

**LONDONMETRIC PROPERTY PLC**  
 (“LondonMetric” or the “Group” or the “Company”)  
**FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

**Conviction sector calls and income focus deliver record property and accounting returns**

LondonMetric today announces its full year results for the year ended 31 March 2022.

	EPRA <sup>1,2</sup>		IFRS	
	FY 2022	FY 2021	FY 2022	FY 2021
<b>Income Statement</b>				
Net rental income (£m)	133.1	123.3	130.0	119.7
Earnings/Reported Profit (£m)	93.5	85.6	734.5	257.3
Earnings per share (p)	10.04	9.52	78.8	28.6
Dividend per share (p)	9.25	8.65	9.25	8.65
	EPRA <sup>1,2</sup>		IFRS	
	FY 2022	FY 2021	FY 2022	FY 2021
<b>Balance Sheet</b>				
Net tangible assets (NTA) (£m)	2,559.6	1,731.9	2,559.7	1,731.3
NTA per share (p)	261.1	190.3	262.3	191.3
LTV (%)	28.8	32.3	28.8	32.3

1. Including share of joint ventures, excluding non-controlling interest

2. Further details on alternative performance measures can be found in the Financial Review and definitions can be found in the Glossary

**Sector alignment and asset selection delivering strong portfolio performance**

- Portfolio value grown to £3.6bn (2021: £2.6bn)
- Total Property Return of 28.2%, outperforming IPD All Property of 19.6%
- Capital return of 22.9% (IPD All Property: 14.9%), logistics delivered 26.5%
- ERV growth of 10% and yield compression of 61bps
- EPRA NTA per share increased by 37.2% to 261.1p, driven by 67.9p valuation gain
- Total Accounting Return of 41.9%

**Continued focus on reliable, repetitive and growing income drives earnings and dividend growth**

- Net rental income up 7.9% to £133.1m, on an IFRS basis increased by 8.6%
- EPRA cost ratio down 110 bps to 12.5%
- EPRA earnings up 9.2% to £93.5m, +5.5% on a per share basis
- IFRS reported profit up 185% to £734.5m
- Dividend progression of 6.9% to 9.25p, 109% covered, including Q4 dividend declared of 2.65p
- Continued progression expected with Q1 23 dividend guidance of 2.3p, a 4.5% progression on Q1 22

**Distribution weighting increased to 74.6% with urban logistics at 43.9%**

- £575m of acquisitions with a WAULT of 15 years and 64% of rent subject to contractual uplifts
- £208m of disposals, largely located in the Midlands and the North, with a WAULT of 10 years
- Post year end acquisitions of £43m with a WAULT of 13 years
- Post year end disposals of £86m with a WAULT of 8 years and at a 14% premium to March 22 book value

**166 asset management initiatives delivering £10.5m pa additional income and 5.4% like for like income growth**

- Rent reviews +13% with urban open market reviews +22%
- Lettings signed with WAULT of 16 years
- EPCs improved with A-C ratings covering 85% of portfolio (2021: 74%)
- Developments underway on 0.9m sq ft representing £8.7m of rent pa, 86% pre-let and 89% BREEAM Very Good

**Our activity has strengthened the long, strong and growing income characteristics of the portfolio**

- Occupancy remains high at 98.7%, WAULT of 11.9 years and gross to net income ratio of 98.8%
- Contractual rental uplifts on 61% of income with embedded reversion on urban logistics portfolio

**Strong balance sheet and new board appointment**

- LTV of 28.8% with weighted average debt maturity of 6.5 years and cost of debt at 2.6%
- £175m equity placing, £780m of debt refinancing and further £150 million of new debt facilities during year
- Appointment of Alistair Elliott as a Non Executive Director, as announced separately today

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

“Our strong set of results continues to reflect the many years of forward planning that has seen us pivot into assets that benefit from the structural shifts. After all, the macro is far more important than the micro.

“Despite the uncertain global backdrop, demand for warehousing remains both broad and deep, with online operations competing with businesses who are reacting to global trade disruptions by onshoring more of their operations and building up inventories to avoid being caught out by supply disruption. Previously we have talked about globalisation and just in time. Today it's increasingly about localisation and just in case.

“Our investment thesis is focused on owning strong assets, in the winning sectors and in the best geographies. This has seen us significantly increase our weighting to urban logistics, our strongest conviction sector call. Falling supply, coupled with rising demand from acceleration in online shopping, growing customer expectations and the arrival of new industries such as Q-commerce and dark kitchens, is underpinning unrivalled rental growth.

“Our portfolio has been strengthened over the year by our investment, development and asset management activities, which continues to increase our rental income and again allow us to progress the dividend by 6.9%.”

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**Meeting and audio webcast**

An analysts meeting will be held at 9.00 am today and a live audio webcast will be available at the below link. An on demand recording will also be available from the same link shortly after the meeting:

<https://stream.brrmedia.co.uk/broadcast/624ab4bde1d0d456b32a1a27>

**Notes to editors**

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

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

## Chair's statement

Once again, it is time to write to you as shareholders of LondonMetric with my thoughts on the past year and our immediate future.

The first and most obvious item on which I must comment is the results achieved by the Company, especially the increase in our EPRA net tangible assets per share of 37.2%. In the 50 years in which I have been actively involved in the property industry, this year's total accounting return at 41.9% and our total property return at 28.2% are the highest I have ever been honoured to be associated with.

On your behalf, may I warmly thank the team at LondonMetric for their excellent execution of the Company's long term business plan. We did well during the pandemic with outstanding levels of rent collection reflecting the quality of our portfolio and our sector selections. Our 75% weighting towards distribution has put us in a very strong position and, like everyone with a high weighting to this sector, this has helped to deliver some fantastic returns over the last 12 months.

These returns have also been supported by our long income and other non-logistics calls, all of which have also performed well and helped to support a strong and rising dividend. With current nervousness about large distribution warehousing, shareholders will note our preference for and rebalancing of the portfolio in the past three years away from big box, which has shrunk from 23% to 12% of our assets, in favour of urban logistics which has grown from 27% to 44%.

Our focus on income has seen our EPRA earnings per share increase by 5.5% which has again given us confidence to increase our dividend per share for the seventh year in a row, up by 6.9% over the year and 109% covered by EPRA earnings. Over the nine years since our merger, we have delivered a total shareholder return of 296%, significantly outperforming the FTSE 350 Real Estate Super Sector average of 92%, as well as increasing our earnings by 157% to 10.0p per share.

Our long term track record and performance continues to support our standing in the equity markets. Our £175 million equity fundraising in the year attracted excellent and broad based support from shareholders, for which I thank you for your continued support. We were disciplined in our approach to ensure quick deployment into accretive opportunities and the fundraise has allowed us to make a number of very attractive investments which have enhanced our portfolio and helped it to grow from £2.6 billion to £3.6 billion over the year.

Whilst Covid-19 may thankfully be largely behind us and prospects have significantly improved, the world and the real estate sector continues to face a number of challenges. Economic growth is threatened by the highest inflation seen for decades, which is putting pressure on central banks to tighten monetary policy. The geopolitical tensions of the war in Ukraine, along with the further risk of escalation and its restraints to trade, have dampened confidence and pushed up energy, commodity and food prices. Supply chain issues have been further impacted by lockdowns in China.

Despite these challenges, we maintain that well managed real estate in structurally supported sectors is an asset class which offers an outstanding ability to provide reliable and growing dividends over the long term. We feel that we are well positioned thanks to our carefully selected portfolio, our ongoing discipline, inflation protection through a combination of inherent rental growth and index linked leases as well as our lower LTV level today, with much of our debt costs hedged.

We also have a strongly aligned and high class team who have excellent occupier and property relationships. On that note, I would again like to warmly thank the Board and all of our employees for their hard work in this exceptional year. I should also like to confirm that we have also strengthened our Board with the appointment of Alistair Elliott, who I would like to welcome on your behalf. Alistair brings an outstanding depth of property and leadership experience to our team.

Looking forward, we believe the portfolio is stronger than ever which will allow us to grow our income and asset value over the longer term. This, combined with the experience of our team, leaves the Company very well placed to deliver on its core policy of a sustainable and progressive dividend.

**Patrick Vaughan**

Chair

26 May 2022

# Chief Executive's review

## The real estate sector continues to witness disruption and social change

We are operating in an ever changing macro environment. The conflict in Ukraine is adding to the geopolitical uncertainty which, together with the economic impact from a re-opening of the global economy and the lingering effects of Covid-19 lockdowns, has increased the cost of goods and resulted in elevated inflation and a cost of living squeeze.

These macro factors are having a profound impact on a real estate market that has already seen a significant acceleration of evolving consumer habits as a result of Covid-19, a number of which were already in the system: increased online shopping, greater convenience, better experiences and increased flexibility from working from home. This has led to a shift in demand and supply dynamics highlighting material polarisation in performances across various real estate subsectors; the gap between the winners and losers remains wide.

Many landlords have emerged from the pandemic realising that their assets are not fit for purpose. They will blame the pandemic for poor performances, dividend cuts, share price collapses and falling rental income, although the truth is that many failed to embrace a rapidly changing world and shift their portfolios to support these emerging trends. A quick look back shows that, as we emerged from the Global Financial Crisis, new structural trends in how we work, shop and interact with our friends and family began to surface, largely driven by the introduction of new technological innovations.

This is evidenced by the enormous rise in online sales penetration, from 9% a decade ago to 19% pre-pandemic and 26% today. This represents an extraordinary acceleration and has meant that growth that was forecast to take five years has taken just two. However, it is unlikely to stop there with some of the strongest retailers seeing significantly higher online sales, including both John Lewis and Next who have reported online sales at around 70% and 65% respectively. Online grocery has also seen a significant rise, from 8% pre-pandemic to 13% today. Again, what was expected to take years has happened in a matter of months.

In all likelihood, this upward trend will be maintained as consumers' appreciation of online convenience, price transparency and quicker delivery times continues to grow. Demand for warehousing remains both broad and deep with online operations competing with businesses who are reacting to global trade disruptions by onshoring more of their operations and also holding higher inventory levels within the UK. We do believe that peak globalisation may have passed and localisation is emerging. It's no longer a case of just in time, but now just in case.

Conversely, physical retail assets face significant challenges with reduced demand and over supply as the consumer pivots towards a more omni-channel model, meaning that there are few hiding places for those without an online platform, with too many shops and behind the curve strategies. Department stores and over built shopping centres look particularly vulnerable with prime shopping centres not being the 'safe haven' that many management teams thought they would be. The effect has been witnessed in rising vacancies, falling rents, increasing obsolescence and almost universal value destruction.

Commentary from retailers, as well as evidence from property investment transactions, continues to highlight that the pricing power has firmly shifted away from traditional retail owners to the retailers, with rents continuing to fall and valuations continuing to drift downwards. However, there are some bright spots within the retail space with convenience, grocery and discount retailers outperforming as consumer shopping patterns continue to evolve.

In offices, it is hard to ignore that demand is facing structural disruption and continued uncertainty. Working from home during the pandemic has transformed employees' views on traditional working practices. Despite a strong re-opening and a 'buzz' returning to many city centres, there is increased demand from employees for greater flexibility leading to reduced office presence and occupancy settling well below pre-pandemic levels. This is making future office demand and rental growth harder to predict, and at a time when owners are having to retrofit their offices to meet new sustainability requirements.

Whilst the post-pandemic economic recovery is well underway, inflationary pressures arising from current macro events and the reopening of the global economy risk derailing this. We are now faced with constrained supply chains, surging commodity, energy and food prices which are leading to higher interest rates.

Consumers are having to adjust to higher household bills which will likely suppress non-essential expenditure. Experiential shopping increasingly feels like a luxury that few will be able to afford. We believe that all these factors will continue to drive the polarisation in performances across various real estate subsectors with legacy retail assets likely to experience further headwinds. After all, the macro trends accelerated by the pandemic will almost certainly outpace micro decisions.

## Our focus on the structural trends and disciplined investing are being rewarded

Our very strong set of full year results, which has delivered a total property return of 28.2%, continues to reflect many years of forward planning that has seen us pivot into assets that benefit from the structural shifts in consumer behaviour, in order to deliver superior income growth.

Our real estate decisions continue to be influenced by trends that originate outside the property sector but that fundamentally shape its future. We pride ourselves on recognising new trends, identifying pricing inefficiencies and acting quickly to create new opportunities or exit old ones. We believe that there is no substitute for being aware, open minded and prepared to act. Our

decision four years ago to focus on urban logistics and shift away from big box logistics has allowed us to capture strong rental growth, drastically reducing binary occupation risks and materially increasing our income granularity.

Our portfolio is firmly placed on the right side of structural change having recognised these macro trends early, tactically shifting away from the legacy real estate sectors of general merchandise retailing and offices into logistics and grocery-led long income assets which now account for 74.6% and 22.5% of our portfolio respectively. We remain highly confident that the portfolio provides a solid foundation for future performance and income progression, delivering on our 'collect, compound and compress' approach.

## **Our investment strategy is about owning quality assets in the best geographies and the winning sectors**

Our long term view remains that owning strong assets, in the winning sectors and in the best geographies, allows us to avoid owning difficult assets and the valuable thinking time that comes with owning 'cheap' assets. When you choose real estate for its quality and location, you are more likely to be a price setter. Occupiers will need you more and you can attract quality companies, be more confident of future rental growth and feel safe in the knowledge that there is high intrinsic value to your land. We continue to believe that the importance of geography is wildly misunderstood by the markets, which fails to appreciate that great locations are more reliable when measuring returns over longer hold periods.

This rigorous approach tempers our acquisition activity, ensuring that we remain disciplined to pursue excellent returns and not just grow assets under management. Our investment activity is based on proper process, discipline and rationality. We remain obsessed with 'winning the losers game'; selling the laggards and running the winners.

In the year, we continued to align to our chosen sectors with £575 million of investments, 75% of which were logistics assets. These acquisitions were in strong geographies, with 57% located in London and the South East, a WAULT of 15 years and attractive income growth prospects.

Sales in the year of £208 million were higher than last year. Whilst we try not to trade unnecessarily, high investor demand for our assets persuaded us to monetise some of our investments. All of our sales have been characterised by a long period of attractive returns, and an assessment that the best returns have already been captured and that future returns may flatten.

The investment market for our assets remains extremely healthy and we continue to receive many approaches. We will sometimes react to these approaches and our decision post year end to sell our DHL asset in Reading was largely down to the fact that the sale price was far in excess of our perceived view of valuation. It is a good asset, but we achieved an excellent price and, whilst it will have a mildly dilutive impact on earnings, we will always prioritise the correct real estate decisions. We will now work harder to find more attractive opportunities to recycle the capital into.

## **Logistics continues to experience strong tailwinds from attractive demand/supply dynamics**

UK logistics was once again the strongest performing property sector in the year, with favourable structural trends resulting in superior rental growth and further yield compression. As a result, investors continue to target the sector with investment volumes totalling an impressive £16 billion, assisted by both further rotation of capital out of legacy real estate and rising demand from overseas investors.

In my previous statements, I referenced that the UK would eventually run out of logistics warehousing. Recent supply and demand dynamics have certainly tested this prediction, with record take up and falling vacancy rates to just 1.6%. The first quarter of 2022 alone saw 10.4 million sq ft taken up and, whilst speculative supply has increased in response, pent up and new demand continues to absorb new product. Whilst Amazon recently announced that it was no longer chasing physical capacity, it has enjoyed phenomenal growth over the last 25 years, building its fulfilment network and then doubling that platform over the last two years. It has set a very high bar for customer expectations that their competitors are still trying to match.

## **Our exposure to urban logistics has increased further and is delivering strong returns**

At 44% of our portfolio, urban logistics is our largest sub sector exposure, valued at £1.6 billion and up from £1.0 billion a year ago. It remains our strongest conviction call and despite fierce investment competition, we were able to acquire £243 million of high quality and fairly priced urban assets in the year, leveraging our occupier insights and sector contacts. Some of these acquisitions have given us exposure to occupiers in new, high growth sectors including dark kitchens, data centres and life sciences.

Urban warehouse demand has been rising for a number of years, accelerated by rapid growth in online shopping, growing customer expectations and the arrival of new industries such as Q-commerce and dark kitchens. Companies have been forced to evolve operationally by locating closer to their end customer, in order to minimise delivery times.

We believe this demand is set to continue for a number of years due to an acute lack of supply, particularly in London, where alternative uses continue to diminish the supply of available industrial space. This is driving rents up as occupiers compete for suitable space. Over the year, our open market rent reviews on our urban logistics assets were 22% above previous passing rent and ERV growth over the year was 13%, with the most pronounced growth in London and the South East at 15%, where over half

of our urban logistics portfolio is located. We believe that there is further rental growth in the system, particularly as the supply side of the equation continues to fall.

We remain confident that our investment in urban logistics across our chosen geographies gives us a greater degree of certainty of achieving income growth and benefiting from rising intrinsic values, where returns can be levered by time and compounding.

## **Long income assets continue to grow in appeal and our opportunistic approach continues to deliver strong returns**

It is our long held belief that long income assets with low operational requirements have for a number of years been mispriced by the real estate market and offer attractive propositions. These are well located assets, let on long leases to strong operators such as convenience grocers, discounters, home retailers and DIY stores. Most of these operators have resilient business models that stayed open, performed strongly during the various lockdowns and consistently paid their rents.

The consumer is more than ever driven by convenience and value, and their non-discretionary qualities and low susceptibility to online migration ensure that these assets remain desirable. As the cost of living crisis pushes shoppers to seek cheaper grocery options, Aldi and Lidl have continued to gain market share, with Aldi adding one million new customers in the last year. We also expect roadside and auto to perform well as the trend towards staycations remain and the lack of new car supply places a greater emphasis on car maintenance.

Unsurprisingly, their strong metrics are now being appreciated by real estate investors with yields for the very strongest and longest let assets seeing material yield compression. Our investment activity over the last few years has ensured that grocery and roadside assets (drive-thru and auto) now account for almost half of our long income portfolio; we refer to them as the 'retail winners'.

Our long income acquisitions in the year totalled £143 million, let on average for 11 years to strong credits such as Aldi, B&M, Dunelm, McDonalds, The Range and Screwfix, with half located in London and the South East. These acquisitions were partly offset by £59 million of long income disposals where values had reached a level that exceeded our own expectations. Post year end, we have sold a further £34.2 million (£25.2 million at share) which includes the sale of our Lidl in Ashford at a very low 3.0% NIY.

Our long income portfolio is 100% let off low and sustainable rents, offering a topped up NIY of 4.7%, a WAULT of 14 years and 68% of income subject to contractual rental uplifts. This offers a strong income bedrock benefiting from both capital and inflation protection characteristics.

## **Our real estate strategy is underpinned by income to deliver highly attractive returns**

We continue to believe that income and income growth are the defining characteristics of today's investing environment and that real estate strategies focused on income-led total returns will deliver future outperformance.

Collecting and growing income is fundamental to successful long term investing and we appreciate the true benefit of compounding over longer terms with an absolute focus on the quantity, quality and timing of when cash will be returned. After all, investing is about laying out money today, with the expectation that more will be returned to you over time.

Even with rising interest rates, real estate can offer excellent inflation protection and total returns significantly higher than many alternatives. We believe that certain subsectors of real estate, particularly convenience long income and urban logistics, can continue to perform well in the current economic environment.

## **We continue to strengthen our income and the quality of our assets**

The portfolio continues to achieve its objective of delivering reliable, repetitive and growing income as part of a total return strategy. Its metrics remain very strong with occupancy at 98.7%, WAULT rising to 11.9 years and a gross to net income ratio of 98.8% that reflects our very low income leakage. 61% of our income benefits from contractual rental uplifts providing certainty of income growth.

During the year, 166 occupier initiatives added £10.5 million per annum of rent and delivered like for like income growth of 5.4%. Lettings across 1.3 million sq ft were signed on average lease lengths of 16 years. Rent reviews were agreed on 4.4 million sq ft, delivering a 13% uplift on a five yearly equivalent basis, with urban logistics open market reviews at 22%.

We completed two BREEAM Excellent developments in Bedford and Tyseley. At Bedford Link, we delivered 355,000 sq ft of space that was quickly let for 25 years to Movianto, a dedicated healthcare logistics company. At Tyseley, 120,000 sq ft was completed and let to Amazon for 15 years. Our development activity currently underway is 86% pre-let and represents £8.7 million of expected income per annum. These activities are increasing the quality of our portfolio and providing new and attractive future income streams.

We continue to embed sustainability and high ESG standards across our activities, driven by our own aspirations as well as those of our customers, occupiers and shareholders. EPC ratings improved significantly over the year, with 85% now rated A-C compared to 74% last year and 89% of our current developments will be certified BREEAM Very Good, which is expected to

increase the percentage of the portfolio that is certified BREEAM Very Good or Excellent to 29%. In addition, a further 0.9 MWp of solar PV was installed in the year.

We maintained our GRESB green star with a score of 65%, which is in line with the previous year and we continue to make good progress in implementing our Net Zero Carbon strategy.

## **We continue to benefit from our strong team and their relationships**

Our team's strong economic alignment to our success ensures an ownership culture and a strong conviction to make the right property and financial decisions. We work with all of our stakeholders to deliver longer term benefits to our investors, occupiers, people, local communities and contractors. We maintain a highly rational and disciplined property approach, selling assets that don't meet our strict investment criteria and waiting patiently for attractive new opportunities.

In the year, £175 million of equity was raised through a significantly oversubscribed placing which enabled us to tap attractive property investments. Whilst size should always be the result of a successful strategy and not just an ambition in itself, our increased scale will deliver further efficiencies as our operationally light model allows us to sustain a larger portfolio without requiring additional resource. Reflecting this, our EPRA cost ratio fell by 110bps over the year to 12.5%.

The £780 million refinancing of debt facilities extended the maturity of our debt at attractive margins, further diversified our lending base and added a green financing framework to our borrowings. A further new £150 million credit facility strengthened our financing position and we have no material refinancing until the end of 2023.

