 of 31.5 million sq ft, driven in particular by demand from online retailers. Whilst supply levels and speculative development has responded, vacancy rates continue to remain at historically low levels. Furthermore, after several years of consistent rental growth, JLL is still forecasting further rental growth in logistics of 2.1% per annum over the next four years, outperforming most other real estate subsectors.

Interestingly rental growth is expected to vary significantly by region. One of the top performing regions over the next five years is expected to be London and the South East, with JLL forecasting growth of 4.6% per annum. Other regions that are expected by Gerald Eve to outperform include the North West and the West Midlands. Urban logistics 'last mile' is expected to benefit in particular with this subsector witnessing ever reducing levels of supply as urbanisation leads to stronger competition from more valuable alternative land uses.

Our portfolio is aligned to distribution assets that will outperform

Our exposure to distribution has grown over the year to represent 72.5% of our portfolio. Whilst we look to grow our logistics exposure further, our overwhelming focus is to own the right assets that can provide reliable, repetitive and growing income.

The positive momentum in logistics is clear and we expect it to continue to outperform other real estate sectors as investors remain attracted by the sector's strong fundamentals, as well as a need to further re-weight real estate allocations away from legacy sectors, primarily retail. However, one of the consequences of elevated levels of investor demand is that we quite often see too much optimism factored into pricing as investors exuberantly extrapolate the sector's strong fundamentals. We have seen this particularly in larger box distribution and shorter let assets located in weaker geographies.

As a result, we are increasingly rejecting many new opportunities that come across our desks and have taken advantage of market strength to sell our weaker assets for good prices. Over the year, we sold £155.1 million of distribution assets, of which £115.6 million was mega and regional distribution warehouses. Two thirds of the sales were in Yorkshire and half were non income producing, the majority of which related to the sale of a 527,000 sq ft warehouse formerly let to Poundworld and a 335,000 sq ft warehouse let to Marks & Spencer but sold on a vacant basis. The WAULT to first break on the remaining assets sold was just four years.

Our reinvestment has continued to focus on urban logistics where we see superior rental growth prospects. In the year, we acquired £106.6 million of urban assets which, together with further expenditure on developments, has helped to increase our urban logistics platform over the year from £366.5 million to £503.9 million, representing 38% of our total distribution portfolio. Our focus on long income and strong locations, has increased the WAULT on our urban logistics to 10 years and its London and South East weighting to 64%.

Long income and convenience-led retail continues to deliver

There are still many weak parts of the retail property market where assets are materially over-rented, let to distressed occupiers, in increasingly marginal locations, with impending capex liabilities and shortening lease lengths. Whilst the operational-led retail real estate market has already seen material valuation falls, we expect values to weaken further.

We have continued to divest our multi-let operational retail parks and disposed of two parks, both at book value. Three retail parks remain and they account for less than 5% of our portfolio, down from 20% four years ago. Whilst they are modern fit for purpose assets, 98.8% let on an average lease length of 10 years, across the board price reductions by valuers, who are increasingly sentiment driven, resulted in these parks delivering a total property return over the year of -3.2% and these assets are now valued at a blended NIY of 6.3%. However, despite these falls, our shareholders have still made good profits compared to historic cost.

Despite the well publicised challenges, we do not think that all retail assets are heading into history and that some of the pessimism is overdone. Indeed our long let assets continue to successfully navigate the retail disruption and, whilst not immune from the challenges, delivered a total property return over the year of 4.8%. In particular, convenience food is performing well as internet penetration rates for food remain low and top up shopping continues to grow in popularity.

We spotted this trend a number of years ago when we acquired our first standalone Aldi store and have grown this to 22 convenience stores let to occupiers such as Aldi, Lidl, M&S and the Co-op. We have been able to acquire and build these assets at attractive prices, often in conjunction with our occupiers, well before the market fully appreciates their true intrinsic values.

In the year, we selectively acquired £56.7 million of further long let income opportunities, with average lease lengths of 18 years and 67% of the income benefitting from contractual rental uplifts. As well as convenience stores, some of these acquisitions related to service-led opportunities and roadside assets.

Overall, our retail and leisure portfolio is well located and has strong income characteristics with 99.8% occupancy, a WAULT of 12 years let to good occupiers at sustainable rents, with low operational requirements and average lot sizes of under £10 million.

Income will continue to define this decade’s investment winners

We have highlighted on previous occasions our view that income and income growth would be the defining characteristics of the next decade’s investment environment.

Growth rates across the world continue to moderate and 10 year government bond yields have returned to historically low levels. This benign economic environment coincides with the impending demographic explosion in the number of retirees across the globe. In the UK, the old age dependency ratio (pensioners per 1,000 people of working age) is expected to rise from 280 to 364 in 20 years’ time, a 30% increase.

Therefore, we believe that well located property, that is let on long leases to strong credits, delivering a return that is 400-500 bps higher than government bonds, is increasingly attractive. If you overlay an inflation hedge then the margin over bond yields becomes even more attractive.

Our portfolio’s income metrics remain strong

Income and income growth remain a key priority, which allows us to be a little less obsessed about predicting exact market movements or timing of cycles.

Our portfolio’s income metrics remain strong with 98% occupancy, long leases averaging 12.5 years and only 3.5% of income expiring within three years. Our focus on single let properties with very limited defensive capex requirements, something we refer to as ‘Triple net income’, continues to contain our gross to net income leakage at under 2%.

Delivering enhanced income-led returns through our asset management

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

1. Contractual uplifts in the form of RPI, CPI or fixed increases – 63% of our rental income benefits from some form of contractual uplift (up from 50% 12 months ago) and this dominates our mega and regional logistics assets as well as our convenience and leisure assets;
2. Organic growth through the five yearly rent review cycles – this predominantly relates to our urban logistics portfolio, where we are settling material uplifts on open market rent reviews; and

3. Asset management and development initiatives – historically this was focused across our retail park assets but now is increasingly being undertaken within our urban logistics portfolio where we look to invest alongside our occupiers to deliver fit for purpose real estate.

During the year, our lettings and rent reviews helped to deliver £3.2 million of additional income. We signed 11 distribution lettings and regears across 1.9 million sq ft which significantly increased rents and extended the lease lengths on regeared properties from four years to 11 years. Rent reviews were settled at 11.7% ahead of passing on a five yearly equivalent basis. These deals helped to grow like for like income by 5.7% over the year.

Outlook

The decision to pivot the portfolio a number of years ago to align with the structural changes in shopping habits continues to bear fruit and we expect further outperformance as real estate assets continue to polarise. Our strategic repositioning since 2013 means that we increasingly like what we own and expect it to deliver strong income and income growth.

We have exited assets and sectors that we regard as less attractive and have invested in stronger assets within the winning sectors. We can't always predict, but we can prepare, and so we will continue to evolve to ensure that our portfolio remains fit for purpose. If we avoid the losers, the winners will look after themselves.

We will stay rational, unemotional and above all patient. We will move forward using our experience and expertise to help guide us and accepting that, amongst uncertainty, we cannot be so optimistic that we want to bid on everything, but neither are we so bearish that we want to sell everything; remembering that when the dust settles and all the uncertainty has disappeared, there will be no bargains left.

Our long term 'all weather' approach, combined with our belief in the merits of behaving as a 'true REIT' and full shareholder alignment, will ensure that we continue to progress the dividend and deliver compounding returns.

PROPERTY REVIEW

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

Continued focus on aligning our portfolio to logistics and convenience-led assets

Acquisitions in the year were £163.3 million and consisted mainly of urban logistics, long income and convenience assets. These assets had an average lease length of 14 years with 63% of the income subject to contractual uplifts and 45% located in London and the South East. Consequently, together with reversionary potential, the blended acquisition NIY of 4.6% is expected to increase to 5.3% over the next five years.

As part of our disciplined portfolio management, we sold £238.2 million of assets at a NIY of 3.7% (including vacant properties) and with a WAULT of nine years. Approximately half of the disposals were larger distribution warehousing, the majority of which were vacant and located predominantly in Yorkshire. The balance of the disposals was split between assets outside our preferred sectors, namely two retail parks and 18 residential flats, and selective urban logistics, convenience and leisure assets where we reacted to strong offers for our assets.

Activity over the year significantly increased our urban logistics exposure to over £500 million, representing 27% of the overall portfolio. Despite net disposal activity, our total distribution exposure increased further from 68.5% to 72.5%. Long income increased to 13% whilst convenience and leisure reduced slightly to 9%. Directly owned retail parks now represent less than 5%, down from 7% at the start of the year, and residential fell to less than 1% with 33 flats at Moore House remaining to sell of the original 149 owned.

Investment activity in the year by subsector		**Acquisitions**		**Disposals**[1,2,3]
	Cost at share £m	NIY %	**Proceeds at share £m**	NIY %
Mega & Regional Distribution	**–**	–	**115.6**	2.0
Urban Logistics	**106.6**	4.5	**39.5**	5.7
Long Income, Convenience & Leisure	**56.7**	4.9	**28.8**	4.8
Retail Parks	**–**	–	**43.9**	5.4
Residential	**–**	–	**10.4**	3.5
Total	**163.3**	**4.6**	**238.2**	**3.7**

1 NIY includes vacant distribution property disposals totalling £74.5 million, where there was no income

2 Excludes proceeds from disposals in Loughborough and South Elmsall totalling £47.5 million that exchanged last year but completed in the year and, as such, are reflected in the full year financial statements

3 Includes a £10.5 million regional disposal in Wakefield that exchanged in the year but completed post year end and will be reflected in next year's financial statements

Portfolio metrics strengthened over the year

As a result of our management and investment activity, the portfolio's average lease length increased over the year to 12.5 years (11.6 years to first break). This provides a high level of income security with only 3.5% of income expiring over three years and 37.6% over 10 years. Occupancy increased over the year from 97.5% to 97.8% and our gross to net income ratio of 98.2% continues to compare very favourably against our peers and reflect the low operational requirements of our assets.

During the year, we undertook 50 occupier transactions which generated £3.2 million of additional income. Like for like income growth was 5.7% or 2.9% excluding one off gains.

Urban & regional logistics continues to perform

Over the year, the portfolio delivered a total property return of 9.0%, significantly outperforming the IPD All Property return of 4.6%. Distribution delivered a total return of 12.2%, long income, convenience and leisure delivered 4.8% whilst retail parks delivered a -3.2% total return.

The portfolio revaluation gain over the year was £64.4 million, reflecting a 3.6% increase. This was driven by an equivalent yield compression of 10bps on a like for like basis and ERV growth of 0.9%. ERV growth was highest in urban logistics, which saw a 5.0% increase, whilst mega distribution increased by 0.8%.

Distribution delivered an £82.5 million revaluation gain, a 7% increase, with urban and regional logistics again outperforming. Developments delivered a 19% increase equating to a £9.7 million uplift. Retail and leisure values fell by 5% overall, where the valuation uplift on convenience and leisure was offset by falls at our retail parks. Residential saw a £1.8 million decline. The investment portfolio's EPRA topped up net initial yield is 4.7% and the equivalent yield is 5.1%.

DISTRIBUTION

We invest across the distribution subsectors and in assets that we believe have the best return prospects.

Our distribution assets are spread across the urban, regional and mega subsectors. Including developments, their value increased over the year from £1,263 million to £1,339 million, representing 72.5% of the portfolio. The average WAULT is 13 years, up from 12 years, whilst occupancy increased to 97%. 72% of income from our distribution assets is now subject to contractual rental uplifts.

As at 31 March 2019	Mega	Regional	Urban
Typical warehouse size	500,000+ sq ft	100–500,000 sq ft	Up to 100,000 sq ft
Value[1]	£427m	£408m	£504m
WAULT	15 years	14 years	10 years
Average Rent (psf)	£5.70	£6.20	£6.70
Topped up NIY	4.4%	4.1%	4.3%
ERV growth	+0.8%	+2.6%	+5.0%
Contractual uplifts[2]	100%	73%	44%
Total Property Return	+8.0%	+12.4%	+15.7%

1 Including developments

2 Percentage of portfolio that benefits from contractual rental uplifts

Increasing our urban logistics exposure to over £500m

We have been increasingly attracted to urban logistics where we perceive investment returns are greatest and where, over the last three years, we have selectively increased our exposure from £37 million to £504 million. Urban logistics is now the largest component of both our distribution exposure and the wider portfolio.

The restricted supply in urban logistics and strong occupier demand continues to generate highly favourable market dynamics, which are driving attractive rental growth and returns. This is reflected in our urban logistics average ERV which, at £7.70 psf, is 15% higher than passing rent of £6.70 psf.

Our recent distribution investments have been exclusively in urban logistics. During the year, we acquired £106.6 million of urban logistics at a NIY of 4.5%, which is expected to increase to 5.3% over five years as a result of organic reversion and contractual uplifts. These acquisitions had a WAULT of 12 years with 60% of the income subject to contractual uplifts. These assets were also located mainly in the South and helped to increase our urban portfolio's London and the South East weighting to 64%.

Focusing on the right assets within logistics

Whilst we remain focused on growing our logistics exposure, we are more conscious than ever that asset selection will be crucial to deliver consistent, reliable and growing income returns.

Therefore, to ensure that our portfolio remains fit for purpose, we sold 15 distribution assets in the year for £155.1 million. We took advantage of the strong market to sell three non income producing assets totalling £74.5 million. Of the remainder, the WAULT to first break was four years and these assets were sold at a blended NIY of 5.7%.

Reflecting our conscious move away from larger distribution, where we believe rental growth prospects are weaker, 75% of disposals were mega and regional assets. As a consequence, mega distribution exposure has fallen from 27% to 23% of the portfolio and all of these assets now have contractual rental uplifts.

Our greater geographic focus saw us sell a number of assets in what we consider are less favourable locations. Two thirds of our disposals were located in Yorkshire, a region where we have consciously sought to reduce our exposure, and this helped to reduce our Yorkshire distribution exposure from 17% to 9%.

ACQUISITIONS (ALL URBAN)

340,000 sq ft portfolio
Acquired for £49.1 million let to occupiers including CEVA Logistics, DSV and Jewson for a further eight years.

112,000 sq ft in Milton Keynes
Acquired for £12.0 million let to Royal Mail for a further 10 years.

80,000 sq ft in Cambridgeshire
Acquired for £10.0 million let to Cambridge Commodities for a further 20 years.

78,000 sq ft in Thorne
Acquired for £7.9 million let to Omega Plc for 20 years.

48,000 sq ft in Avonmouth
Acquired for £13.5 million let to Chep for a further nine years.

34,000 sq ft in Basildon
Acquired for £6.3 million let to WCM for 20 years.

25,000 sq ft in Orpington
Acquired for £7.8 million let to Selco for 15 years.

Post year end, we acquired two assets for £9.9 million:
- 35,000 sq ft urban logistics warehouse in Dunstable for £5.7 million let to Mega Marble for 15 years; and
- 26,000 sq ft urban logistics warehouse in Croydon, London for £4.2 million let to Harrow Green for 17 years.

DISPOSALS

527,000 sq ft in Wakefield
Disposed for £43.5 million, formerly let to Poundworld but sold on a vacant basis.

