

**LONDONMETRIC PROPERTY PLC**  
 (“LondonMetric” or the “Group” or the “Company”)  
**HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

**Strong operational performance drives EPRA earnings and dividend growth**

LondonMetric today announces its half year results for the six months ended 30 September 2022.

	EPRA <sup>1,2</sup>		IFRS	
Income Statement	H1 2023	H1 2022	H1 2023	H1 2022
Net rental income (£m)	72.1	63.5	70.5	61.8
Earnings/Reported (Loss)/Profit (£m)	50.2	44.2	(243.4)	254.1
Earnings per share (p)	5.14	4.87	(24.90)	28.01
Dividend per share (p)	4.6	4.4	4.6	4.4
	EPRA <sup>1,2</sup>		IFRS	
Balance Sheet	H1 2023	FY 2022	H1 2023	FY 2022
Net tangible assets (NTA) (£m)	2,250.8	2,559.6	2,269.8	2,559.7
NTA per share (p)	229.3	261.1	232.1	262.3

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

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

- Net rental income increased 13.5% to £72.1m, on an IFRS basis increased by 14.1%
- ERV growth of 4.3% over the period
- EPRA cost ratio down 90 bps to 12.3%
- EPRA earnings up 13.6% to £50.2m, +5.5% on a per share basis
- Dividend progression of 4.5% to 4.6p, 112% covered by earnings, including Q2 dividend declared of 2.3p
- Continued dividend progression expected for full year

**Portfolio valuation movement reflects deterioration in macro investment backdrop**

- Portfolio value of £3.5bn (31 March 2022: £3.6bn)
- Total property return -6.3%, capital return -8.1% (47bps yield expansion)
- EPRA NTA per share -12.2% to 229.3p
- IFRS reported loss of £243.4m

**Occupational market strong, delivering +£4.3m pa income and 2.9% like for like income growth**

- Rent reviews +17% with urban logistics reviews +25%
- Lettings signed with WAULT of 11 years and rent 14% higher than expectations, PPE: 17 urban deals at 24% ahead of previous passing
- Rent reviews on distribution assets over next 18 months expected to add £8 million pa of contracted income

**Activity continues to strengthen our portfolio's income characteristics and quality**

- Occupancy remains high at 98.7%, WAULT of 12 years and gross to net income ratio of 98.9%
- Contractual rental uplifts on 60% of portfolio's income, material embedded reversion on remainder
- EPC A-C rating improved to 86% of portfolio, BREEAM Very Good or Excellent on 30%

**Distribution weighting at 73.9%, including urban logistics at 42.9%**

- £140m of disposals (including PPE) with a WAULT of 7 years, sold at 6% premium
- £99m of acquisitions with a WAULT of 14 years

**Strong balance sheet**

- LTV of 32.1% with weighted average debt maturity of 5.8 years and cost of debt at 3.2% (85% hedged)
- New £225m revolving credit facility completed PPE, mitigates refinancing risk in the period to 31 March 2025
- Debt maturity increases to 6.2 years and available undrawn facilities are £235m post refinancing

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

“We continue to operate in a volatile environment with a number of challenges facing both the economy and the consumer. Sharp movements in both bond yields and interest rates have brought to an end the era of cheap money and is having a material impact on real estate valuations. Stability has partially returned, with a moderation in expectations for future rate increases, however we are expecting interest rates to remain higher for longer.

“Our real estate strategy, however, is less concerned with short term volatility and periods of dislocation. Instead, we focus on wider macro trends and longer term performance periods with a continued preference for real estate that benefits from evolving consumer behaviour as a result of technological advancement and changing economic conditions. With our significant weighting to well-located urban logistics, where there is a broad and deep occupational market, as well as our investment in highly resilient grocery-led long income, we have been able to ride out some of the recent headwinds and again report very strong income metrics and further earnings progression.

“Our all-weather portfolio of quality assets in great locations continues to enjoy strong fundamentals of very high occupancy, long leases and excellent rental growth. We have continued to actively manage and enhance the quality of the portfolio and the balance sheet, allowing us to grow our rental income, absorb higher interest costs and continue our long term dividend progression. As material shareholders in the business, the management team have strong shareholder alignment and will continue to ensure that the portfolio remains fit for the future.”

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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/633d472e51e5f558854f4757>

***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.*

# Chief Executive's Statement

## Overview

The rapidly changing economic and political environment has dominated events over the last six months, with geopolitical factors bringing an end to the era of cheap money and creating further material uncertainty.

Our portfolio has been assembled to take advantage of macro trends that reflect changing consumer behaviour with defensive qualities that allow us to ride out periods of dislocation. Over the last few years, we have invested heavily in urban logistics within the strongest geographies to benefit from emerging consumer demand for instant gratification and thereby capture elevated levels of rental growth. We have also consciously allocated capital into NNN grocery and convenience sectors to reflect the growing resilience of grocery spend and consumer preferences for convenience over experience and increasingly essential over discretionary. This has seen us further divest more retail parks, materially reducing our exposure to general merchandise retailing.

The fundamentals of our core sectors remain strong, and we are alert, open minded and prepared to act to continually improve our asset base. Our total return model ensures that we are always looking out for excellent assets that are supported by a reliable, repetitive and growing income stream. This has ensured that our portfolio continues to enjoy very high occupancy, long leases and strong locations which are helping to deliver significant rental growth and better protect our capital values in periods of uncertainty.

This focus, together with our low EPRA cost ratio of 12.3% and an attractive average cost of debt at 3.2%, has allowed us to again progress our EPRA earnings per share by 5.5% over the six month period. Our dividend increased by 4.5% and was again comfortably covered by earnings, which puts us on track to progress our dividend for the eighth consecutive year.

However, despite very strong operational and income metrics, the material upward movement in interest rates is having a profound impact on real estate valuations. They are the yardstick by which our assets are valued. Consequently, the negative sentiment on the future trajectory of debt costs has resulted in a material re-pricing, both in the direct property market as well as in the equity markets. As a result, our EPRA net tangible assets per share fell by 12.2% over the period, resulting in a total property return of -6.3% and a total accounting return of -10.3%.