Our recent employee survey again demonstrated our high levels of staff satisfaction, with all employees agreeing that they enjoy working at LondonMetric.

We continue to put our occupiers at the forefront of our decision making, and this is reflected in the strength of feedback from our recent occupier survey, where we achieved an average score of 8.5 out of 10.0 for whether occupiers would recommend LondonMetric as a landlord.

## **Outlook**

As we continue to live in a period of increased uncertainty across the world, we believe that real estate can continue to deliver reliable, repetitive and growing income streams.

We have a high conviction that this thesis is more dependable within structurally supported sectors that are located in the strongest geographies. This is why we continue to pivot our portfolio to take advantage of the strongest demand/supply dynamics to deliver the most attractive income and rental growth.

Looking ahead, we retain our firm view that the logistics market will continue to offer attractive returns and we remain wide eyed for future opportunities that allow us to increase and improve our urban warehouse portfolio further. In the biggest cities, we are seeing very limited new land supply coming on stream to meet the rapidly changing behaviour and growing expectations of the UK consumer.

We have strengthened and enlarged our portfolio, selling our weaker assets and replacing them with better assets that are more fit for purpose through our acquisitions and developments.

Over the next 12 months we expect market volatility to offer up even more opportunities which will allow us, once again, to improve our financial and portfolio metrics as we continue to collect, grow and compound our rental income to deliver a progressive dividend. We believe that this is best achieved by investing in the winning sectors and owning the best buildings. After all, when you invest in quality, time will help you to create wealth.

# Property review

## Delivering strong total property returns, driven by distribution

The portfolio delivered a strong total property return of 28.2% over the year, significantly outperforming the IPD All Property index of 19.6%:

- Distribution delivered 31.1% with urban and regional seeing the strongest performances; and
- Long income delivered 19.0%.

Capital growth of 22.9% was driven by management actions, yield compression and rental growth:

- Distribution delivered a 26.5% capital return; and
- Long income delivered a 13.7% capital return.

The investment portfolio's EPRA topped up net initial yield is 3.7% and the equivalent yield is 4.4% with a like for like valuation yield compression of 61bps over the year.

ERV growth over the year was 10%, driven by distribution assets which increased by 14%.

## Our portfolio metrics continue to reflect our focus on income quality and growth

The portfolio's WAULT increased from 11.4 years to 11.9 years, continuing to provide good income security with only 10.6% of income expiring within three years.

Occupancy remains high at 98.7% and our gross to net income ratio of 98.8% continues to reflect the portfolio's very low operational requirements.

Contractual rental uplifts apply to 60.9% of our income, which provides high certainty of income growth:

- 46.6% index linked: 30.2% RPI, 12.3% CPI or CPIH and 4.1% CPI+1 or CPIH+1; and
- 14.3% subject to fixed uplifts, with average uplifts of 2.1% per annum.

Our index linked rent reviews have a range of collars and caps which are typically between 1% to 4% over a five year period. At 16% inflation over a five year period (equivalent to 3% p.a.), 99% of inflation is captured under our RPI linked rent reviews (100% for CPI reviews). At 22% inflation over a five year period (equivalent to 4% p.a.), 92% of inflation is captured under our RPI linked rent reviews (86% for CPI reviews).

These reviews are mostly five yearly rather than annually compounded meaning that higher inflation in a particular year is often offset with a lower rate of inflation in another to result in the blended average rate over the five year period being within the cap and collar provisions.

## Our asset management activity added £10.5 million of rental income and further improved the quality of our income

During the year, we undertook 166 occupier initiatives adding £10.5 million per annum of rent and delivering like for like income growth of 5.4%. These consisted of:

- Leasing activity, where we signed 77 new leases and regears, mostly on logistics assets, delivering £8.5 million of increased rent with a WAULT of 16 years;
- Contractual rental uplifts, where 56 fixed and index linked reviews were settled delivering £1.3 million of increased rent at an average of 13% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where 33 reviews were settled delivering £0.7 million of increased rent at an average of 19% above passing. Open market reviews on urban logistics were particularly strong at 22% above passing.

## Investment activity continues to improve the portfolio's quality and resilience

During the year, we were a significant net acquirer of assets.

Acquisitions in the year totalled £575 million, with urban logistics warehousing accounting for nearly half of purchases. They had a WAULT of 14.9 years and were acquired at a NIY of 4.4% and a reversionary yield of 5.0%.

Reflecting our focus on income growth and strong geographies, 64.2% of the income was subject to contractual rental uplifts and 57.1% was located in London and the South East. 93.8% of acquisitions had an EPC rating of A-C.

Disposals in the year totalled £208 million and were transacted at a NIY of 5.2% and with a WAULT of 9.6 years. They were mostly located in the Midlands, North East and Yorkshire.



The largest disposal was a mega distribution warehouse let to Primark for £102 million whilst £59 million of sales from our long income portfolio accounted for the majority of the remaining disposals.

We also sold £38 million of non-core assets which consisted of:

- A retail park in Leeds sold for £25 million with a WAULT to first break of six years;
- Two offices in Birmingham and Solihull sold for £12 million with a WAULT of six years; and
- Four residential flats sold for £1 million at share, which completed the sale of our remaining residential flats.

Post year end, we have acquired a further £43 million of assets, with a WAULT of 13 years, and sold £86 million with a WAULT of 8 years.

### Investment activity in the year

#### Acquired-£575m\*

1	Urban Logistics	£242.9m
2	Mega & Regional Distribution	£188.9m
3	Long Income – Other	£84.2m
4	Long Income – Grocery & Roadside	£59.2m

#### Disposed-£208m\*\*

1	Mega Distribution	£102.0m
2	Long Income – Grocery & Roadside	£44.2m
3	Retail Parks	£25.2m
4	Long Income – Other	£14.6m
5	Office & Residential	£13.1m
6	Urban Logistics	£8.5m

\* Excludes £35.7 million of acquisitions that exchanged in the previous year but completed in the year  
Includes £72.4 million of acquisitions, predominantly urban logistics, that exchanged in the year but that complete post year end

\*\* Excludes £15.2 million of disposals that exchanged in the previous year but completed in the year  
Includes £21.2 million of disposals that exchanged in the year but complete post year end

## Continued alignment to structurally supported distribution and long income

Assisted by a strong capital performance and significant net investment into the sector, our distribution portfolio increased in value to £2,684 million, representing 74.6% of the total portfolio, up from 70.8% at the start of the year. Our urban logistics weighting has grown to represent 43.9% of the portfolio, up from 38.5% at the start of the year.

Long income reduced to 22.5% of the portfolio, with grocery and roadside continuing to represent just under half of this segment. The remaining 2.9% of the portfolio is deemed non-core and is split between five offices and four remaining retail parks.

Our focus on owning assets in strong geographies, particularly around major urban conurbations, has increased the portfolio's London and South East weighting to 47.1% with the Midlands accounting for a further 31.4% of the portfolio.

### Portfolio split by sector\*

Urban Logistics	43.9%
Regional Distribution	18.9%
Mega Distribution	11.8%
Long Income	22.5%
Retail Parks	2.0%
Offices & Residential	0.9%

\* Including development, based on value

## **We continue to have a strong focus on income diversification and occupier credit**

Our investment and asset management actions over a number of years have increased the resilience of our portfolio by investing in structurally supported sectors and improving our income diversification, granularity and security.

We have a diverse occupier base by type of activity:

- Business Services & Trade accounts for 36% of income, spread across a broad range of sectors;
- Retail Logistics accounts for 21%;
- Third Party & Parcel Logistics accounts for 15%;
- Grocery & Roadside accounts for 12%;
- Electrical, Home & Discount Stores account for 11%; and
- Leisure and other sectors account for 5%.

Our top ten occupiers account for 29% of contracted income which is down from 51% in 2019 and 36% in 2021.

Contracted rent increased over the year from £124.3 million to £143.3 million.

## **Our latest occupier survey again demonstrated strong contentment**

Our annual occupier survey was carried out in March 2022 and we continue to receive very good feedback.

138 occupiers representing 81% by income were contacted and responses were received from 55 occupiers representing 42% of income.

We scored an average of 8.5 out of 10.0 in terms of whether occupiers would recommend us as a landlord, with our top 10 occupiers scoring us higher at 9.1.

In terms of how well our properties meet our occupiers' needs, we scored 8.3 out of 10.0, which is in line with our 2021 survey score.

## **We continue to improve our ESG focus, particularly on environmental matters**

Our aim is to minimise the environmental impact of our business, maximise energy efficiency and improve the resilience of our properties. We recognise the importance of a comprehensive ESG focus and each year set specific corporate targets.

As part of our environmental focus, during the year, we:

- Undertook a comprehensive climate risk assessment;
- Progressed our Net Zero Carbon framework; and
- Completed on £450 million of debt facilities with a green financing framework.

Over the year, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey. Our score of 65% is unchanged but significantly up from the 34% score in 2014. We also maintained our:

- BBB rating by MSCI;
- Gold Award by EPRA sBPR; and
- Inclusion in the FTSE4Good Index.

## **Climate-related risks and opportunities**

During the year, we undertook a comprehensive climate-related risk assessment, in which we identified our key physical and transition risks over the short, medium and long term. Key opportunities were also analysed as part of the assessment.

This was done at a portfolio level using different climate change scenarios and we also analysed climate-related risks on a number of representative assets.

The third party assessment concluded that our sustainability strategy is well positioned to manage climate-related risks and opportunities.

## **Our Net Zero Carbon ('NZC') framework**

In the previous year, we set three specific NZC ambitions as part of our longer term target of becoming NZC:

### **1. Our operations will be NZC by 2023**

Operationally, we continue to make good progress and have achieved a 92% reduction in our absolute landlord energy consumption since 2015.

We continue to reduce our own emissions where possible and ensure that our energy supplies are all from renewable sources, aligned to industry procurement best practice. From 2023 onwards, we have committed to offset residual carbon to ensure our operations are NZC and, during the year, we put in place a carbon offset strategy.

## **2. We will continue to reduce emissions from development activity and new developments will be NZC by 2030**

Our development activity continues to focus on building highly efficient buildings. All of our completed developments in the year totalling 475,000 sq ft were certified BREEAM Excellent and we will add a further 845,000 sq ft of BREEAM Very Good assets through our current development activity.

As part of our efforts to reduce carbon on developments, we continue to challenge our supply chains to minimise waste and select low carbon materials. At our recently completed Bedford Link development, we have reduced embodied carbon over the different phases of development by 27% through on site carbon reduction measures and amendments to material specification.

We have introduced shadow carbon pricing on select direct flagship developments such that carbon is either offset or an equivalent value is reinvested into green initiatives.

## **3. We will assist occupiers to help them meet their NZC targets and, from 2035, we will offset any of their residual carbon**

As part of our drive to upgrade the quality of our assets, we continue to invest in high quality buildings as well as progress energy efficiency and clean energy initiatives including solar PV, LED lighting upgrades, roof works and electric vehicle charging.

Our activity in the year has materially improved the proportion of our assets with an EPC 'A–C' rating from 74% to 85%. As covered more fully in the Distribution review section, we see the potential to upgrade the quality of our urban assets through relatively straightforward initiatives which can materially improve value, income and occupier appeal, particularly as we continue to focus on providing fit for purpose and NZC ready buildings.

In addition, following completion of developments underway, we expect to increase the proportion of assets built to a BREEAM Very Good or Excellent standard from 26% at the start of the year to 29%. Furthermore, in the year we added 0.9 MWp of solar PV and continue to engage with occupiers on adding further solar installations.

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings we own. In the year, we undertook NZC assessments on several assets. An important part of this focus is measuring emissions from all occupiers and, in the year, we increased occupier energy data coverage from 43% last year to 59%.

As we recognise the growing importance of clean energy and EV charging, we signed an EV framework agreement with Motor Fuel Group, which will see a programme of Ultra-Rapid 150kWh charging hubs installed across our assets. In addition, we continue to install EV charging on new developments and properties where we are undertaking asset management initiatives.

## Distribution review

Our warehouses provide critical infrastructure to our occupiers and continue to benefit from highly attractive supply/demand dynamics.

### Strong performance from distribution

Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, we increased our exposure to distribution over the year from £1,829 million to £2,684 million, accounting for 74.6% of our portfolio. The WAULT on these assets is 11.3 years and occupancy is high at 98.1%, with our mega and regional assets fully let. Our urban logistics occupancy remained at 96.9% and vacancies relate mainly to assets which we are improving.

Our distribution assets performed well over the year, delivering a total property return of 31.1% which was driven by continued strong yield compression, rental growth and further gains on developments. Urban and regional delivered 33.3% and 34.0% respectively, whilst mega delivered 20.7%.

Distribution acquisitions in the year totalled £432 million and were acquired with a WAULT of 16.7 years and a NIY of 4.1%, which is expected to rise to 4.7% after five years from expected income growth. Disposals totalled £111 million, reflecting a NIY of 4.1% and a WAULT of 10.7 years.

Post year end, in addition to further acquisitions, we sold a 229,000 sq ft regional warehouse let to DHL for a further 3.1 years for £61 million at a 20% premium to book value.

### Increased weighting to urban logistics

In urban logistics, rental growth remains strongest, driven by severely restricted supply and strong occupier demand. Urban logistics has been our strongest conviction call for several years and, over the year, our urban logistics portfolio increased from £994 million to £1,577 million across 127 locations, accounting for 58.8% of our distribution assets. Whilst the WAULT on these assets of nine years is lower than for mega or regional, these assets benefit from significant rental reversion, with average ERVs 17.3% above average rents. Furthermore, with 53% of our urban portfolio located in London and the South East and a further 34% in the Midlands, we expect continued market rental growth in these areas to increase our urban portfolio's market rents.

Urban warehousing acquisitions totalled £243 million across 26 assets. 84% of assets by value were in London and the South East, demonstrating our continued focus on the best urban centres. The NIY on these investments was 4.0% but with contractual rental uplifts and embedded rental reversion, this is expected to rise to 4.7% over five years.

In the year, we sold one multi-let urban estate for £8.5 million, reflecting a NIY of 3.5%.

### Selective investment activity in larger box

Whilst we continue to see better return prospects in urban logistics, we will always look at selective investment and forward funding opportunities in the larger distribution warehousing sector.

In the year, we acquired £189 million of regional and mega box warehouses across three assets at an attractive NIY of 4.1% rising to 4.6% over five years from inflation linked rental uplifts. These highly modern and well specified assets were acquired on long leases with a WAULT of 23 years and are all certified BREEAM Very Good. The majority of this larger box investment activity was funded by the disposal of a 785,000 sq ft warehouse in Northamptonshire let to Primark for a further 11 years. The sale price of £102 million reflected a NIY of 4.1%. With fixed rental uplifts capped at 1.5% per annum and a declining lease length on an older property, we felt that future returns from the building would be limited.

### Distribution Portfolio

As at 31 March 2022	Urban	Regional	Mega
Typical warehouse size	Up to 100,000 sq ft	100,000 to 500,000 sq ft	In excess of 500,000 sq ft
Value <sup>1</sup>	£1,577.3m	£681.2m	£425.2m
WAULT	8.6 yrs	13.7 yrs	17.8 yrs
Average rent (psf)	£7.50	£6.70	£5.80
ERV (psf)	£8.80	£8.00	£6.70
Topped up NIY	3.5%	3.4%	3.1%
Contractual uplifts	41.7%	82.1%	100.0%
<b>Total property return in 2022</b>	<b>33.3%</b>	<b>34.0%</b>	<b>20.7%</b>

<sup>1</sup> Including developments

## Distribution Acquisitions

£432 million of distribution assets were acquired in the year:

- 686,000 sq ft mega warehouse acquired for £97.0 million with a WAULT of 23 years, let to THG in Warrington\*. The asset is reversionary and has further development potential of c.180,000 sq ft;
- 345,000 sq ft of urban logistics acquired for £86.2 million as part of the larger £122.2 million Savills IM acquisition;
- 300,000 sq ft new regional warehouse acquired for £53.4 million pre-let to AM Fresh for 25 years in Huntingdon\*;
- 296,000 sq ft new regional warehouse acquired for £38.5 million, pre-let for 20 years to an ecommerce company and located at Port One Logistics Park in Ipswich\*;
- 168,000 sq ft urban warehouse acquired for £15.5 million with redevelopment potential and located close to Luton town centre and the M1;
- 130,000 sq ft warehouse acquired for £19.0 million through a 15 year sale and lease back with Bowers & Wilkins in Worthing;
- 119,000 sq ft urban warehouse acquired for £11.1 million, let to Global Life Science Solutions, trading as Cytiva, for ten years in Cardiff;
- 115,000 sq ft urban warehouse acquired for £43.8 million, let for 23 years to Reynolds and located in Waltham Cross;
- 50,000 sq ft urban warehouse acquired for £10.3 million, let to John Lewis for a further 15 years in Uckfield;
- 47,000 sq ft urban warehouse acquired for £6.1 million with redevelopment potential, let to Jewson for a further 17 years in Exeter;
- 43,000 sq ft new urban warehouse acquired for £8.4 million in Preston, pre-let to Sainsbury's for 15 years\*;
- 34,000 sq. ft new urban warehouse in Ashford acquired for £7.2 million, pre-let to Blue Chyp for 15 years\*;
- 28,000 sq ft highly reversionary urban warehouse acquired for £5.2 million, let to HTC Group for four years in Croydon;
- 23,000 sq ft urban warehouse acquired for £7.2 million in Tottenham with significant refurbishment plans;
- 19,000 sq ft urban warehouse acquired for £3.0 million and let to Deralam Laminates for four years in Dunstable;
- 9,500 sq ft urban warehouse acquired for £3.5 million, let to Pai Skincare in Acton;
- 8,000 sq ft urban warehouse acquired for £2.7 million in Thamesmead let to Archive UK on a new 10 year lease;
- 9.25 acre vehicle parking site with consent for development acquired for £9.2 million, let to Amazon in Droitwich; and
- three urban sites acquired in Walthamstow, Stockwell and Cardiff for £4.6 million with development potential.

\* Denotes BREEAM Very Good certification

Post year end, a further £43 million of distribution was acquired with a WAULT of 13 years:

- 125,000 sq ft forward funding development in Leicester acquired for £19.6 million. 90,000 sq ft is pre-let on a new 15 year lease\*;
- 33,000 sq ft of urban warehouse let to Jewson with a WAULT of ten years acquired in Ipswich for £5.3 million;
- 28,500 sq ft urban warehouse in Canvey Island acquired for £5.4 million, let to a hygiene supplies company on a new 15 year lease;
- 11,000 sq ft urban warehouse in Stratford acquired for £6.0 million with vacant possession;
- 11,000 sq ft urban warehouse redevelopment in Colliers Wood acquired for £2.6 million with vacant possession; and
- 6,000 sq ft of urban warehousing acquired in Hackney for £2.6 million let to a dark kitchens operator on a 20 year lease.

\* Denotes BREEAM Very Good certification

## Distribution lettings and regears

Distribution lettings and regears in the year were signed on 1.2 million sq ft, adding £6.9 million per annum of income, with a WAULT of 15.3 years:

- 355,000 sq ft letting to Movianto for 25 years at our recently completed regional warehouse at Bedford Link Logistics Park;
- 172,000 sq ft letting to Carlton Packaging for 15 years at Bedford Link;
- 116,000 sq ft of break removals with Grupo Antolin and DHL, extending term certain by an average of seven years;

- 86,000 sq ft letting to My 1st Years for 15 years at our recently refurbished warehouse in Grange Park, Northampton, where the rent increased 27% compared to previous passing;
- 121,000 sq ft of lettings and regears on multi-let warehousing with a WAULT of five years;
- 65,000 sq ft of regears at Crawley where leases were extended by five years;
- 62,000 sq ft of lettings at Mucklow Park, Tyseley with a WAULT of ten years;
- 56,000 sq ft of lettings at Wednesbury One with a WAULT 11 years;
- 45,000 sq ft regear to Topgrade, increasing term certain to ten years;
- 30,000 sq ft letting to Greencore Construction for ten years in Bicester. The warehouse was refurbished to an enhanced specification which increased the EPC rating to 'A' from 'C'. Installation of a solar PV system would allow the building to become net zero. The new letting resulted in a 31% rental uplift compared to previous passing; and
- 16,000 sq ft of lettings with a WAULT of 17 years to Screwfix and Jacuna, a dark kitchens operator, at our substantially refurbished unit in Streatham.

As part of our focus on solar PV, we funded a 300 kWp installation at our asset in Milton Keynes let to Speedy Hire. Under the arrangement, LondonMetric will receive an RPI linked income strip, delivering a minimum 7% IRR. The EPC rating is expected to have increased from 'C' to 'A'.

## **Distribution rent reviews**

Distribution rent reviews in the year were settled across 3.6 million sq ft, adding £1.4 million per annum of income at 13% above previous passing rent, on a five yearly equivalent basis.

37 urban reviews were settled at 20% above passing rent on a five yearly equivalent basis, with open market reviews achieving 22% uplifts on average and ranging from 7% to 88%.

Two fixed mega reviews settled at 8% above passing rent on a five yearly equivalent basis. Three index-linked regional reviews were settled at 16% above previous passing.

## Long income review

Our long income assets are typically single tenant assets with low operational requirements that are benefiting from the changes in the way people live and shop. They are insulated from structural dislocation, continue to offer long leases and are predominantly focused on grocery, wholesale, roadside services, discount and essential retail, trade and DIY.

The value of our long income assets increased from £635 million at the start of the year to £809 million, representing 22.5% of our total portfolio.

They are 100% let to strong occupiers with a WAULT of 14.1 years, average rents of £15.90 psf and a topped up NIY of 4.7%. Average asset size is c.£6 million with 68% of income subject to contractual rental uplifts.