492,000 sq ft portfolio
Disposed for £36.0 million let to occupiers including Encon, NNR & Hillary's Blinds for a further six years.

335,000 in Sheffield
Disposed £23.5 million let to Marks & Spencer until end of March 2019 and sold on a vacant basis.

137,000 sq ft in Doncaster
Disposed for £9.9 million let to Howdens for a further two years.

128,000 sq ft in Ashby-de-la-Zouche
Disposed for £12.1 million let to United Biscuits for a further nine years (four years to first break).

121,000 sq ft in Wakefield
Disposed for £10.5 million let to One Stop Stores for a further four years.

103,000 sq ft in Wakefield
Disposed for £7.5 million let to Menzies for a further seven years (two years to first break).

97,000 sq ft in Leicester
Disposed for £7.5 million, sold on a vacant basis.

54,000 sq ft in Wakefield
Disposed for £4.8 million let to Macfarlane for a further six years.

LONG INCOME & CONVENIENCE-LED RETAIL

We focus on long income and convenience-led retail that can generate reliable and growing income.

Our long income and convenience-led portfolio is 100% let with a WAULT of 12 years, let to strong occupiers at affordable average rents of £17.90 psf and valued at an attractive NIY of 5.8%. The average lot size is less than £10 million with 46% of income subject to contractual uplifts.

Attracted by these strong characteristics, these assets continue to see strong investment demand from low energy pension fund investors, as evidenced by our £72.7 million of disposals at a NIY of 5.1%. Our disposals were broadly offset by £56.7 million of acquisitions which we acquired at a NIY of 4.9% and, with contractual uplifts on 67% of this income, this is expected to rise to 5.3% over five years. Reflecting our long income focus, the average WAULT on acquisitions was 18 years.

As at 31 March 2019	Long Income	Convenience & Leisure	Retail Parks
Value[1]	£237m	£165m	£87m
WAULT	11 years	15 years	10 years
Average Rent (psf)	£19.00	£15.80	£18.50
Topped up NIY	6.2%	4.8%	6.3%
Contractual uplifts[2]	34%	84%	23%
Total Property Return	+1.2%	+8.7%	-3.2%

1 Including developments

2 Percentage of portfolio that benefits from contractual rental uplifts

Long income

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

Convenience & leisure

These assets represent 9% of the portfolio, have an average lease length of 15 years and 84% of income is subject to contractual rental uplifts. They consist of convenience-led stores let mainly to M&S, Aldi, Co-op and Lidl, and five Odeon cinemas, mostly acquired as part of a portfolio of ten cinemas in 2013.

Retail parks

Over the last four years, our direct retail park exposure has significantly reduced from 16 assets to three today. During the year, we sold a 70,000 sq ft retail park in Launceston for £21.9 million at a NIY of 5.6% and our Martlesham Heath Retail Park for £22.0 million at a NIY of 5.2%. These disposals were sold at book value. Retail Parks now represent under 5% of the total portfolio and consist of assets in Tonbridge, Coventry and Leeds that have all been recently repositioned, are 98.8% let at sustainable rents, on average for a further 10 years, and valued at a NIY of 6.3%.

ACQUISITIONS

MIPP Joint Venture
Acquired four assets in Aldershot, Beverley, Newmarket and Telford for £21.4 million (Group Share: £10.7 million) let predominantly to Wickes and the Range. Other occupiers include Burger King, KFC and Costa.

Derby
Acquired a 34,000 sq ft long income asset let to Wickes for £5.9 million.

Durham
Acquired a 58,000 sq ft forward funded convenience development for £13.6 million pre-let to Lidl and the Range.

Roadside Portfolio
Acquired a portfolio of eight roadside convenience assets for £12.1 million let to Euro Garages under franchise agreements with Starbucks, Burger King, Greggs and Subway. The assets occupy prominent roadside locations, with the largest two in Bicester.

Hull
Acquired a 35,000 sq ft Odeon Cinema for £4.3 million.

London
Acquired two convenience assets let to the Co-op for £10.2 million.

Post year end, we increased our equity holding in the DFS Joint Venture from 45% to 82% for £18.6 million. The opportunistic acquisition gives LondonMetric full operational control, allows it to accelerate various asset management initiatives and also pay down expensive secured bank facilities which were due to expire imminently. We also acquired two convenience stores in Worthing and Bournemouth for £6.1 million let to the Co-op for 20 years.

DISPOSALS

Roadside Portfolio
Disposed of two assets let to Euro Garages for £2.2 million.

Penrith & Cowes
Disposed of two M&S convenience stores for £10.7 million.

Warrington
Disposed of a 36,000 sq ft Odeon Cinema for £13.7 million.

Launceston
Disposed of a 70,000 sq ft retail park for £21.9 million.

Martlesham Heath, Ipswich
Disposed of a 48,000 sq ft retail park for £22.0 million.

Oldham
Our MIPP JV sold a 25,000 sq ft asset let to Wickes for a further 15 years for £4.5 million (Group Share: £2.3 million).

ASSET MANAGEMENT

Our asset management activity continues to improve the quality of our real estate as well as grow our income. We undertook 50 occupier transactions in the year, generating £3.2 million of additional income and reducing our vacancy rate to 2%. Like for like income growth in the year was 5.7%, 2.9% excluding one off gains. Contracted income at the year end was £89.7 million.

Distribution lettings

Distribution lettings and regears in the year were signed across 1.9 million sq ft, adding £1.6 million of income with an average lease length of 11 years and tenant incentives equivalent to c.10 months rent free. On regears, lease lengths were increased from four to 11 years.

Three regears were signed on mega and regional assets:

- Bedford, we signed a 15 year regear with Argos across 656,000 sq ft, increased from four years
- Swindon, we exchanged contracts with Oak Furniture to extend its 302,000 sq ft distribution warehouse by 55,000 sq ft. The lease runs for a further nine years following removal of the break
- Sheffield, a five year regear on 291,000 sq ft was signed with M&S

Eight urban logistics lettings and regears were signed with rents on regears increasing by 17% against previous passing. Material lettings and regears included:

- Croydon, a 10 year regear was signed with Tesco
- Frimley, a new 10 year lease was signed with DPD at our recently completed development
- Warrington, a new 15 year lease was signed with Bonfigioli
- Solihull, a 10 year regear was signed with DHL
- Basildon, a 15 year regear was signed with Geodis Wilson
- Havant, a 10 year regear was signed with Wartsila

Post year end, we exchanged on two lettings at our Bedford development. 15 year leases were signed with a major US automation and technology business, and Workstories on 107,000 sq ft and 31,000 sq ft respectively. At our developments in Stoke and Crawley, which completed last year, detailed discussions on letting the remaining space are ongoing.

Distribution rent reviews

During the year, we settled 11 distribution rent reviews across 3.8 million sq ft adding £1.0 million of income at 10% above passing rent on a five yearly equivalent basis.

In urban logistics, we settled four reviews, including two open market reviews in Leyton and Crawley, at an average of 28% above previous rent on a five yearly equivalent basis, generating £0.3 million of additional income. There is good potential for further organic income growth from our urban logistics assets where average ERV is 15% higher than average passing rent.

This contrasts with the more muted rental growth that bigger box logistics is experiencing generally and where we settled seven rent reviews at 8% above passing on a five yearly equivalent basis, split 7% for mega and 11% for regional. These reviews generated an uplift of £0.7 million.

Long income and convenience-led retail lettings and reviews

20 rent reviews were signed which generated an uplift of £0.2 million at 18% above previous passing on a five yearly equivalent basis. These reviews were almost exclusively on convenience and leisure assets with RPI or fixed uplifts. Eight lettings were signed which generated an uplift of £0.4 million. The lettings had a WAULT of 14 years with contractual uplifts on 37% of the income and average incentive packages equivalent to eight months.

DEVELOPMENTS

During the year, we completed 0.3 million sq ft of developments, generating £2.6 million of additional contracted rent at a yield of 5.8%, 89% of which was pre-let prior to construction commencing. Developments under construction or in the pipeline total 0.9 million sq ft and are expected to generate an additional £7.1 million of rent at a yield of 6.7%.

	Sector	% Pre-let prior to construction	Area sq ft ’000	Additional rent £m	Yield on cost %	Practical completion[1]
Completed in the year						
Dagenham	Distribution	100%	180	0.9	5.7	Completed
Frimley	Distribution	59%	62	0.7	5.6	Completed
Ringwood	Long income	100%	33	0.2	5.0	Completed
Ipswich	Long income	100%	39	0.7	6.9	Completed
Telford	Long income	100%	8	0.1	5.7	Completed
			322	**2.6**	**5.8**	
Under construction and pipeline at year end						
Bedford (Regional)[2]	Distribution	N/A	500	3.3	7.3	2020/21
Bedford (Urban)[2]	Distribution	0%	188	1.3	6.4	Q2 2019
Durham	Convenience	100%	58	0.8	5.4	Q3 2019
New Malden	Long income	100%	57	0.4	5.6	2020
Swindon	Distribution	100%	55	0.3	7.8	Q4 2019
Weymouth[2]	Convenience	100%	27	0.6	6.3	2020
Derby[2]	Convenience	N/A	16	0.4	6.7	2020
			901	**7.1**	**6.7**	

1 Based on calendar quarters and years

2 Anticipated yield on cost and rents

Bedford

At our 40 acre site, we have built three urban logistics warehouses. 73% of the 188,000 sq ft development has been let. We continue to see good interest from occupiers for the last remaining warehouse and will look to commence construction of the second phase totalling 500,000 sq ft upon commitment from new occupiers.

Durham

The forward funded development is expected to complete in July. The development is pre-let to Lidl and The Range with a WAULT of 20 years.

Derby

The development has been revised for planning and detailed discussions are ongoing with a convenience operator. Acquisition of the development is subject to planning.

Weymouth

19,000 sq ft has been pre-let to Aldi and offers have been received on the letting of three small pods. The development is expected to have a WAULT of 18 years. The site has been purchased and construction of the Aldi unit is expected to commence shortly with completion expected in January 2020.

Swindon

See the asset management review for more information.

New Malden

Extension to and modification of an existing asset to accommodate three new convenience related occupiers. On completion, the asset will be let for c.17 years to occupiers including Dixons, an existing tenant who are expected to occupy 38,000 sq ft, and Lidl, a new occupier who has agreed a pre-let for 25 years on 11,000 sq ft. Planning consent is expected in June 2019.

FINANCIAL REVIEW

Our strong financial performance this year is a result of making the right strategic decisions in the past. Our portfolio is well positioned to benefit from the migration of shoppers to online platforms and withstand Brexit disruption in the short term.

Overview

IFRS reported profit for the year of £119.7 million was predicated on EPRA earnings of £61.0 million and a revaluation gain of £64.4 million including our share of joint ventures. IFRS net assets increased 5.9% to £1,216.8 million.

EPRA earnings per share has grown by 3.5% to 8.8p, allowing us to increase our dividend for the year by 3.8% to 8.2p per share. The dividend is 1.07 times covered by EPRA earnings and can be taken as a cash payment or scrip share alternative. EPRA NAV per share increased by 5.9% to 174.9p.

We entered into two new debt arrangements in the year to improve our capital structure and lengthen our debt maturity.

In July, we entered into a new £75 million unsecured debt facility with Wells Fargo, of which £50 million has been drawn on a seven year term. In December, we entered into a £150 million private placement at a blended fixed rate coupon of 3.5% and an average maturity of 12 years. As a result, our average debt maturity has increased to 6.4 years from 4.8 years last year and available undrawn facilities have increased to £373.5 million.

These financing transactions provide flexibility to execute our property strategy and underpin our strong financing metrics.

Following sales at the year end, our loan to value is 32% (2018: 35%) and our average cost of debt is 3.1% (2018: 2.8%). Proceeds from sales will be used to fund our investment plans.

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 Association (‘EPRA’) Best Practice Recommendations (‘BPR’) to supplement IFRS.

EPRA earnings per share 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.

The EPRA measures are widely recognised and used in our sector and seek to improve transparency, comparability and relevance of published results, as they highlight the underlying performance of the Group’s property rental business.

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**	**2019 £m**	Group £m	JV £m	2018 £m
Gross rental income	**85.1**	**10.4**	**95.5**	82.0	9.8	91.8
Property costs	**(1.2)**	**(0.5)**	**(1.7)**	(0.8)	(0.4)	(1.2)
Net rental income	**83.9**	**9.9**	**93.8**	81.2	9.4	90.6
Management fees	**1.7**	**(0.8)**	**0.9**	1.7	(0.8)	0.9
Administrative costs	**(13.7)**	**–**	**(13.7)**	(13.8)	(0.1)	(13.9)
Net finance costs	**(18.1)**	**(2.1)**	**(20.2)**	(16.5)	(2.0)	(18.5)
Other[1]	**0.2**	**–**	**0.2**	–	–	–
EPRA earnings	**54.0**	**7.0**	**61.0**	52.6	6.5	59.1

1 Other items include taxation

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

	£m	p
EPRA earnings 2018	59.1	8.5
Net rental income	3.2	0.5
Administrative costs	0.2	–
Net finance costs	(1.7)	(0.2)
Other[1]	0.2	–
EPRA earnings 2019	**61.0**	**8.8**

1 Other items include taxation

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, net rental income increased by 3.5% to £93.8 million. Movements in net rental income are reflected in the table below.

	£m
Net rental income 2018	90.6
Existing properties[1]	4.2
Developments[2]	2.6
Acquisitions[3]	10.9
Disposals[3]	(14.0)
Property costs	(0.5)
Net rental income 2019	**93.8**

1 Properties held throughout 2018 and 2019

2 Developments completed in 2018 and 2019

3 Acquisitions and disposals in 2018 and 2019

Income from lettings, rent reviews and regears of our existing portfolio generated additional income of £4.2 million, which included lease surrender premiums of £2.5 million compared with £1.5 million last year. Completed developments delivered a further £2.6 million of additional income and net disposals reduced income by £3.1 million.

Property costs have increased by £0.5 million due to increased costs of vacant units, however our property cost leakage continues to be minimal at less than 2%.

Administrative costs

Administrative costs have reduced by £0.2 million to £13.7 million and are stated after capitalising staff costs of £1.9 million (2018: £1.8 million) in respect of time spent on development projects in progress, in accordance with our accounting policy. Average headcount is slightly lower at 28 employees compared with 31 last year.

EPRA cost ratio

The EPRA cost ratio continues to be a key measure of our effective cost management and at 15.0% is one of the lowest in the sector. The ratio, which reflects total operating costs as a percentage of gross rental income, has fallen by 28 bps over the year. The full calculation is shown in Supplementary note iv.

	2019 %	2018 %
EPRA cost ratio including direct vacancy costs	**15**	15
EPRA cost ratio excluding direct vacancy costs	**14**	15

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 £20.2 million, an increase of £1.7 million over last year.

Although net debt decreased over the year, average borrowings were actually higher in 2019 compared with 2018, which together with higher average rates, resulted in increased bank interest costs of £0.8 million. Alongside this, interest capitalised on developments fell by £0.6 million and we incurred additional fees and interest on new Group facilities and joint venture debt of £0.3 million. Further detail is provided in notes 5 and 10 to the financial statements.