You will appreciate that we do not run the Company with six or even twelve month time horizons and so, despite recent outward yield movements, over a three year period we have delivered a property return of 38% and a total accounting return of 47%. Our performance over five years is even stronger at 67% and 74% respectively.

Against this backdrop, we expect further repricing to occur across the real estate sector. However, the winning sectors will fare substantially better than those most exposed to technological advancement and changing consumer preferences. In the logistics sector, the strong occupational markets and structural tailwinds will continue to allow us to capture superior rental growth, whilst our long income portfolio will continue to benefit from full occupancy and high exposure to inflation linked rental growth.

These dynamics provide us with a positive earnings trajectory, and a good degree of protection against future yield expansion, with an excellent foundation for collecting and compounding future income streams. We obviously don't know exactly where political and economic uncertainty will take us; but we do know that we are on the right side of structural change. Furthermore, our 'all weather' portfolio will allow us to absorb rising interest rate costs, grow our earnings and continue our long term dividend progression. As material shareholders in the business, the management team have strong shareholder alignment and will continue to ensure that the portfolio remains fit for the future.

## **Macro events have significantly increased volatility, but there are reasons for optimism**

We continue to witness exceptionally turbulent times and a disruptive macro environment as the global economy deals with a post Covid re-opening, increasing geopolitical tensions and further 'black swan' events.

This is making some future outturns impossible to predict, particularly against the backdrop of inflationary pressures which are having a profound impact on interest rates, the cost of living and supply chains. This is threatening nearly every global economy with recession and the situation in the UK has been made materially worse by its political fiasco and 'borrow and spend' approach, which rocked the stock and bond markets and weakened the currency.

It is likely that interest rates will remain higher for longer, which is why the five and ten year swaps are materially higher than they were back in the summer. This will negatively impact UK consumers as they now navigate higher mortgage costs on top of bigger energy bills, food prices and higher taxes. However, there are many reasons to remain positive, and there is a strong argument that any recession might be a lot shallower than previous downturns.

Firstly, unlike previous recessions, this is likely to be a jobful one rather than a jobless one as the UK continues to enjoy high levels of employment, with the unemployment rate of 3.6% still near historic lows. Whilst underlying job growth is expected to weaken, it is still positive with 74,000 new jobs added in October.

Secondly, the consumer, so far, remains resilient with no dramatic changes in behaviour or spending patterns. We expect the economy to slow, with non-essential spending accelerating at a slower rate and demand for 'big ticket' items starting to come off. The consumer remains comforted by high employment, wage inflation running at 6% and higher savings ratios.

Consumer savings ratios are now 17% higher than they were pre-Covid and their debt metrics remain healthier and far less sensitive to mortgage rate rises, with more than half of homeowners without a mortgage and 75% of mortgages on fixed rate terms. In response to higher interest rates, consumers are now starting to save with record amounts deposited with bank and building societies over the last few months.

Thirdly, there is emerging evidence that inflation will peak before the end of the year as energy cost inflation starts to come down and the world continues to readjust to a post pandemic environment. We expect this to continue as China gradually reopens and the benefits of lower inflation there (consumer-price inflation slowed to just 2.1% in October) start to spread more globally. In fact, some commentators are suggesting that UK inflation may be down to below 5% by the end of next year and below 2% in mid-2024.

## **REITs have seen a significant repricing**

Sentiment towards real estate is being driven by the macro picture and anticipated moves in the cost of debt as interest rates begin to normalise after years of quantitative easing.

Whilst there has been some recovery in REIT share prices since the lows seen at the end of September, current prices are still suggesting material outward yield movements in forthcoming valuations that better reflect current gilt rates. The real estate market is currently paralysed by a distinct lack of liquidity and therefore valuations will take time to find their pricing equilibrium. With the benefit of hindsight, it is clear now that investor sentiment was too bullish in the first half of 2022 and valuation yields had compressed too far.

Therefore, as the market readjusts, we expect the greatest pain to be in those sectors that face structural headwinds, are valued off the lowest yields and/or where rental growth looks more muted. As they say, all boats move out on the same tide and whilst, to date, the equity repricing has been almost universal, when the waters

settle, we expect those companies with exposure to reliable and growing income to enjoy some positive momentum. After all, five and ten year indexed gilts are now trading back below 0%. Investors are aware that even with rising interest rates, the right real estate can offer excellent inflation protection and total returns materially higher than many alternatives with the added security of the intrinsic value of land.

Whilst the REIT sector is facing many challenges, there has been no excessive lending and no excessive speculative development, and so the listed market is in a much stronger position than it was going into the Global Financial Crisis, with better sectorial focus, lower leverage, longer term financings and higher quality assets. It will be bumpy but is unlikely to be terminal.

### **Polarisation across real estate will continue**

As volatility subsides and rational thinking returns, we believe that fundamentals will once again come to the fore. Technological disruption remains a powerful force that continues to affect our daily lives in how we communicate, travel, work and shop. This will continue to have a profound and permanent impact on which real estate sectors win and which ones lose. After all, no matter how clever we are or how hard we work our assets, the macro trends will always outdo the micro initiatives. One look at the challenges faced by the shopping centre sector over the last few years perfectly illustrates this point.

Logistics warehousing in the UK looks set to see demand remain at or above long term levels, supported by the continued growth in online shopping, ongoing onshoring of operations and a growing trend of higher inventory levels to fulfil 'just in case' strategies. Whilst online sales penetration has fallen back from the peak seen during the pandemic, it is still at 25% today, up from 19% pre-pandemic, and set to exceed 30% over the next few years as consumers' appreciation of online convenience, price transparency and speed of delivery continues to grow. Interestingly, online sales for John Lewis and Next have stabilised at or above 60%.

Whilst further rental growth in logistics will, in all likelihood, be more muted than the exceptional growth seen over the last two years, much will depend on future macro events and how new supply reacts to a softening economy and higher development costs. In urban locations, we expect strong rental growth to continue as the increase in demand for quicker and more efficient deliveries meets a dwindling supply of available warehousing. Over the last 20 years, London has lost 24% of its industrial floorspace whilst Greater Manchester and the West Midlands have lost around 20%. Therefore, whilst the short term looks more challenging, the longer term macro trends continue to offer an attractive outlook.