Long income delivered a total property return of 19.0%. Strong performers were NNN Retail and Trade which delivered a return of 24.9% and 24.4% respectively.

### Long Income portfolio breakdown

As at 31 March 2022	Grocery & Roadside	NNN Retail	Trade, DIY & Other	Leisure <sup>2</sup>
Value <sup>1</sup>	£362.9m	£221.0m	£137.9m	£86.7m
WAULT	16.2 years	10.2 years	13.6 years	18.3 years
Average rent (psf)	£18.80	£19.80	£7.90	£17.70
Topped up NIY	4.3%	5.5%	4.0%	6.3%
Contractual uplifts	86%	36%	66%	92%
<b>Total property return in 2022</b>	<b>14.9%</b>	<b>24.9%</b>	<b>24.4%</b>	<b>11.0%</b>

<sup>1</sup> Including developments

<sup>2</sup> Leisure primarily consists of five out of town cinemas let to Odeon

### Grocery & Roadside

Grocery-led convenience forms c.65% of this segment with the remainder made up of convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes, all located in high density urban areas. We have been significant net acquirers in this segment.

Key occupiers include: Aldi, BP, Co-op, Costco, EG Group, Lidl, M&S, Waitrose

### NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 48% of the assets are located in London and the South East, with the largest located in New Malden, London. These assets typically benefit from high alternative use values.

Key occupiers include: B&M, Currys, DFS, Dunelm, Halfords, Home Bargains, Pets at Home, The Range

### Trade, DIY & Other

A significant proportion of this segment consists of assets that are trade/DIY focused. A recent addition to this sub-sector has been a portfolio of Halfords Autocentres situated around the South East.

Key occupiers include: Howdens, Jewson, Kwik Fit, MKM, Safestore, Selco, Topps Tiles, Wickes

## Long Income investment activity

### Acquisitions

£143.4 million of long income assets were purchased at a NIY of 5.5% and a WAULT of 11 years. Half are in London and the South East:

- £36.0 million portfolio of grocery-led, trade/DIY and leisure assets as part of the £122.2 million Savills IM acquisition;
- £23.3 million portfolio of two NNN Retail assets in Burton and Evesham with a WAULT of six years;
- £18.0 million grocery-led asset in South Ruislip let to Aldi and B&M for a further nine years and located on a 3.5 acre site;
- £14.5 million grocery-led development funding in Uckfield pre-let to M&S and Home Bargains;
- £13.0 million site in Fulham with vacant possession and significant refurbishment plans;
- £8.0 million NNN retail asset in Birmingham let to Dunelm and Currys;

- £6.9 million portfolio of five drive thru McDonald's with a WAULT of 16 years;
- £6.6 million NNN retail asset in Truro let to The Range for a further ten years;
- £5.8 million sale and leaseback portfolio of four Halfords Autocentres with a WAULT of 15 years in the South East;
- £5.0 million roadside asset in Tonbridge, let to BP for a further nine years;
- £3.8 million NNN retail asset in Thanet, let to DFS for a further nine years; and
- £2.5 million trade park in Bognor with a WAULT of six years.

### **Disposals**

£72.8 million (Group share: £58.8 million) was sold at a NIY of 5.9% and with a WAULT of ten years:

- £15.0 million car showroom in Solihull, Midlands, let to Johnsons VW for 17 years. This asset formed part of the Savills IM acquisition;
- £14.2 million (Group share: £7.1 million) portfolio of three properties, located in Speke, Barnsley and Beverley let to Wickes and Dunelm with a WAULT of ten years;
- £12.8 million grocery-led asset in Newport, let to M&S for five years;
- £11.9 million (Group share: £6.0 million) NNN retail asset in North Shields with a WAULT of five years;
- £10.2 million grocery asset in Liverpool let to Aldi and M&S with a WAULT of 13 years;
- £6.2 million grocery asset in Derby let to M&S for 15 years;
- £2.0 million (Group share: £1.0 million) NNN Retail asset in Inverness let for less than one year; and
- £0.5 million trade & DIY asset in Aylesford, let to Halfords for 14 years.

Post year end we sold £34.2 million (Group share: £25.2 million) of assets at a NIY of 4.4% and with a WAULT of 16 years:

- a grocery store in Ashford recently let to Lidl on a new 25 year lease;
- a NNN Retail asset in Cardiff with a WAULT of eight years;
- a pub in Greenwich, previously, part of the Savills IM portfolio; and
- a petrol filling station in Rushden.

### **Long income – asset management activity**

In the year, we signed 12 lettings with a WAULT of 18 years adding £1.3 million of income. These included:

- four pre-lets with Dunelm, B&M, McDonald's and Costa with a WAULT of 16 years at our Weymouth development;
- a 25 year letting with Lidl at Ashford, Middlesex, on a former 32,000 sq ft Hitchcock & King unit;
- a 20 year letting to Lidl at Totton to extend its representation to 21,000 sq ft, occupying space let to Poundstretcher;
- a regear with Co-op, where we extended the lease to 20 years;
- a 15 year pre-let of a new Costa; and
- two 30 year lease regears at a petrol filling station and convenience store.

Rent reviews were settled on 44 assets in the year generating an uplift of £0.5 million at 15% above previous passing on a five yearly equivalent basis.

The largest review was on a Costco in Coventry where a five yearly fixed review increased the rent by £0.2 million. The remaining reviews were inflation linked or fixed uplifts, mostly relating to our Grocery and Roadside assets.



# Developments

In the year, we completed 0.5 million sq ft of BREEAM Excellent developments representing £4.5 million of rent per annum at a yield on cost of 7.0%. 0.9 million sq ft is under development which is expected to generate £8.7 million of rent per annum. 89% of developments underway are BREEAM Very Good.

Completed in year	Area sq ft '000	Income £m	Yield on cost %
Bedford (Unit 1)	355	2.9	7.8
Tyseley (Phase 2)	120	1.6	6.0
<b>Total</b>	<b>475</b>	<b>4.5</b>	<b>7.0</b>
<b>Under construction</b>			
Huntingdon <sup>1</sup>	300	2.0	3.7
Ipswich <sup>1</sup>	296	1.9	4.5
Leicester <sup>1,2</sup>	125	0.9	4.5
London redevelopments (x4) <sup>2</sup>	59	1.9	5.0
Weymouth	51	0.9	6.6
Preston <sup>1,2</sup>	43	0.3	3.9
Uckfield <sup>1</sup>	41	0.8	5.5
<b>Total</b>	<b>915</b>	<b>8.7</b>	<b>4.6</b>

1 Forward fundings

2 Anticipated yield on cost and rents

## Bedford

The 355,000 sq ft distribution development let to Movianto completed in December and is BREEAM Excellent certified with a 200 kWp solar PV scheme installed.

## Tyseley

Construction of the 120,000 sq ft distribution warehouse completed in July and is let to Amazon on a 15 year lease. The building is BREEAM Excellent and a 105 kWp solar PV scheme was installed.

## Huntingdon

Development of a 300,000 sq ft regional warehouse, pre-let for 25 years, is expected to complete in December 2022. The building is expected to be BREEAM Very Good with the benefit of solar PV.

## Ipswich

Development of a 296,000 sq ft distribution warehouse, pre-let to an ecommerce company for 20 years, is expected to complete in June 2022. The building is expected to be BREEAM Very Good.

## Leicester

Development of a 125,000 sq ft distribution warehouse is expected to complete at the start of 2023. The building is c.70% pre-let to EM Pharma and is expected to be BREEAM Very Good with the benefit of solar PV.

## Weymouth

At our long income development site, construction of a further 51,000 sq ft expected to complete in October 2022. The BREEAM Very Good buildings are 100% pre-let with a WAULT of 16 years.

## Preston

Development of a 43,000 sq ft distribution warehouse, pre-let to Sainsbury's for 15 years, which is expected to complete over the next 12 months. The building is expected to be BREEAM Very Good.

## Uckfield

Development of a 41,000 sq ft grocery-led funding pre-let to M&S and Home Bargains is expected to complete in Q1 2023.

**London redevelopments**

Following recent acquisitions, we are redeveloping or refurbishing four London sites, consisting of:

- 23,000 sq ft in Tottenham, which we have acquired vacant and are undertaking a comprehensive refurbishment;
- 21,000 sq ft in Fulham, which we acquired vacant and are comprehensively refurbishing with terms agreed on a letting;
- 11,000 sq ft in Colliers Wood, where we are redeveloping the site; and
- 4,000 sq ft in Stockwell, where we are undertaking a redevelopment of the site.

# Financial review

We have produced a very strong set of results, delivering significant earnings and NAV progression, allowing us to continue to grow our dividend by 6.9% for shareholders whilst maintaining strong cover of 109%.

Our financial position was strengthened by a £175 million equity placing in November that was significantly oversubscribed, and our strong banking relationships have enabled us to agree new debt facilities. This supported significant new investment into our preferred sectors of distribution and long income which have also seen substantial growth in value, increasing our portfolio by 39% to £3.6 billion.

Although we have returned to more normal conditions as we emerge from the Covid-19 pandemic, the macro environment is continually changing. Geopolitical risk, the conflict in Ukraine, elevated inflation and a cost of living squeeze create uncertainty. However, we remain very well placed, with an enlarged portfolio of high quality assets in structurally supported sectors with robust financing metrics.

EPRA earnings increased by 9.2% to £93.5 million and by 5.5% on a per share basis to 10.04p, driven by a 7.9% increase in net rental income and supported by strong rent collection performance, with 99.5% of rent due in the year having been collected. IFRS reported profit has almost trebled to £734.5 million and is predicated on an unprecedented valuation uplift of £632.2 million, driven by a 61 bps yield compression and 10% ERV growth. IFRS net assets have increased by 47.8% to £2,559.7 million and 97.1% of our assets continue to be in our preferred sectors. EPRA net tangible assets ('NTA') per share increased by 37.2% to 261.1p (2021: 190.3p) and our total accounting return was 41.9% (2021: 16.7%).

We completed new debt facilities of £930 million in the year, comprising a £380 million private debt placement and three unsecured credit facilities totalling £550 million. Certain of these new facilities replaced existing short dated debt and increased maturity and hedging at the year end to 6.5 years (2021: 4.2 years) and 71% (2021: 45%) respectively, whilst maintaining a low average cost of 2.6% (2021: 2.5%). Our loan to value has fallen to 28.8% (2021: 32.3%), providing flexibility to execute our property strategy whilst maintaining ample headroom under banking covenants. Alongside this, we have significant available facilities and cash of £299 million providing capacity for further accretive investment and development opportunities.

## Presentation of financial information

The Group financial statements have been prepared in accordance with IFRS. Management monitors the performance of the business principally on a proportionately consolidated basis, which includes the Group's share of joint ventures ('JV') and excludes any non-controlling interest ('NCI') on a line by line basis.

The figures and commentary in this review are presented on a proportionately consolidated basis, consistent with our management approach, as we believe this provides a meaningful analysis of overall performance. These measures are alternative performance measures, as they are not defined under IFRS.

The Group uses alternative performance measures based on the European Public Real Estate Association ('EPRA') Best Practice Recommendations ('BPR') to supplement IFRS, in line with best practice in our sector, as they highlight the underlying performance of the Group's property rental business and exclude property and derivative valuation movements, profits and losses on disposal of properties and financing break costs, all of which may fluctuate considerably from year to year. These are adopted throughout this report and are key business metrics supporting the level of dividend payments.

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	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	131.5	4.5	(1.3)	134.7	121.3	5.3	(1.5)	125.1
Property costs	(1.5)	(0.1)	–	(1.6)	(1.6)	(0.2)	–	(1.8)
Net rental income	130.0	4.4	(1.3)	133.1	119.7	5.1	(1.5)	123.3
Management fees	1.3	(0.5)	–	0.8	0.9	(0.4)	–	0.5
Other income	0.4	–	–	0.4	–	–	–	–
Administrative costs	(16.0)	(0.1)	–	(16.1)	(15.8)	–	–	(15.8)
Net finance costs	(23.9)	(1.0)	0.2	(24.7)	(21.5)	(1.2)	0.2	(22.5)
Tax	(0.1)	–	0.1	–	(0.1)	–	0.2	0.1
<b>EPRA earnings</b>	<b>91.7</b>	<b>2.8</b>	<b>(1.0)</b>	<b>93.5</b>	<b>83.2</b>	<b>3.5</b>	<b>(1.1)</b>	<b>85.6</b>

## Net rental income

We continue to focus on growing our income to deliver earnings and dividend progression for our shareholders and once again we are pleased to report an increase of 7.9% in net rental income to £133.1 million. The detailed movements are reflected in the table below.

Income from lettings, rent reviews and regears of existing properties and completed developments generated significant additional rent of £6.7 million, offset by a reduction in surrender premiums received of £0.4 million. Income from net investment activity added a further £3.3 million and property cost savings of £0.2 million contributed to a further fall in our cost leakage ratio to 1.2% (2021: 1.4%).

	£m	£m
Net rental income 2021		<b>123.3</b>
Additional rent from existing properties <sup>1</sup>		<b>2.7</b>
Additional rent from developments <sup>1</sup>		<b>4.0</b>
Movement in surrender premium income		<b>(0.4)</b>
Additional rent from acquisitions <sup>1</sup>	<b>15.2</b>	
Rent lost through disposals <sup>1</sup>	<b>(11.9)</b>	
Additional rent from net acquisitions		<b>3.3</b>
Movement in property costs		<b>0.2</b>
<b>Net rental income 2022</b>		<b>133.1</b>

<sup>1</sup> Properties held, developments completed and acquisitions and disposals since 1 April 2020

## Rent collection

As rent collection levels across the real estate sector are now reverting to pre-pandemic levels, our collection rates remain exceptionally strong, reflecting the quality of our covenants and efforts of our team. Very few occupiers are now asking for concessions beyond some requests for monthly payment arrangements. We have collected 99.5% of rent due in the year and just 0.5% remains unpaid or has been forgiven.

We have assessed the recoverability of our year end trade debtor and lease incentive balances in accordance with IFRS 9 and have reduced our rent provisions for the Group and our share of joint ventures by £0.2 million to £1.2 million.

## Administrative costs and EPRA cost ratio

Administrative costs have increased by £0.3 million to £16.1 million and are stated after capitalising staff costs of £2.5 million (2021: £2.2 million) in respect of time spent on development projects in the year.

Although inflationary cost increases are affecting not only our own staff costs but fees of advisors and contractors we work with, the EPRA cost ratio which we use to monitor and manage our operational costs has fallen 110 bps in the year to 12.5%. We have a low and transparent cost base and our EPRA cost ratio remains one of the lowest in our sector.

For the year to 31 March	2022 %	2021 %
EPRA cost ratio including direct vacancy costs	<b>12.5</b>	13.6
EPRA cost ratio excluding direct vacancy costs	<b>11.8</b>	13.0

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

## Net finance costs

Net finance costs, excluding fair value movements in derivatives and financing break costs, were £24.7 million, an increase of £2.2 million over the year. This reflected higher interest charges of £3.5 million due to higher average debt balances over the year compared to last year, and less interest receivable from forward funded investments of £0.1 million. This increase was offset by lower fees on new facilities of £1.1 million and higher amounts of interest capitalised on developments of £0.3 million. The average interest rate payable over the year was broadly in line with last year. Further detail is provided in notes 5 and 10 to the financial statements.

## Share of joint ventures

EPRA earnings from joint venture investments were £2.8 million, a decrease of £0.7 million over the year as reflected in the table below.

For the year to 31 March	2022 £m	2021 £m
Metric Income Plus Partnership (MIPP)	2.8	3.6
LSP London Residential Investments (Moore House)	–	(0.1)
<b>EPRA earnings</b>	<b>2.8</b>	<b>3.5</b>

Income from our MIPP joint venture fell by £0.8 million due to sales at the start of the year reducing rental income. In October, the Group's residential JV disposed of its remaining four flats at Moore House.

In addition, the Group received net management fees of £0.8 million for acting as property advisor to each of its joint ventures, which have risen by £0.3 million as a result of additional sales fees and property valuation gains increasing net assets and therefore fees.

## Taxation

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

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise. There were no issues raised in the year.

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained. The Group paid the required PID for the year to 31 March 2021 ahead of the deadline of 31 March 2022 and has already paid a large part of its expected PID for the year to 31 March 2022. The balance is expected to be paid in July 2022 as part of the fourth quarterly dividend. In accordance with REIT regulations, £8.7 million was withheld from distributions and paid directly to HMRC in the year.

The tax charge in the year relates to the Group's non-controlling interest. Our tax strategy was updated and approved by the Board in the year and can be found on our website at [www.londonmetric.com](http://www.londonmetric.com).

## IFRS reported profit

A reconciliation between EPRA earnings and IFRS reported profit is reflected in note 8(a) to the accounts and is summarised in the table below.

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
EPRA earnings	91.7	2.8	(1.0)	93.5	83.2	3.5	(1.1)	85.6
Revaluation of property	615.2	19.7	(2.7)	632.2	169.9	3.4	0.4	173.7
Fair value of derivatives	–	0.7	–	0.7	4.7	0.1	–	4.8
Profit/(loss) on disposal	8.0	0.2	–	8.2	0.8	(0.1)	–	0.7
Debt/hedging costs	–	(0.1)	–	(0.1)	(7.5)	–	–	(7.5)
<b>IFRS reported profit</b>	<b>714.9</b>	<b>23.3</b>	<b>(3.7)</b>	<b>734.5</b>	<b>251.1</b>	<b>6.9</b>	<b>(0.7)</b>	<b>257.3</b>

The Group's reported profit for the year was £734.5 million compared with £257.3 million in the previous year. The £477.2 million increase was primarily due to the property revaluation gain being £458.5 million higher, increased profit from property disposals of £7.5 million and increased EPRA earnings of £7.9 million. Disposals are discussed in detail in the Property Review.

Last year, we cancelled all of our Group interest rate swaps and fully amortised finance costs prepaid on cancelled debt facilities at a total cost of £7.5 million. The Group continues to hedge its exposure to interest rate movements by way of fixed rate loans, which has increased to 71% of drawn debt as at the year end (2021: 45%).

## Balance sheet

EPRA net tangible assets ('NTA') is a key performance measure that includes both income and capital returns but excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between IFRS and EPRA NTA is detailed in the table below and in note 8(c) to the financial statements.

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Investment property	3,494.6	96.6	(15.1)	3,576.1	2,504.6	94.4	(11.4)	2,587.6
Assets held for sale	21.2	–	–	21.2	–	–	–	–
Trading property	1.1	–	–	1.1	1.1	–	–	1.1
	3,516.9	96.6	(15.1)	3,598.4	2,505.7	94.4	(11.4)	2,588.7
Gross debt	(1,027.2)	(26.5)	–	(1,053.7)	(839.5)	(37.5)	–	(877.0)
Cash	51.3	3.6	(0.6)	54.3	51.4	3.4	(0.2)	54.6
Other net liabilities	(43.8)	(1.2)	5.6	(39.4)	(39.1)	(0.5)	5.2	(34.4)
<b>EPRA NTA</b>	<b>2,497.2</b>	<b>72.5</b>	<b>(10.1)</b>	<b>2,559.6</b>	1,678.5	59.8	(6.4)	1,731.9
Derivatives	–	0.1	–	0.1	–	(0.6)	–	(0.6)
<b>IFRS net assets</b>	<b>2,497.2</b>	<b>72.6</b>	<b>(10.1)</b>	<b>2,559.7</b>	1,678.5	59.2	(6.4)	1,731.3

Both IFRS reported net assets and EPRA NTA have increased by 47.8% over the year to £2.6 billion, largely due to the revaluation gain of £632.2 million and the net proceeds from the equity raise of £170.2 million.

The increase in IFRS net assets per share and EPRA NTA per share was 37.1% and 37.2% to 262.3p and 261.1p respectively. The movement in EPRA NTA and EPRA NTA per share is reflected in the table below.

	EPRA NTA £m	EPRA NTA p/share
EPRA NTA at 1 April 2021	1,731.9	190.3
EPRA earnings	93.5	10.0
Dividends <sup>2</sup>	(81.7)	(8.8)
Property revaluation	632.2	67.9
Equity raise	170.2	–
Other movements <sup>1</sup>	13.5	1.7
<b>EPRA NTA at 31 March 2022</b>	<b>2,559.6</b>	<b>261.1</b>

1 Other movements include profit on sales (£8.2 million), share based awards (£1.1 million) and scrip share issue savings (£4.2 million)

2 Dividend per share is based on the weighted average number of shares in the year. The actual dividend paid in the year was 8.85p as reflected in note 7 to the financial statements

The increase in EPRA NTA per share was principally due to the property revaluation gain of 67.9p, as EPRA earnings covered the dividend paid in the year.

The movement in EPRA NTA per share, together with the dividend paid in the year, results in a total accounting return of 79.7p per share or 41.9% which is significantly ahead of last year's return of 16.7%. Total accounting return is a key performance indicator and component of the variable element of Directors' remuneration arrangements. The full calculation can be found in Supplementary note viii.

## Equity raise

In November 2021, we successfully raised gross proceeds of £175 million through an equity placing that was substantially oversubscribed. A total of 67.3 million new ordinary shares were issued at a price of 260.0p per share, representing a discount of 3.0% to the previous day's closing share price. The net proceeds after issue costs of £170.2 million were deployed within three months to acquire income producing assets as set out in the Property review.

## Dividend

Throughout the year, we have continued to declare quarterly dividends and offer shareholders a scrip alternative to cash payments. The dividend remains well covered by EPRA earnings and our policy of paying a sustainable and progressive dividend remains unchanged.

In the year to 31 March 2022, the Company paid the third and fourth quarterly dividends for the year to 31 March 2021 and the first two quarterly dividends for the year to 31 March 2022, at a total cost of £81.7 million or 8.85p per share as reflected in note 7 to the financial statements. The Company issued 1.7 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £4.2 million to £77.5 million.