Share of joint ventures

EPRA earnings from joint venture investments were £7.0 million, an increase of £0.5 million over last year as reflected in the table below.

For the year to 31 March	**2019 £m**	2018 £m
MIPP	**4.6**	3.7
Retail Warehouse (DFS)	**2.4**	2.7
Residential (Moore House)	**–**	0.1
EPRA earnings	**7.0**	6.5

Our MIPP joint venture received surrender income net of associated costs of £0.7 million in the year and additional net rent from acquisitions and completed developments of £0.2 million. Income from our 45% holding in the DFS joint venture fell by £0.3 million this year as a result of two disposals in the previous year. In addition, the Group received net management fees of £0.9 million for acting as property advisor to each of its joint ventures (2018: £0.9 million).

IFRS reported profit

For the year to 31 March	**Group £m**	**JV £m**	**2019 £m**	Group £m	JV £m	2018 £m
EPRA earnings	**54.0**	**7.0**	**61.0**	52.6	6.5	59.1
Revaluation of investment property	**75.9**	**(11.5)**	**64.4**	114.7	6.9	121.6
Fair value of derivatives	**(4.4)**	**(0.3)**	**(4.7)**	26.2	0.2	26.4
Debt and hedging early close out costs	**–**	**–**	**–**	(19.0)	(0.1)	(19.1)
Profit/(loss) on disposal	**0.6**	**(1.6)**	**(1.0)**	(2.1)	0.1	(2.0)
IFRS reported profit	**126.1**	**(6.4)**	**119.7**	172.4	13.6	186.0

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 above.

The Group's reported profit for the year was £119.7 million compared with £186.0 million last year. The £66.3 million reduction was primarily due to a £57.2 million lower property revaluation gain and £12.0 million adverse derivative movement net of break costs this year.

Sales of 17 flats at Moore House generated a loss on sale of £1.6 million. Other Group sales generated a profit over book value of £0.6 million, resulting in an overall loss of £1.0 million compared with a loss of £2.0 million last year. The total profit over original cost of all sales in the period was £40.6 million, representing a return of 17.3%. Including one further flat sale at Moore House post year end, we have 33 remaining flats of the original 149 owned.

Disposals are discussed in detail in the Property review.

Taxation

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

The tax credit in the period reflects a land remediation receipt of £0.4 million net of a tax provision of £0.2 million on income that does not qualify as property income within the REIT regulations.

The Group's tax strategy is compliance orientated; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. Our strategy, which has been approved by the Board, can be found on our website at www.londonmetric.com.

Our responsible approach seeks to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We maintain an open dialogue with HMRC to identify and resolve any issues as they arise.

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

In accordance with REIT regulations, £5.4 million was withheld on property income distributions and paid directly to HMRC in the year.

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 2019, the Company paid the third and fourth quarterly dividends for 2018 and the first two quarterly dividends for 2019 at a total cost of £55.6 million or 8.0p per share as reflected in note 7 to the financial statements.

The Company issued 2.8 million ordinary shares in the year under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.0 million to £50.6 million.

The first two quarterly payments for the current year of 1.9p per share were paid as Property Income Distributions ('PIDs') in the year. The third quarterly payment of 1.9p was paid as a PID in April 2019 and the Company has proposed a fourth quarterly payment of 2.5p payable on 11 July 2019, of which 0.75p per share will be a PID, to shareholders on the register at the record date of 7 June 2019.

The total dividend payable for 2019 has increased 3.8% to 8.2p, comprising a PID of 6.45p and an ordinary dividend of 1.75p.

The Board took the following into account when considering its dividend payments:

- Its REIT obligations to distribute 90% of property rental business profits
- Its desire to pay a sustainable and progressive level of dividend
- Its EPRA earnings for 2019 and outlook

At the year end the Company had distributable reserves of £748.4 million, providing substantial cover for the dividend payable for the year. When required and at least six monthly, the Company receives dividends from its subsidiaries which increase distributable reserves.

Balance sheet

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

As at 31 March	**Group £m**	**JV £m**	**2019 £m**	Group £m	JV £m	2018 £m
Investment property	**1,688.0**	**158.2**	**1,846.2**	1,677.6	164.4	1,842.0
Gross debt	**(565.0)**	**(61.2)**	**(626.2)**	(650.0)	(58.9)	(708.9)
Cash	**20.6**	**3.5**	**24.1**	26.2	13.1	39.3
Other net liabilities	**(24.1)**	**(1.3)**	**(25.4)**	(24.8)	(1.0)	(25.8)
EPRA net assets	**1,119.5**	**99.2**	**1,218.7**	1,029.0	117.6	1,146.6
Derivatives	**(1.6)**	**(0.3)**	**(1.9)**	2.8	0.1	2.9
IFRS net assets	**1,117.9**	**98.9**	**1,216.8**	1,031.8	117.7	1,149.5

EPRA net asset value is a key measure of the Group's overall performance, reflecting both income and capital returns. It excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between EPRA net assets and IFRS reported net assets is provided in the table above and in note 8 to the financial statements.

IFRS reported net assets increased by £67.3 million or 5.9% in the year to £1,216.8 million.

EPRA net assets have increased £72.1 million or 6.3% in the year to £1,218.7 million. On a per share basis, EPRA net assets increased by 9.7p to 174.9p. The table below summarises the movement in the year.

	£m	p
EPRA NAV at 1 April 2018	1,146.6	165.2
EPRA earnings	61.0	8.8
Property revaluation	64.4	9.3
Dividends	(55.6)	(8.0)
Other movements[1,2]	2.3	(0.4)
EPRA NAV at 31 March 2019	**1,218.7**	**174.9**

1 Other movements include scrip share issue savings (£5.0 million), offset by loss on sales (£1.0 million) and share based awards (£1.7 million)

2 Other movements in EPRA NAV per share reflect the impact of share movements in the year

The increase in both IFRS and EPRA net assets per share was principally due to the property revaluation gain of 9.3p. EPRA earnings per share of 8.8p covered the 8.0p dividend paid in the year.

Total accounting return is another important measure of our performance as it reflects EPRA net asset value growth plus dividends paid in the year. Our strong return this year of 17.7p per share, or 10.7%, although lower than last year, compares favourably with many of our peers. The full calculation can be found in supplementary note viii.

Portfolio valuation
We have continued to invest in urban logistics assets that have once again delivered high levels of rental and valuation growth. Our distribution exposure has increased to 72.5% including distribution developments, up from 68.5% last year. Further sales of retail parks have reduced our exposure in this sector to less than 5%.

Developments in progress at the year end included our 40 acre scheme in Bedford, a retail development pre-let to Aldi in Weymouth and a forward funded pre-let scheme in Durham. Projects at Dagenham, Frimley, Ipswich, Ringwood and Telford completed in the year and our investment in development assets remains at modest levels.

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

		2019		2018
As at 31 March	**£m**	**%**	£m	%
Distribution	**1,292.6**	**70.0**	1,233.1	66.9
Convenience & leisure	**152.1**	**8.3**	174.7	9.5
Long income	**237.4**	**12.9**	220.8	12.0
Retail parks	**87.0**	**4.7**	139.8	7.6
Investment portfolio	**1,769.1**	**95.9**	1,768.4	96.0
Residential	**17.3**	**0.9**	30.1	1.6
Development[1]	**59.8**	**3.2**	43.5	2.4
Property value	**1,846.2**	**100.0**	1,842.0	100.0

1 Represents distribution of £46.5 million (2.5%) and convenience and leisure of £13.3 million (0.7%). Split in March 2018 was 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%)

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

As at 31 March	**Portfolio value[1] £m 2019**	Portfolio value £m 2018
Opening valuation	**1,842.0**	1,533.8
Acquisitions	**156.3**	289.7
Developments	**34.3**	62.5
Capital expenditure on completed properties	**15.0**	20.4
Disposals	**(258.8)**	(191.0)
Revaluation	**64.4**	121.6
Lease incentives[2]	**(7.0)**	5.0
Closing valuation	**1,846.2**	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

2 Comprises incentives and rent frees of £9.2 million (2018: £13.5 million) less amounts written off on disposal of £16.2 million (2018: £8.5 million)

Property values have increased by £64.4 million in the year, most significantly in the distribution and development sectors and the portfolio has delivered a total property return of 9.0% compared to the IPD All Property index of 4.6%.

The Group spent £156.3 million in the year acquiring £112.5 million urban logistics, £15.6 million long income and £28.2 million convenience and leisure assets.

We completed 23 commercial property and 17 residential flat sales in the year generating net proceeds of £274.0 million and reducing the book value of property by £275.0 million (including the cost of lease incentives written off of £16.2 million). We exchanged to sell our distribution centre in Wakefield let to One Stop for £10.5 million in the year. The sale completed in April 2019 and will be accounted for next year.

At the year end, the Group had capital commitments of £19.7 million as reported in note 9 to the financial statements, relating primarily to committed developments in progress at Durham and Bedford.

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

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

As at 31 March	**2019**	2018

	£m	£m
Gross debt	**626.2**	708.9
Cash	**24.1**	39.3
Net debt	**602.1**	669.6
Loan to value[1]	**32%**	35%
Cost of debt[2]	**3.1%**	2.8%
Undrawn facilities	**373.5**	65.8
Average debt maturity	**6.4 years**	4.8 years
Hedging[3]	**73%**	73%

1 LTV at 31 March 2019 includes £10.5 million of deferred consideration receivable on sales (2018: £47.5 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

Net debt has fallen over the year by £67.5 million to £602.1 million.

We entered into new debt arrangements to lengthen our debt maturity and increase our firepower in order to provide further operational flexibility.

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

In December 2018, we entered into a £150 million private placement with five institutional investors, at a blended fixed rate coupon of 3.5% and an average maturity of 12 years. Funds were drawn in March 2019 and were used to repay part of the unsecured credit facility, which remains available to redraw in full.

Post year end, we increased our equity holding in the DFS joint venture to 82% and repaid its secured debt facility which was due to expire.

Our average debt maturity has increased to 6.4 years from 4.8 years last year and available undrawn facilities have increased to £373.5 million.

After deducting contracted capital commitments at the year end of £19.7 million, our headroom which can be used to fund our investment plans is £353.8 million.

Our other financing metrics remain strong, with average cost of debt of 3.1% (2018: 2.8%) and loan to value of 32% (2018: 35%) following sales at the year end.

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 facilities and private placement loan notes contain gearing and interest cover financial covenants. At 31 March 2019, the Group’s gearing ratio as defined within these funding arrangements was 46% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.7 times, comfortably higher than the minimum level of 1.5 times.

The Group’s policy is to substantially de-risk and limit exposure to volatility in interest rates by entering into hedging arrangements.

At 31 March 2019, 73% of our exposure to interest rate fluctuations was hedged by way of swaps and caps assuming existing debt facilities are fully drawn (2018: 73%).

As a result of the hedging in place, if interest rates had been on average 1% higher in the year, net finance costs would be approximately £2.3 million higher, reducing EPRA earnings by 3.8%.

We are advised by JCRA and 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 £5.6 million as reflected in the table below.

As at 31 March	2019 £m	2018 £m
Cash flows from operations	**69.6**	61.0
Changes in working capital	**0.4**	(1.1)
Finance costs and taxation	**(15.8)**	(16.4)
Cash flows from operating activities	**54.2**	43.5
Cash flows from investing activities	**83.2**	(169.6)
Cash flows from financing activities	**(143.0)**	109.3
Net decrease in cash	**(5.6)**	(16.8)

Cash inflows from operating activities increased by £10.7 million to £54.2 million, driven by increases in net rental income and the expiry of rent free periods.

The Group received net cash proceeds of £83.2 million during the year from its investment activities. This included £261.0 million from property disposals and £12.4 million from joint ventures. The Group spent £159.0 million acquiring property and £31.2 million on capital expenditure for asset management and development activities.

Cash outflows from the Group's financing activities reflect net debt repayments of £85.0 million, cash dividend payments of £50.6 million, financing costs of £2.9 million and share purchases of £4.5 million.

Further detail is provided in the Group cash flow statement.

RISK MANAGEMENT

We seek to safeguard our stakeholders' interests by identifying and actively managing the risk inherently present as we strive to deliver growing returns.

The Company's risk management procedures reduce the negative impact of risk on the business and are critical to the generation of reliable and growing, income-led returns and long term outperformance.

The Board recognises its overall responsibility for undertaking a robust risk assessment and for establishing the extent to which it is willing to accept some level of risk in achieving its strategic goals, all the while ensuring that stakeholder interests are protected. Although risk cannot be eliminated completely, the Board's risk tolerance is low where its objectives are prejudiced.

At each meeting the Board considers risk at a high level via a dashboard which enables material issues to be monitored so that key risks can be managed and emerging risks identified early on with appropriate action taken to remove or reduce their likelihood and any potential negative impact.

The Audit Committee assists the Board by playing a key oversight and assurance role. It does so by appraising the risk management framework in detail and seeking comfort that the principal risks facing the Company have been carefully identified, assessed and mitigated. The Committee annually reviews the Company's risk register and systems of internal controls, considers their effectiveness and reports its findings to the Board. At its March 2019 meeting the Committee scrutinised the risk register, which had recently been comprehensively updated, and an internal controls evaluation report. The Committee is satisfied that there are appropriate procedures in place to identify and ensure that emerging and principal risks are robustly assessed, that evidence supports the ongoing monitoring of risk mitigation measures and that where control weaknesses are identified they are acted upon.

Considered risk taking is required for all business and investment activity and the Executive Committee is responsible for ongoing risk identification and the design, implementation and maintenance of a robust system of internal controls in light of the risks identified. The Committee is 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 and the Company has a small number of employees. This flat management structure with all staff operating from one office location enables 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 are noted. The risk register is comprehensively reviewed at least once a year.

Principal risks

Our principal risks and uncertainties are identified and reported below. They refer to those risks with the potential to cause material harm to the business and impact our ability to execute our strategic priorities or exceed the Board's risk appetite.

Identifying emerging risk

Management have strong retailer relationships and regularly meet with occupiers to understand their needs and to gain insights into their businesses. These relationships are one of the key tools which assist us in identifying emerging risks and were one of the main drivers behind the decision to pivot the portfolio away from certain subsectors of retail six years ago. The current portfolio is now more closely aligned with changes in consumer shopping habits, fuelling the growth in ecommerce and convenience-led retail. Management also regularly meet industry representatives, shareholders and analysts. Reports are commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the sector and the wider economic outlook.

Changes in risk factors

No new principal risks have been identified during the year.

Increasing risk

Brexit continues to dominate political and economic risk with an increased probability of a disruptive Brexit, a potential General Election and an extended period of uncertainty. This may negatively impact the investment, capital, financial, labour and occupier markets. To provide greater clarity on Brexit's potential impact on us we have split Brexit out from under political and economic risk into its own category. The Board acknowledges that the present Brexit situation is unprecedented and current uncertainties may accelerate and necessitate more boardroom debate about the consequences, alternative strategies or adjustments to the current strategy. It may be difficult to adequately foresee emerging risks and uncertainties arising out of

Brexit given the lack of clarity surrounding it. Ultimately however, we believe that the profound structural changes in the retail landscape will be more important over the medium and long term than what ultimately happens with the UK's relationship with the EU.