Conversely, physical retail assets have faced significant challenges with reduced demand and over supply as the consumer pivots further towards a more omni-channel shopping model. The shift in spending over the last decade has resulted in massive value destruction across large parts of the retail real estate sector with department store and shopping centre values cratering from falling rents, failing tenants and rising obsolescence. Whilst the physical store has a role to play in omni channel retailing, the rents that it can justify are materially lower than history suggests. As one retail CEO commented: retail rents today are way out of kilter with the role that shops now perform. However, in out-of-town retail, we are starting to see evidence of rents stabilising and prospects improving.

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. There is increased demand for greater flexibility leading to reduced office presence and occupancy 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. This will lead to a polarisation of performances across the office sector and a large gap between the winners and losers. Some commentators

are already referring to some older 'brown' offices as being unsaleable and there are even murmurs of some banks now refusing to lend on certain office buildings.

Consequently, landlords that fail to embrace a rapidly changing world and pivot their portfolios to support emerging macro trends will continue to realise that their assets are not fit for purpose. After all, the rental outlook across the various sub-sectors has rarely been wider. As one of the world's most successful investors once commented: "the rear-view mirror is always clearer than the windshield", but it is the windshield that matters.

### **Our investment strategy is about owning quality assets in the winning sectors that are underpinned by strong income**

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. Our asset selection, patience and strong conviction in the structured tailwinds of the logistics sector have continued to benefit our returns. As I have said previously, when you choose real estate for its quality and location, you are more likely to be a price setter than a price taker. Occupiers will need you more, you can attract quality companies, at higher rental levels and be more confident of future rental growth.

We also continue to believe that income and income growth are the defining characteristics of long term investment returns. Collecting and growing income is fundamental to successful 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.

Our disciplined and rational approach has always tempered our acquisition activity, limited our development exposure and framed our disposal decisions. This ensures that we remain disciplined and rational to pursue quality returns and not just grow assets under management. It also explains why we have disposed of materially more assets so far this year than we have acquired.

Our disposals are often characterised by a long period of attractive returns and an expectation that these may flatten or even reverse as the building grows older and the lease gets shorter. When the ducks were quacking loudly back before the summer, we were actively feeding them at prices well ahead of today's levels. So far this financial year, we have sold £140 million at a 6% premium to our March 2022 book value, a moment of greatest optimism for valuations across the sector. After all, one of our jobs is always to assess if the market is prepared to pay prices ahead of our expectations. It is why over the last three years we have disposed of £0.7 billion of property (approximately a fifth of our portfolio), primarily selling larger box logistics warehousing where we felt supply would temper rental growth.

Conversely our acquisitions have been characterised by acquiring quality buildings, in good geographies let to strong and diverse companies in sub-sectors where we expect to enjoy income growth over many years. Our continuing investment in urban logistics gives us a greater degree of certainty and stability in an uncertain world. Two-thirds of our acquisitions in the period were across London & South East where demand/supply dynamics remain the most favourable.

### **Our ambition in urban logistics remains undiminished**

Over the last few years, we have continued to pivot our portfolio. Urban logistics remains our strongest conviction call and, at 43% of our portfolio, it is now our largest sub sector exposure, valued at £1.5 billion. Our recent activity has continued to broaden and improve the quality of our urban portfolio, our geographical

exposure and income granularity. It has also added exciting occupiers in new, high growth sectors such as Q-commerce, life sciences and dark kitchens, the latter benefiting from an 81% increase in takeaway and fast food spend since the start of the pandemic as consumers swap big nights out for cosy evenings in.

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

We believe that this demand is set to continue which, when coupled with a declining supply of space in the strongest cities, will almost guarantee that rents will continue to rise. This is very much what we are seeing today. Over the period, open market rent reviews on our urban logistics assets were 25% above previous passing rent and ERV growth was 6%. We again saw strong rental growth in London and the South East, where over half of our urban logistics portfolio is located and where we focused our acquisition activity in the period. Whilst commentators raise concerns on affordability, rent continues to represent a very small proportion of the overall cost for occupiers and, with these other costs increasingly materially, we believe that occupiers will seek warehousing in better and better locations.

Therefore, we believe that there is further rental growth in the system and are confident that our investment in urban logistics across our strong geographies gives us a greater degree of certainty of capturing those reversions.

#### **Long income assets continue to appeal and our opportunistic approach continues to deliver attractive income 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 and DIY stores. Most of these operators have resilient business models that stayed open, performed strongly during the 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 recently becoming the UK's fourth-largest grocery retailer. 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. After all, we are constantly looking for new trends to create an opportunity.

Unsurprisingly, their strong metrics are now being appreciated by real estate investors with yields for the very strongest and longest let assets having seen material yield compression over recent years. Our investment activity 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 period totalled £33 million, let on average for 14 years to strong credits, with 70% located in London and the South East. These acquisitions were broadly offset by £38 million (£29 million at share) of disposals where values had reached a level that exceeded our expectations. Whilst the transaction yields were similar at 4.2-4.3%, our acquisitions provide much better residual values and stronger income growth prospects.

Our long income portfolio is 100% let off low and sustainable rents, offering a topped up NIY of 5.0%, a WAULT of 13 years and 67% of income subject to contractual rental uplifts. This offers a strong income bedrock with inflation protection and attractive compounding qualities.

### **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%, a WAULT of 12 years and a gross to net income ratio of 98.9% that reflects our very low income leakage. 60% of our income benefits from contractual rental uplifts providing certainty of income growth.

During the period, 76 occupier initiatives added £4.3 million per annum of rent and delivered like for like income growth of 2.9%. Lettings and regears added £2.6 million and were signed on average lease lengths of 11 years with new lettings achieving rents 14% ahead of our initial expectations. Rent reviews delivered £1.7 million of additional rent, representing a 17% uplift on a five yearly equivalent basis, with urban logistics reviews achieving 25%.

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 stakeholders. 86% of our assets are now rated A-C and we expect this to improve further over the year as we complete our near term refurbishment and pre-let development programme. Upon completion of our current developments, the percentage of the portfolio certified BREEAM Very Good or Excellent will rise to 30%. In addition, given the recent concerns on energy security and prices, we have seen a materially higher level of engagement with occupiers on solar PV installations across our portfolio and have a number of grid applications in for further installations.