The first two quarterly payments for the current year of 4.4p per share were paid as a Property Income Distributions (PIDs) in the year. The third quarterly dividend of 2.2p was paid as a PID in April 2022 and the Company has approved a fourth quarterly payment of 2.65p in July 2022, of which 1.15p will be a PID. The total dividend payable for 2022 of 9.25p represents an increase of 6.9% over the previous year.

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, covered and progressive return to shareholders;
- Its EPRA earnings for 2022; and
- The outlook for 2023.

At the year end the Company had distributable reserves of £1,136.7 million (2021: £1,006.7 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.

## Portfolio valuation

Our portfolio including share of joint ventures grew by over £1 billion or 39.0% in the year to £3.6 billion as reflected in the table below. The portfolio closing valuation includes the value of assets held for sale and trading properties that are reflected separately in the balance sheet.

As at 31 March	100% owned £m	JV £m	NCI £m	2022 £m	2021 £m
Opening valuation	2,500.6	94.4	(11.4)	2,583.6	2,346.5
Acquisitions <sup>1</sup>	457.5	–	–	457.5	212.4
Developments <sup>2</sup>	88.9	–	–	88.9	38.1
Capital expenditure <sup>3</sup>	16.0	1.1	(1.0)	16.1	12.2
Disposals	(165.8)	(18.6)	–	(184.4)	(199.3)
Revaluation	615.2	19.7	(2.7)	632.2	173.7
<b>Property portfolio value</b>	<b>3,512.4</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,593.9</b>	<b>2,583.6</b>
Head lease and right of use assets	4.5	–	–	4.5	5.1
<b>Closing valuation</b>	<b>3,516.9</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,598.4</b>	<b>2,588.7</b>

1 Group acquisitions include purchase costs and represent completed investment properties as shown in note 9 to the financial statements

2 Group developments include acquisitions, capital expenditure and movements in lease incentives on properties under development as reflected in note 9

3 Group capital expenditure and movements in lease incentives on completed properties as reflected in note 9 to the financial statements

We invested £457.5 million into distribution and long income assets, which included a corporate portfolio acquisition of 15 assets for £122.2 million and a distribution warehouse in Warrington let to THG for £97.0 million. We sold 21 assets generating net proceeds of £199.8 million at share and reducing the book value of property by £191.6 million (including the cost of lease incentives written off for the Group of £6.7 million and its share of joint ventures of £0.5 million). The disposals included our last four residential flats at Moore House for £2.4 million (£1.0 million at share). We also exchanged to sell assets totalling £21.2 million and to acquire assets for £72.4 million in the year. These transactions will be accounted for on completion next year.

Four disposals which generated net proceeds of £15.2 million and three acquisitions for £35.7 million had exchanged last year.

Property values increased by £632.2 million this year, driven by yield compression, rental growth and management actions, largely on distribution assets. The portfolio has delivered a strong total property return of 28.2%, significantly outperforming the IPD All Property index of 19.6%, with distribution assets again delivering the largest increase of 31.1%. A breakdown of the property portfolio by sector is reflected in the table below.

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Mega distribution	425.2	11.8	351.9	13.6
Regional distribution	665.3	18.5	483.5	18.7
Urban logistics	1,551.5	43.2	941.9	36.5
Distribution	2,642.0	73.5	1,777.3	68.8
Long income	785.3	21.8	629.4	24.3
Retail Parks	70.6	2.0	73.9	2.9
Offices	27.3	0.8	41.1	1.6
Investment portfolio	3,525.2	98.1	2,521.7	97.6
Development <sup>1</sup>	67.8	1.9	59.8	2.3
Residential	0.9	–	2.1	0.1
<b>Property portfolio value</b>	<b>3,593.9</b>	<b>100.0</b>	2,583.6	100.0
Head lease and right of use assets	4.5		5.1	
	<b>3,598.4</b>		2,588.7	

1 Represents regional distribution £15.9 million (0.4%), urban logistics £25.8 million (0.7%), long income £23.2 million (0.7%), office and other land £2.9 million (0.1%) at 31 March 2022. Split of prior year comparatives was urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%)

Assisted by strong capital growth and net acquisitions, investment in our preferred sectors of distribution and long income has increased further to 97.1% from 95.3% in March 2021, with our distribution exposure increasing from 70.8% to 74.6%.

Having completed our developments at Bedford and Tyseley in the year, our development exposure remains modest at 1.9% of the portfolio and includes forward funded acquisitions in Huntingdon and Preston of £23.7 million as well as urban developments in London of £30.1 million. Further detail on property acquisitions, sales, asset management and development can be found in the Property Review.

## Financing

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

As at 31 March	2022 £m	2021 £m
Gross debt	1,053.7	877.0
Cash	54.3	54.6
Net debt	999.4	822.4
Loan to value <sup>1</sup>	28.8%	32.3%
Cost of debt <sup>2</sup>	2.6%	2.5%
Undrawn facilities	245.0	170.5
Average debt maturity	6.5 years	4.2 years
Hedging <sup>3</sup>	71%	45%

1 LTV at 31 March 2022 includes the impact of sales and acquisitions that exchanged in the year and will complete next year of £21.2 million and £72.4 million respectively (2021: £15.2 million and £35.7 million respectively), and excludes the fair value debt adjustment of £2.2 million (2021: £2.5 million). See Supplementary note xviii for detailed calculations

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

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

Net debt has increased by £177.0 million in the year to fund net property acquisitions and our development programme. Loan to value has fallen to 28.8% (2021: 32.3%) and our average debt cost remains low at 2.6% (2021: 2.5%).

We completed four new unsecured debt facilities in the year totalling £930 million, comprising a £380 million private debt placement, two revolving credit facilities for £400 million and a new £150 million short term facility.

The private placement and revolving credit facilities replaced existing short dated debt, which was partly unsecured, allowing us to increase debt maturity to 6.5 years from 4.2 years at the start of the year despite the passage of time, as well as our flexibility to execute transactions.

As part of the £380 million private debt placement, we agreed a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. Post year end, expenditure has been allocated to this green tranche. The



green notes were priced two basis points inside the equivalent non green 15 year tranche and represented the first of its kind announced by a UK REIT.

The two revolving credit facilities also incorporate a green framework and preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. These targets will be tested following the announcement of these results and are expected to be achieved. Margin savings will be added to funds allocated for charitable giving. We have recently agreed the first one year extension for these two revolving credit facilities. Our most recent credit facility for £150 million was drawn immediately to fund acquisitions.

The new credit facilities in the year are all on a SONIA basis and in January 2022, we transitioned our MIPP joint venture loan from a LIBOR to a SONIA basis with minimal impact on pricing and cost.

At 31 March 2022, the Group had headroom available from undrawn facilities and cash balances held of £299 million, providing ample cover for its contracted capital commitments of £127.4 million and optionality for further investment opportunities.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom within these. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facilities and private placement loan notes, which together account for 92% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2022, the Group's gearing ratio as defined within its private placement and RCF funding arrangements was 39%, which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 5.2 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 49% and rents by 64% before banking covenants are breached.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging and fixed rate arrangements. Following the refinancing this year, the proportion of debt hedged by fixed coupon private placement facilities and existing fixed rate debt has increased to 71% (2021: 45%). We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

## Cash flow

During the year, the Group's cash balances decreased by £0.1 million as reflected in the table below.

For the year to 31 March	2022 £m	2021 £m
Net cash from operating activities	119.5	99.6
Net cash used in investing activities	(367.2)	(46.4)
Net cash from/(used in) financing activities	247.6	(83.6)
Net decrease in cash and cash equivalents	(0.1)	(30.4)

The net cash inflow from operating activities of £119.5 million reflects an increase of £19.9 million compared to last year, which was due to increased net rents received and changes in working capital.

The Group spent £500.6 million acquiring property in the year and received net cash proceeds of £189.7 million from property disposals and joint ventures. Capital expenditure on asset management, developments and other investments cost the Group £56.3 million.

Cash inflows from financing activities reflect new borrowing of £188.0 million and net proceeds from the equity raise of £170.2 million, offset by dividend payments of £77.5 million, financing costs of £30.8 million and share purchases and awards of £2.3 million.

Further detail is provided in the Group cash flow statement.

# Risk management

Effective risk management reduces the negative impact of risk on the business and is critical to our strategy of investing in real estate that provides reliable, repetitive and growing income-led total returns and long term outperformance.

## The Board's risk management responsibility

The Board has overall responsibility for establishing and maintaining a risk management framework which is critical to its decision making process and key to the long term success of the business. This framework gives the Board confidence that risks inherent in running the business are successfully being identified and mitigated to the extent possible to safeguard stakeholders' interests and achievement of the Company's strategic goals.

The Board considers risk in all the decisions it takes. A high-level dashboard is used at every meeting to monitor material issues, identify new and emerging risks and promote regular discussion of risk at Board level. The Chief Executive also provides an informative market overview at each meeting covering overarching or longer term themes and evolving trends within the sector, the wider economy and the risk environment that provides context for responsive strategic decision making. Detailed papers are provided on matters reserved for the Board's attention that highlight areas of risk and also provide the basis for discussion. Similar papers are circulated on matters requiring a decision outside of the Board's regular forum. These papers usually relate to specific investment decisions and Non Executive Directors are provided with an opportunity to discuss the proposals with the Executive Directors or Senior Leadership Team members prior to approval. Such decisions are later ratified by the Board as a whole.

## The Audit Committee's oversight role

The Audit Committee assists the Board by providing a key oversight and assurance role. It does so by appraising the risk management framework in detail and seeking comfort that there is a robust system in place for the identification, assessment and mitigation of the principal risks faced by the Company. The Committee annually reviews the Company's detailed risk register and system of internal control, considers their effectiveness and reports its findings to the Board. The Committee also undertakes thematic deep dives into significant or areas of increasing risk.

## The Senior Leadership Team, identify, implement and monitor

The Senior Leadership Team is responsible for ongoing risk identification and the design, implementation and maintenance of the system of internal controls in light of the risks identified. The team comprises of individuals with a breadth of skills and experience from across the Company. Short reporting lines, low staff numbers and an embedded risk awareness culture within the organisation facilitate the early identification of risks and the development of appropriate mitigation strategies based on an assessment of the impact and likelihood of a risk occurring.

## Our risk register

The risk register is reviewed and updated at least annually by the Company Secretary assisted by members of the Senior Leadership Team and includes meetings with risk owners as part of this process.

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. Risk owners and timelines are included for any action points arising out of the review of the register.

## How the effectiveness of the Company's risk management and internal control systems have been reviewed and the outcome of those reviews

The Board has performed a robust assessment of the principal and emerging risks facing the Group. During the year the Audit Committee carried out the following risk, internal control and thematic reviews on behalf of the Board. Based on its review and assessment, the Committee is satisfied that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings have been reported to and discussed with the Board.

Risks considered	What was considered and the outcome
<b>January 2022</b>	
ESG focused meeting (attended by all Non Executive Directors)	<p>The Company's ESG framework, the Board's obligations and responsibilities, external benchmarking, net zero carbon ambitions and legislation, initiatives being undertaken, targets, TCFD reporting and investor feedback on ESG matters.</p> <p>Members were satisfied ESG is a key focus for management and a vast amount of work is being undertaken and progress made. Key action points arising out of the meeting were circulated to attendees.</p>
<b>March 2022</b>	
The Company's detailed risk register	<p>Review of the updated register.</p> <p>Members were satisfied that: all significant risks have been identified, each bears an appropriate risk weighting, each has identifiable safeguards to mitigate its occurrence and potential impact and an allocated risk owner. Details on assurance, changes in the year and action points are recorded. More frequent health and safety reporting was requested at Board level.</p>
Internal controls evaluation report	<p>Review of management's assessment of the existence and effectiveness of key internal controls. Based on their review and assessment, members were satisfied that no significant weaknesses have been identified in the Group's internal control structure and systems are effective. The Committee also considered the work undertaken and reported on by the Company's auditor.</p>
Report on the Company's IT and cyber security system	<p>How cyber risk is managed, initiatives undertaken in the year and those planned for the forthcoming year.</p> <p>Members satisfied themselves that this risk continues to be actively but pragmatically monitored and managed and staff training raises awareness of emerging issues and practices.</p>
Credit analysis report	<p>Key information on the top 20 occupiers, new tenant due diligence undertaken and ongoing credit analysis processes. Update on 'watch list' tenants.</p> <p>Members were satisfied management have appropriate processes in place which aren't heavily reliant on historic data. They noted that whilst concerns around rent payment due to the pandemic have waned, the current high inflationary environment will add new pressure on occupiers in the form of rising supply chain costs and consumers reducing their spending in certain areas. They were satisfied management remain vigilant to this risk particularly for potential and existing tenants who may be due material rent increases in the coming years. It was agreed that a tenant who was 75% Russian owned and not currently subject to UK sanctions at the time would be closely monitored. Subsequently, the Russian interest has been bought out freeing the tenant from any type of international sanctions. No other tenants were a cause for concern.</p>

## How the Board determines appropriate risk appetite levels

The Board establishes the extent to which it is willing to accept some level of risk in achieving its strategic goals whilst ensuring stakeholder interests are protected. It has a low risk appetite in respect of these objectives but acknowledges that no system can eliminate risk entirely.

## Assessing risk appetite

The Board's aim is to maintain a low risk appetite overall, whilst balancing commercial considerations. At each meeting, the Board carefully considers and debates a wide range of factors including, but not limited to market overview, political and economic risks, portfolio composition, capital markets, stakeholder sentiment and the emergence of new risks. Such factors frame the extent to which the Board is willing to accept some level of risk or flex its existing risk appetite when delivering strategic priorities and the Board sets its risk appetite accordingly. For example, on the major refinancing undertaken during the year the Board considered its exposure to interest rate risk taking into account factors such as the quantum and profile of fixed debt raised, forecast investment and drawn debt levels and the forward looking interest rate curve. Discussions were also held on development exposure, particularly speculative development risk following the completion and successful letting of Bedford Link and the portfolio split between distribution and long income assets.

## Changes in risk appetite

After due consideration there were no material changes in risk appetite recorded during the 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 operations and stakeholders and could affect the Company's ability to execute its strategic priorities or exceed the Board's risk appetite.

### **Identifying emerging risk**

Senior Leadership Team members are closely involved in day-to-day matters and have a breadth of experience across corporate and regulatory, property, banking, finance and risk management matters. Each member, within their field of expertise, considers emerging risk with the potential to adversely affect the business and stakeholders. Such risks are evaluated and monitored through Senior Leadership Team meetings, with appropriate mitigation measures implemented as required. Significant emerging risks are raised and discussed at Board level.

From a property perspective, deep occupier relationships inform management and help them to understand tenants' needs and contentment and gain insights into tenants' businesses. These relationships are one of the key tools used to help source potential off market opportunities as well as the identification of emerging risks and trends.

Management also have strong banking relationships and more broadly, regularly meet industry representatives, shareholders and analysts. These relationships are also used to identify emerging risks. In addition, reports are commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the real estate sector and the wider economic outlook.

## **Changes in risk factors**

### **Major event**

This year the new principal risk category of Major Event has been introduced. It is intended to capture risks associated with external factors outside the Company's control such as major political or economic events and 'black swan' or unexpected global, regional and major national events or series of events such as a financial crisis, pandemic, acts of terrorism or conflict.

The war in Ukraine falls within the above category as an emerging risk. At present it is too early to tell how long the war and resulting uncertainty will last and whether the conflict will spread. The impact on the economy and tenants of higher and longer inflation and power and supply chain disruption are also currently unknown. Our strong occupier relationships provide market intelligence and will help us to better understand the impact over time. The Board believe that a portfolio firmly placed on the right side of structural change, with more companies holding greater inventories within the UK, and granularity of income, provide a high level of resilience to any shocks. The Board will continue to monitor events and are mindful of the increased risk of cyber attacks seeking to target the UK economy and companies in retaliation for sanctions imposed on Russia. The Board also remain vigilant to the risks posed by Covid-19 variants but consider this risk has reduced due to the Company's experience of operating over the last two years and the efficacy of vaccines and treatments. Brexit risk has been removed from the risk register.

### **Investment risk**

In identifying investment opportunities we assess potential returns and weigh them against the risks involved. As significant shareholders we focus on quality investments that offer long term income, capital growth and downside protection from strong intrinsic value, priding ourselves on our process, discipline and rationality as we look to prioritise quality assets in the best geographies at the right price. This rigorous approach invariably tempers investment activity. We are mindful that increased investor demand and tightening yields for our preferred sectors make further investment difficult whilst tightening yields on weaker assets encourage sales for the right property reasons but where redeployment of proceeds is difficult. We will aim to continue to maintain a fine balance and defer sales receipts where possible, to allow time for reinvestment and reduce the negative impact on earnings.

### **Responsible business and sustainability**

Stakeholder focus on responsible business practices continues to increase with particular attention on climate change from an environmental perspective. A failure to keep pace could have a profound negative impact on our reputation, earnings, asset and share liquidity. More information can be found on our responsible business objectives, initiatives undertaken and progress against targets in our Responsible Business and ESG review.

### **Capital and finance risk**

Our significant refinancing activity over the year which extended debt maturity and a successful, oversubscribed £175 million equity placing have reduced this principal risk. Further information can be found in the Financial review.

# Principal risks

## Corporate risks

1. Strategy and its execution	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	<p>Strategic objectives may be:</p> <ul style="list-style-type: none"> <li>• Inappropriate for the current economic climate or market cycle</li> <li>• Not achieved due to external factors or poor implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Suboptimal returns for shareholders</li> <li>• Missed opportunities</li> <li>• Ineffective threat management</li> <li>• Wrong balance of skills and resources for ongoing success</li> </ul>	<p>Strategy and objectives are regularly reviewed by the Board and adapted to changing market conditions and trends</p> <ul style="list-style-type: none"> <li>• Strong occupier relationships and experience within our sectors shape portfolio decisions</li> <li>• Research assists our strategic decision making</li> <li>• We have a UK based, predominantly logistics portfolio in a world leading ecommerce market</li> <li>• We continuously review and monitor our portfolio taking 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</li> <li>• Our three year forecast is regularly flexed and reported to the Board</li> <li>• The Senior Leadership Team comprises departmental heads from all key business functions with diverse skills and experience</li> <li>• Our relatively flat organisational structure makes it easier to identify market changes, emerging risks and monitor operations</li> <li>• High share ownership amongst the management team aligns their interests with shareholders on major decisions</li> <li>• We remain alert to potentially disruptive technological advancement</li> </ul>	<ul style="list-style-type: none"> <li>• Investor demand for distribution continues unabated attracted by the occupational demand supply imbalance which is driving rental growth. During the year we invested £432 million in predominantly urban logistics where supply is most constrained and rental growth prospects strongest, increasing our sector weighting to 44%. We also sold an older mega distribution warehouse for £102 million replacing it with a newer, more modern and better located one for £97 million and a 12 year longer WAULT</li> <li>• Investor demand for long income with defensive and rental growth characteristics has also intensified. Long income acquisitions led to high quality occupiers were £143 million in the year</li> <li>• Our dividend has increased and cover remains strong at 1.09 times EPRA earnings per share</li> <li>• Our property cost leakage at 1.2% continues to be low within the sector as our assets are operationally light and portfolio vacancy low</li> </ul>	<p>The Board continue to view the Company's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is low.</p>	<p><b>No significant change</b></p> <p>We have continued to focus investment and asset management activity on improving the quality of our portfolio to provide reliable, repetitive and growing income whilst providing strong intrinsic value and capital protection.</p> <p>We anticipate no significant change in this risk over the next 12 months.</p>

2. Major event							Change in the year
	Risk	Impact	Mitigation	Commentary	Appetite		
	<p>A market downturn, specific sector turbulence or business disruption resulting from:</p> <ul style="list-style-type: none"> <li>a political or economic event or series of events</li> <li>a 'black swan' unexpected global, regional or major national event or series of events such as a financial crisis, pandemic, acts of terrorism or conflict</li> </ul>	<ul style="list-style-type: none"> <li>Revenue impairment</li> <li>Occupier demand may decrease</li> <li>Asset liquidity and value may reduce</li> <li>Debt markets may be impacted</li> <li>Workforce resilience may be impacted</li> </ul>	<ul style="list-style-type: none"> <li>We remain focused on what we can control within the business. This includes maintaining a high WAULT and low vacancy on a portfolio of well located, UK only assets in structurally supported sectors and a broad tenant base</li> <li>Our strong occupier relationships provide market intelligence and help us better understand our tenants' businesses, their covenants, needs, emerging trends and risks</li> <li>We limit development exposure</li> <li>We have flexible funding arrangements from a diverse pool of lenders with significant covenant headroom and we regularly review financing strategy</li> <li>We nurture relationships with new and existing debt and equity providers</li> <li>We reforecast on a regular basis</li> <li>We test our business continuity plan and seek to ensure the integrity of our IT systems and cyber security through third party specialists and training</li> <li>We maintain adequate insurance cover</li> </ul>	<ul style="list-style-type: none"> <li>97.1% of our portfolio is weighted towards the structurally supported sectors of distribution (74.6%) and long income (22.5%) which are performing in line or significantly ahead of expectations</li> <li>We are monitoring the uncertainty and impact resulting from the war in the Ukraine on our economy and tenants' businesses and remain alert to a heightened risk of cyber attacks targeting our utilities, transport, communications and financial systems in retaliation for sanctions imposed on Russia</li> <li>We remain mindful of the risks posed by Covid-19 variants but consider this risk has reduced due to our experience over the last two years and the efficacy of vaccines and treatments</li> <li>Brexit risk has been removed from our risk register</li> </ul>	<p>The Board monitors the impact of such events which are outside of its control and flex operations accordingly. Focus remains on maintaining a robust, 'all weather' portfolio to withstand such shocks to the maximum extent possible.</p>	<p><b>New</b></p> <p>Recent events in Ukraine have increased uncertainty and this risk. We continue to monitor the situation but have not experienced a significant negative impact to date.</p> <p>We anticipate this risk will remain high over the next 12 months.</p>	
3. Human resources							Change in the year
	Risk	Impact	Mitigation	Commentary	Appetite		
	<p>There may be an inability to attract, motivate and retain high calibre employees in the small team.</p>	<p>The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.</p>	<ul style="list-style-type: none"> <li>Our staffing plan focuses on experience and expertise necessary to deliver strategy</li> <li>Our organisational structure has clear responsibilities and reporting lines</li> <li>Executive Directors and senior managers are incentivised in a similar manner. Both have significant unvested share awards in the Company which incentivise long term performance and retention and provide stability in the management structure</li> </ul>	<ul style="list-style-type: none"> <li>The Senior Leadership Team promotes talent development below Board level</li> <li>The appointment of Alistair Elliott, former Senior Partner and Group Chair of Knight Frank, brings significant property and leadership experience to the Board and supports longer term succession planning</li> <li>We are appointing a search agency to find suitable replacements for long service Non Executive Directors</li> <li>The staff survey responses were again extremely positive with respondents proud and</li> </ul>	<p>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. Its appetite for this risk is therefore low.</p>	<p><b>No significant change</b></p> <p>There has been no significant change in perceived risk.</p> <p>We anticipate no significant change in this risk over the next 12 months.</p>	