Decreasing risks

Liquidity risk has decreased within the last 12 months as we have lengthened our debt maturity and welcomed new lenders, whilst maintaining a prudent level of gearing. Our overall property risk has also decreased. We have refined our portfolio to align it to distribution assets that will outperform, focusing reinvestment on urban logistics where we see better valuation support and rental growth prospects and low energy convenience assets which benefit from the increasing popularity of top up shopping.

Corporate risks

1 STRATEGY

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Strategic objectives may be: • Inappropriate for the current economic climate or market cycle • Not achieved due to poor implementation	• 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 changes • 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 predominantly UK portfolio in a world leading online shopping market • We undertake regular and rigorous portfolio reviews which take into consideration sector weightings, tenant and geographical concentrations, perceived threats and market changes, the balance of income to non income producing assets and asset management opportunities • Our three year forecast is continually flexed and reported • The Executive Directors are closely involved in day to day management. Our organisational structure is relatively flat and we operate from one office, making it easier to identify market changes and monitor operations • Management's interests are aligned with external shareholders through their substantial shareholdings	• A significant part of the portfolio is in the structurally supported sectors of logistics and convenience-led retail and leisure, let to strong occupiers, on long leases that can deliver reliable income and income growth • 72.5% of the portfolio is in the logistics space • We have finessed our logistics portfolio, increasing our urban logistics platform to £504 million with an increased weighting in London and the South East in particular (64%) where we see better valuation support and rental growth prospects • A major supply chain management investigation and report was commissioned from CBRE in the year for insight into big box supply chain networks • Executive Directors hold 11.8 million shares easily meeting the Company's high shareholding targets	The Board view the Company's strategic priorities as fundamental to its business and reputation.	**No significant change** There has been no significant change in perceived risk from 2018.

2 BREXIT

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Disruptive Brexit	• 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 to better understand the potential impact on our tenants and preferred sectors • We have strong retailer relationships which help to provide market intelligence • We regularly monitor tenant and contractor covenant strength • We have limited exposure to development, particularly speculative development at present	• Although our portfolio is predominantly UK based, we acknowledge that Brexit uncertainty could impact occupier near term decision making • Brexit and logistics specialists from PwC led a widely attended briefing on Brexit scenarios, the impact areas for the logistics sector which focused on operational disruption, systems, data and people, and the market opportunities which may result from changing demand for logistics support and UK warehousing specifically • Throughout the year we have analysed the potential Brexit impact across our top 20 tenants which account for 68% of revenue. Each have been assessed against a set of predicted short and long term outcomes including supply chain disruption, economic downturn, sterling devaluation and how these may affect their current business operations and results. All appear to have undertaken preparations to hedge, financially or operationally, against post Brexit events to minimise disruption • There is evidence of contractors excluding changes to price and programme arising from Brexit in recent tenders. Our current development pipeline over 0.9 million sq ft is small	Market conditions are outside of the Company's control.	**Increased** The Board continue to monitor Brexit developments and their potential impact on the business. It may be difficult to adequately foresee emerging risks and uncertainties given the lack of clarity in the Brexit process. We believe that the profound structural changes in the retail landscape will however, ultimately be more important over the medium to long term than what happens with the UK's relationship with the EU.

3 ECONOMIC AND POLITICAL FACTORS

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Economic and political factors may lead to a market downturn or specific sector turbulence.	• Suboptimal returns for shareholders • Occupier demand and solvency may be impacted • Asset liquidity may reduce • Debt markets may be impacted	• The majority of our portfolio is in resilient asset classes with sustained demand for logistics and warehouse space in particular, driven by changes in consumer shopping patterns • We have limited exposure to the London office and residential markets • We maintain a high weighted average unexpired lease term reducing reletting risk • We have a low vacancy rate • Our occupier base is diverse • We have flexible funding arrangements with significant headroom in covenant levels	• We remain focused on fit for purpose distribution, long income and convenience assets that allow us to take a longer term investment horizon where we can collect, compound and grow our income in an age where technological and political disruption is challenging long established real estate principles and an ageing population is creating an unprecedented demand for income • Our portfolio metrics continue to be strong. Our average unexpired lease length is 12.5 years and occupancy is 98%, both high within the industry. Only 3.5% of our income expires within three years • We have further diversified our tenant base this year. Our top five tenants, which account for 34% 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 33 units remain unsold	Market conditions are outside of the Company's control.	**Increased** The Board will continue to monitor political and economic developments which are outside of our control.

4 HUMAN RESOURCES

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
There may be an inability to attract, motivate and retain high calibre employees.	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.	• We have 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 • Staff satisfaction surveys are undertaken and staff turnover levels are low • There is a phased refreshment plan for Non Executive Directors	• This year we undertook an extensive refurbishment of our office space which has been well received by staff. Improved communal areas allow staff to interact more readily which has had a positive effect on team spirit and general wellbeing • Executive Directors and senior managers are incentivised in a similar manner and have significant unvested share awards in the Company. These incentivise performance and retention, providing stability in the management structure • Our Board refreshment has continued with the appointment of Robert Fowlds who brings complementary and extensive corporate finance, investment banking, M&A and real estate experience. Succession planning remains high on the Board's agenda for the coming year • This year we also considered the size of the Board in relation to the overall size of the organisation and took the decision to reduce the number of Executive Directors. Valentine Beresford and Mark Stirling will step down but remain Investment Director and Asset Director respectively and members of the Executive Committee responsible for running the day to day operations and implementing strategy	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.	**No significant change** There has been no significant change in perceived risk from 2018. We have built on the flexible working arrangements introduced last year to further improve staff contentment.

5 REGULATORY AND TAX FRAMEWORK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Non-compliance with legal or regulatory obligations.	• 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 specialist support from lawyers and consultants • We have allocated responsibility for specific obligations to individuals with Executive Committee oversight • Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance • 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 • External tax specialists provide advice • Our REIT compliance is monitored • We consider the impact of legislative changes on strategy	• We ran several staff training and awareness programmes during the year, including on health and safety, GDPR (through Jones Day) and technical updates were received from PwC and Deloitte LLP. Further companywide training sessions on wide ranging issues have been scheduled • We continue to undertake health and safety site audits on our developments through an external specialist consultancy. These included our larger developments at Bedford and Martlesham Heath this year. Feedback has been positive and no significant issues have been identified • Our insurers also undertook independent health and safety and fire risk inspections on a proportion of our investments. There are no significant issues outstanding which have not been addressed by tenants	The Board has no appetite where non compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	**No significant change** The Board considers this risk to have remained broadly consistent during the year, however as with last year, a significant amount of management time has been focused on new regulations such as GDPR, corporate governance and evolving best practice due to the ongoing flow of recent changes which impact the business.

6 RESPONSIBLE BUSINESS APPROACH

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Non-compliance with responsible business practices.	• Reputational damage • Suboptimal returns for shareholders • Asset liquidity may be impacted • Reduced access to debt and capital markets • Poor relationships with stakeholders	• 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 • We work with our occupiers to improve the resilience of our assets to climate change and a low carbon economy • We consider environmental and climate change risk relating to our assets • Sustainability targets are set, monitored and reported • Contractors are required to conform to our responsible development requirements	• We continue to meet with a large number of investors, seeing over 230 in the year • Response to our 2018 investor survey, which targeted 50% of our register on responsible business matters, was positive. The survey concluded that a response to the investor backed Carbon Disclosure Project survey was not expected of us • We have maintained our GRESB Green star and a GRESB score of 67% (peer group average 60%) and are now included in the FTSE4Good index • ESOS compliance will be completed by the end of 2019 and energy audits have commenced where required • Our EPRA Gold star award for reporting has been maintained • Feedback from our tenant satisfaction survey, where 51% of our tenants by income responded, was overwhelmingly positive with significant increases in our property satisfaction score and landlord satisfaction scores exceeding 9/10. The survey supplements our regular direct meetings with tenants • We continue to increase the green credentials of our portfolio through development and modernisation in conjunction with our occupiers. 25% is now rated BREEAM Very Good, and 77% has an EPC of C or above • Our contractors are now monitored for compliance with responsible procurement and development policies • An action plan is in place to consider Task Force for Climate related Financial Disclosures	The Board has a low tolerance for non compliance with risks which impact reputation and stakeholder sentiment towards the Company.	**No significant change** There has been no significant change in perceived risk from 2018.

7 SYSTEM, PROCESSES AND FINANCIAL MANAGEMENT

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Controls for safeguarding assets and supporting strategy may be weak.	• 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 business continuity plan is regularly updated • 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	• We have improved our IT security as part of our flexible working initiative with remote access requiring multifactor authentication • Staff training and our processes prevented financial loss when a supplier's email was hacked, documents intercepted and bank details amended in August • A real time management reporting pack, which includes an income statement, balance sheet and supporting schedules, has been developed utilising the interface between our database and accounting system. Other key financial reports such as cost summaries, investment schedules, IRR reports, SIC 15 and historic costs can also be produced which are quicker and easier to run and eliminate the risk of manual error, improving efficiency and simplifying internal review processes • An integrated sales ledger invoicing system will be implemented this summer as in-house billings have increased to match the rise in single occupier buildings within our portfolio	The Board's appetite for such risk is low and management continually strives to monitor and improve processes.	**No significant change** There has been no significant change in perceived risk from 2018.

Property risks

8 INVESTMENT RISK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
We may be unable to source affordable investment opportunities.	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 continue to build on our strong occupier and developer relationships. We transacted on £402 million of investment property over the course of the last year but remain very selective and confident that market uncertainty will provide opportunities	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.	**No significant change** There has been no significant change in perceived risk from 2018.

9 DEVELOPMENT RISK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	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	• 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	• Our current development exposure as a percentage of the portfolio is very small at only 3.2%. No new speculative development is planned for the foreseeable future • We have been disappointed with the pace of lettings on our completed speculative developments which has been partly due to potential occupiers deferring major decisions in the current political climate • Post year end we have exchanged on two lettings at our Bedford development over 73% of the available space, ahead of budget and at an average rent of £7.25 psf • No developments that completed in the year were late or over budget • We continue to actively review the covenant strength of our contractors for live projects and defects periods	The Board is not currently willing to take on new speculative development.	**No significant change** There has been no significant change in perceived risk from 2018.

10 VALUATION RISK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
Investments may fall in value.	Pressure on NAV growth and potentially loan covenants.	• Our portfolio is supported by structural changes in shopping habits 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	• 63% of our income has contractually fixed or index linked uplifts • A high average WAULT of 12.5 years was maintained • We have substantial headroom under our financial loan covenants. At 31 March 2019 the Group's gearing ratio as defined within its unsecured and private placement loan facilities was 46% compared with the maximum limit of 125% • Whilst our preferred sector assets have performed well, certain sectors of the retail market, to which we are not overly exposed, have already seen material valuation falls and we expect values to weaken further. Our three retail parks, which account for less than 5% of our portfolio, are 99% let with an average lease length of 10 years, now yield 6.3% but are valued above historic cost • Income and income growth remain our key priority, which allows us to be a little less obsessed about predicting exact market movements or the timing of cycles	There is no certainty that property values will be realised. This is an inherent risk in the industry.	**No significant change** There has been no significant change in perceived risk from 2018. Our preferred asset classes are aligned to modern shopping habits where the prospects for valuation preservation and growth are significantly better than traditional retail.

11 TRANSACTION AND TENANT RISK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	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	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 occupiers in bespoke properties • Asset management initiatives undergo cost benefit analysis prior to implementation • External advisors 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	• The impact of recent retailer collapses and CVAs has had a negligible impact on earnings, other than Poundworld's demise where we owned their only UK distribution centre. Recently we took the decision to sell, achieving book value, to mitigate cost leakage and reletting risk • Other than the above, our tenant default rate within the industry is very low and we have no significant arrears • We maintain a high occupancy level within the industry despite a number of smaller speculative developments completing recently which have not yet been let. Our EPRA vacancy rate at the year end was 2.2%	The Board's appetite to risk 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.	**No significant change** There has been no significant change in perceived risk from 2018 despite further 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

12 CAPITAL AND FINANCE RISK

RISK	IMPACT	MITIGATION	COMMENTARY	APPETITE	CHANGE
The Company has insufficient funds and available credit.	Strategy implementation is at risk.	• We maintain a disciplined investment approach with competition for capital. Assets are considered for sale when they have achieved target returns and strategic asset plans • 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 • A modest level of gearing is maintained • 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, JCRA, is used	• Our new £75 million unsecured loan with Wells Fargo and £150 million private placement have increased headroom, debt maturity and diversified our lending base without significant impact on the Group's weighted average cost of debt • Average debt maturity has increased to 6.4 years and available undrawn facilities to £373 million • 73% of facilities are hedged by way of interest rate swaps and caps assuming existing debt facilities are fully drawn	The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. A low degree of market standard inflexibility is accepted 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.	**Reduced** Our funding activity during the year has improved our position for the reasons outlined under Commentary.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Board has assessed the 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 financial position, strategy, principal risks and future plans.

Assessment of viability review period

The Board has determined that the three year period to 31 March 2022 is an appropriate period over which to assess the Group's viability, as in previous years, for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period;
- It is a reasonable approximation of the typical time it takes from committing funds to development projects to practical completion. The average length of the Group's developments that completed in the year at Dagenham, Frimley, Ipswich, Ringwood and Telford was 13 months; and
- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

This period is reviewed and challenged annually to ensure it remains appropriate.

In addition to the three year viability assessment period, the Board considered a number of other factors when assessing the Group's longer term prospects, including:

- The weighted average unexpired lease length of 12.5 years;
- The longer term nature of some debt facilities and a weighted average debt maturity of 6.4 years; and
- The longer term investment horizon and nature of the property cycle.

Assessment of prospects

The Group's strategy is reviewed by the Board at each meeting and extensively on an annual basis.

The business plan is structured around the Group's strategy and consists of a rolling three year profit and cash flow forecast, with both a base case scenario including deals under offer and also an assumed case factoring in reinvestment and development. The business plan considers property investments, 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 and capital allocation. Forecasts are updated at least quarterly, reviewed against actual performance and reported to the Board.

When assessing longer term prospects, the Board is mindful of the following:

- Income certainty, with over 63% of the Group's rental income benefitting from contractual uplifts and an average unexpired lease length of 12.5 years;
- A proven track record of executing transactions and progressing a fully covered dividend;
- Substantial available debt facilities and headroom under loan covenants; and
- Good relationships with lenders and past experience of raising debt and equity finance.

Assessment of viability

The business plan was stress tested to validate its resilience to a combination of adverse movements in its principal risks including:

- Changes to macro-economic conditions including the impact of a disorderly exit from the EU, impacting rental income levels and property values;
- Challenges in the retail environment including tenant failures impacting occupancy levels and lettings;
- Changes in the availability of funds and interest rates; and
- Changes in property market conditions impacting disposal and reinvestment assumptions.

The stress testing involved modelling changes in property values, rental income, interest rates and disposal and reinvestment plans that were likely to have an impact on the Group's solvency, profitability and delivery of strategy. In addition, further reverse 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 45% and rental income fall by 63% to breach the loan to value and interest cover covenants under the existing unsecured debt facilities.