In the period, we maintained our GRESB green star and continue to make good progress in implementing our Net Zero Carbon strategy.

### **Our financing position has been strengthened**

Following the £780 million refinancing of debt facilities in the previous financial year, we have continued to ensure our debt provides long term certainty with flexibility.

Over the financial year to date, we have added £225 million of hedging and completed a new £225 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This new sustainability-linked loan, with two one year extension options and an accordion facility of up to £75 million, will be used to refinance the balance of our shorter dated facilities not repaid through sales and provide funds for investment opportunities. As at the date of this report, the proportion of our drawn debt hedged increases to 85%, our debt maturity is 6.2 years and our available undrawn facilities increase to £235 million.

These strong debt metrics ensure that we are well protected from rising interest rates and in a good position to exploit any dislocation in the market.

## **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 are also conscious that when we allocate capital, it is wise to determine what is structural and what is cyclical.

We have a high conviction that this thesis is more dependable within structurally supported sectors that are located in the strongest geographies. The fundamentals in our core sectors remain strong and so we will



continue to pivot our portfolio to take advantage of the strongest demand/supply dynamics to deliver the most attractive income and rental growth. We have strengthened 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 and dislocation to offer up even more opportunities which will allow us, once again, to improve our financial and portfolio metrics. We believe that this is best achieved by investing in the winning sectors, owning the best buildings and focusing on the biggest cities where there is a falling land supply to meet the rapidly changing behaviour and growing expectations of the UK consumer. This will allow us to efficiently and effectively collect, grow and compound our rental income. After all, when you invest in quality, time will create wealth.

# Property Review

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

The portfolio's WAULT has remained flat over the period at 12 years, continuing to provide good income security with only 13% of income expiring within the next three years.

Occupancy remains high at 98.7% and our high gross to net income ratio of 98.9% continues to reflect the portfolio's very low property costs and minimal operational requirements.

Contractual rental uplifts apply to 60.1% of our income, which provides high certainty of income growth:

- 46.0% index linked: 29.9% RPI, 13.4% CPI or CPIH and 2.7% CPI+1 or CPIH+1; and
- 14.1% subject to fixed uplifts, with a weighted average uplift of 2.1% per annum across the portfolio.

Our index linked rent reviews have a range of collars and caps which are typically between 1% to 4% over a five year period:

- For RPI linked reviews, at 28% inflation over a five year period (equivalent to 5% p.a.), 76% of inflation is captured; and
- For CPI linked reviews, at 22% inflation over a five year period (equivalent to 4% p.a.), 82% of inflation is captured.

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 a blended average rate over the five year period that is nearer to being within the cap and collar provisions.

The remaining 39.9% of our income that does not benefit from contractual uplifts is subject to market rents and relates mainly to our urban logistics portfolio where we are capturing average rental growth of 4-5% per annum.

## **Asset management activity added £4.3 million of rental income**

During the six month period, we undertook 76 occupier initiatives adding £4.3 million per annum of rent and delivering like for like income growth of 2.9%.

Leasing activity consisted of 27 new leases and regears, mostly on our urban logistics assets, delivering £2.6 million of increased rent with a WAULT of 11 years. Rents achieved on new lettings were on average 14% higher than our initial expectations.

Rent reviews settled in the period totalled 49 and added £1.7 million of rent at an average of 17% above previous passing on a five yearly equivalent basis:

- Contractual rental uplifts, where 38 fixed and index linked reviews were settled, delivered £1.1 million of increased rent at an average of 17% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where 11 reviews were settled, delivered £0.6 million of increased rent at an average of 22% above passing. Open market reviews on urban logistics continued to see substantial increases and were settled at 25% above passing.

## Strong rental growth helped to partly counterbalance yield expansion

The portfolio saw a total property return of -6.3% over the six month period. The portfolio capital return was -8.1%. Whilst ERV growth on the portfolio over the period was 4.3%, this was outweighed by a like for like valuation yield expansion of 47bps with the investment portfolio's EPRA topped up net initial yield rising to 4.1% and equivalent yield increasing to 4.8%.

Total property return for distribution was -7.5%, ranging from -12.1% for mega logistics and -6.6% for urban logistics. Long income was highly resilient with a TPR of -0.6%, reflecting our alignment to grocery and roadside assets which delivered a 1.0% return.

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

Over the period, we were a net disposer of assets.

Disposals totalled £120.4 million (LondonMetric share: £111.4 million) and reflected a NIY of 4.2% and with a WAULT of seven years. The sale of a DHL asset in Reading and three multi-let urban logistics assets in Birmingham accounted for three quarters of our disposals, whilst the balance comprised a number of long income assets, primarily low yielding grocery and roadside properties.

### Disposals\* in period by sector

Regional Distribution	£60.6m
Urban Logistics	£21.6m
Long Income – Grocery & Roadside	£15.7m
Long Income – Other	£13.5m

\* Excludes £15.0 million of disposals that exchanged in the previous year but completed in the period

Includes £67.3 million of disposals that exchanged in the period but complete post period end

Acquisitions were largely focused on urban logistics and totalled £99.1 million. These were transacted with a WAULT of 14 years and at a NIY of 4.3%, which is expected to rise to 4.9% over the next five years from upcoming rent reviews. Reflecting our focus on income growth and strong geographies, 74% of the income was subject to contractual rental uplifts and 65% of the assets were located in London and the South East.

### Acquisitions\* in the period by sector

Urban Logistics	£66.5m
Long Income – Grocery & Roadside	£25.9m
Long Income – Other	£6.7m

\* Excludes £72.4 million of acquisitions that exchanged in the previous year but completed in the period

Includes £4.2 million of acquisitions that exchanged in the period but that complete post period end

Post period end, we have sold a further £28.2 million of assets, with a WAULT of nine years. This included the sale of a 61,000 sq ft retail park in Tonbridge for £22.0 million. Disposals were at a 6% premium to March 2022 book value.