		<ul style="list-style-type: none"> <li>• Annual appraisals identify training requirements and assess performance</li> <li>• Specialist support is contracted as appropriate</li> <li>• Staff satisfaction surveys are undertaken and staff turnover levels are low</li> <li>• There is a phased Non Executive Director refreshment plan</li> <li>• Key man insurance is in place for the Chief Executive</li> </ul>	<p>happy to be working for LondonMetric and highly confident in the decisions being made by senior management</p> <ul style="list-style-type: none"> <li>• Our designated workforce Non Executive Director hosted a round table meeting with a cross section of employees in the year to hear their views and concerns</li> <li>• Staff turnover remains low at only 6% since the merger in 2013</li> <li>• 60% of employees participated in the 2022 LTIP</li> </ul>
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4. Systems, processes and financial management	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	Controls for safeguarding assets and supporting strategy may be weak.	<ul style="list-style-type: none"> <li>• Compromised asset security</li> <li>• Suboptimal returns for shareholders</li> <li>• Decisions made on inaccurate information</li> </ul>	<ul style="list-style-type: none"> <li>• The Company has a strong controls culture</li> <li>• We have IT security systems in place with back up supported and tested by external specialists</li> <li>• Our business continuity plan is regularly updated</li> <li>• Our property assets are safeguarded by appropriate insurance</li> <li>• We have safety and security arrangements in place on our developments, multi-let and vacant properties</li> <li>• Appropriate data capture procedures ensure the accuracy of the property database and financial reporting systems</li> <li>• We maintain appropriate segregation of duties with controls over financial systems</li> <li>• Management receive timely financial information for approval and decision making</li> <li>• Cost control procedures ensure expenditure is valid, properly authorised and monitored</li> </ul>	<ul style="list-style-type: none"> <li>• We continue to take an active but pragmatic approach towards cyber security, monitoring and building on our technical solutions alongside raising staff awareness of emerging issues and practices</li> <li>• During the year we upgraded and implemented additional security measures and tested our resilience to cyber attacks through penetration testing to ensure they continue to provide a strong level of protection. Compulsory cyber awareness training was also provided to all staff</li> </ul>	The Board's appetite for such risk is low and management continually strives to monitor and improve processes.	<p><b>No significant change</b></p> <p>There has been no significant change in perceived risk. Cyber security remains an ever present risk.</p> <p>We anticipate no significant change in this risk over the next 12 months.</p>

5. Responsible business and sustainability	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	Non-compliance with Responsible Business practices.	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Suboptimal returns for shareholders</li> <li>• Asset liquidity may be impacted</li> <li>• Reduced access to debt and capital markets</li> <li>• Poor relationships with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• We monitor changes in law, stakeholder sentiment and best practice in relation to sustainability, environmental matters and our societal impact supported by specialist consultants, and we consider the impact of changes on strategy</li> <li>• We give proper consideration to the needs of our occupiers and shareholders by maintaining a high degree of engagement. We also consider our impact on the environment and local communities</li> <li>• Responsibility for specific obligations is allocated to Senior Leadership Team members</li> <li>• A Responsible Business Working Group meets at least three times a year and reports to the Board</li> <li>• Staff training is provided</li> <li>• EPC rating benchmarks are set to comply with current and future Minimum Energy Efficiency Standards ('MEES') that could impact the quality and desirability of our assets leading to higher voids, reduced income and liquidity</li> <li>• We consider environmental and climate change risk relating to our assets and commission reports</li> <li>• We work with occupiers to improve the resilience of our assets and their business models to climate change and a low carbon economy</li> <li>• Sustainability targets are set, monitored and reported</li> <li>• Contractors are required to conform to our responsible development requirements</li> </ul>	<ul style="list-style-type: none"> <li>• We held meetings with c.250 investors and potential investors over the year</li> <li>• We continue to score well in ESG benchmarks</li> <li>• 29% of our portfolio by area is rated BREEAM Very Good or Excellent, an increase from 26% in 2021</li> <li>• 85% of our portfolio has an EPC rating of A-C and we are targeting a minimum C rating on all assets by 2027</li> <li>• Our Net Zero Carbon framework published last May sets out our ambitions to become a zero carbon business and we have undertaken Net Zero Carbon studies on various assets along with reviewing our approach to carbon offsets</li> <li>• Our new revolving credit facilities incorporate a green framework with a £50 million green private placement tranche also put in place</li> <li>• We continue to score highly in stakeholder surveys with 8.5 out of 10.0 occupiers recommending us as a landlord in our latest occupier survey</li> <li>• Our Communities and Charity Committee has spent £66,766 in the year</li> <li>• ESG targets have been embedded into the wider staff performance criteria</li> <li>• We have undertaken a full TCFD analysis of the Company and some of our assets to better understand how we can continue to address our climate change risks and opportunities</li> </ul>	The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment and asset liquidity.	<p><b>Increased risk</b></p> <p>ESG significance continues to increase for stakeholders, particularly in relation to climate change.</p> <p>We anticipate this risk will continue to increase over the next 12 months.</p>



6. Regulatory framework	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	Non-compliance with legal or regulatory obligations.	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Increased costs</li> <li>• Reduced access to debt and capital markets</li> <li>• Fines, penalties, sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• We monitor regulatory changes that impact our business assisted by specialist support providers</li> <li>• We consider the impact of legislative changes on strategy</li> <li>• We have allocated responsibility for specific obligations to individuals within the Senior Leadership Team</li> <li>• Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance</li> <li>• Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk and community</li> <li>• Staff training is provided on wide ranging issues</li> <li>• External tax specialists provide advice and REIT compliance is monitored</li> </ul>	<ul style="list-style-type: none"> <li>• No significant new regulatory changes have impacted the business this year outside of TCFD where we have fully disclosed against the TCFD recommendations after undertaking a TCFD gap analysis exercise</li> <li>• We continued to undertake health and safety site audits on our developments assisted by external specialists. This year this included our developments at Derby and Weymouth. Feedback has been positive and no significant issues were identified</li> </ul>	The Board has no appetite where non-compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	<b>No significant change</b>  There has been no significant change in perceived risk. New regulations and evolving best practice will continue to impact the business.  We anticipate no significant change in this risk over the next 12 months.

## Property risks

7. Investment risk	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	We may be unable to source rationally priced investment opportunities.	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.	<ul style="list-style-type: none"> <li>• Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these</li> <li>• Despite highly competitive market conditions, we acquired £575 million of assets in the year at a NIY of 4.4%</li> <li>• Post year end, we have invested a further £43 million in urban logistics assets</li> <li>• Whilst we are keen to seek further investment opportunities, we are not obsessed with growing the portfolio for the sake of size. Senior management's high share ownership aligns their interests with shareholders meaning we remain disciplined and rational as we look to invest at a fair price for the long term and improve the quality and resilience of our assets</li> </ul>	The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise. The Board's aim is to minimise this risk to the extent possible.	<b>Increased risk</b>  The past 12 months have seen record investment volumes and tighter yields in the distribution sector with a further influx of overseas money into the market.  We anticipate this risk will remain high over the next 12 months.

8. Development risk	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	<ul style="list-style-type: none"> <li>Excessive capital may be allocated to activities with development risk</li> <li>Developments may fail to deliver expected returns due to inconsistent timing with the economic or market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption</li> </ul>	<ul style="list-style-type: none"> <li>Poorer than expected performance</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>As an income focused REIT, development exposure as a percentage of our total portfolio is limited, typically well below 5%</li> <li>We only undertake short cycle and relatively uncomplicated development on a pre-let basis or where there is high occupier demand</li> <li>Development sites are acquired with planning consent whenever possible</li> <li>Management have significant experience of complex development</li> <li>We use standardised appraisals and cost budgets and monitor expenditure against budget to highlight potential overruns early</li> <li>External project managers are appointed</li> <li>Our procurement process includes tendering and the use of highly regarded firms with proven track records</li> <li>We review and monitor contractor covenant strength</li> </ul>	<ul style="list-style-type: none"> <li>Having completed our developments at Tyseley and Bedford Link in the year, current development exposure is only 1.9% of the portfolio and predominantly pre-let</li> <li>Inflation has increased significantly over the last 12 months whilst supply chain disruption and labour shortages have persisted. By partnering with a limited number of contractors, where subcontractor supply chains are key, we mitigate supply risk to the extent possible and stay close to our contractors' operations</li> <li>Increased competition for good geographies has made it increasingly difficult to access potential development sites, but we have been more successful in identifying accretive forward funding opportunities where development risk is mitigated</li> </ul>	<p>The Board takes on limited speculative development, although its overall tolerance for this risk is low.</p>	<p>No significant change</p> <p>Our development exposure remains limited meaning there has been no significant change in perceived risk during the year.</p> <p>More generally, high inflation, supply chain disruption and labour shortages in the market are expected to continue over the next 12 months and may impact future developments.</p>
9. Valuation risk	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	Investments may fall in value.	Pressure on net asset value and potentially loan to value debt covenants.	<ul style="list-style-type: none"> <li>Our portfolio is predominantly in structurally supported sectors with few non core assets remaining</li> <li>Our focus remains on sustainable income and lettings to high quality tenants within a diversified portfolio of well located assets. We aim to maintain a high portfolio WAULT and low vacancy rate. These metrics provide resilience and reduce the negative impact of a market downturn</li> <li>Trends and the property cycle are continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions</li> <li>Portfolio performance is regularly reviewed and benchmarked on an asset by asset basis</li> <li>The majority of our assets are single let and operationally light with little or no cost</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio resilience is demonstrated by the unprecedented valuation increase of £632.2 million in the year, with distribution the strongest contributor</li> <li>47.1% of our portfolio is in the high growth regions of London and the South East of England</li> <li>60.9% of income has contractual uplifts. 46.6% of these are index linked, however, with RPI or CPIH caps typically at 4% and therefore below the current inflationary level</li> <li>Our portfolio metrics continue to be strong with a WAULT of 11.9 years and only 10.6% of rent expiring within three years</li> <li>Portfolio occupancy is 98.7%</li> <li>166 occupier initiatives added £10.5 million to contracted rent delivering like for like income growth of 5.4%</li> </ul>	<p>There is no certainty that property values will be realised. This is an inherent risk in the industry. The Board aims to keep this risk to a minimum through its asset selection and active management initiatives.</p>	<p><b>Decreased risk</b></p> <p>The portfolio remains strategically aligned to structurally supported sectors where investor demand is high and the prospects for value preservation and further growth are significant.</p> <p>We anticipate no significant change in this risk over the next 12 months, however, we expect more muted valuation increases with rental growth, not yield compression, the key driver.</p>

	leakage and defensive capital expenditure
	<ul style="list-style-type: none"> <li>• We stay close to our tenants to understand their occupational requirements to mitigate vacancy risk</li> <li>• We monitor tenant covenants and trading performance</li> <li>• We maintain a low loan to value, materially below maximum loan covenant thresholds</li> </ul>

10.	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Transaction and tenant risk	<ul style="list-style-type: none"> <li>• Acquisitions and asset management initiatives may be inconsistent with strategy</li> <li>• Due diligence may be flawed</li> <li>• Tenant failure risk</li> </ul>	Pressure on net asset value, earnings and potentially debt covenants.	<ul style="list-style-type: none"> <li>• Thorough due diligence is undertaken on all acquisitions including legal and property, tenant covenant strength and trading performance</li> <li>• We screen all prospective tenants and undertake regular reviews thereafter</li> <li>• Portfolio tenant concentration is considered for all acquisitions and leasing transactions</li> <li>• We have a diversified tenant base and limited exposure to occupiers in bespoke properties</li> <li>• Asset management initiatives undergo cost benefit analysis prior to implementation</li> <li>• External advisors benchmark lease transactions and advise on acquisition due diligence</li> <li>• 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</li> <li>• We monitor rent collection closely to identify potential issues</li> </ul>	<ul style="list-style-type: none"> <li>• Rent collection has remained high at 99.5% for the year</li> <li>• Through our strong tenant relationships we are monitoring the impact on our top occupiers of high inflation and potential supply chain disruption stemming from the continuing effects of the pandemic and more recently the war in Ukraine</li> <li>• We have no exposure to Russian owned tenants who may become subject to UK sanctions as a result of the war in Ukraine</li> <li>• The granularity of our income has increased reducing dependency on our top 10 occupiers to 28.5% from 36% a year ago. No single tenant accounts for more than 4.1% of income, down from 8.2% last year</li> </ul>	<p>The Board has no appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.</p>	<p><b>No significant change</b></p> <p>Portfolio resilience has been demonstrated through our rent collection statistics.</p> <p>We anticipate no significant change in this risk over the next 12 months but will continue to monitor the effects of recent events in Ukraine.</p>

## Financing risks

11. Capital and finance risk	Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
	The Company has insufficient funds and available credit.	Strategy implementation is at risk.	<ul style="list-style-type: none"> <li>• 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</li> <li>• Cash flow forecasts are closely monitored</li> <li>• Relationships with a diversified range of lenders are nurtured</li> <li>• The availability of debt and the terms on which it is available is considered as part of the Company's long term strategy</li> <li>• Loan facilities incorporate covenant headroom, appropriate cure provisions and flexibility</li> <li>• Headroom and non financial covenants are monitored</li> <li>• A modest level of gearing is maintained</li> <li>• The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process</li> <li>• Interest rate derivatives are used to fix or cap exposure to rising rates as deemed prudent following specialist hedging advice</li> </ul>	<ul style="list-style-type: none"> <li>• We raised £175 million through an oversubscribed equity placing in November deploying the proceeds in investment opportunities in less than three months</li> <li>• We completed three new debt facilities last spring totalling £780 million comprising an oversubscribed £380 million private debt placement and two revolving credit facilities totalling £400 million. These facilities replaced short dated facilities and enabled us to increase our debt maturity</li> <li>• In November we entered into a further £150 million unsecured debt facility to increase short term headroom and accelerate an investment pipeline</li> <li>• We have substantial headroom under our loan covenants. Loan to value is 28.8%. Interest cover on unsecured facilities is 5.2 times</li> </ul>	The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. 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.	<b>Decreased risk</b> Our significant refinancing activity has extended debt maturity. There is significant upward pressure on interest rates, but with no immediate financing requirement following activity in the year, and drawn fixed rate debt of £720 million we anticipate no significant change in this risk over the next 12 months.

## Going concern and viability

Based on the results of their assessment which is detailed below, 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 to 31 March 2025.

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over the following time horizons:

- Short term – a period of 12 months from the date of this report as required by the 'Going Concern' provision; and
- Longer term – a period of three years to 31 March 2025 as required by the 'Viability Statement' provision.

### Short term assessment

The Directors' going concern assessment included consideration of the following:

- Principal risks and uncertainties facing the Group as discussed in the Risk management section of this report;
- The business strategy and outlook as discussed throughout the Strategic report;
- The economic impact of global issues such as the pandemic and war in Ukraine, including the impact of higher inflation, interest rates and supply chain disruption;
- The economic consequences of potential rental defaults, vacancy costs and letting defaults;
- The Group's short term cash flow forecast which is reviewed regularly by the Senior Leadership Team;
- Rent collection rates, which are circulated weekly to the Executive Directors and senior managers; and
- The financial position and liquidity including available cash and undrawn facilities, access to debt facilities and headroom under financial loan covenants.

As reported in the Financial review, the Group's financial position was strengthened in the year by a £175 million equity raise that was significantly oversubscribed and was deployed quickly into investment opportunities. The Group also entered into new debt facilities of £930 million in the year, and at 31 March 2022, had available cash and undrawn facilities of £299 million and significant headroom under financial loan covenants.

At 31 March 2022, the Group's gearing ratio as defined within its unsecured facilities and private placement loan notes, which together account for 92% of debt drawn, was 39% (maximum 125%) and interest cover was 5.2 times (minimum 1.5 times).

Rent collection rates continue to be exceptionally strong with 99.5% of rent due in the year collected.

### Going Concern Statement

On the basis of this review, together with available market information and the Directors' experience and knowledge of the portfolio, they have a reasonable expectation that the Company and the Group can meet its liabilities as they fall due and has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2022.

### Longer term assessment

The Board reviews and challenges the period over which to assess viability on an annual basis and have determined that the three year period to 31 March 2025 remains 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 time it takes from obtaining planning permission for a development project to practical completion of the property. The average length of the Group's developments that completed in the year at Bedford, Tyseley and Derby was ten months;
- The weighted average debt maturity at 31 March 2022 was 6.5 years; 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.

### Assessment of viability

The Directors conducted this review taking account of the Group's business strategy, principal risks, financial position and outlook as discussed throughout the Strategic review.

The Group's strategy is reviewed by the Board at each meeting and in depth on an annual basis, when one meeting is dedicated entirely to strategy and the Board receives a presentation from the Strategy Director.

The business plan is structured around the Group's strategy and consists of a rolling three year profit forecast, which factors in deals under offer, committed developments and reinvestment plans. It considers capital commitments, dividend cover, loan covenants and REIT compliance metrics.

The Senior Leadership Team provides regular strategic input to the financial forecasts covering investment, divestment and development plans and they consider the impact to earnings and liquidity. Forecasts are reviewed against actual performance and reported quarterly to the Board.

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

- Income certainty, with 61% of the Group's rental income benefiting from contractual uplifts;
- Income diversity, with 28.5% of rent due from our top ten occupiers, falling from 51% in 2019 and 36% last year;
- Strong support from equity investors evidenced by the oversubscribed £175 million equity raise in the year;
- Strong relationships with debt providers, evidenced by the £930 million debt facilities completed in the year;
- Substantial liquidity with undrawn debt facilities and cash of £299 million at the year end; and
- The Company's proven track record of executing transactions, making good sector choices and growing income even through periods of significant uncertainty including the Covid-19 pandemic.

In addition, the business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including:

- Changes to macro-economic conditions, reducing rent and property values;
- Changes in the occupier market including tenant failures impacting occupancy levels and lettings;
- Changes in the availability of funds and interest rates; and
- Changes in property market conditions impacting investment and development opportunities.

Our scenario testing considered the longer term economic impact of global issues such as the pandemic and war in Ukraine, including the impact of higher inflation and interest rates, and supply chain disruption.

Reverse stress testing was also undertaken, which considered the amount by which property values and rents would need to fall before loan covenants were breached. Property values would need to fall by approximately 49% and rental income by 64% to breach the gearing and interest cover covenants under the Group's unsecured and private placement debt facilities, that together account for 92% of the Group's borrowing including its share of joint ventures. Throughout the scenario testing, the Group had sufficient reserves to continue in operation and remain compliant with its banking covenants.

This testing, combined with the Group's strong financial position, rent collection evidence, and mitigation actions available including deferring non committed capital expenditure and selling assets, supports the Group's ability to weather unexpected and adverse economic and property market conditions over the longer term viability period. Although the Board's review focused on the three year viability assessment period, it also considered the Company's longer term success.

### **Viability Statement**

Based on the results of their assessment, 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 viability period to 31 March 2025.

# Directors' Responsibilities 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the IASB. The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 ('FRS 101') '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 FRS 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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; and
- Make an assessment of the Company's ability to continue as a going concern.

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

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

## Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

**Martin McGann**  
Finance Director  
26 May 2022

**Andrew Jones**  
Chief Executive  
26 May 2022

# Group income statement

For the year ended 31 March

	Note	2022 £m	2021 £m
<b>Revenue</b>	3	<b>133.2</b>	122.2
Cost of sales		<b>(1.5)</b>	(1.6)
<b>Net income</b>		<b>131.7</b>	120.6
Administrative costs	4	<b>(16.0)</b>	(15.8)
Profit on revaluation of investment properties	9	<b>615.2</b>	169.9
Profit on sale of investment properties		<b>8.0</b>	0.8
Share of profits of joint ventures	10	<b>23.3</b>	6.9
<b>Operating profit</b>		<b>762.2</b>	282.4
Finance income		<b>0.5</b>	0.6
Finance costs	5	<b>(24.4)</b>	(24.9)
<b>Profit before tax</b>		<b>738.3</b>	258.1
Taxation	6	<b>(0.1)</b>	(0.1)
<b>Profit for the year and total comprehensive income</b>		<b>738.2</b>	258.0
Attributable to:			
Equity shareholders		<b>734.5</b>	257.3
Non-controlling interest	19	<b>3.7</b>	0.7
<b>Earnings per share</b>			
Basic	8	<b>78.8p</b>	28.6p
Diluted	8	<b>78.4p</b>	28.5p

All amounts relate to continuing activities.