This scenario testing, when combined with the Group's strong current position and mitigation actions available including deferring non committed capital expenditure and development projects and selling assets, supported the Group's ability to overcome adverse economic and property market conditions over the forecast viability period.

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 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	**Andrew Jones**
Finance Director	Chief Executive
23 May 2019	23 May 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDONMETRIC PROPERTY PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- The financial statements of LondonMetric Property Plc ('the Company') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union
- The Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

We have audited the financial statements, which comprise:

- The Group Income Statement
- The Group and Company Balance sheets
- The Group and Company Statements of Changes in Equity
- The Group Cash Flow Statement
- The Statement of Accounting Policies and the related notes 1 to 20 for the Group notes and I to VII for the Company

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investment property • Property transaction accounting Within this report, any new key audit matters are identified with ** and any key audit matters which are the same as the prior year identified with *.
Materiality	The materiality that we used for the Group financial statements was £23.9 million which was determined on the basis of 2% of equity. For testing balances that impacted EPRA earnings we used a lower materiality of £3.0 million, which was based on 5% of that measure.
Scoping	The Group is subject to a full scope audit on 100% of net assets, revenue and profit before tax.
Significant changes in our approach	There has been no change to the basis upon which materiality is calculated, our identified risks or our approach in scoping the audit from the prior year.

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed the Directors' Statement in note 1(c) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and Viability Statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- The disclosures in the Risk Management section that describe the principal risks and explain how they are being managed or mitigated
- The Directors' confirmation in the Directors' Responsibility Statement that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity
- The Directors' explanation in the Viability Statement as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We are also required to report whether the Directors' Statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the year, we have rebutted the presumed significant risk in respect of revenue recognition. Previously, we identified the judgements in respect of recognition of property acquisitions and disposals as having a potentially key impact on revenue recognition. As a result of the implementation of IFRS 15 and the resulting change in accounting policy to recognise transactions on completion, rather than when significant risks and rewards pass, we consider that the level of judgement involved has reduced significantly. In addition, the remaining elements of rental income are considered to be stable and predictable as determined by long term lease agreements, hence this is no longer considered to be a Key Audit Matter.

VALUATION OF INVESTMENT PROPERTY*

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
The Group owns a portfolio of largely distribution property assets, which is valued at £1,688.0 million (2018: £1,677.6 million), as at 31 March 2019. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions including capitalisation yields, future lease income and with reference to development properties, costs to complete. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six monthly intervals. The valuers are engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the Group have considerable experience in the markets in which the Group operates. The valuation exercise also relies on the integrity of the underlying lease and financial information provided to the valuers by management. Therefore, due to this and the high level of judgement in the assumptions, we have determined that there is a potential fraud risk in the balance.	• We assessed management's process for reviewing and assessing the work of the external valuer and development appraisals • We assessed the competence, objectivity and integrity of the external valuer and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work • We obtained the external valuation reports and, assisted by our internal real estate specialist, assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, future lease income and yields. We benchmarked these assumptions to relevant market evidence including specific property sales and other external data • We also met with the external valuers of the portfolio to discuss the results of their work and, for a sample of properties of audit interest, further challenged the yield assumptions and valuation • We performed audit procedures to assess the integrity of a sample of the information provided to the external valuer by agreeing that information to underlying lease agreements • We tested a sample of the costs to complete in relation to the development properties via challenging the assumptions or agreeing to supporting documentation such as construction contracts • We have assessed management's assessment of the impact of Brexit on the fair value of the Group's investment property portfolio in respect of occupier demand and solvency, asset liquidity and the performance of assets in different property sectors	We concluded that the assumptions applied in arriving at the fair value of the Group's property portfolio by the external valuers were appropriate.

PROPERTY TRANSACTION ACCOUNTING*

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
In the period the Group has undertaken 14 acquisitions recognised at £159.7 million (2018: £306.6m) and 18 disposals recognised at £247.7 million (2018: £172.0m). We have identified investment property transactions as a key audit matter, owing to the complexity and judgement that may be involved in accounting for transactions such as those including corporate acquisitions, complex structuring or forward funding on developments, or other unusual terms or conditions. Management changed their accounting policy in respect of recognising investment property transactions following adoption of IFRS 15. This has been on unconditional exchange (ie, transfer of risks and rewards of ownership) and is now on completion (ie, change in control), which has reduced the judgement around the timing and recognition of transactions.	We performed the following procedures for a sample of transactions: • We agreed key transaction terms to signed sale purchase agreements and other external evidence • We reviewed sale purchase agreements for unusual terms and conditions • We considered the adequacy of the disclosure of the transactions in the financial statements • We traced transactions to the accounts and agreed the quantum of the transactions	We concluded that property transactions had been appropriately accounted for.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	We determined materiality for the Group to be £23.9 million (2018: £22.9 million). We consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £3.0 million (2018: £3.0 million) for testing of all balances and classes of transaction which impact that measure, primarily transactions recorded in the income statement other than fair value movements on investment property, development property and derivatives.	We determined Company materiality to be £18.6 million (2018: £17.4 million).
Basis for determining materiality	Materiality for the Group is based on 2% (2018: 2%) of shareholders' equity at 30 September 2018. For EPRA Earnings the basis used was 5% (2018: 5%) of that measure on a forecasted basis.	Materiality for the Company is based on 2% of net assets (2018: 2%).
Rationale for the benchmark applied	As an investment property company, the focus of management is to generate long term capital value from the investment property portfolio and, therefore, we consider equity to be the most appropriate basis for materiality.	The Company has a significant number of investments in subsidiaries which are property companies. These companies have a focus on generating long term capital value. Therefore, we consider equity to the most appropriate basis for materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1 million (2018: £1.1 million) for the Group and £928,000 (2018: £870,000) for the Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

LondonMetric Property Plc Group is a FTSE 250 Real Estate Investment Trust with investment property assets substantially in the United Kingdom.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group wide controls, and assessing the risks of material misstatement at Group level.

Based on that assessment, and consistent with our conclusion on scoping in the prior year, our full scope audit is performed on 100% (2018: 100%) of the Group's net assets, and 100% (2018: 100%) of revenue and profit before tax.

The Group was audited by one audit team, led by the Senior Statutory Auditor, responsible for the audit of the Company, joint ventures and certain subsidiaries. Our audit work on subsidiaries and joint ventures was carried out to a materiality which is lower than, and in most cases substantially lower than, Group materiality as set out above. Our audit also included testing of the consolidation process and group wide controls.

The Company is located in London, UK and audited directly by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- Discussing among the engagement team and involving relevant internal specialists, including tax and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the valuation of investment property
- Obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT regime and tax legislation

Audit response to risks identified
As a result of performing the above, we identified valuation of investment property as a key audit matter. The key audit matters section of our report explains in more detail and describes specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above
- Enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- Reading minutes of meetings of those charged with governance
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us
- The Company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Annual Report on Remuneration to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of LondonMetric Property Plc on 19 September 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 March 2014 to 31 March 2019.

Consistency of the Audit Report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Georgina Robb, FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 May 2019

GROUP INCOME STATEMENT

For the year ended 31 March

	Note	**2019 £000**	2018 £000
Gross revenue	3	**86,817**	83,709
Gross rental income		**85,107**	81,988
Property operating expenses		**(1,221)**	(828)
Net rental income		**83,886**	81,160
Property advisory fee income		**1,710**	1,721
Net income		**85,596**	82,881
Administrative costs	4	**(13,658)**	(13,800)
Profit on revaluation of investment properties	9	**75,921**	114,723
Profit/(loss) on sale of investment properties		**566**	(2,139)
Share of (losses)/profits of joint ventures	10	**(6,383)**	13,655
Operating profit		**142,042**	195,320
Finance income		**343**	415
Finance costs	5	**(22,871)**	(9,685)
Profit before tax		**119,514**	186,050
Taxation	6	**151**	(32)
Profit for the year and total comprehensive income		**119,665**	186,018

Earnings per share			
Basic	8	**17.2p**	26.9p
Fully diluted	8	**17.1p**	26.9p
EPRA (basic)	8	**8.8p**	8.5p
EPRA (fully diluted)	8	**8.7p**	8.5p

All amounts relate to continuing activities.

GROUP BALANCE SHEET

As at 31 March

	Note	2019 £000	2018 £000
Non current assets			
Investment properties	9	**1,688,005**	1,677,555
Investment in equity accounted joint ventures	10	**98,854**	117,646
Derivative financial instruments	14	**–**	2,836
Other tangible assets		**402**	73
		1,787,261	1,798,110
Current assets			
Trade and other receivables	11	**5,823**	2,344
Cash and cash equivalents	12	**20,605**	26,162
		26,428	28,506
Total assets		**1,813,689**	1,826,616
Current liabilities			
Trade and other payables	13	**36,398**	33,576
		36,398	33,576
Non current liabilities			
Borrowings	14	**558,951**	643,551
Derivative financial instruments	14	**1,551**	–
		560,502	643,551
Total liabilities		**596,900**	677,127
Net assets		**1,216,789**	1,149,489
Equity			
Called up share capital	16	**69,999**	69,722
Share premium		**100,753**	96,079
Capital redemption reserve		**9,636**	9,636
Other reserve		**221,695**	222,502
Retained earnings		**814,706**	751,550
Equity shareholders' funds		**1,216,789**	1,149,489
Net asset value per share	8	**174.7p**	165.7p
EPRA net asset value per share	8	**174.9p**	165.2p

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2019 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 2018		**69,722**	**96,079**	**9,636**	**222,502**	**751,550**	**1,149,489**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**–**	**119,665**	**119,665**
Purchase of shares held in trust		**–**	**–**	**–**	**(4,781)**	**–**	**(4,781)**
Vesting of shares held in trust		**–**	**–**	**–**	**3,974**	**(3,662)**	**312**
Share based awards		**–**	**–**	**–**	**–**	**2,719**	**2,719**
Dividends	7	**277**	**4,674**	**–**	**–**	**(55,566)**	**(50,615)**
At 31 March 2019		**69,999**	**100,753**	**9,636**	**221,695**	**814,706**	**1,216,789**

	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

GROUP CASH FLOW STATEMENT

For the year ended 31 March

	2019 £000	2018 £000
Cash flows from operating activities		
Profit before tax	**119,514**	186,050
Adjustments for non cash items:		
Profit on revaluation of investment properties	**(75,921)**	(114,723)
(Profit)/loss on sale of investment properties	**(566)**	2,139
Share of post tax loss/(profit) of joint ventures	**6,383**	(13,655)
Movement in lease incentives	**(5,098)**	(10,524)
Share based payment	**2,719**	2,420
Net finance costs	**22,528**	9,270
Cash flows from operations before changes in working capital	**69,559**	60,977
Change in trade and other receivables	**397**	1,730
Change in trade and other payables	**(19)**	(2,859)
Cash flows from operations	**69,937**	59,848
Interest received	**92**	52
Interest paid	**(16,230)**	(16,409)
Tax received/(paid)	**359**	(17)
Cash flows from operating activities	**54,158**	43,474
Investing activities		
Purchase of investment properties	**(158,951)**	(306,245)
Capital expenditure on investment properties	**(27,549)**	(56,199)
Lease incentives paid	**(3,220)**	(3,049)
Sale of investment properties	**260,993**	192,329
Investments in joint ventures	**(5,085)**	(12,662)
Distributions from joint ventures	**17,494**	16,238
Purchase of tangible assets	**(438)**	–
Cash flows from investing activities	**83,244**	(169,588)
Financing activities		
Dividends paid	**(50,615)**	(43,357)
Purchase of shares held in trust	**(4,781)**	(2,783)
Vesting of shares held in trust	**312**	276
New borrowings and amounts drawn down	**360,000**	397,237
Repayment of loan facilities	**(445,000)**	(220,407)
Financial arrangement fees and break costs	**(2,875)**	(21,634)
Cash flows from financing activities	**(142,959)**	109,332
Net decrease in cash and cash equivalents	**(5,557)**	(16,782)
Opening cash and cash equivalents	**26,162**	42,944
Closing cash and cash equivalents	**20,605**	26,162

NOTES FORMING PART OF THE GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 SIGNIFICANT ACCOUNTING POLICIES

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) Going concern

The principal risks and uncertainties facing the Group's activities, future development and performance are reflected in the Risk Management section.

The Group's financial position, cash flows and liquidity, borrowings, undrawn facilities and hedging are described in note 14 and in the Financial Review.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance, property valuations and planned capital expenditure. As part of this review, the Group has considered its cash balances and undrawn facilities, future capital commitments, its debt maturity profile and the long term nature of tenant leases.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2019.

d) 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 except for the adoption of new and revised standards as noted below.

i) Significant accounting estimates and judgements

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.

Note 9(b) to the financial statements includes further information on the valuation techniques and inputs used to determine the fair value of the property portfolio.

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. The Group and Company accounting policies were amended following the adoption of IFRS 9 and 15 as discussed further below.

Name	**Description**
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IAS 40 (amendments)	Transfers of Investment Property
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 2 (amendments)	Classification and Measurement of Share Based Payment Transactions
Annual Improvements to IFRSs: 2014 – 2016 cycle	Amendments to IFRS 1 and IAS 28

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 relating to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, the impairment of financial assets and hedge accounting. The Group has applied IFRS 9 from 1 April 2018 without restating comparatives on initial application in accordance with the transitional provisions of the standard.

The Group has reviewed its financial assets and liabilities and has assessed the main impact of adopting this standard as follows:

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 2019 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, which meet the test of being solely payments of principal and interest ('SPPI').

There was no impact on the Group's accounting for financial liabilities under IFRS 9, 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.

Impairment

Trade receivables at 31 March 2019 were £903,000 (2018: £776,000) and the credit risk associated with unpaid rent is deemed to be low.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as was the case under IAS 39. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The Group applies the IFRS 9 simplified approach to measuring ECLs at an amount equal to lifetime expected credit losses for all trade receivables.

We performed an assessment of the Group's trade receivables at 31 March 2018 and 31 March 2019 for impairment in accordance with the requirements of IFRS 9. We have based our estimate of expected credit losses on past experience of incurred credit losses and the trade debtor's current financial condition and we have specifically provided against receivables where there is no realistic prospect of recovery.

Based on our assessment, there was no material impact on the Group or Company financial statements of impairment losses recognised under IFRS 9 at transition and no adjustment was made to opening net assets. We recognised an impairment provision in accordance with IFRS 9 of £140,000 in the Group financial statements and £419,000 in the Company financial statements at the year end, as disclosed in notes 11 and iv respectively.

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 last 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.

Hedge accounting
The Group does not apply hedge accounting and therefore there is no impact from the hedge accounting provisions in IFRS 9.

IFRS 15 Revenue from contracts with customers
The Group has applied IFRS 15 from 1 April 2018 and has adopted the modified retrospective approach without restatement of comparatives. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

IFRS 15 does not apply to rental income which, at 31 March 2019, accounted for over 95% of total gross revenue of the Group, but does apply to other non-core income streams including management fees and surrender premiums receivable. IFRS 15 did not have a material impact on the timing of revenue recognition for the non-core income streams.