## Continued alignment to structurally supported distribution and long income with a strong focus on income diversification and geography

Our distribution portfolio is valued at £2,547 million, representing 73.9% of the total portfolio. Urban logistics remains our largest sector exposure, representing 42.9% of the portfolio. Our long income weighting increased slightly to 23.4% of the portfolio, up from 22.5% previously, with grocery and roadside our largest weighting

within this sector. The remaining 2.7% of the portfolio is deemed non-core and is split between five offices and, following the post period end sale of Tonbridge, three remaining retail parks.

#### Portfolio split by sector\*

Urban Logistics	42.9%
Regional Distribution	20.4%
Mega Distribution	10.6%
Long Income	23.4%
Retail Parks	1.9%
Offices & Residential	0.8%

\* Including development, based on value

Our focus on owning assets in strong geographies, particularly around major urban conurbations, has resulted in the portfolio's London and South East weighting increasing to 48%, with the Midlands accounting for a further 30%.

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.

Our top ten occupiers now account for just 27% of contracted income, which is down from 51% in 2019 and 36% in 2021. We have also improved the diversity of our occupier base by type of business activity:

- Business Services & Trade accounts for 38% of income, spread across a broad range of sectors including manufacturing, packaging, building/trade and DIY, transport/auto, TMT, healthcare and food;
- Retail Logistics accounts for 22%;
- Third Party & Parcel Logistics accounts for 14%;
- Grocery & Roadside accounts for 11%;
- Electrical, Home & Discount Stores account for 10%; and
- Leisure and other sectors account for 5%.

Contracted rent increased over the period from £143.3 million to £150.5 million.

**We are continually upgrading the quality of the portfolio with high ESG standards across our activities, driven by our own aspirations as well as those of our customers, occupiers and stakeholders.**

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 in conjunction with our occupiers including solar PV, LED lighting upgrades, roof works and electric vehicle charging. Furthermore, we see ourselves as strong stewards of underinvested or poorer quality assets and, as further reported on later in this report, we have continued to purchase poorer assets with vacant possession with the intention of materially improving the building ahead of, or as part of, the letting process.

Over the previous financial year, we improved the proportion of our assets with an EPC 'A-C' rating from 74% to 85%. This reflected updated EPC assessments across a number of assets where improvements had been undertaken over prior years. It also reflected the conscious upscaling of our portfolio as a result of our development and investment activity. As at today, 86% of our assets are now rated 'A-C' with 47% 'A-B' rated. Following the completion of our ongoing development activity as well as factoring in near term identified

improvements on our assets, we have a pathway to reaching c.90% 'A-C' rated over the near term. We are also proactively looking at further measures to ensure we hit 100% 'A-C' compliance before 2027 as well as increasing the proportion of our assets rated 'A-B'.

In addition, although BREEAM 'in construction' certification is not a specific target for us, we expect that the percentage of the portfolio certified BREEAM Very Good or Excellent will rise to 30% upon completion of our developments in construction.

Over the last six months, given the recent concerns on energy security and costs, we have seen a materially higher level of engagement with occupiers on solar PV installations across our portfolio. We are finding that solar PV can have a substantial impact in helping our occupiers to achieve Net Zero Carbon at the property level and this is becoming an ever increasing consideration for them. We currently have c.3.4MWp of solar capacity installed across our portfolio and there are five grid applications submitted or approved for a further c.4MWp of solar PV on assets where we have strong occupier appetite to progress to installation. We are also in the early stages of progressing a further five PV projects.

In the period, we were pleased to have maintained our GRESB green star and continue to make good progress in implementing our own Net Zero Carbon strategy.

# Distribution portfolio review

## Overview

Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, the value of these assets was £2,547 million, accounting for 73.9% of our portfolio. The WAULT on these assets is 11 years and occupancy is high at 98.6%, with our mega and regional assets fully let. Our urban logistics occupancy increased over the period to 97.6% and vacancies relate mainly to assets which we are improving.

Our distribution assets delivered a total property return over the six month period of -7.5%, with urban and regional at -6.6% and -6.9% respectively, whilst mega was -12.1%. ERV growth across distribution was 5.5% with urban logistics achieving 6.1%.

In urban logistics, rental growth remains strongest, driven by severely restricted supply and strong and broadening occupier demand. Urban logistics has been our strongest conviction call for several years and our urban logistics portfolio is now valued at £1,479 million, located across 134 locations and accounting for 58% 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 22% above average rents. Furthermore, with 55% of our urban portfolio located in London and the South East and a further 31% in the Midlands, we expect these locations to experience further ERV growth.

Our regional assets also have high reversionary potential with ERVs 21% above average passing rents. In the next year, half of our regional rental income totalling £14 million is subject to rent reviews, all of which are contractual uplifts.

Across our single-let distribution assets, based on rent reviews that are due to be settled over the next 18 months, we expect to capture an additional £8 million of annual contracted rent, which represents an 8% growth.

As at 30 September 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>	£1,479m	£702m	£366m
WAULT	9 years	14 years	17 years
Average rent (psf)	£7.90	£6.80	£5.90
ERV (psf)	£9.60	£8.20	£7.10
Topped up NIY	3.9%	3.7%	3.6%
Contractual uplifts	40.3%	82.1%	100.0%
Total property return (H1)	-6.6%	-6.9%	-12.1%

<sup>1</sup> Including developments

## Investment activity

£66.5 million of urban logistics was acquired in the period at a NIY of 4.3%, rising to an expected 4.9% over a five year period, and with a WAULT of 13 years:

- 125,000 sq ft forward funding development in Leicester acquired for £19.6 million. The development is now fully pre-let to EM Pharma on a new 15 year lease;
- 49,000 sq ft in Newhaven acquired for £6.1 million, let to an LED lighting company with a WAULT of seven years;

- 33,000 sq ft in Ipswich acquired for £5.3 million, let to Jewson with a WAULT of ten years;
- 29,000 sq ft in Canvey Island acquired for £5.4 million, let to a hygiene supplies company on a new 15 year lease;
- 24,000 sq ft in Dulwich acquired for £5.0 million, partly let to a coffee distributor with a WAULT of nine years and where terms are agreed with a dark kitchen operator on the remainder;
- 16,000 sq ft in Cranleigh acquired for £6.2 million, let to Jewson with a WAULT of ten years;
- 12,000 sq ft acquired in Kings Langley for £4.1 million, which is subject to delayed completion and where we will undertake refurbishment works once the existing occupier vacates;
- 11,000 sq ft urban warehouse in Stratford acquired for £6.0 million with vacant possession and subsequently let on a 11 year lease to a roastery and coffee house;
- 11,000 sq ft urban warehouse redevelopment in Colliers Wood acquired for £4.1 million; and
- 11,000 sq ft of urban warehousing acquired in Hackney across two sites for £4.7 million let to a dark kitchens operator on 20 year leases.