# Group balance sheet

As at 31 March

	Note	2022 £m	2021 £m
<b>Non current assets</b>			
Investment properties	9	3,494.6	2,504.6
Investment in equity accounted joint ventures	10	72.6	59.2
Other investments and tangible assets		1.3	0.3
		<b>3,568.5</b>	2,564.1
<b>Current assets</b>			
Assets held for sale		21.2	–
Trading properties		1.1	1.1
Trade and other receivables	11	13.1	9.8
Cash and cash equivalents	12	51.3	51.4
		<b>86.7</b>	62.3
<b>Total assets</b>		<b>3,655.2</b>	2,626.4
<b>Current liabilities</b>			
Trade and other payables	13	59.4	46.0
<b>Non current liabilities</b>			
Borrowings	14	1,021.4	837.5
Lease liabilities	15	4.6	5.2
		<b>1,026.0</b>	842.7
<b>Total liabilities</b>		<b>1,085.4</b>	888.7
<b>Net assets</b>		<b>2,569.8</b>	1,737.7
<b>Equity</b>			
Called up share capital	16	97.9	91.0
Share premium	17	386.8	219.3
Capital redemption reserve	17	9.6	9.6
Other reserve	17	491.1	487.7
Retained earnings	17	1,574.3	923.7
<b>Equity shareholders' funds</b>		<b>2,559.7</b>	1,731.3
Non-controlling interest		10.1	6.4
<b>Total equity</b>		<b>2,569.8</b>	1,737.7
<b>IFRS net asset value per share</b>	8	<b>262.3p</b>	191.3p

The financial statements were approved and authorised for issue by the Board of Directors on 26 May 2022 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 £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
At 1 April 2021		91.0	219.3	9.6	487.7	923.7	1,731.3	6.4	1,737.7
Profit for the year and total comprehensive income		–	–	–	–	734.5	734.5	3.7	738.2
Equity placing		6.7	163.5	–	–	–	170.2	–	170.2
Purchase of shares held in Employee Benefit Trust		–	–	–	(1.5)	–	(1.5)	–	(1.5)
Vesting of shares held in Employee Benefit Trust		–	–	–	4.9	(5.7)	(0.8)	–	(0.8)
Share based awards		–	–	–	–	3.5	3.5	–	3.5
Dividends	7	0.2	4.0	–	–	(81.7)	(77.5)	–	(77.5)
<b>At 31 March 2022</b>		<b>97.9</b>	<b>386.8</b>	<b>9.6</b>	<b>491.1</b>	<b>1,574.3</b>	<b>2,559.7</b>	<b>10.1</b>	<b>2,569.8</b>

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
At 1 April 2020		84.2	106.3	9.6	488.4	743.3	1,431.8	7.1	1,438.9
Profit for the year and total comprehensive income		–	–	–	–	257.3	257.3	0.7	258.0
Equity placing		6.6	110.0	–	–	–	116.6	–	116.6
Purchase of shares held in Employee Benefit Trust		–	–	–	(5.5)	–	(5.5)	–	(5.5)
Vesting of shares held in Employee Benefit Trust		–	–	–	4.8	(5.1)	(0.3)	–	(0.3)
Share based awards		–	–	–	–	3.8	3.8	–	3.8
Distribution to non-controlling interest		–	–	–	–	–	–	(1.4)	(1.4)
Dividends	7	0.2	3.0	–	–	(75.6)	(72.4)	–	(72.4)
<b>At 31 March 2021</b>		<b>91.0</b>	<b>219.3</b>	<b>9.6</b>	<b>487.7</b>	<b>923.7</b>	<b>1,731.3</b>	<b>6.4</b>	<b>1,737.7</b>

# Group cash flow statement

For the year ended 31 March

	Note	2022 £m	2021 £m
<b>Cash flows from operating activities</b>			
Profit before tax		738.3	258.1
<b>Adjustments for non cash items:</b>			
Profit on revaluation of investment properties		(615.2)	(169.9)
Profit on sale of investment properties		(8.0)	(0.8)
Share of post tax profit of joint ventures		(23.3)	(6.9)
Movement in lease incentives		(8.9)	(11.3)
Share based payment		3.5	3.8
Net finance costs		23.9	24.3
Cash flows from operations before changes in working capital		110.3	97.3
Change in trade and other receivables		(2.6)	(1.9)
Change in trade and other payables		11.5	4.5
Cash flows from operations		119.2	99.9
Tax received/(paid)		0.3	(0.3)
<b>Cash flows from operating activities</b>		<b>119.5</b>	<b>99.6</b>
<b>Investing activities</b>			
Purchase of investment properties		(500.6)	(229.0)
Capital expenditure on investment properties		(51.0)	(25.6)
Purchase of investments		(1.1)	–
Lease incentives paid		(4.2)	(2.1)
Sale of investment properties		179.8	208.4
Investments in joint ventures		–	(4.7)
Distributions from joint ventures		9.9	6.5
Interest received		–	0.1
<b>Net cash used in investing activities</b>		<b>(367.2)</b>	<b>(46.4)</b>
<b>Financing activities</b>			
Dividends paid		(77.5)	(72.4)
Distribution to non-controlling interest		–	(1.4)
Proceeds from issue of ordinary shares		170.2	116.6
Purchase of shares held in Employee Benefit Trust		(1.5)	(5.5)
Vesting of shares held in Employee Benefit Trust		(0.8)	(0.3)
New borrowings and amounts drawn down	18	1,059.0	316.0
Repayment of loan facilities	18	(871.0)	(409.0)
Financial arrangement fees and break costs		(6.6)	(7.5)
Interest paid		(24.2)	(20.1)
<b>Net cash from/ (used in) financing activities</b>		<b>247.6</b>	<b>(83.6)</b>
<b>Net decrease in cash and cash equivalents</b>	18	<b>(0.1)</b>	<b>(30.4)</b>
Opening cash and cash equivalents		51.4	81.8
<b>Closing cash and cash equivalents</b>		<b>51.3</b>	<b>51.4</b>

# Notes forming part of the Group financial statements

## For the year ended 31 March 2022

### 1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2022 or 31 March 2021 but is derived from those accounts. Statutory accounts for the years ended 31 March 2022 and 31 March 2021 have been reported on by the independent auditor. The independent auditor's reports on the Annual Report and financial statements for 2022 and 2021 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2022 will be delivered to the Registrar following the Company's Annual General Meeting. The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations issued by the IASB. The accounting policies adopted in this results announcement are consistent with those used in preparing the financial statements for the year ended 31 March 2022, which are the same as those used in the financial statements for the year ended 31 March 2021.

#### 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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the IASB.

#### c) Going concern

The Board has continued to pay particular attention to the appropriateness of the going concern basis in preparing these financial statements. The assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in the Strategic report. A key consideration is the Group's financial position, cash flows and liquidity, including its continued access to debt facilities and its headroom under financial loan covenants, which is discussed in detail in the Financial review.

#### d) Basis of preparation

The financial statements are prepared on a going concern basis, as explained above. 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 considered by the Audit Committee and 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 estimated rental value and current market rental yields. 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(c) to the financial statements includes further information on the valuation techniques, sensitivities and inputs used to determine the fair value of the property portfolio.

### **Significant transactions**

Some property transactions are large or complex and require management to make judgements when considering the appropriate accounting treatment. These include acquisitions of property through corporate vehicles, which could represent either asset acquisitions or business combinations under IFRS 3. Other complexities include conditionality inherent in transactions, and other unusual terms and conditions. There is a risk that an inappropriate approach could lead to a misstatement in the financial statements.

Management applied judgement to three corporate acquisitions made during the year to 31 March 2022 and determined that they were all asset acquisitions rather than business combinations, as minimal assets were acquired other than the property portfolio, there were no employees or drawn debt balances.

### **ii) Adoption of new and revised standards**

#### **Standards and interpretations effective in the current period**

During the year, the following new and revised Standards and interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements.

Name	Description
IFRS 16	Covid-related rent concessions
IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 (amendments)	Interest Rate Benchmark Reform - phase 2

#### **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, as at the date of this report, that are mandatory for later accounting periods and which have not been adopted early. They are not expected to have a material impact on the financial statements.

Name	Description
IFRS 17	Insurance contracts Initial application of IFRS 17 and IFRS 9 - Comparative Information
IFRS 16	Covid-related rent concessions beyond 30 June 2021
IFRS 3	References to the conceptual framework
IAS 16	Property, plant and equipment - proceeds before intended use
IAS 37	Onerous contracts
IAS 1 (amendments)	Classification of Liabilities as Current or Non Current - Deferral of Effective Date Disclosure of Accounting Policies
IAS 8	Definition of accounting estimates
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9
Annual improvements to IFRSs: 2018 -2020 cycle	Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

### **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. Where a business acquisition reflects an integrated set of activities and assets capable of being conducted and managed for the purpose of providing goods or services to customers, the acquisition accounting method is used. Under the acquisition accounting method, the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

#### ***ii) Joint ventures***

Joint ventures are those entities over whose activities the Group has joint control. Joint ventures 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 the consolidated income statement incorporates the Group's share of joint venture profits after tax. The Group's joint ventures 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.

#### ***iii) Non-controlling interest***

The Group's non-controlling interest ('NCI') represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets.

The Group consolidates the results and net assets of its subsidiary in these financial statements and reflects the non-controlling interests' share within equity in the consolidated balance sheet and allocates to the non-controlling interest their share of profit or loss for the period within the consolidated income statement.

#### ***iv) Alternative performance measures***

Our portfolio is a combination of properties that are wholly owned by the Group and part owned through joint venture arrangements or where a third party holds a non-controlling interest. Management reviews the performance of the Group's proportionate share of assets and returns and considers the presentation of information on this basis helpful to stakeholders as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the financial statements. These measures are alternative performance measures as they are not defined under IFRS.

Further information on alternative performance measures is included within the Financial review.

#### ***v) Business combinations***

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets and liabilities acquired and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are recognised in the income statement as incurred.

Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement.

### **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 are committed to the sale and expect it to complete within one year from the date of classification. Assets classified as held for sale are measured at the lower of carrying amount and the fair value less costs to sell.

## **iii) Tenant leases**

### **Leases – the Group as a lessor**

Rent receivable is recognised in the income statement on a straight-line basis over the term of the lease. In the event that a lease incentive is granted to a lessee, such incentives are recognised as an asset, with the aggregate cost of the incentive recognised as a reduction in rental income on a straight-line basis over the term of the lease or to the first break option if earlier. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts.

### **Leases – the Group as lessee**

Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments based on the Group's expectations of the likelihood of the lease term. The lease liability is subsequently adjusted to reflect an imputed finance charge, payments made to the lessor and any lease modifications. The right of use asset is initially measured at cost, which comprises the amount of the lease liability, direct costs incurred, less any lease incentives received by the Group. The Group has two categories of right of use assets: those in respect of head leases related to a small number of leasehold properties and an occupational lease for its head office. Both right of use assets are classified as investment property and added to the carrying value of the leasehold investment property. The right of use asset in respect of its occupational lease is subsequently depreciated over the length of the lease.

## **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. Uplifts from 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 the income statement.

## **v) Profit and loss on sale of investment properties**

Profits and losses on sales of investment properties are recognised at the date of legal completion rather than exchange of contracts and 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 receivables**

Trade receivables are initially recognised at their transaction price and subsequently measured 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 lifetime expected credit losses, which reflect the Group's historical credit loss experience and an assessment of current and forecast economic conditions at the reporting date.

#### **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) Trade and other payables**

Trade payables and other payables are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

#### **iv) Borrowings**

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are measured at amortised cost with any difference between the proceeds and redemption value being recognised in the income statement over the term of the borrowing using the effective interest method.

#### **v) 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. The Group does not apply hedge accounting under IFRS 9.

#### **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.

Finance costs and income are presented in the cash flow statement within financing and investing activities respectively.

#### **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 tangible 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

	2022				2021			
	100% owned <sup>1</sup> £m	Share of JV £m	NCI £m	Total £m	100% owned £m	Share of JV £m	NCI £m	Total £m
<b>Property value</b>								
Distribution	2,642.0	–	–	2,642.0	1,777.3	–	–	1,777.3
Long income	703.8	96.6	(15.1)	785.3	547.6	93.2	(11.4)	629.4
Retail parks	70.6	–	–	70.6	73.9	–	–	73.9
Office	27.3	–	–	27.3	41.1	–	–	41.1
Residential	0.9	–	–	0.9	0.9	1.2	–	2.1
Development	67.8	–	–	67.8	59.8	–	–	59.8
	3,512.4	96.6	(15.1)	3,593.9	2,500.6	94.4	(11.4)	2,583.6
Head lease and right of use assets				4.5				5.1
				3,598.4				2,588.7

1 Includes trading property of £1.1 million and assets held for sale of £21.2 million

For the year to 31 March	2022				2021			
	100% owned £m	Share of JV £m	NCI £m	Total £m	100% owned £m	Share of JV £m	NCI £m	Total £m
<b>Gross rental income</b>								
Distribution	88.7	–	–	88.7	78.1	–	(0.1)	78.0
Long income	35.9	4.5	(1.3)	39.1	34.7	5.3	(1.4)	38.6
Retail parks	4.4	–	–	4.4	4.7	–	–	4.7
Office	2.3	–	–	2.3	3.5	–	–	3.5
Residential	0.1	–	–	0.1	0.1	–	–	0.1
Development	0.1	–	–	0.1	0.2	–	–	0.2
	131.5	4.5	(1.3)	134.7	121.3	5.3	(1.5)	125.1

For the year to 31 March	2022				2021			
	100% owned £m	Share of JV £m	NCI £m	Total £m	100% owned £m	Share of JV £m	NCI £m	Total £m
<b>Net rental income</b>								
Distribution	87.5	–	–	87.5	77.2	–	(0.1)	77.1
Long income	35.8	4.4	(1.3)	38.9	34.5	5.2	(1.4)	38.3
Retail parks	4.5	–	–	4.5	4.3	–	–	4.3
Office	2.0	–	–	2.0	3.4	–	–	3.4
Residential	0.1	–	–	0.1	0.1	(0.1)	–	–
Development	0.1	–	–	0.1	0.2	–	–	0.2
	130.0	4.4	(1.3)	133.1	119.7	5.1	(1.5)	123.3

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 ('CODMs') 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 and liabilities are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates entirely in the United Kingdom and no geographical split is provided in information reported to the Board.

Included within the distribution operating segment are the sub-categories of urban logistics, regional distribution and mega distribution as reported throughout the Strategic report, however the sub-category results are not separately reviewed by the CODMs as they are not considered separate operating segments. Instead the CODMs review the distribution sector as a whole as its own operating segment.

### 3 Revenue

	2022 £m	2021 £m
For the year to 31 March		
Gross rental income	131.5	121.3
Property management fee income	1.3	0.9
Other income	0.4	–
<b>Revenue</b>	<b>133.2</b>	<b>122.2</b>

	2022 £m	2021 £m
For the year to 31 March		
Gross rental income	131.5	121.3
Cost of sales - property operating expenses	(1.5)	(1.6)
<b>Net rental income</b>	<b>130.0</b>	<b>119.7</b>

No individual tenant contributed more than 10% of gross rental income in the current or previous year. The contracted rental income of the Group's top ten occupiers is shown in Supplementary note xvii.

### 4 Administrative costs

#### a) Total administrative costs

	2022 £m	2021 £m
For the year to 31 March		
Staff costs	12.5	12.4
Auditor's remuneration	0.3	0.2
Depreciation	0.6	0.7
Other administrative costs	2.6	2.5
	<b>16.0</b>	<b>15.8</b>

#### b) Staff costs

	2022 £m	2021 £m
For the year to 31 March		
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	10.5	9.8
Less staff costs capitalised in respect of development projects	(2.5)	(2.2)
	<b>8.0</b>	<b>7.6</b>
Social security costs	0.8	0.8
Pension costs	0.2	0.2
Share based payment	3.5	3.8
	<b>12.5</b>	<b>12.4</b>

The long term share incentive plan ('LTIP') that was created 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 £3.5 million (2021: £3.8 million). The cost of acquiring the shares expected to vest under the LTIP of £1.5 million has been charged to reserves this year (2021: £5.5 million).

Directors' emoluments are reflected in the table below. Directors received a salary supplement in lieu of pension contributions for the current and previous year. Details of the Directors' remuneration awards under the LTIP are given in the Remuneration Committee report.

	2022 £m	2021 £m
For the year to 31 March		
Remuneration for management services	2.9	2.8
Entitlement to pension scheme contributions	0.1	0.1
	3.0	2.9

The emoluments and benefits of the key management personnel of the Company, which comprise the Directors and certain members of the Senior Leadership Team, are set out in aggregate in the table below.

	2022 £m	2021 £m
For the year to 31 March		
Short term employee benefits	9.0	8.7
Share based payments	1.8	2.5
	10.8	11.2

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.

### c) Staff numbers

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

	2022 Number	2021 Number
Property and administration	32	32

### d) Auditor's remuneration

	2022 £000	2021 £000
For the year to 31 March		
<b>Audit services:</b>		
Audit of the Group and Company financial statements, pursuant to legislation	225	201
<b>Other fees:</b>		
Audit related assurance services	38	35
<b>Total fees for audit and other services</b>	<b>263</b>	<b>236</b>

In addition to the above audit fees, £27,000 (2021: £24,200) 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 £38,000 (2021: £36,500).

## 5 Finance costs

	2022 £m	2021 £m
For the year to 31 March		
Interest payable on bank loans and related derivatives	23.1	19.4
Unwinding of discount on fixed rate debt acquired	(0.2)	(0.2)
Debt and hedging early close out costs	–	7.5
Amortisation of loan issue costs	1.2	1.8
Interest on lease liabilities	0.1	0.1
Commitment fees and other finance costs	1.6	2.1
<b>Total borrowing costs</b>	<b>25.8</b>	<b>30.7</b>
Less amounts capitalised on developments	(1.4)	(1.1)
<b>Net borrowing costs</b>	<b>24.4</b>	<b>29.6</b>
Fair value gain on derivative financial instruments	–	(4.7)
<b>Total finance costs</b>	<b>24.4</b>	<b>24.9</b>

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii include interest receivable of £0.5 million (2021: £0.6 million) as reflected in the income statement and exclude the fair value gain on derivative financial instruments of £4.7 million and early close out costs of £7.5 million in the comparative period.

## 6 Taxation

For the year to 31 March	2022 £m	2021 £m
<b>Current tax</b>		
UK tax charge on profit	0.1	0.1

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	2022 £m	2021 £m
Profit before tax	738.3	258.1
Tax charge at the standard rate of corporation tax in the UK of 19% (2021: 19%)	140.3	49.0
Effects of:		
Tax effect of income not subject to tax	(135.8)	(47.6)
Share of post tax profits of joint ventures	(4.4)	(1.3)
<b>UK tax charge on profit</b>	<b>0.1</b>	<b>0.1</b>

The current tax charge relates to tax arising on income attributable to the Group's non-controlling interest. 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	2022 £m	2021 £m
<b>Ordinary dividends paid</b>		
2020 Third quarterly interim dividend: 2.0p per share	–	16.7
2020 Fourth quarterly interim dividend: 2.3p per share	–	20.8
2021 First quarterly interim dividend: 2.1p per share	–	19.0
2021 Second quarterly interim dividend: 2.1p per share	–	19.1
2021 Third quarterly interim dividend: 2.1p per share	19.0	–
2021 Fourth quarterly interim dividend: 2.35p per share	21.3	–
2022 First quarterly interim dividend: 2.2p per share	20.0	–
2022 Second quarterly interim dividend: 2.2p per share	21.4	–
	<b>81.7</b>	<b>75.6</b>
<b>Quarterly dividend payable</b>		
2022 Third quarterly interim dividend: 2.2p per share	21.5	
2022 Fourth quarterly interim dividend: 2.65p per share	25.9	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2022 of 2.2p per share, wholly as a Property Income Distribution ('PID'), on 12 April 2022 to ordinary shareholders on the register at the close of business on 11 March 2022.

The fourth quarterly interim dividend for 2022 of 2.65p per share, of which 1.15p is payable as a PID, will be payable on 13 July 2022 to shareholders on the register at the close of business on 10 June 2022. 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 2023. During the year the Company issued 1.7 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £4.2 million to £77.5 million.

## 8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations ('BPR') of the European Public Real Estate Association ('EPRA'). The EPRA earnings measure highlights the underlying performance of the property rental business. The basic 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 basic 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. The fully diluted calculations assume that new shares are issued in connection with the expected vesting of the Group's long term incentive plan. Further EPRA performance measures are reflected in the Supplementary notes.