The main impact of adopting IFRS 15 has been to recognise property transactions at the point of completion, which is the point at which control of the property passes, rather than on unconditional exchange of contracts, which was the point at which significant risks and rewards were transferred under IAS 18. The effect of adopting the cumulative catch up approach on transition to IFRS 15 was nil.

iii) 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 16	Leases
Annual Improvements to IFRSs: 2015 – 2017 cycle	Amendments to IFRS 3, Business Combinations

IFRS 16 Leases
IFRS 16 was issued in January 2016 and is effective for the Group for accounting periods beginning on or after 1 April 2019.

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. The standard does not impact the accounting for the rental income earned by the Group as lessor.

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 to the balance sheet as at 31 March 2019. It has also assessed long leasehold properties where the Group is the lessee and ground rent is payable. IFRS 16 is not estimated to have a material impact on the gross or net asset position at transition nor the income statement for the year to 31 March 2020.

e) 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 returns 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. Joint venture management fees are recognised as income in the accounting period in which the service is rendered.

f) 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
- 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. Surrender premiums receivable are recognised on completion of the surrender.

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.

The Group has applied IFRS 15, Revenue from contracts with customers, from 1 April 2018. The main impact of adopting IFRS 15 has been to recognise property transactions at the point of completion, which is the point at which control of the property passes, rather than on unconditional exchange of contracts, which was the point at which significant risks and rewards were transferred. The cumulative effect of adopting IFRS 15 at the date of initial application was nil.

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.

g) 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.

Financial instruments under IFRS 9

i) Trade and other receivables and payables

Trade receivables are recognised and carried at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. An impairment provision is created based on the expected credit loss model which reflects the Group's historical incurred credit losses and the lifetime expected credit loss.

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, measured at amortised cost.

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.

Financial instruments under IAS 39

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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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		**2019**			2018	
Property value	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**1,282,860**	**9,702**	**1,292,562**	1,223,505	9,576	1,233,081
Convenience & leisure	**152,125**	**–**	**152,125**	174,700	–	174,700
Long income	**104,890**	**132,533**	**237,423**	95,250	125,580	220,830
Retail parks	**86,975**	**–**	**86,975**	139,775	–	139,775
Residential	**1,365**	**15,982**	**17,347**	1,765	28,374	30,139
Development	**59,790**	**–**	**59,790**	42,560	925	43,485
	1,688,005	**158,217**	**1,846,222**	1,677,555	164,455	1,842,010

For the year to 31 March		**2019**			2018	
Gross rental income	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**63,656**	**607**	**64,263**	57,737	513	58,250
Convenience & leisure	**8,739**	**–**	**8,739**	10,281	–	10,281
Long income	**6,272**	**9,436**	**15,708**	4,769	8,664	13,433
Retail parks	**6,373**	**–**	**6,373**	7,044	–	7,044
Office	**–**	**–**	**–**	2,007	–	2,007
Residential	**67**	**352**	**419**	58	617	675
Development	**–**	**–**	**–**	92	–	92
	85,107	**10,395**	**95,502**	81,988	9,794	91,782

For the year to 31 March		**2019**			2018	
Net rental income	**100% owned £000**	**Share of JV £000**	**Total £000**	100% owned £000	Share of JV £000	Total £000
Distribution	**62,851**	**609**	**63,460**	57,656	513	58,169
Convenience & leisure	**8,652**	**–**	**8,652**	10,108	–	10,108
Long income	**6,215**	**9,200**	**15,415**	4,696	8,561	13,257
Retail parks	**6,101**	**–**	**6,101**	6,653	–	6,653
Office	**–**	**–**	**–**	1,904	–	1,904
Residential	**72**	**139**	**211**	57	319	376
Development	**(5)**	**–**	**(5)**	86	–	86
	83,886	**9,948**	**93,834**	81,160	9,393	90,553

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

3 GROSS REVENUE

For the year to 31 March	**2019 £000**	2018 £000
Gross rental income	**85,107**	81,988
Property advisory fee income	**1,710**	1,721
	86,817	83,709

For the year to 31 March 2019, 22% of the Group's gross rental income was receivable from two tenants. For the comparative period, 12% of the Group's gross rental income was receivable from one tenant.

4 ADMINISTRATIVE COSTS

a) Total administrative costs

For the year to 31 March	**2019 £000**	2018 £000
Staff costs	**10,400**	10,008
Auditors' remuneration	**168**	180
Depreciation	**109**	263
Other administrative costs	**2,981**	3,349
	13,658	13,800

b) Staff costs

For the year to 31 March	**2019 £000**	2018 £000
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**8,591**	8,422
Less staff costs capitalised	**(1,858)**	(1,835)
	6,733	6,587
Social security costs	**711**	702
Pension costs	**237**	301
Share based payment	**2,719**	2,418
	10,400	10,008

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 £2.7 million (2018: £2.4 million).

The Company awarded 2,125,515 LTIP shares during the year, 1,514,969 of which were awarded to Executive Directors. The cost of acquiring the shares expected to vest under the LTIP of £4.8 million has been charged to reserves this year (2018: £2.8 million). Employee costs of £1.9 million (2018: £1.8 million) have been capitalised in respect of time spent on development projects.

The emoluments and pension benefits of the Directors, who are also the key management personnel of the Company, in aggregate are as follows:

	2019 £000	2018 £000
Salary and fees	**2,182**	2,159
Benefits	**111**	107
Pension	**242**	237
Annual bonus	**2,175**	1,815
Long term incentives	**3,025**	2,870
Short term employee benefits	**7,735**	7,188

In accordance with the disclosure requirements of IAS 24 Related party disclosures for key management personnel, short term employee benefits were £7.7 million and share based payments were £2.1 million.

c) Staff numbers

The average number of employees including Executive Directors during the year was:

	2019 Number	2018 Number
Head office and property management	**28**	31

d) Auditor's remuneration

For the year to 31 March	**2019 £000**	2018 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**117**	111
Audit of subsidiary financial statements, pursuant to legislation	**5**	4
Other fees:		
Audit related assurance services	**28**	27
Other advisory services	**–**	2
Total fees for audit and other services	**150**	144

In addition to the above audit fees, £48,200 (2018: £47,000) was due to the Group's auditor in respect of its joint venture operations. BDO LLP is responsible for the audit of other subsidiary entities at a cost to the Group of £33,700 (2018: £30,950).

5 FINANCE COSTS

For the year to 31 March	**2019 £000**	2018 £000
Interest payable on bank loans and related derivatives	**16,328**	15,530
Debt and hedging early close out costs	**6**	18,981
Amortisation of loan issue costs	**1,410**	1,350
Commitment fees and other finance costs	**1,859**	1,705
Total borrowing costs	**19,603**	37,566
Less amounts capitalised on the development of properties	**(1,119)**	(1,695)
Net borrowing costs	**18,484**	35,871
Fair value loss/(gain) on derivative financial instruments	**4,387**	(26,186)
Total finance costs	**22,871**	9,685

6 TAXATION

For the year to 31 March	**2019 £000**	2018 £000
Current tax		
UK tax (credit)/charge on profit	**(151)**	32

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	**2019 £000**	2018 £000
Profit before tax	**119,514**	186,050
Tax at the standard rate of corporation tax in the UK of 19% (2018: 19%)	**22,708**	35,350
Effects of:		
Tax effect of income not subject to tax	**(23,664)**	(32,724)
Share of post tax losses/(profits) of joint ventures	**1,213**	(2,594)
Land remediation tax credit	**(408)**	–
UK tax (credit)/charge on profit	**(151)**	32

The current tax credit relates to a land remediation receipt, net of tax arising on income that does not qualify as property income within the REIT regulations and 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	**2019 £000**	2018 £000
Ordinary dividends paid		
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
2018 Third quarterly interim dividend: 1.85p per share	**12,837**	–
2018 Fourth quarterly interim dividend: 2.35p per share	**16,311**	–
2019 First quarterly interim dividend: 1.9p per share	**13,206**	–
2019 Second quarterly interim dividend: 1.9p per share	**13,212**	–
	55,566	51,372
Quarterly dividend payable in 2019/20		
2019 Third quarterly interim dividend: 1.9p per share	**13,237**	
2019 Fourth quarterly interim dividend: 2.5p per share	**17,434**	

The Company paid its third quarterly interim dividend in respect of the current financial year of 1.9p per share, wholly as a Property Income Distribution ('PID'), on 17 April 2019 to ordinary shareholders on the register at the close of business on 15 March 2019.

The fourth quarterly interim dividend for 2019 of 2.5p per share, of which 0.75p is payable as a PID, will be payable on 11 July 2019 to shareholders on the register at the close of business on 7 June 2019. 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 2020.

During the year the Company issued 2,775,644 ordinary shares in relation to the last two quarterly dividend payments for 2018 and the first two quarterly dividend payments for 2019, which reduced the cash dividend payment by £5.0 million to £50.6 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**	**2019 £000**	Group £000	JV £000	2018 £000
Gross rental income	**85,107**	**10,395**	**95,502**	81,988	9,794	91,782
Property costs	**(1,221)**	**(447)**	**(1,668)**	(828)	(401)	(1,229)
Net rental income	**83,886**	**9,948**	**93,834**	81,160	9,393	90,553
Management fees	**1,710**	**(781)**	**929**	1,721	(763)	958
Administrative costs	**(13,658)**	**(71)**	**(13,729)**	(13,800)	(106)	(13,906)
Net finance costs[1]	**(18,135)**	**(2,077)**	**(20,212)**	(16,475)	(1,982)	(18,457)
Other	**151**	**–**	**151**	(32)	–	(32)
EPRA earnings	**53,954**	**7,019**	**60,973**	52,574	6,542	59,116

1 Group net finance costs reflect net borrowing costs of £18,484,000 (note 5) less early close out costs of £6,000 (note 5) and finance income of £343,000

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

For the year to 31 March	**Group £000**	**JV £000**	**2019 £000**	Group £000	JV £000	2018 £000
EPRA earnings	**53,954**	**7,019**	**60,973**	52,574	6,542	59,116
Revaluation of investment property	**75,921**	**(11,493)**	**64,428**	114,723	6,842	121,565
Fair value of derivatives	**(4,387)**	**(356)**	**(4,743)**	26,186	234	26,420
Debt and hedging early close out costs	**(6)**	**–**	**(6)**	(18,981)	(76)	(19,057)
Profit/(loss) on disposal	**566**	**(1,553)**	**(987)**	(2,139)	113	(2,026)
IFRS reported profit/(loss)	**126,048**	**(6,383)**	**119,665**	172,363	13,655	186,018

b) Earnings per ordinary share

For the year to 31 March	**2019 £000**	2018 £000
Basic and diluted earnings	**119,665**	186,018
EPRA adjustments[1]	**(58,692)**	(126,902)
EPRA earnings	**60,973**	59,116

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

Weighted average number of shares	**2019 Number of shares '000**	2018 Number of shares '000
Ordinary share capital	**698,409**	695,121
Shares held in employee benefit trust	**(2,839)**	(2,983)
Weighted average number of ordinary shares[1]	**695,570**	692,138

1 Fully diluted weighted average share number of ordinary shares at 31 March 2019 is 700,787,000, which includes the expected vesting of all outstanding share awards. There was no material difference in the fully diluted weighted average number of ordinary shares in the prior year

Basic earnings per share	**17.2p**	26.9p
Fully diluted earnings per share	**17.1p**	26.9p
EPRA earnings per share	**8.8p**	8.5p
EPRA fully diluted earnings per share	**8.7p**	8.5p

c) Net assets per share

As at 31 March	**2019 £000**	2018 £000
Equity shareholders' funds	**1,216,789**	1,149,489
Fair value of derivatives	**1,551**	(2,836)
Fair value of joint ventures' derivatives	**306**	(43)
EPRA net asset value	**1,218,646**	1,146,610

As at 31 March	**2019 Number of shares '000**	2018 Number of shares '000
Ordinary share capital	**699,992**	697,216
Number of shares held in employee trust	**(3,370)**	(3,323)
Number of ordinary shares	**696,622**	693,893

Basic net asset value per share	**174.7p**	165.7p
EPRA net asset value per share	**174.9p**	165.2p

Further EPRA performance measures are reflected in the Supplementary notes.

9 INVESTMENT PROPERTIES

a) Investment properties

As at 31 March	Completed £000 (2019)	Under development £000 (2019)	Total £000 (2019)	Completed £000 (2018)	Under development £000 (2018)	Total £000 (2018)
Opening balance	**1,634,995**	**42,560**	**1,677,555**	1,346,085	27,315	1,373,400
Acquisitions	**146,961**	**12,694**	**159,655**	274,562	32,064	306,626
Other capital expenditure	**14,141**	**16,326**	**30,467**	20,236	29,584	49,820
Disposals	**(247,200)**	**(500)**	**(247,700)**	(172,038)	–	(172,038)
Property transfers	**20,965**	**(20,965)**	**–**	60,366	(60,366)	–
Revaluation movement	**66,254**	**9,667**	**75,921**	101,353	13,370	114,723
Movement in tenant incentives and rent free uplifts	**(7,901)**	**8**	**(7,893)**	4,431	593	5,024
	1,628,215	**59,790**	**1,688,005**	1,634,995	42,560	1,677,555

Investment properties are held at fair value as at 31 March 2019 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills (UK) Limited ('Savills'). The valuation of property held for sale at 31 March 2019 was £10.6 million (2018: £89.9 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 £109.4 million (2018: £101.4 million). All other properties are freehold.

Included within the investment property valuation is £62.5 million (2018: £70.3 million) in respect of unamortised lease incentives and rent free periods. The movement in lease incentives on properties sold has been reclassified between cash flows from investing activities and cash flows from operations in the Group cash flow statement this year. Prior year comparatives of £8.5m have been reclassified accordingly.

The historical cost of all of the Group's investment properties at 31 March 2019 was £1,295.6 million (2018: £1,328.8 million).

Capital commitments have been entered into amounting to £19.7 million (2018: £47.5 million) which have not been provided for in the financial statements. Internal staff costs of the development team of £1.9 million (2018: £1.8 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £10.4 million (2018: £9.8 million) have been classified within investment property as acquisitions.

b) Valuation technique and quantitative information

			ERV		Net initial yield		Reversionary yield	
Asset type	Fair value 2019 £000	Valuation technique	Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	**1,282,860**	Yield capitalisation	6.50	3.50-19.90	4.2	1.3-6.5	4.6	3.7-7.1
Convenience and leisure	**152,125**	Yield capitalisation	15.10	7.10-80.70	4.8	3.5-9.0	4.6	3.1-8.8
Long income	**104,890**	Yield capitalisation	18.50	9.80-36.90	6.0	4.3-8.4	5.1	4.4-6.7
Retail parks	**86,975**	Yield capitalisation	17.40	14.00-20.80	6.3	5.6-7.0	6.0	5.4-6.6
Development – distribution	**46,450**	Residual	6.90	6.80-7.30	6.8	6.4-7.3	5.0	4.7-5.3
Development – convenience and leisure	**13,340**	Residual	13.80	13.10-16.00	4.9	4.8-5.0	4.9	4.8-5.0
Residential	**1,365**	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 2019. The fair value at 31 March 2019 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

10 INVESTMENT IN JOINT VENTURES

At 31 March 2019, the following principal property interests, being jointly controlled entities, have been equity accounted for in these financial statements:

	Country of incorporation or registration[1]	Property sectors	Group share
Metric Income Plus Partnership	England	Long income	50.0%
LMP Retail Warehouse JV PUT	Guernsey	Long income & distribution	45.0%
LSP London Residential Investments Ltd	Guernsey	Residential	40.0%

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

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

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

The Group also disposed of 17 residential flats for £24.5 million (Group share: £9.8 million) through its 40% interest in LSP London Residential Investments Limited in the year. One further flat was sold at Moore House post year end, reducing the number held to 33.