£82.2 million of logistics was sold in the period at a NIY of 4.1% and with a WAULT of 3.1 years:

- 229,000 sq ft regional warehouse let to DHL for a further three years, sold for £60.6 million with delayed completion occurring post period end; and
- 235,000 sq ft of multi-let urban warehousing across three locations in Birmingham, sold for £21.6 million.

Post period end, we sold 30,000 sq ft of urban warehousing in Digbeth, Birmingham, for £6.2 million.

### **Distribution lettings and regears**

Distribution lettings and regears in the year were signed on 0.4 million sq ft of urban logistics, adding £1.7 million per annum of income, with a WAULT of ten years. The largest lettings comprised:

- 62,000 sq ft to Skate Hut in Birmingham with a WAULT of 15 years;
- 55,000 sq ft to Air Link Systems in Birmingham with a WAULT of ten years;
- 37,000 sq ft across three recently acquired and now fully let locations in London comprising Tottenham, Stratford and Norbury with a WAULT of nine years; and
- 30,000 sq ft of lettings and regears in Oldbury with occupiers including Toolstation and City Plumbing supplies with a WAULT of eight years.

Post period end, 17 urban logistics deals have exchanged or are in solicitor's hands, totalling 0.3 million sq ft which will add £1.1 million per annum of income. These deals are 24% ahead of previous passing.

### **Distribution rent reviews**

Distribution rent reviews in the period were settled across 2.4 million sq ft, adding £0.9 million per annum of income at 16% above previous passing rent, on a five yearly equivalent basis.

12 urban reviews were settled at 25% above passing rent on a five yearly equivalent basis adding £0.7 million, most of which were open market reviews.

One fixed mega review was settled at 8% above passing rent on a five yearly equivalent basis. Three annual index-linked regional reviews were settled at 18% above previous passing.

## Long income portfolio 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.

At the period end, our long income assets were valued at £808 million, representing 23.4% of our total portfolio. They are 99.8% let to strong occupiers with a WAULT of 13 years, average rents of £15.90 psf and a topped up NIY of 5.0%. Average asset size is c.£6 million with 67% of income subject to contractual rental uplifts.

Long income saw a total property return of -0.6% with ERV growth of 1.1% offset by a 15bps equivalent yield outward movement. Grocery and roadside delivered the strongest return at 1.0%, whilst NNN retail was the poorest performing sub sector at -2.6%.

### Long Income portfolio breakdown

As at 30 September 2022	Grocery & Roadside	NNN Retail	Trade, DIY & Other	Leisure <sup>2</sup>
Value <sup>1</sup>	£359m	£231m	£139m	£79m
WAULT	15 years	10 years	14 years	18 years
Average rent (psf)	£19.52	£19.40	£8.20	£17.80
Topped up NIY	4.5%	5.9%	4.2%	6.6%
Contractual uplifts	89.3%	34.2%	67.3%	92.9%
Total property return (H1)	1.0%	-2.6%	-1.7%	-0.7%

1 Including developments

2 Leisure primarily consists of five out of town cinemas let to Odeon

### Grocery & Roadside

Grocery-led convenience forms c.67% 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. Key occupiers include Aldi, Booker, BP, Co-op, Costco, EG Group, Lidl, M&S and Waitrose.

### NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 45% 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 and The Range.

### Trade, DIY & Other

A significant proportion of this segment consists of assets that are trade/DIY focused with recent investment into autocentres situated around the South East. Key occupiers include Howdens, Jewson, Kwik Fit, MKM, Safestore, Selco, Topps Tiles and Wickes.

### Long Income investment activity

£32.6 million of long income assets were purchased at a NIY of 4.2% and a WAULT of 14 years. The majority were grocery and roadside assets with 70% in London and the South East and 82% of the income index linked, which is expected to increase the acquisition yield to 4.8% over five years. They comprised:



- a £16.0 million asset let to Booker in Sidcup with a WAULT of five years;
- a £4.5 million asset let to Sainsbury's in Spilsby with a WAULT of seven years;
- a £3.6 million asset let to a restaurant operator in Leeds with a WAULT of ten years;
- a £1.8 million EV charging station and Starbucks drive thru in Uttoxeter with a WAULT of 31 years; and
- two data centres acquired for £6.7 million in Hayes and New Malden, London, with a WAULT of 38 years.

£38.2 million (Group share: £29.2 million) of assets were sold at a NIY of 4.3% and with a WAULT of 17 years:

- a grocery store in Ashford for £18.0 million (Group share: £9.0 million), let to Lidl;
- a NNN Retail asset in Cardiff for £8.9 million;
- a pub in Greenwich for £4.6 million, previously acquired as part of the Savills IM portfolio; and
- two petrol filling stations in Rushden and Stamford Hill, London, for £6.7 million.

### Long income – asset management activity

In the period, we signed two lettings with a WAULT of 16 years adding £0.9 million per annum of income. These comprised:

- a 21,000 sq ft leisure letting on an asset we have refurbished in Fulham; and
- a 3,000 sq ft roadside letting in Wisbech.

Rent reviews were settled on 32 assets in the period generating an uplift of £0.8 million per annum at 20% above previous passing on a five yearly equivalent basis. The largest review was on a NNN retail asset let to Currys in New Malden, London, where a five yearly RPI linked review increased the rent by £0.3 million. Most of the remaining reviews were inflation linked or fixed uplifts, and mostly relating to grocery, roadside and leisure assets.

## Developments

In the period, we completed 0.3 million sq ft of development or redevelopment activity representing £2.3 million of rent per annum at a yield on cost of 4.7%. This consisted of a BREEAM Very Good distribution development in Ipswich let to an ecommerce company for 20 years and a 23,000 sq ft refurbishment of a vacant logistics warehouse in Tottenham which has been let. 0.6 million sq ft is under development which is expected to generate £6.3 million of rent per annum. 95% of developments completed or underway this year are BREEAM Very Good.