#### a) EPRA earnings

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	2022 £m	100% owned £m	JV £m	NCI £m	2021 £m
Gross rental income	131.5	4.5	(1.3)	134.7	121.3	5.3	(1.5)	125.1
Property costs	(1.5)	(0.1)	–	(1.6)	(1.6)	(0.2)	–	(1.8)
<b>Net rental income</b>	<b>130.0</b>	<b>4.4</b>	<b>(1.3)</b>	<b>133.1</b>	119.7	5.1	(1.5)	123.3
Management fees	1.3	(0.5)	–	0.8	0.9	(0.4)	–	0.5
Other income	0.4	–	–	0.4	–	–	–	–
Administrative costs	(16.0)	(0.1)	–	(16.1)	(15.8)	–	–	(15.8)
Net finance costs <sup>1</sup>	(23.9)	(1.0)	0.2	(24.7)	(21.5)	(1.2)	0.2	(22.5)
Tax	(0.1)	–	0.1	–	(0.1)	–	0.2	0.1
<b>EPRA earnings</b>	<b>91.7</b>	<b>2.8</b>	<b>(1.0)</b>	<b>93.5</b>	83.2	3.5	(1.1)	85.6

1 Group net finance costs reflect total finance costs of £24.4 million (note 5) less finance income of £0.5 million

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	2022 £m	100% owned £m	JV £m	NCI £m	2021 £m
EPRA earnings	91.7	2.8	(1.0)	93.5	83.2	3.5	(1.1)	85.6
Revaluation of property	615.2	19.7	(2.7)	632.2	169.9	3.4	0.4	173.7
Fair value of derivatives	–	0.7	–	0.7	4.7	0.1	–	4.8
Profit/(loss) on disposal	8.0	0.2	–	8.2	0.8	(0.1)	–	0.7
Debt/hedging costs	–	(0.1)	–	(0.1)	(7.5)	–	–	(7.5)
<b>IFRS reported profit</b>	<b>714.9</b>	<b>23.3</b>	<b>(3.7)</b>	<b>734.5</b>	251.1	6.9	(0.7)	257.3

#### b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	2022 £m	2021 £m
Basic and diluted earnings	734.5	257.3
EPRA adjustments above	(641.0)	(171.7)
<b>EPRA earnings</b>	<b>93.5</b>	<b>85.6</b>

For the year to 31 March	Number of shares (millions)	Number of shares (millions)
Ordinary share capital	934.2	901.9
Shares held in the Employee Benefit Trust	(2.7)	(2.8)
<b>Weighted average number of ordinary shares – basic</b>	<b>931.5</b>	899.1
Employee share schemes	4.8	4.8
<b>Weighted average number of ordinary shares – fully diluted</b>	<b>936.3</b>	903.9
<b>Earnings per share</b>		
Basic	78.84p	28.61p
Diluted	78.44p	28.46p
<b>EPRA earnings per share</b>		
Basic	10.04p	9.52p
Diluted	9.99p	9.47p

### c) Net assets per share attributable to equity shareholders

In October 2019, EPRA published new best practice recommendations for financial disclosures by public real estate companies. The best practice recommendations introduced three new measures of net asset value: EPRA net tangible assets ('NTA'), EPRA net reinstatement value ('NRV') and EPRA net disposal value ('NDV').

EPRA NTA is considered to be the most relevant measure for the Group and replaces EPRA NAV as the primary measure of net asset value. All three measures are calculated on a diluted basis, which assumes that new shares are issued in connection with the expected vesting of the Group's long term incentive plan. A reconciliation between the three new EPRA NAV metrics to IFRS NAV and the previously reported EPRA NAV in the comparative period is shown in the tables below.

	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
As at 31 March 2022			
Equity shareholders' funds	2,559.7	2,559.7	2,559.7
Fair value of joint ventures' derivatives	(0.1)	–	(0.1)
Mark to market of fixed rate debt	–	11.3	–
Purchasers' costs <sup>1</sup>	–	–	202.0
<b>EPRA net asset value</b>	<b>2,559.6</b>	<b>2,571.0</b>	<b>2,761.6</b>

1 Estimated from the portfolio's external valuation which is stated net of purchasers' costs of 6.8%

	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
As at 31 March 2021			
Equity shareholders' funds	1,731.3	1,731.3	1,731.3
Fair value of group derivatives	–	–	–
Fair value of joint ventures' derivatives	0.6	0.6	0.6
<b>EPRA net asset value (as previously reported)</b>	<b>1,731.9</b>	<b>1,731.9</b>	<b>1,731.9</b>
Fair value of derivatives	–	(0.6)	–
Mark to market of fixed rate debt	–	(4.9)	–
Purchasers' costs	–	–	176.0
<b>EPRA net asset value (new measures)</b>	<b>1,731.9</b>	<b>1,726.4</b>	<b>1,907.9</b>

	2022 Number of shares (millions)	2021 Number of shares (millions)
As at 31 March		
Ordinary share capital	978.6	909.6
Shares held in Employee Benefit Trust	(2.7)	(4.4)
<b>Number of ordinary shares – basic</b>	<b>975.9</b>	<b>905.2</b>
Employee share schemes	4.5	4.7
<b>Number of ordinary shares – fully diluted</b>	<b>980.4</b>	<b>909.9</b>
<b>IFRS net asset value per share</b>	<b>262.3p</b>	<b>191.3p</b>
<b>EPRA net tangible assets per share</b>	<b>261.1p</b>	<b>190.3p</b>
<b>EPRA net disposal value per share</b>	<b>262.2p</b>	<b>189.7p</b>
<b>EPRA net reinstatement value per share</b>	<b>281.7p</b>	<b>209.7p</b>

## 9 Investment properties

### a) Investment properties

As at 31 March	Completed £m	Under development £m	2022 Total £m	Completed £m	Under development £m	2021 Total £m
Opening balance	2,440.8	58.7	2,499.5	2,212.0	55.9	2,267.9
Acquisitions	457.5	43.5	501.0	212.4	16.8	229.2
Capital expenditure	10.4	44.6	55.0	4.9	21.1	26.0
Disposals	(162.4)	(3.4)	(165.8)	(200.8)	–	(200.8)
Property transfers <sup>1</sup>	73.1	(94.3)	(21.2)	55.5	(55.5)	–
Revaluation movement	598.4	16.8	615.2	149.7	20.2	169.9
Movement in tenant incentives and rent free uplifts	5.6	0.8	6.4	7.1	0.2	7.3
Property portfolio	3,423.4	66.7	3,490.1	2,440.8	58.7	2,499.5
Head lease and right of use assets	4.5	–	4.5	5.1	–	5.1
	3,427.9	66.7	3,494.6	2,445.9	58.7	2,504.6

<sup>1</sup> Properties totalling £21.2 million have been separately disclosed as assets held for sale as reflected in note 9b

Investment properties are held at fair value as at 31 March 2022 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE') and Savills (UK) Limited ('Savills'). The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2022 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. However, this year Savills have increased their portfolio coverage and Cushman & Wakefield have stepped down.

Long term leasehold values included within investment properties amount to £169.7 million (2021: £148.7 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2022 was £2,358.4 million (2021: £1,948.2 million).

Included within the investment property valuation is £85.8 million (2021: £79.4 million) in respect of unamortised lease incentives and rent free periods. The movement in the year reflects lease incentives paid of £4.2 million (2021: £2.1 million) and rent free and amortisation movements of £8.9 million (2021: £11.3 million), offset by incentives written off on disposal of £6.7 million (2021: £6.1 million).

Capital commitments have been entered into amounting to £127.4 million (2021: £93.3million) which have not been provided for in the financial statements. Internal staff costs of the development team of £2.5 million (2021: £2.2 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £13.2 million (2021: £15.5 million) have been classified within investment property as acquisitions.

At 31 March 2022, investment properties included £4.5 million for the head lease right of use assets in accordance with IFRS 16 (2021: £5.1 million).

### b) Assets held for sale

The valuation of property held for sale at 31 March 2022 was £21.2 million (2021: £22.4 million), representing long income assets which are expected to complete within the next six months. The prior year comparatives have not been separately disclosed on the face of the balance sheet and have been classified within investment properties.

### c) Valuation technique and quantitative information

Asset type	Fair value 2022 <sup>1</sup> £m	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	2,642.0	Yield capitalisation	8.24	4.10-28.80	3.3	2.0-6.0	4.0	3.0-6.8
Long income	703.8	Yield capitalisation	15.00	3.00-173.70	4.5	2.7-11.5	4.4	2.5-22.0
Retail parks	70.6	Yield capitalisation	13.34	5.00-18.80	4.8	4.0-13.3	4.6	4.3-8.1
Office	27.3	Yield capitalisation	16.92	10.00-43.00	6.4	4.4-8.8	6.8	6.0-9.3
Development	66.7	Residual	14.07	7.75-42.09	3.6	3.1-5.8	4.3	3.5-5.8
Residential	0.9	Comparison	n/a	n/a	n/a	n/a	n/a	n/a

1 As reflected in note 2 and including assets held for sale of £21.2 million but excluding trading properties classified as development of £1.1 million

Asset type	Fair value 2021 £m	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	1,777.3	Yield capitalisation	7.06	4.00-21.40	4.1	1.4-7.1	4.5	2.4-7.4
Long income	547.6	Yield capitalisation	14.00	3.00-155.70	4.9	3.4-11.8	4.7	2.4-13.4
Retail parks	73.9	Yield capitalisation	14.03	6.00-18.70	7.5	6.2-12.4	6.7	6.0-9.4
Office	41.1	Yield capitalisation	17.38	11.50-33.90	6.0	5.0-7.4	6.5	5.6-9.3
Development	58.7	Residual	10.21	8.35-25.00	4.2	3.9-5.7	3.9	3.7-5.7
Residential	0.9	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 measurement. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2022. The fair value at 31 March 2022 represents the highest and best use.

#### i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant 'unobservable' inputs such as Expected Rental Value ('ERV') and yield. 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

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group's investment properties by £107.2 million or £105.7 million respectively.

An increase or decrease of 25 bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £236.0 million or £191.5 million respectively.

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 2022, the following principal property interests, being jointly controlled entities, have been equity accounted for in these financial statements:

	Country of incorporation or registration <sup>1</sup>	Property sectors	Group share
Metric Income Plus Partnership	England	Long income	50.0%
LSP London Residential Investments Limited	Guernsey	Residential	40.0%

<sup>1</sup> 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, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP

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

LSP London Residential Investments Limited disposed of its remaining four residential flats at Moore House in October 2021 for £2.4 million (Group share: £1.0 million).

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold six properties in the year for £37.3 million (Group share: £18.6 million). Post period end, it has exchanged to sell a property in Ashford let to Lidl for £18.0 million (Group share: £9.0 million).

At 31 March 2022, the investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers, CBRE. There was no property held for sale by joint ventures at 31 March 2022 (2021: £21.1 million and Group share £10.6 million). The movement in the carrying value of joint venture interests in the year is summarised as follows:

	2022 £m	2021 £m
As at 31 March		
Opening balance	59.2	54.1
Additions at cost	–	4.7
Share of profit in the year	23.3	6.9
Distributions received	(9.9)	(6.5)
	72.6	59.2

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

	Metric Income Plus Partnership £m	LSP London Residential Investments £m	Total 2022 £m	Group share 2022 £m
<b>Summarised income statement</b>				
Gross rental income	8.9	–	8.9	4.5
Property costs	(0.2)	–	(0.2)	(0.1)
<b>Net rental income</b>	<b>8.7</b>	<b>–</b>	<b>8.7</b>	<b>4.4</b>
Administrative costs	(0.1)	–	(0.1)	(0.1)
Management fees	(1.0)	–	(1.0)	(0.5)
Revaluation	39.7	(0.5)	39.2	19.7
Net finance cost	(2.1)	–	(2.1)	(1.1)
Derivative movement	1.3	–	1.3	0.7
Profit/(loss) on disposal	0.5	(0.1)	0.4	0.2
<b>Profit/(loss) after tax</b>	<b>47.0</b>	<b>(0.6)</b>	<b>46.4</b>	<b>23.3</b>
<b>Group share of profit/(loss) after tax</b>	<b>23.5</b>	<b>(0.2)</b>	<b>23.3</b>	
EPRA adjustments:				
Revaluation	(39.7)	0.5	(39.2)	(19.7)
Debt and hedging early close out costs	0.2	–	0.2	0.1
Derivative movement	(1.3)	–	(1.3)	(0.7)
(Profit)/loss on disposal	(0.5)	0.1	(0.4)	(0.2)
<b>EPRA earnings</b>	<b>5.7</b>	<b>–</b>	<b>5.7</b>	<b>2.8</b>
<b>Group share of EPRA earnings</b>	<b>2.8</b>	<b>–</b>	<b>2.8</b>	
<b>Summarised balance sheet</b>				
Investment properties	193.3	–	193.3	96.6
Other current assets	0.3	–	0.3	0.2
Cash	7.0	0.3	7.3	3.6
Current liabilities	(2.9)	(0.1)	(3.0)	(1.5)
Bank debt	(53.1)	–	(53.1)	(26.5)
Unamortised finance costs	0.2	–	0.2	0.1
Derivative financial instruments	0.2	–	0.2	0.1
<b>Net assets</b>	<b>145.0</b>	<b>0.2</b>	<b>145.2</b>	<b>72.6</b>
<b>Group share of net assets</b>	<b>72.5</b>	<b>0.1</b>	<b>72.6</b>	

	Metric Income Plus Partnership £m	LSP London Residential Investments £m	Total 2021 £m	Group share 2021 £m
<b>Summarised income statement</b>				
Gross rental income	10.7	–	10.7	5.3
Property costs	(0.3)	(0.1)	(0.4)	(0.2)
<b>Net rental income</b>	10.4	(0.1)	10.3	5.1
Administrative costs	(0.1)	–	(0.1)	–
Management fees	(0.8)	(0.1)	(0.9)	(0.4)
Revaluation	8.0	(1.5)	6.5	3.4
Net finance cost	(2.5)	–	(2.5)	(1.2)
Derivative movement	0.3	–	0.3	0.1
Loss on disposal	–	(0.2)	(0.2)	(0.1)
<b>Profit/(loss) after tax</b>	15.3	(1.9)	13.4	6.9
<b>Group share of profit/(loss) after tax</b>	7.7	(0.8)	6.9	
EPRA adjustments:				
Revaluation	(8.0)	1.5	(6.5)	(3.4)
Debt and hedging early close out costs	0.1	–	0.1	–
Derivative movement	(0.3)	–	(0.3)	(0.1)
Loss on disposal	–	0.2	0.2	0.1
<b>EPRA earnings</b>	7.1	(0.2)	6.9	3.5
<b>Group share of EPRA earnings</b>	3.6	(0.1)	3.5	
<b>Summarised balance sheet</b>				
Investment properties	186.5	2.9	189.4	94.4
Other current assets	0.8	–	0.8	0.4
Cash	4.6	2.8	7.4	3.4
Current liabilities	(2.6)	–	(2.6)	(1.2)
Bank debt	(74.9)	–	(74.9)	(37.5)
Unamortised finance costs	0.5	–	0.5	0.3
Derivative financial instruments	(1.1)	–	(1.1)	(0.6)
<b>Net assets</b>	113.8	5.7	119.5	59.2
<b>Group share of net assets</b>	56.9	2.3	59.2	

## 11 Trade and other receivables

As at 31 March	2022 £m	2021 £m
Trade receivables	5.7	4.8
Prepayments and accrued income	6.2	3.5
Other receivables	1.2	1.5
	13.1	9.8

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 2022, trade receivables of £125,800 were overdue and considered at risk (2021: £159,200). Based on the IFRS 9 expected credit loss model, an impairment provision of £1.1 million (2021: £0.8 million) has also been made against trade receivables.

## 12 Cash and cash equivalents

Cash and cash equivalents include £7.4 million (2021: £10.7 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	2022 £m	2021 £m
Trade payables	12.2	4.6
Amounts payable on property acquisitions and disposals	1.0	1.3
Rent received in advance	24.6	22.6
Accrued interest	1.0	1.3
Other payables	7.1	5.3
Other accruals and deferred income	13.5	10.9
	<b>59.4</b>	<b>46.0</b>

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

## 14 Borrowings and financial instruments

### a) Non current financial liabilities

As at 31 March	2022 £m	2021 £m
Secured bank loans	62.2	192.5
Unsecured bank loans	965.0	647.0
	<b>1,027.2</b>	<b>839.5</b>
Unamortised finance costs	(5.8)	(2.0)
	<b>1,021.4</b>	<b>837.5</b>

Certain bank loans at 31 March 2022 are secured by fixed charges over Group investment properties with a carrying value of £284.7 million (2021: £584.9 million).

As at 31 March 2022	Floating rate £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
<b>Secured bank loans:</b>				
Scottish Widows fixed rate debt	–	62.2	62.2	9.7
<b>Unsecured bank loans:</b>				
Revolving credit facility (syndicate)	100.0	–	100.0	2.1
Wells Fargo revolving credit facility	55.0	–	55.0	4.1
Barclays credit facility	150.0	–	150.0	1.3
Private Placement 2016 (syndicate)	–	130.0	130.0	2.7
Private Placement 2018 (syndicate)	–	150.0	150.0	8.8
Private Placement 2021(syndicate)	–	380.0	380.0	10.2
	<b>305.0</b>	<b>722.2</b>	<b>1,027.2</b>	<b>6.6</b>

As at 31 March 2021	Floating rate <sup>1</sup> £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
<b>Secured bank loans:</b>				
Helaba term loan	130.0	–	130.0	3.3
Scottish Widows fixed rate debt	–	62.5	62.5	10.7
<b>Unsecured bank loans:</b>				
Revolving credit facility (syndicate)	258.0	–	258.0	1.0
HSBC revolving credit facility	59.0	–	59.0	2.0
Wells Fargo revolving credit facility	50.0	–	50.0	4.3
Private Placement 2016 (syndicate)	–	130.0	130.0	3.7
Private Placement 2018 (syndicate)	–	150.0	150.0	9.8
	497.0	342.5	839.5	4.3

<sup>1</sup> Interest rate caps of £19.6 million were used to hedge the Group's exposure to interest rate risk

As part of the new £380 million private debt placement, we agreed a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. Post year end, expenditure has been allocated to this green tranche. The two new revolving credit facilities also incorporate a green framework and preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. Margin savings will be added to funds allocated for charitable giving. Post year end, we have recently agreed the first one year extension for these two revolving credit facilities.

## 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. Trade receivables are presented at amortised cost less loss allowance for expected credit losses. The loss allowance 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 held in a diverse mix of institutions with investment grade credit ratings. 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. The Group's funding sources are diversified across a range of banks and institutions. Weekly cash flow forecasts are prepared for the Senior Leadership Team to ensure sufficient resources of cash and undrawn debt facilities are in place to meet liabilities as they fall due.

The Group had cash reserves of £51.3 million (2021: £51.4 million) and available and undrawn bank loan facilities at 31 March 2022 of £245.0 million (2021: £170.5 million).

The following table shows the contractual maturity profile of the Group's bank loans, interest payments on bank loans and derivative financial instruments on an undiscounted cash flow basis and assuming settlement on the earliest repayment date.

Other financial liabilities as disclosed in note 14c(i) include trade payables and accrued interest and are repayable within one year. The contractual maturity profile of lease liabilities disclosed in the balance sheet is reflected in note 15.

As at 31 March 2022	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	76.4	189.5	249.8	693.4	1,209.1

As at 31 March 2021	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	20.3	332.5	317.4	274.3	944.5

### **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 derivatives and fixed rates 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.

During the year, in preparation for the cessation of LIBOR, the benchmark rate of the existing joint venture floating rate loan was transitioned onto a SONIA basis. All new credit facilities entered into during the year reference SONIA rates and the Group's debt arrangements have no remaining exposure to LIBOR.

At 31 March 2022, 71% of the Group's (including share of joint ventures) debt drawn was hedged, mainly through fixed coupon debt arrangements. The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2022 including the cost of amortising finance arrangement fees, was 2.6% (2021: 2.5%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £2.6 million or £0.4 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.

The Group seeks to maintain an efficient capital structure with a balance of debt and equity as shown in the table below.

As at 31 March	2022 £m	2021 £m
Net debt	975.7	792.6
Shareholders' equity	2,559.7	1,731.3
	3,535.4	2,523.9

## c) Financial instruments

### i) Categories of financial instruments

As at 31 March	Measured at amortised cost		Measured at fair value	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Current assets</b>				
Cash and cash equivalents (note 12)	51.3	51.4	–	–
Trade receivables (note 11)	5.7	4.8	–	–
Other receivables (note 11)	1.2	1.5	–	–
	58.2	57.7	–	–
<b>Non current liabilities</b>				
Derivative financial instruments (see 14c (iii))	–	–	–	–
Borrowings (note 14a)	1,021.4	837.5	–	–
Lease liabilities (note 15)	4.6	5.2	–	–
<b>Current liabilities</b>				
Trade payables (note 13)	12.2	4.6	–	–
Accrued interest (note 13)	1.0	1.3	–	–
	1,039.2	848.6	–	–

### 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 2022.

### iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2022 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
	2022 %	2021 %	2022 £m	2021 £m	2022 £m	2021 £m
<b>Interest rate caps – expiry</b>						
Less than one year	–	2.0	–	19.6	–	–

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation at the period end by Chatham Financial. 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 Leases

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

As at 31 March	2022 £m	2021 £m
Less than one year	135.0	114.2
Between one and five years	485.2	416.8
Between six and ten years	465.6	392.6
Between 11 and 15 years	334.7	265.8
Between 16 and 20 years	192.8	129.4
Over 20 years	68.6	25.3
	1,681.9	1,344.1

In accordance with IFRS 16, the Group has recognised a right of use asset for its head office lease and other head lease obligations. The Group's minimum lease payments are due as follows:

	Undiscounted Minimum lease payments £m	Interest £m	Present value of minimum lease payments 2022 £m	Present value of minimum lease payments 2021 £m
As at 31 March				
Less than one year	0.7	(0.1)	0.6	0.6
Between one and two years	0.3	(0.1)	0.2	0.6
Between two and five years	0.3	(0.2)	0.1	0.3
Over five years	7.2	(3.5)	3.7	3.7
	8.5	(3.9)	4.6	5.2

## 16 Share capital

	2022 Number	2022 £m	2021 Number	2021 £m
As at 31 March				
<b>Issued, called up and fully paid</b>				
Ordinary shares of 10p each	978,607,507	97.9	909,643,040	91.0

The movement in the share capital and share premium of the Company during the current and previous year is summarised below.

	Ordinary shares Number	Ordinary shares £m	Share premium £m
<b>Share capital issued, called up and fully paid</b>			
At 1 April 2020	841,498,022	84.2	106.3
Issued under equity placing	66,666,666	6.6	110.0
Issued under scrip share scheme	1,478,352	0.2	3.0
At 31 March 2021	909,643,040	91.0	219.3
Issued under equity placing	67,307,693	6.7	163.5
Issued under scrip share scheme	1,656,774	0.2	4.0
<b>At 31 March 2022</b>	<b>978,607,507</b>	<b>97.9</b>	<b>386.8</b>

On 22 November 2021, the Company issued 67,307,693 new ordinary shares in connection with an equity placing that raised gross proceeds of £175 million at an issue price of 260.0p per share. In addition, the Company issued 1,656,774 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 1,536,819 ordinary shares under the terms of its Scrip Dividend Scheme. The movement in the shares held by the Employee Benefit Trust in the year is summarised in the table below.