At 31 March 2019, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') Registered Valuers of CBRE Limited and Savills (UK) Limited.

The valuation of property held for sale by joint ventures at 31 March 2019 was £5.8 million (Group share: £2.8 million), (2018: £21.9 million and Group share £8.8 million).

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

As at 31 March	**2019 £000**	2018 £000
Opening balance	**117,646**	107,567
Additions at cost	**5,085**	12,662
Share of (loss)/profit in the year	**(6,383)**	13,655
Disposals	**–**	(3,964)
Profit distributions received	**(17,494)**	(12,274)
	98,854	117,646

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

	Metric Income Plus Partnership £000	**LMP Retail Warehouse JV PUT £000**	**LSP London Residential Investments £000**	**Total 2019 £000**	**Group share 2019 £000**
Summarised income statement					
Gross rental income	**13,158**	**7,694**	**880**	**21,732**	**10,395**
Property costs	**(482)**	**16**	**(532)**	**(998)**	**(447)**
Net rental income	**12,676**	**7,710**	**348**	**20,734**	**9,948**
Administrative costs	**(43)**	**(46)**	**(70)**	**(159)**	**(71)**
Management fees	**(1,027)**	**(303)**	**(328)**	**(1,658)**	**(781)**
Revaluation	**(13,571)**	**(7,455)**	**(3,374)**	**(24,400)**	**(11,493)**
Finance income	**292**	**1**	**2**	**295**	**148**
Finance cost	**(2,740)**	**(1,899)**	**–**	**(4,639)**	**(2,225)**
Derivative movement	**(713)**	**–**	**–**	**(713)**	**(356)**
Loss on disposal	**–**	**–**	**(3,883)**	**(3,883)**	**(1,553)**
Loss after tax	**(5,126)**	**(1,992)**	**(7,305)**	**(14,423)**	**(6,383)**
Group share of loss after tax	**(2,563)**	**(898)**	**(2,922)**	**(6,383)**	
EPRA adjustments:					
Revaluation	**13,571**	**7,455**	**3,374**	**24,400**	**11,493**
Derivative movement	**713**	**–**	**–**	**713**	**356**
Loss on disposal	**–**	**–**	**3,883**	**3,883**	**1,553**
EPRA earnings	**9,158**	**5,463**	**(48)**	**14,573**	**7,019**
Group share of EPRA earnings	**4,579**	**2,459**	**(19)**	**7,019**	
Summarised balance sheet					
Investment properties	**202,150**	**91,425**	**39,955**	**333,530**	**158,217**
Other current assets	**573**	**–**	**154**	**727**	**348**
Cash	**4,484**	**1,071**	**1,885**	**7,440**	**3,478**
Current liabilities	**(3,386)**	**(866)**	**(212)**	**(4,464)**	**(2,173)**
Bank debt	**(80,518)**	**(46,619)**	**–**	**(127,137)**	**(61,247)**
Unamortised finance costs	**1,007**	**76**	**–**	**1,083**	**537**
Derivative financial instruments	**(613)**	**–**	**–**	**(613)**	**(306)**
Net assets	**123,697**	**45,087**	**41,782**	**210,566**	**98,854**
Group share of net assets	**61,849**	**20,292**	**16,713**	**98,854**	

	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
Administrative costs	(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	

11 TRADE AND OTHER RECEIVABLES

As at 31 March	**2019 £000**	2018 £000
Trade receivables	**903**	776
Amounts receivable from property sales	**3,777**	10
Prepayments and accrued income	**1,042**	1,443
Other receivables	**101**	115
	5,823	2,344

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment days with no credit period. At 31 March 2019, trade receivables of £44,600 were overdue and considered at risk (2018: £2,200). Based on the IFRS 9 ECL model, an impairment provision of £140,000 (2018: £nil) has also been made against trade receivables.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include £5.7 million (2018: £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	**2019 £000**	2018 £000
Trade payables	**2,281**	2,582
Amounts payable on property acquisitions and disposals	**2,160**	1,173
Rent received in advance	**14,679**	15,973
Accrued interest	**883**	785
Other payables	**6,484**	4,139
Other accruals and deferred income	**9,911**	8,924
	36,398	33,576

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	**2019 £000**	2018 £000
Secured bank loans	**130,000**	130,000
Unsecured bank loans	**435,000**	520,000
Unamortised finance costs	**(6,049)**	(6,449)
	558,951	643,551

Certain bank loans at 31 March 2019 are secured by fixed charges over Group investment properties with a carrying value of £377.6 million (2018: £357.7 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 £20.6 million (2018: £26.2 million) and available and undrawn bank loan facilities at 31 March 2019 of £363.8 million (2018: £53.8 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 2019	**Less than one year £000**	**One to two years £000**	**Two to five years £000**	**More than five years £000**	**Total £000**
Bank loans	**17,776**	**17,752**	**213,040**	**437,711**	**686,279**
Derivative financial instruments	**820**	**798**	**800**	**–**	**2,418**
	18,596	**18,550**	**213,840**	**437,711**	**688,697**

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

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 2019, 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 (2018: 73%).

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2019 including the cost of amortising finance arrangement fees, was 3.1% (2018: 2.8%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £2.3 million or £1.3 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 2019 £000	2018 £000	Measured at fair value 2019 £000	2018 £000
Non current assets				
Derivative financial instruments (see 14c(iii))	**–**	–	**–**	2,836
Current assets				
Cash and cash equivalents (note 12)	**20,605**	26,162	**–**	–
Trade receivables (note 11)	**903**	776	**–**	–
Other receivables (note 11)	**101**	115	**–**	–
	21,609	27,053	**–**	2,836
Non current liabilities				
Derivative financial instruments (see 14c(iii))	**–**	–	**1,551**	–
Borrowings (note 14a)	**558,951**	643,551	**–**	–
Current liabilities				
Trade payables (note 13)	**2,281**	2,582	**–**	–
Accrued interest (note 13)	**883**	785	**–**	–
Other accruals (note 13)	**9,911**	8,924	**–**	–
Other payables (note 13)	**6,484**	4,139	**–**	–
	578,510	659,981	**1,551**	–

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 2019.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2019 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**2019 %**	2018 %	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Less than one year	**3.0**	2.0	**10,000**	100,000	**–**	–
One to two years	**–**	3.0	**–**	10,000	**–**	–
Two to five years	**2.0**	2.0	**19,620**	19,620	**9**	74
	2.3	2.1	**29,620**	129,620	**9**	74

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2019 %**	2018 %	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Less than one year	**2.0**	0.6	**10,000**	50,000	**(21)**	18
One to two years	**–**	2.0	**–**	10,000	**–**	(122)
Two to five years	**1.1**	1.3	**350,000**	425,000	**(1,539)**	2,866
	1.1	1.3	**360,000**	485,000	**(1,560)**	2,762
Total fair value					**(1,551)**	2,836

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2019 by JCRA.

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

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	**2019 £000**	2018 £000
Less than one year	**77,925**	83,087
Between one and five years	**303,898**	323,519
Between six and ten years	**295,948**	313,920
Between 11 and 15 years	**217,832**	213,107
Between 16 and 20 years	**102,282**	96,093
Over 20 years	**38,716**	47,380
	1,036,601	1,077,106

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

As at 31 March	**2019 £000**	2018 £000
Less than one year	**289**	337
Between one and five years	**2,783**	–
	3,072	337

16 SHARE CAPITAL

As at 31 March	**2019 Number**	**2019 £000**	2018 Number	2018 £000
Issued, called up and fully paid				
Ordinary shares of 10p each	**699,991,840**	**69,999**	697,216,196	69,722

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

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

The Company issued 2,775,644 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 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

	2019			2018		
	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	**26,162**	**643,551**	**617,389**	42,944	466,319	423,375
Cash movement	**(5,557)**	**(85,000)**	**(79,443)**	(16,782)	176,830	193,612
Loan issue costs paid	**–**	**(1,010)**	**(1,010)**	–	(948)	(948)
Amortisation of loan issue costs	**–**	**1,410**	**1,410**	–	1,350	1,350
Closing balance	**20,605**	**558,951**	**538,346**	26,162	643,551	617,389

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	**2019 £000**	2018 £000	**2019 £000**	2018 £000
LSP London Residential Investments	40.0%	**273**	384	**10,480**	5,303
Metric Income Plus Partnership	50.0%	**1,134**	1,008	**4,543**	3,750
LMP Retail Warehouse JV Property Unit Trust	45.0%	**303**	329	**2,471**	3,221
		1,710	1,721	**17,494**	12,274

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

20 POST BALANCE SHEET EVENTS

Post year end, the Group has increased its equity investment in the DFS joint venture to 82% at a cost of £18.6 million, and has repaid the debt facility.

The Group has also acquired two urban logistics warehouses and two convenience stores post year end as described in the Strategic Report.

As reported in the Chairman's Statement, we have today separately announced a £414.7 million recommended offer to acquire A&J Mucklow Group plc, a distribution and industrial REIT with a portfolio located predominantly in the West Midlands.

COMPANY BALANCE SHEET

As at 31 March

	Note	2019 £000	2018 £000
Fixed assets			
Investment in subsidiaries	iii	**784,998**	893,822
Other tangible assets		**402**	73
Derivative financial instruments	vi	**–**	2,762
		785,400	896,657
Current assets			
Trade and other receivables	iv	**566,418**	455,112
Cash at bank		**14,471**	17,574
		580,889	472,686
Total assets		**1,366,289**	1,369,343
Current liabilities			
Trade and other payables	v	**10,800**	11,050
		10,800	11,050
Non current liabilities			
Borrowings	vi	**431,319**	516,362
Derivative financial instruments	vi	**1,560**	–
		432,879	516,362
Total liabilities		**443,679**	527,412
Net assets		**922,610**	841,931
Equity			
Called up share capital		**69,999**	69,722
Share premium		**100,753**	96,079
Capital redemption reserve		**9,636**	9,636
Other reserve		**(6,225)**	39,694
Retained earnings		**748,447**	626,800
Equity shareholders' funds		**922,610**	841,931

The Company reported a profit for the financial year to 31 March 2019 of £133.0 million (2018: £50.8 million).

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2019 and were signed on its behalf by:

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

	Share capital £000	**Share premium £000**	**Capital redemption reserve £000**	**Other reserve £000**	**Retained earnings £000**	**Total £000**
At 1 April 2018	**69,722**	**96,079**	**9,636**	**39,694**	**626,800**	**841,931**
Profit for the year	**–**	**–**	**–**	**–**	**133,044**	**133,044**
Purchase of shares held in trust	**–**	**–**	**–**	**(4,781)**	**–**	**(4,781)**
Vesting of shares held in trust	**–**	**–**	**–**	**3,974**	**(3,662)**	**312**
Share based awards	**–**	**–**	**–**	**–**	**2,719**	**2,719**
Reserve transfer of impairment in subsidiary	**–**	**–**	**–**	**(45,112)**	**45,112**	**–**
Dividends	**277**	**4,674**	**–**	**–**	**(55,566)**	**(50,615)**
At 31 March 2019	**69,999**	**100,753**	**9,636**	**(6,225)**	**748,447**	**922,610**

	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	69,101	598,081	834,604
Profit for the year	–	–	–	–	50,771	50,771
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
Reserve transfer of impairment in subsidiary	–	–	–	(30,535)	30,535	–
Dividends	484	7,531	–	–	(51,372)	(43,357)
At 31 March 2018	69,722	96,079	9,636	39,694	626,800	841,931

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 March 2019

I ACCOUNTING POLICIES

Accounting convention

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group, except as noted below.

Subsidiary undertakings

Investments in subsidiary companies are stated at cost less any provision for impairment.

II PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

As permitted by Section 408 Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The reported profit of the Company was £133.0 million (2018: £50.8 million).

Audit fees in relation to the Company only were £116,380 in the year (2018: £110,500).

III FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000
At 1 April 2018	**893,822**
Additions	**95,266**
Disposals	**(9,207)**
Impairment of investment	**(194,883)**
At 31 March 2019	**784,998**

The carrying value of the Company's investments was impaired by £194.9 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies.

The Company is incorporated in England and is the ultimate holding company of the Group and has the following subsidiary undertakings:

	Country of incorporation or registration[3]	Proportion of voting rights held (by way of share capital or units held)	Nature of business
London & Stamford Property Limited	Guernsey	100%	Intermediate holding company
LondonMetric Management Limited	Guernsey	100%	Management company
LMP Retail Warehouse JV Holdings Limited[1]	Guernsey	81.88%	Intermediate holding company
Metric Property Investments Limited	England	100%	Intermediate holding company
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Finance 2 Limited[2]	England	100%	Intermediate holding company
Metric LP Income Plus Limited[1]	England	100%	Intermediate holding company
LSI (Investments) Limited	England	100%	Property investment
LSI Developments Limited	England	100%	Property investment
LondonMetric Saturn Limited	England	100%	Property investment
LondonMetric Retail Distribution I Limited	England	100%	Property investment
LondonMetric Saturn II Limited	England	100%	Property investment
LondonMetric Retail Distribution II Limited	England	100%	Property investment
LondonMetric Retail Distribution III Limited	England	100%	Property investment
LondonMetric Liverpool Limited	England	100%	Property investment
LondonMetric Swindon Limited	England	100%	Property investment
LondonMetric Distribution Limited	England	100%	Property investment
LondonMetric Retail Limited	England	100%	Property investment
LondonMetric Edinburgh Limited	England	100%	Property investment
LondonMetric Derby Limited	England	100%	Property investment
Goresbrook Property Limited[2]	England	100%	Property investment
LondonMetric Crawley Limited	England	100%	Property investment
LondonMetric Leisure Limited	England	100%	Property investment
Metric Property Launceston Limited	England	100%	Property investment
Metric Property Loughborough Limited[1]	England	100%	Property investment
Metric Property Coventry Limited	England	100%	Property investment
Metric Property Bedford Limited[1]	England	100%	Property investment
Metric Property Kirkstall Limited[1]	England	100%	Property investment
LondonMetric Logistics Limited	England	100%	Property investment
L&S Business Space Limited[1,2]	Guernsey	100%	Property investment
L&S Highbury Limited[1,2]	Guernsey	100%	Property investment
LMP Green Park Cinemas Limited[1,2]	Guernsey	100%	Property investment
LMP Thrapston Limited[1,2]	Guernsey	100%	Property investment
LMP Bell Farm Limited[1,2]	Guernsey	100%	Property investment
LMP Omega II Limited[1,2]	Guernsey	100%	Property investment
LMP Dagenham Limited[1,2]	Guernsey	100%	Property investment
LMP GB1W02 LLC[1,2]	Delaware	100%	Property investment

1 Undertakings held indirectly by the Company

2 Exempt from the requirement to file audited accounts

3 The registered address for companies incorporated in England is One Curzon Street, London, W1J 5HB. The registered address for companies incorporated in Guernsey is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP. The registered address of the company incorporated in Delaware is The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801

All of the undertakings listed above operate in their country of incorporation except those who are tax resident in the UK. All shares held are ordinary shares.