Completed in period	Area sq ft '000	Income £m	Yield on cost %
Ipswich	296	1.8	4.6
Tottenham	23	0.5	5.2
<b>Total</b>	<b>319</b>	<b>2.3</b>	<b>4.7</b>

<b>Under construction/redevelopment at period end</b>	<b>Area sq ft '000</b>	<b>Income £m</b>	<b>Yield on cost %</b>
Huntingdon <sup>1</sup>	300	2.0	3.7
Leicester <sup>1</sup>	125	0.9	4.5
London redevelopments (x3) <sup>2</sup>	36	1.4	4.7
Weymouth	51	0.9	6.4
Preston <sup>1</sup>	43	0.3	3.9
Uckfield <sup>1</sup>	41	0.8	5.5
<b>Total</b>	<b>596</b>	<b>6.3</b>	<b>4.5</b>

1 Forward fundings

2 Anticipated yield on cost and rents

## **Huntingdon**

Development of a 300,000 sq ft regional warehouse, pre-let to AM Fresh 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.

## **Leicester**

Development of a 125,000 sq ft distribution warehouse is expected to complete in Q1 2023. The building is fully pre-let to EM Pharma and is expected to be BREEAM Very Good.

## **Weymouth**

At our long income development, construction of a further 51,000 sq ft completed post period end. The BREEAM Very Good buildings are 100% pre-let to McDonalds, Dunelm, B&M and Costa 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 completed post period end. 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 Summer 2023.

## **London**

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

- 21,000 sq ft in Fulham, which we acquired vacant and have comprehensively refurbished and now let;
- 11,000 sq ft in Colliers Wood, where we are redeveloping the site and the building is expected to be BREEAM Very Good; and
- 4,000 sq ft in Stockwell, where we are undertaking a redevelopment of the site.

## Financial Review

This Half Year has been dominated by volatility in global markets caused by the conflict in Ukraine, UK government policies, elevated inflation and interest rate rises, all of which have impacted property transactions and yields.

Despite an increasingly difficult economic backdrop, we have delivered a very strong trading performance over the past six months, that has enabled us to increase our earnings and grow our dividend by 4.5% over the previous half year whilst maintaining dividend cover of 112%.

EPRA earnings increased by 13.6% to £50.2 million and by 5.5% on a per share basis to 5.14p, driven by a 13.5% increase in net rental income and supported by continued strong rent collection, with 99.9% of rent due in the period having been collected.

Notwithstanding our very strong operational and income metrics, the material increases in interest rates over the period and the future trajectory of debt costs has had a significant negative impact on real estate valuations. We are therefore reporting an IFRS loss of £243.4 million this half year, largely due to the adverse movement of £296.4 million or 30.3p per share in the value of our property portfolio. This has also reduced IFRS net assets by 11.3% to £2,269.8 million. Similarly, EPRA net tangible assets ('NTA') per share decreased 12.2% over the period to 229.3p (31 March 2022: 261.1p). However, since September 2021, EPRA NTA has in fact increased 15.9p per share or 7.5%.

We have continued to ensure our debt provides long term certainty with flexibility. Over the last six months we have lengthened the maturity on £550 million of debt facilities and post period end have completed a new £225 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This sustainability-linked loan, with two one year extension options and an accordion facility of up to £75 million, will be used to refinance the balance of our shorter dated facilities not repaid through completed sales, mitigate further refinancing risk in FY 2024 and FY 2025 and provide additional funds for investment opportunities.

We have also mitigated our exposure to rising interest rates on our floating rate debt by purchasing £187.5 million interest rate swaps in the period and a further £37.5 million post period end at a total cost of £15.1 million. We secured an average rate of 2.52% overall and have increased the proportion of our drawn debt hedged as at the date of this report to 85%.

Our loan to value has increased to 32.1% (31 March 2022: 28.8%) as a result of higher borrowing and a fall in values but remains below our longer term threshold and continues to provide flexibility to execute our property strategy whilst maintaining ample headroom under our banking covenants. Alongside this, we have significant available facilities and cash of £134 million at the period end, covering our capital commitments and providing capacity for further investment when opportunities arise.

Following completion of the post period end refinancing, our debt maturity has increased to 6.2 years and our available undrawn facilities have increased to £235 million.

## 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 7 to the financial statements, Supplementary notes i to vii and xviii and in the Glossary.

## Income statement

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

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	71.2	2.2	(0.5)	<b>72.9</b>	62.6	2.3	(0.6)	64.3
Property costs	(0.7)	(0.1)	–	<b>(0.8)</b>	(0.8)	–	–	(0.8)
Net rental income	70.5	2.1	(0.5)	<b>72.1</b>	61.8	2.3	(0.6)	63.5
Management fees	0.7	(0.3)	–	<b>0.4</b>	0.7	(0.3)	0.1	0.5
Other income	–	–	–	–	0.4	–	–	0.4
Administrative costs	(8.6)	–	–	<b>(8.6)</b>	(8.2)	–	–	(8.2)
Net finance costs	(13.3)	(0.4)	0.1	<b>(13.6)</b>	(11.6)	(0.5)	0.1	(12.0)
Tax	(0.2)	–	0.1	<b>(0.1)</b>	(0.1)	–	0.1	–
<b>EPRA earnings</b>	<b>49.1</b>	<b>1.4</b>	<b>(0.3)</b>	<b>50.2</b>	43.0	1.5	(0.3)	44.2

## Net rental income

Dividend progression for our shareholders remains at the centre of our corporate strategy, and growth in our net rental income underpins this. We are therefore pleased once again to have achieved this key goal and report a 13.5% increase in net rental income this half year to £72.1 million.

The detailed movements in net rental income are reflected in the table below and are prepared on a like for like basis based on properties held, developed, acquired or disposed throughout both the current and comparative periods commencing 1 April 2021.