	Ordinary shares Number	Ordinary shares £m
<b>Shares held by the Employee Benefit Trust</b>		
At 31 March 2021	4,390,195	0.4
Shares issued under employee share schemes	(2,339,267)	(0.2)
Shares acquired by the Employee Benefit Trust	611,693	0.1
<b>At 31 March 2022</b>	<b>2,662,621</b>	<b>0.3</b>

In June 2021, the Company granted options over 1,822,860 ordinary shares under its Long Term Incentive Plan. In addition, 2,339,267 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2018 vested. The average share price on vesting was 234.5p. As at 31 March 2022, the Company's Employee Benefit Trust held 2,662,621 shares in the Company to satisfy awards under the Company's Long Term Incentive Plan.



## 17 Reserves

The nature and purpose of each reserve within equity is described below:

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited, Metric Property Investments Plc and A&J Mucklow Group Plc by the Company and the cost of shares held in trust to provide for the Company's future obligations under share award schemes. A breakdown of other reserves is provided for the Group below.
Retained earnings	The cumulative profits and losses after the payment of dividends.

	Merger reserve £m	Employee Benefit Trust shares £m	2022 Total other reserves £m	Merger reserve £m	Employee Benefit Trust shares £m	2021 Total other reserves £m
As at 31 March						
Opening balance	497.4	(9.7)	487.7	497.4	(9.0)	488.4
Employee share schemes:						
Purchase of shares	–	(1.5)	(1.5)	–	(5.5)	(5.5)
Vesting of shares	–	4.9	4.9	–	4.8	4.8
<b>Closing balance</b>	<b>497.4</b>	<b>(6.3)</b>	<b>491.1</b>	<b>497.4</b>	<b>(9.7)</b>	<b>487.7</b>

## 18 Analysis of movement in net debt

	1 April 2021 £m	Financing cash flows £m	Other cash flows £m	Non cash movements Impact of issue and arrangement costs £m	Early close out costs £m	Interest charge and unwinding of discount £m	31 March 2022 £m
Bank loans and derivatives	839.5	188.0	–	–	–	(0.3)	1,027.2
Unamortised finance costs	(2.0)	(5.0)	–	1.2	–	–	(5.8)
Other finance costs	–	(1.6)	–	1.6	–	–	–
Interest payable and fees	1.3	(23.5)	–	–	–	23.2	1.0
Lease liabilities	5.2	(0.7)	–	–	–	0.1	4.6
Total liabilities from financing activities	844.0	157.2	–	2.8	–	23.0	1,027.0
Cash and cash equivalents	(51.4)	–	0.1	–	–	–	(51.3)
<b>Net debt</b>	<b>792.6</b>	<b>157.2</b>	<b>0.1</b>	<b>2.8</b>	<b>–</b>	<b>23.0</b>	<b>975.7</b>

	1 April 2020 £m	Financing cash flows £m	Other cash flows £m	Non cash movements Impact of issue and arrangement costs £m	Early close out costs £m	Interest charge and unwinding of discount £m	31 March 2021 £m
Bank loans and derivatives	937.4	(97.9)	–	–	–	–	839.5
Unamortised finance costs	(6.0)	–	–	1.4	2.6	–	(2.0)
Interest payable and fees	1.9	(22.7)	–	2.7	–	19.4	1.3
Lease liabilities	5.9	–	–	–	–	(0.7)	5.2
Total liabilities from financing activities	939.2	(120.6)	–	4.1	2.6	18.7	844.0
Cash and cash equivalents	(81.8)	–	30.4	–	–	–	(51.4)
<b>Net debt</b>	<b>857.4</b>	<b>(120.6)</b>	<b>30.4</b>	<b>4.1</b>	<b>2.6</b>	<b>18.7</b>	<b>792.6</b>

## 19 Related party transactions

### a) Joint ventures

Management fees and distributions receivable from the Group's joint venture arrangements and non-controlling interest during the year were as follows:

For the year to 31 March	Group interest	Management fees		Distributions	
		2022 £m	2021 £m	2022 £m	2021 £m
LSP London Residential Investments	40%	–	0.1	2.0	2.8
LMP Retail Warehouse JV Holdings Limited	82%	0.1	–	–	1.4
Metric Income Plus Partnership	50%	1.2	0.8	7.9	3.7
		1.3	0.9	9.9	7.9

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

### b) Non-controlling interest

The Group's non-controlling interest ('NCI') represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets. The Group's interest in LMP Retail Warehouse JV Holdings Limited is 82%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling interest's share as a deduction in the consolidated income statement and consolidated balance sheet. As at the year end, the non-controlling interest's share of profits and net assets was £3.7 million and £10.1 million respectively, and no distributions were paid during the year.

## 20 Post balance sheet events

We exchanged to buy £72.4 million of assets in the year which will complete next year. We have also exchanged or completed further acquisitions totalling £43.0 million since the year end. In addition, we exchanged in the year to sell assets totalling £21.2 million, of which £15.0 million completed post year end, and we have also exchanged or completed a further £85.8 million of asset sales post year end.

# Supplementary information (not audited)

## i EPRA summary table

	2022	2021
EPRA earnings per share	<b>10.04p</b>	9.52p
EPRA net tangible assets per share	<b>261.1p</b>	190.3p
EPRA net disposal value per share	<b>262.2p</b>	189.7p
EPRA net reinstatement value per share	<b>281.7p</b>	209.7p
EPRA vacancy rate	<b>1.3%</b>	1.3%
EPRA cost ratio (including vacant property costs)	<b>12.5%</b>	13.6%
EPRA cost ratio (excluding vacant property costs)	<b>11.8%</b>	13.0%
EPRA net initial yield	<b>3.4%</b>	4.3%
EPRA 'topped up' net initial yield	<b>3.7%</b>	4.6%

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

## ii EPRA proportionally consolidated income statement

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	<b>131.5</b>	<b>4.5</b>	<b>(1.3)</b>	<b>134.7</b>	121.3	5.3	(1.5)	125.1
Property costs	<b>(1.5)</b>	<b>(0.1)</b>	–	<b>(1.6)</b>	(1.6)	(0.2)	–	(1.8)
Net rental income	<b>130.0</b>	<b>4.4</b>	<b>(1.3)</b>	<b>133.1</b>	119.7	5.1	(1.5)	123.3
Management fees	<b>1.3</b>	<b>(0.5)</b>	–	<b>0.8</b>	0.9	(0.4)	–	0.5
Other income	<b>0.4</b>	–	–	<b>0.4</b>	–	–	–	–
Administrative costs	<b>(16.0)</b>	<b>(0.1)</b>	–	<b>(16.1)</b>	(15.8)	–	–	(15.8)
Net finance costs	<b>(23.9)</b>	<b>(1.0)</b>	<b>0.2</b>	<b>(24.7)</b>	(21.5)	(1.2)	0.2	(22.5)
Tax	<b>(0.1)</b>	–	<b>0.1</b>	–	(0.1)	–	0.2	0.1
EPRA earnings	<b>91.7</b>	<b>2.8</b>	<b>(1.0)</b>	<b>93.5</b>	83.2	3.5	(1.1)	85.6

## iii EPRA proportionally consolidated balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Investment property	<b>3,494.6</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,576.1</b>	2,504.6	94.4	(11.4)	2,587.6
Assets held for sale	<b>21.2</b>	–	–	<b>21.2</b>	–	–	–	–
Trading property	<b>1.1</b>	–	–	<b>1.1</b>	1.1	–	–	1.1
	<b>3,516.9</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,598.4</b>	2,505.7	94.4	(11.4)	2,588.7
Gross debt	<b>(1,027.2)</b>	<b>(26.5)</b>	–	<b>(1,053.7)</b>	(839.5)	(37.5)	–	(877.0)
Cash	<b>51.3</b>	<b>3.6</b>	<b>(0.6)</b>	<b>54.3</b>	51.4	3.4	(0.2)	54.6
Other net liabilities	<b>(43.8)</b>	<b>(1.2)</b>	<b>5.6</b>	<b>(39.4)</b>	(39.1)	(0.5)	5.2	(34.4)
EPRA net tangible assets	<b>2,497.2</b>	<b>72.5</b>	<b>(10.1)</b>	<b>2,559.6</b>	1,678.5	59.8	(6.4)	1,731.9
Derivatives	–	<b>0.1</b>	–	<b>0.1</b>	–	(0.6)	–	(0.6)
IFRS net assets	<b>2,497.2</b>	<b>72.6</b>	<b>(10.1)</b>	<b>2,559.7</b>	1,678.5	59.2	(6.4)	1,731.3
Loan to value	<b>28.9%</b>	<b>24.3%</b>	–	<b>28.8%</b>	32.2%	32.8%	–	32.3%
Cost of debt	<b>2.6%</b>	<b>3.4%</b>	–	<b>2.6%</b>	2.5%	3.0%	–	2.5%
Undrawn facilities	<b>245.0</b>	–	–	<b>245.0</b>	170.5	–	–	170.5

#### iv EPRA cost ratio

For the year to 31 March	2022 £m	2021 £m
Property operating expenses	1.5	1.6
Administrative costs	16.0	15.8
Share of joint venture property costs, administrative costs and management fees	0.7	0.6
Less:		
Joint venture property management fee income	(1.3)	(0.9)
Ground rents	(0.1)	(0.1)
<b>Total costs including vacant property costs (A)</b>	<b>16.8</b>	<b>17.0</b>
Group vacant property costs	(0.9)	(0.7)
<b>Total costs excluding vacant property costs (B)</b>	<b>15.9</b>	<b>16.3</b>
Gross rental income	131.5	121.3
Share of joint venture gross rental income	4.5	5.3
Share of non-controlling interest gross rental income	(1.3)	(1.5)
	134.7	125.1
Less:		
Ground rents	(0.1)	(0.1)
<b>Total gross rental income (C)</b>	<b>134.6</b>	<b>125.0</b>
<b>Total EPRA cost ratio (including vacant property costs) (A)/(C)</b>	<b>12.5%</b>	<b>13.6%</b>
<b>Total EPRA cost ratio (excluding vacant property costs) (B)/(C)</b>	<b>11.8%</b>	<b>13.0%</b>

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

As at 31 March	2022 £m	2021 £m
Investment property – wholly owned	3,511.3	2,499.5
Investment property – share of joint ventures	96.6	94.4
Trading property	1.1	1.1
Less development properties	(67.8)	(59.8)
Less residential properties	(0.9)	(2.1)
Less non-controlling interest	(15.1)	(11.4)
Completed property portfolio	3,525.2	2,521.7
Allowance for:		
Estimated purchasers' costs	239.7	171.5
Estimated costs to complete	33.7	14.7
<b>EPRA property portfolio valuation (A)</b>	<b>3,798.6</b>	<b>2,707.9</b>
Annualised passing rental income	129.4	112.6
Share of joint ventures	4.5	6.2
Less development properties	(3.3)	(2.3)
<b>Annualised net rents (B)</b>	<b>130.6</b>	<b>116.5</b>
Contractual rental increase across the portfolio	11.5	7.7
<b>'Topped up' net annualised rent (C)</b>	<b>142.1</b>	<b>124.2</b>
<b>EPRA net initial yield (B/A)</b>	<b>3.4%</b>	<b>4.3%</b>
<b>EPRA 'topped up' net initial yield (C/A)</b>	<b>3.7%</b>	<b>4.6%</b>

## vi EPRA vacancy rate

As at 31 March	2022 £m	2021 £m
Annualised estimated rental value of vacant premises	2.1	1.7
Portfolio estimated rental value <sup>1</sup>	157.1	127.7
<b>EPRA vacancy rate</b>	<b>1.3%</b>	<b>1.3%</b>

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

## vii EPRA capital expenditure analysis

As at 31 March	100% Owned <sup>5</sup> £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Opening valuation	2,505.7	94.4	(11.4)	2,588.7	2,274.7	92.4	(14.9)	2,352.2
Acquisitions <sup>1</sup>	457.5	–	–	457.5	212.4	–	–	212.4
Developments <sup>2</sup>	87.8	–	–	87.8	37.0	–	–	37.0
Investment properties								
Incremental lettable space <sup>3</sup>	4.5	–	(0.7)	3.8	0.6	–	(0.1)	0.5
No incremental lettable space <sup>3</sup>	5.6	1.6	–	7.2	4.3	0.3	–	4.6
Tenant incentives	5.6	(0.5)	(0.3)	4.8	7.1	0.1	(0.1)	7.1
Capitalised interest <sup>4</sup>	1.4	–	–	1.4	1.1	–	–	1.1
<b>Total EPRA capex</b>	<b>562.4</b>	<b>1.1</b>	<b>(1.0)</b>	<b>562.5</b>	<b>262.5</b>	<b>0.4</b>	<b>(0.2)</b>	<b>262.7</b>
Disposals	(165.8)	(18.6)	–	(184.4)	(200.8)	(1.8)	3.3	(199.3)
Revaluation	615.2	19.7	(2.7)	632.2	169.9	3.4	0.4	173.7
ROU asset	(0.6)	–	–	(0.6)	(0.6)	–	–	(0.6)
<b>Closing valuation</b>	<b>3,516.9</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,598.4</b>	<b>2,505.7</b>	<b>94.4</b>	<b>(11.4)</b>	<b>2,588.7</b>

<sup>1</sup> Group acquisitions in the year include completed investment properties as reflected in note 9 to the financial statements

<sup>2</sup> Group developments include acquisitions, capital expenditure and lease incentive movements on properties under development as reflected in note 9 to the financial statements

<sup>3</sup> Group capital expenditure on completed properties, as reflected in note 9 to the financial statements after including capitalised interest noted in footnote 4 below

<sup>4</sup> Capitalised interest on investment properties of £0.3 million (2021: nil) and development properties of £1.1 million (2021: £1.1 million)

<sup>5</sup> Including trading property of £1.1 million and assets held for sale of £21.2 million

## viii Total accounting return

For the year to 31 March	2022 pence per share	2021 pence per share
EPRA net tangible assets per share		
– at end of year	261.1	190.3
– at start of year	190.3	170.3
Increase	70.8	20.0
Dividend paid	8.9	8.5
Total increase	79.7	28.5
<b>Total accounting return</b>	<b>41.9%</b>	<b>16.7%</b>

## ix Portfolio split and valuation

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Mega distribution	425.2	11.8	351.9	13.6
Regional distribution	665.3	18.5	483.5	18.7
Urban logistics	1,551.5	43.2	941.9	36.5
Distribution	2,642.0	73.5	1,777.3	68.8
Long income	785.3	21.8	629.4	24.3
Retail parks	70.6	2.0	73.9	2.9
Offices	27.3	0.8	41.1	1.6
<b>Investment portfolio</b>	<b>3,525.2</b>	<b>98.1</b>	<b>2,521.7</b>	<b>97.6</b>
Development <sup>1</sup>	67.8	1.9	59.8	2.3
Residential	0.9	–	2.1	0.1
<b>Total portfolio</b>	<b>3,593.9</b>	<b>100.0</b>	<b>2,583.6</b>	<b>100.0</b>
Head lease and right of use assets	4.5		5.1	
	<b>3,598.4</b>		<b>2,588.7</b>	

1 Represents regional distribution £15.9 million (0.4%), urban logistics £25.8 million (0.7%), long income £23.2 million (0.7%), office and other land £2.9 million (0.1%) at 31 March 2022. Split of prior year comparatives was urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%)

## x Investment portfolio yields

	2022			2021		
As at 31 March	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	3.0	3.4	4.1	3.8	4.1	4.7
Long income	4.6	4.7	5.1	5.2	5.4	5.7
Retail parks	4.5	4.9	4.8	7.1	7.6	7.1
Offices	6.4	6.4	6.5	4.9	6.0	6.5
<b>Investment portfolio</b>	<b>3.4</b>	<b>3.7</b>	<b>4.4</b>	<b>4.3</b>	<b>4.6</b>	<b>5.1</b>

## xi Investment portfolio – Key statistics

As at 31 March 2022	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	13,773	11.3	10.2	98.1	7.00
Long income	2,771	14.1	12.9	99.9	15.90
Retail parks	258	7.2	6.5	100.0	14.10
Offices	118	3.9	3.9	89.5	17.60
<b>Investment portfolio</b>	<b>16,920</b>	<b>11.9</b>	<b>10.8</b>	<b>98.7</b>	<b>8.50</b>

## xii Total property returns

For the year to 31 March	All property 2022 %	All property 2022 %
Capital return	22.9	8.0
Income return	4.4	5.1
<b>Total return</b>	<b>28.2</b>	<b>13.4</b>

### xiii Contracted rental income

As at 31 March	2022 £m	2021 £m
Distribution	95.6	77.6
Long income	38.9	35.8
Retail parks	3.6	6.0
Offices	1.9	2.6
<b>Investment portfolio</b>	<b>140.0</b>	<b>122.0</b>
Development – distribution	2.4	1.7
Development – long income	0.9	0.6
<b>Total portfolio</b>	<b>143.3</b>	<b>124.3</b>

### xiv Rent subject to expiry

As at 31 March 2022	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	12.6	21.5	50.8	73.4	83.9	100.0
Offices	31.8	69.6	100.0	100.0	100.0	100.0
Long income	3.7	8.9	31.2	60.6	93.2	100.0
Retail parks	21.3	26.0	84.2	100.0	100.0	100.0
<b>Total portfolio</b>	<b>10.6</b>	<b>18.8</b>	<b>46.8</b>	<b>70.9</b>	<b>87.1</b>	<b>100.0</b>

### xv Contracted rent subject to inflationary or fixed uplifts

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Distribution	60.0	61.2	46.2	58.2
Long income	27.0	67.7	22.9	63.1
Retail parks	0.3	9.2	0.8	14.0
Offices	–	–	0.6	22.5
<b>Total portfolio</b>	<b>87.3</b>	<b>60.9</b>	<b>70.5</b>	<b>56.8</b>

### xvi Top ten assets (by value)

As at 31 March 2022	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	1,062	5.8	100	18.5	18.5
Eddie Stobart, Dagenham	454	4.1	100	21.5	21.5
Argos, Bedford	658	4.1	100	12.0	12.0
THG, Warrington	686	4.1	100	22.7	22.7
Tesco, Croydon	191	1.9	100	6.1	6.1
Movianto, Bedford	356	2.8	100	24.7	24.7
Amazon, Warrington	357	2.4	100	9.7	9.7
Reynolds, Waltham Cross	115	1.6	100	22.1	22.1
Clipper, Ollerton	364	2.1	100	15.5	15.5
DHL, Reading	230	2.3	100	3.3	3.3

## xvii Top ten occupiers

As at 31 March 2022	Contracted rental income £m	Contracted rental income %
Primark	5.8	4.1
Amazon	4.9	3.4
Argos	4.2	2.9
THG	4.1	2.9
Eddie Stobart	4.1	2.8
DFS	3.9	2.7
DHL	3.6	2.5
Currys	3.6	2.5
Odeon	3.5	2.4
Waitrose	3.3	2.3
Top ten	41.0	28.5

## xviii Loan to value

	2022 £m	2021 £m
Gross debt	1,053.7	877.0
less: Fair value adjustments	(2.2)	(2.5)
less: Cash balances	(54.3)	(54.6)
Net debt	997.2	819.9
Acquisitions exchanged in the year	72.4	35.7
Disposals exchanged in the year	(21.2)	(15.2)
<b>Adjusted net debt (A)</b>	<b>1,048.4</b>	<b>840.4</b>
Total property portfolio	3,593.9	2,583.6
Acquisitions exchanged in the year	72.4	35.7
Disposals exchanged in the year	(21.2)	(15.2)
<b>Adjusted property portfolio (B)</b>	<b>3,645.1</b>	<b>2,604.1</b>
<b>Loan to value (A)/(B)</b>	<b>28.8%</b>	<b>32.3%</b>



# 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.

## **Chief Operating Decision Makers ('CODMs')**

The Executive Directors, Senior Leadership Team members and other senior managers.

## **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 debt drawn.

## **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 period.

## **EPRA NAV per share**

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

## **EPRA Net Disposal Value per share**

Represents the shareholders' value under a disposal scenario, where assets are sold and/or liabilities are not held to maturity. Therefore, this measure includes an adjustment to mark to market the Group's fixed rate debt.

## **EPRA Net Reinstatement Value per share**

This reflects the value of net assets required to rebuild the entity, assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives that are not expected to crystallise in normal circumstances, are excluded. Investment property purchasers' costs are included.

## **EPRA Net Tangible Asset Value per share**

This reflects the value of net assets on a long term, ongoing basis assuming entities buy and sell assets. Assets and liabilities, such as fair value movements on financial derivatives that are not expected to crystallise in normal circumstances, are excluded.

## **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').

**European Single Electronic Format ('ESEF')**

ESEF is the electronic reporting format required from 1 January 2021 to facilitate access, analysis and comparison of annual financial reports.

**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.

**IFRS Net Assets**

The Group's equity shareholders' funds at the period end, which excludes the net assets attributable to the non-controlling interest.

**IFRS Net Assets per share**

IFRS net assets divided by the number of shares in issue at the balance sheet date.

**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 and acquisitions that exchanged in the period.

**Logistics**

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

**Net Debt**

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

**Net Rental Income**

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

**Occupancy Rate**

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

**Passing Rent**

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

**Property Income Distribution ('PID')**

Dividends from profits of the Group's tax-exempt property 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.

**Task Force on Climate-Related Financial Disclosures ('TCFD')**

Created in 2015 to develop a framework for consistent climate-related financial risk disclosure.

**Total Accounting Return ('TAR')**

The movement in EPRA Net Tangible Assets per share plus the dividend paid during the period expressed as a percentage of the EPRA net tangible assets 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.