IV TRADE AND OTHER RECEIVABLES

As at 31 March	**2019 £000**	2018 £000
Prepayments and accrued income	**628**	915
Other receivables	**33**	32
Amounts due from subsidiary undertakings	**565,757**	454,165
	566,418	455,112

All amounts under receivables fall due for payment in less than one year. Based on the IFRS 9 ECL model, an impairment provision of £419,000 was recognised on amounts due from Group undertakings, which are unsecured and repayable on demand.

V TRADE AND OTHER PAYABLES

As at 31 March	**2019 £000**	2018 £000
Trade payables	**126**	530
Other accruals and deferred income	**7,595**	7,646
Other payables	**3,079**	2,874
	10,800	11,050

VI BORROWINGS AND FINANCIAL INSTRUMENTS

Non current financial liabilities

As at 31 March	**2019 £000**	2018 £000
Unsecured bank loans	**435,000**	520,000
Unamortised finance costs	**(3,681)**	(3,638)
	431,319	516,362

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

As at 31 March	**Bank loans £000**	**Derivative financial instruments £000**	**2019 £000**	2018 £000
Less than one year	**14,407**	**820**	**15,227**	13,843
One to five years	**217,343**	**1,598**	**218,941**	433,539
More than five years	**306,652**	**–**	**306,652**	136,364
	538,402	**2,418**	**540,820**	583,746

Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a significant portion of external bank borrowings are at either fixed or capped rates of interest in order to manage this risk.

The Company 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 Company 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.

The market values of hedging products change with interest rate fluctuations, but the exposure of the Company to movements in interest rates is protected by way of the hedging products listed below. 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 Company 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.

Details of the fair value of the Company's derivative financial instruments that were in place are provided below.

As at 31 March	Average rate		Notional		Fair value	
Interest rate caps – expiry	**2019 %**	2018 %	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Less than one year	**3.0**	2.0	**10,000**	70,000	**–**	–
One to two years	**–**	3.0	**–**	10,000	**–**	–
Two to five years	**–**	–	**–**	–	**–**	–
	3.0	2.1	**10,000**	80,000	**–**	–

As at 31 March	Average rate		Notional		Fair value	
Interest rate swaps – expiry	**2019 %**	2018 %	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Less than one year	**2.0**	0.6	**10,000**	50,000	**(21)**	18
One to two years	**–**	2.0	**–**	10,000	**–**	(122)
Two to five years	**1.1**	1.3	**350,000**	425,000	**(1,539)**	2,866
	1.1	1.3	**360,000**	485,000	**(1,560)**	2,762
Total fair value						2,762

Further information on financial risk management policies and practices can be found in note 14 of the Group accounts.

VII RELATED PARTY TRANSACTIONS

Related party transactions for the Company are as noted for the Group in note 19 to the Group financial statements.

SUPPLEMENTARY INFORMATION (NOT AUDITED)

I EPRA SUMMARY TABLE

	2019	2018
EPRA earnings per share	**8.8p**	8.5p
EPRA net asset value per share	**174.9p**	165.2p
EPRA triple net asset value per share	**174.7p**	165.7p
EPRA vacancy rate	**2.2%**	2.5%
EPRA cost ratio (including vacant property costs)	**15%**	15%
EPRA cost ratio (excluding vacant property costs)	**14%**	15%
EPRA net initial yield	**4.3%**	4.5%
EPRA 'topped up' net initial yield	**4.7%**	4.9%

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**	**2019 £000**	Group £000	JV £000	2018 £000
Gross rental income	**85,107**	**10,395**	**95,502**	81,988	9,794	91,782
Property costs	**(1,221)**	**(447)**	**(1,668)**	(828)	(401)	(1,229)
Net rental income	**83,886**	**9,948**	**93,834**	81,160	9,393	90,553
Management fees	**1,710**	**(781)**	**929**	1,721	(763)	958
Administrative costs	**(13,658)**	**(71)**	**(13,729)**	(13,800)	(106)	(13,906)
Net finance costs	**(18,135)**	**(2,077)**	**(20,212)**	(16,475)	(1,982)	(18,457)
Other	**151**	**–**	**151**	(32)	–	(32)
EPRA earnings	**53,954**	**7,019**	**60,973**	52,574	6,542	59,116

III EPRA PROPORTIONALLY CONSOLIDATED BALANCE SHEET

As at 31 March	**Group £000**	**JV £000**	**2019 £000**	Group £000	JV £000	2018 £000
Investment property	**1,688,005**	**158,217**	**1,846,222**	1,677,555	164,455	1,842,010
Gross debt	**(565,000)**	**(61,247)**	**(626,247)**	(650,000)	(58,938)	(708,938)
Cash	**20,605**	**3,478**	**24,083**	26,162	13,128	39,290
Other net liabilities	**(24,124)**	**(1,288)**	**(25,412)**	(24,710)	(1,042)	(25,752)
EPRA net assets	**1,119,486**	**99,160**	**1,218,646**	1,029,007	117,603	1,146,610
Loan to value	**32%**	**37%**	**32%**	35%	28%	35%
Cost of debt	**3.1%**	**3.5%**	**3.1%**	2.7%	3.4%	2.8%
Undrawn facilities	**363,750**	**9,741**	**373,491**	53,750	12,050	65,800

IV EPRA COST RATIO

For the year to 31 March	**2019 £000**	2018 £000
Property operating expenses	**1,221**	828
Administrative costs	**13,658**	13,800
Share of joint venture property costs, administrative costs and management fees	**1,299**	1,270
Less:		
Joint venture property management fee income	**(1,710)**	(1,721)
Ground rents	**(113)**	(127)
Total costs including vacant property costs (A)	**14,355**	14,050
Group vacant property costs	**(742)**	(253)
Share of joint venture vacant property costs	**(148)**	(204)
Total costs excluding vacant property costs (B)	**13,465**	13,593
Gross rental income	**85,107**	81,988
Share of joint venture gross rental income	**10,395**	9,794
	95,502	91,782
Less:		
Ground rents	**(113)**	(127)
Total gross rental income (C)	**95,389**	91,655
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**15%**	15%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**14%**	15%

V EPRA NET INITIAL YIELD AND 'TOPPED UP' NET INITIAL YIELD

As at 31 March	**2019 £000**	2018 £000
Investment property – wholly owned	**1,688,005**	1,677,555
Investment property – share of joint ventures	**158,217**	164,455
Less development properties	**(59,790)**	(43,485)
Less residential properties	**(17,347)**	(30,139)
Completed property portfolio	**1,769,085**	1,768,386
Allowance for:		
Estimated purchasers' costs	**120,298**	120,250
Estimated costs to complete	**14,790**	30,848
EPRA property portfolio valuation (A)	**1,904,173**	1,919,484
Annualised passing rental income	**74,475**	78,378
Share of joint ventures	**9,384**	9,263
Less development properties	**(1,058)**	(1,198)
Less residential properties	**(195)**	(352)
Annualised net rents (B)	**82,606**	86,091
Contractual rental increases for rent free periods	**5,267**	6,247
Contractual rental increases for stepped rental uplifts	**1,363**	1,685
'Topped up' net annualised rent (C)	**89,236**	94,023
EPRA net initial yield (B/A)	**4.3%**	4.5%
EPRA 'topped up' net initial yield (C/A)	**4.7%**	4.9%

VI EPRA VACANCY RATE

As at 31 March	**2019 £000**	2018 £000
Annualised estimated rental value of vacant premises	**1,944**	2,407
Portfolio estimated rental value[1]	**90,125**	95,808
EPRA vacancy rate	**2.2%**	2.5%

1 Excludes residential and development properties

VII EPRA CAPITAL EXPENDITURE ANALYSIS

As at 31 March	**Group 2019 £000**	**JV 2019 £000**	**Total 2019 £000**	Group 2018 £000	JV 2018 £000	Total 2018 £000
Opening valuation	**1,677,555**	**164,455**	**1,842,010**	1,373,400	160,428	1,533,828
Acquisitions	**146,961**	**9,313**	**156,274**	274,562	15,180	289,742
Developments[1]	**29,020**	**5,257**	**34,277**	61,648	848	62,496
Capital expenditure[2]	**14,141**	**818**	**14,959**	20,236	125	20,361
Disposals	**(247,700)**	**(11,066)**	**(258,766)**	(172,038)	(18,937)	(190,975)
Revaluation	**75,921**	**(11,493)**	**64,428**	114,723	6,842	121,565
Lease incentives	**(7,893)**	**933**	**(6,960)**	5,024	(31)	4,993
Closing valuation	**1,688,005**	**158,217**	**1,846,222**	1,677,555	164,455	1,842,010

1 Includes capitalised interest of £1.1 million (2018: £1.7 million) and capitalised staff costs of £1.9 million (2018: £1.8 million)

2 Capital expenditure on completed properties

VIII TOTAL ACCOUNTING RETURN

For the year to 31 March	**2019 pence per share**	2018 pence per share
EPRA net asset value		
– at end of year	**174.9**	165.2
– at start of year	**165.2**	149.8
Increase	**9.7**	15.4
Dividend paid	**8.0**	7.6
Net increase	**17.7**	23.0
Total accounting return	**10.7%**	15.4%

IX PORTFOLIO SPLIT AND VALUATION

As at 31 March	**2019 £m**	**2019 %**	2018 £m	2018 %
Mega distribution	**427.1**	**23.1**	500.8	27.2
Regional distribution	**385.5**	**20.9**	379.0	20.6
Urban logistics	**480.0**	**26.0**	353.3	19.1
Distribution	**1,292.6**	**70.0**	1,233.1	66.9
Convenience & leisure	**152.1**	**8.3**	174.7	9.5
Long income	**237.4**	**12.9**	220.8	12.0
Retail parks	**87.0**	**4.7**	139.8	7.6
Investment portfolio	**1,769.1**	**95.9**	1,768.4	96.0
Development – distribution[1]	**46.5**	**2.5**	29.4	1.6
Development – retail[2]	**13.3**	**0.7**	14.1	0.8
Residential	**17.3**	**0.9**	30.1	1.6
Total portfolio	**1,846.2**	**100**	1,842.0	100.0

1 Represents regional distribution of £22.6 million (1.2%) and urban logistics of £23.9 million (1.3%) at 31 March 2019

2 Represents convenience and leisure of £13.3 million (0.7%) at 31 March 2019

X INVESTMENT PORTFOLIO YIELDS

			2019			2018
As at 31 March	**EPRA NIY %**	**EPRA topped up NIY %**	**Equivalent yield %**	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	**3.9**	**4.3**	**4.9**	4.3	4.6	5.3
Convenience & leisure	**4.8**	**4.8**	**5.3**	4.7	4.9	5.3
Long income	**6.0**	**6.2**	**5.8**	5.6	5.9	5.5
Retail parks	**6.1**	**6.3**	**6.2**	4.5	5.6	5.6
Investment portfolio	**4.3**	**4.7**	**5.1**	4.5	4.9	5.3

XI INVESTMENT PORTFOLIO – KEY STATISTICS

As at 31 March 2019	**Area '000 sq ft**	**WAULT to expiry years**	**WAULT to first break years**	**Occupancy %**	**Average rent £ per sq ft**
Distribution	9,892	12.9	12.2	96.9	6.20
Convenience & leisure	499	14.8	14.6	100.0	15.80
Long income	1,370	10.7	9.1	100.0	19.00
Retail parks	319	10.4	8.6	98.8	18.50
Investment portfolio	**12,080**	**12.5**	**11.6**	**97.8**	**7.90**

XII TOTAL PROPERTY RETURNS

For the year to 31 March	**All property 2019 %**	All property 2018 %
Capital return	**3.9**	7.9
Income return	**4.9**	5.5
Total return	**9.0**	13.7

XIII CONTRACTED RENTAL INCOME

As at 31 March	2019 £m	2018 £m
Distribution	**59.0**	61.1
Convenience & leisure	**7.9**	9.4
Long income	**15.7**	13.9
Retail parks	**5.9**	8.4
Investment portfolio	**88.5**	92.8
Development – distribution	**–**	0.4
Development – retail	**1.0**	0.8
Commercial portfolio	**89.5**	94.0
Residential	**0.2**	0.4
Total portfolio	**89.7**	94.4

XIV RENT SUBJECT TO EXPIRY

As at 31 March 2019	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	3.5	9.0	37.4	76.6	82.6	100
Convenience & leisure	3.9	6.7	28.3	33.7	84.6	100
Long income	3.9	11.5	40.0	90.5	97.5	100
Retail parks	1.3	8.3	47.1	85.3	100.0	100
Commercial portfolio	**3.5**	**9.2**	**37.6**	**75.3**	**86.6**	**100**

XV CONTRACTED RENT SUBJECT TO RPI OR FIXED UPLIFTS

As at 31 March	2019 £m	2019 %	2018 £m	2018 %
Distribution	**42.4**	**71.8**	34.6	56.2
Convenience & leisure	**7.5**	**84.0**	6.9	73.4
Long income	**5.3**	**33.9**	4.7	32.2
Retail parks	**1.3**	**22.6**	1.1	12.5
Commercial portfolio	**56.5**	**63.2**	47.3	50.3

XVI TOP TEN ASSETS (BY VALUE)

As at 31 March 2019	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, Islip	1,062	5.6	100	21.5	21.5
Eddie Stobart, Dagenham	454	4.1	100	24.5	24.5
Primark, Thrapston	783	4.2	100	13.5	13.5
Dixons Carphone, Newark	726	4.4	100	14.3	14.3
Argos, Bedford	657	4.1	100	15.0	15.0
Amazon, Omega South, Warrington	357	2.1	100	12.7	12.7
Tesco, Croydon	191	1.9	100	9.1	9.1
DHL, Reading	230	1.8	100	6.3	6.3
Clipper, Ollerton	364	1.9	100	18.5	18.5
Burlington Road, New Malden	51	1.9	100	12.6	8.0

XVII TOP TEN OCCUPIERS

As at 31 March 2019	Contracted rental income £m	Market capitalisation £bn	Contracted rental income %
Primark[1]	9.8	19.2	10.9
Dixons Carphone	7.9	1.7	8.8
M&S	4.7	4.6	5.2
Argos[1]	4.2	5.2	4.7
Eddie Stobart	4.1	0.4	4.6
DFS	3.9	0.5	4.3
DHL[1]	3.1	31.1	3.5
Odeon[1]	3.0	0.6	3.3
Tesco	2.5	22.8	2.8
Clipper Logistics	2.3	0.3	2.6
Top ten	45.5		50.7
Other commercial	44.0		49.1
Total commercial	**89.5**		**99.8**
Residential	0.2		0.2
Total Group	**89.7**		**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')
Underlying earnings from the Group's property rental business 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')
EPRA is the industry body for European Real Estate Investment Trusts ('REITs')

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

Group
LondonMetric Property Plc and its subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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