	£m	£m
Net rental income in the half year to 30 September 2021		63.5
Additional rent from existing properties <sup>1</sup>		1.8
Additional rent from developments <sup>1</sup>		2.4
Movement in surrender premium income		(0.3)
Additional rent from acquisitions <sup>1</sup>	9.5	
Rent lost through disposals <sup>1</sup>	(4.8)	
Additional rent from net acquisitions		4.7
<b>Net rental income in the half year to 30 September 2022</b>		<b>72.1</b>

<sup>1</sup> Properties held, developments completed and acquisitions and disposals since 1 April 2021

Income from lettings, rent reviews and regears of our existing property portfolio and completed developments generated additional rent of £4.2 million this half year, offset by a reduction in surrender premiums received of

£0.3 million. Income from net acquisitions added a further £4.7 million compared to the previous half year, the most significant components being the Savills IM portfolio and the THG mega warehouse in Warrington which were both acquired last year.

Property costs are unchanged from last year at £0.8 million and our cost leakage ratio has fallen once again to 1.1% (30 September 2021: 1.3%, 31 March 2022: 1.2%).

## Rent collection

Our rent collection rates continue to be exceptionally strong, reflecting the quality of our covenants and the efforts of our dedicated team. In the six months to 30 September 2022, we have collected 99.9% of rent due and less than £0.1 million remains unpaid. More recently, we have so far collected 99.3% of the September quarterly rents due. We will continue to prioritise rent collection and are mindful of the impact that rising costs and interest rates are having on our occupiers.

We have assessed the recoverability of our period end trade debtor and lease incentive balances in accordance with IFRS 9, and our rent provisions for the Group and our share of joint ventures total £1.3 million.

## Administrative costs and EPRA cost ratio

Administrative costs have increased by £0.4 million to £8.6 million and are stated after capitalising staff costs of £1.3 million (30 September 2021: £1.2 million) in respect of time spent on development projects in the period. The movement is due to increased staff costs arising from annual pay rises and temporary increases in national insurance rates, alongside other general inflationary cost increases.

Administrative costs continue to be closely monitored and managed, and our EPRA cost ratio remains one of the lowest in the sector, falling by 90 bps since the last half year to 12.3% due to the significant increase in rental income in the period.

	30 September 2022 %	30 September 2021 %	31 March 2022 %
EPRA cost ratio including direct vacancy costs	<b>12.3</b>	13.2	12.5
EPRA cost ratio excluding direct vacancy costs	<b>11.9</b>	12.4	11.8

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

We have continued to invest in our portfolio and as a result our borrowings have grown by £151.1 million. We are also not immune to the effects of rising interest rates and have seen our average debt cost increase to 3.2%, from 2.6% in March. Net finance costs in the period, excluding fair value movements in derivatives and financing break costs, were £13.6 million, an increase of £1.6 million over the previous comparative period.

This reflected higher interest charges of £3.2 million, offset by increased interest receivable from forward funded investments of £0.8 million and interest capitalised on developments of £0.8 million. To mitigate the impact of impending interest rate increases on our floating rate debt, we decided to purchase £187.5 million interest rate swaps in the period and a further £37.5 million post period end. We secured an average rate of 2.52% overall and have increased the proportion of our drawn debt hedged as at the date of this report to 85%.

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

## Share of joint ventures

EPRA earnings from our MIPP joint venture were £1.4 million, a decrease of £0.1 million over the comparative period due to the sale of six properties last year and one this half year, offset by reduced borrowing and associated costs and the completion of a development in Orpington.

The Group received net management fees of £0.4 million for acting as property advisor to each of its joint ventures, which have fallen by £0.1 million due to the impact of sales.

## 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 period.

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 has paid the estimated PID for the year to 31 March 2022 ahead of the 12 month deadline for submission.

## IFRS reported profit

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

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
EPRA earnings	49.1	1.4	(0.3)	<b>50.2</b>	43.0	1.5	(0.3)	44.2
Revaluation	(291.7)	(5.2)	0.5	<b>(296.4)</b>	201.2	8.2	(2.1)	207.3
Derivatives	6.1	0.2	–	<b>6.3</b>	–	0.3	–	0.3
(Loss)/profit on disposal	(3.4)	(0.1)	–	<b>(3.5)</b>	2.2	0.2	–	2.4
Debt/hedging costs	–	–	–	–	–	(0.1)	–	(0.1)
<b>IFRS reported (loss)/profit</b>	<b>(239.9)</b>	<b>(3.7)</b>	<b>0.2</b>	<b>(243.4)</b>	246.4	10.1	(2.4)	254.1

The Group's reported loss for the period was £243.4 million compared with a profit of £254.1 million in the previous comparative period, principally due to the £296.4 million portfolio valuation decline this half year.

The favourable fair value movement in derivatives of £6.3 million was driven by the interest rate swaps acquired in the period. The fair value gain reflected actual and expected increases in interest rates.

The loss on property disposals in the period of £3.5 million related primarily to the sale of a portfolio of three multi-let urban logistics assets located in Birmingham, acquired as part of the Mucklow acquisition in 2019 and which delivered an ungeared IRR of 20%. The total profit on cost of sales in the period was 24.1%.

## 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 7(c) to the financial statements.

As at	100% owned £m	JV £m	NCI £m	30 September 2022 £m	100% owned £m	JV £m	NCI £m	31 March 2022 £m
Investment property	3,312.4	82.9	(14.6)	<b>3,380.7</b>	3,494.6	96.6	(15.1)	3,576.1
Assets held for sale	73.5	–	–	<b>73.5</b>	21.2	–	–	21.2
Trading property	1.1	–	–	<b>1.1</b>	1.1	–	–	1.1
	3,387.0	82.9	(14.6)	<b>3,455.3</b>	3,516.9	96.6	(15.1)	3,598.4
Gross debt	(1,187.1)	(17.7)	–	<b>(1,204.8)</b>	(1,027.2)	(26.5)	–	(1,053.7)
Cash	45.8	3.9	(0.6)	<b>49.1</b>	51.3	3.6	(0.6)	54.3
Other net liabilities	(53.3)	(1.2)	5.7	<b>(48.8)</b>	(43.8)	(1.2)	5.6	(39.4)
<b>EPRA NTA</b>	<b>2,192.4</b>	<b>67.9</b>	<b>(9.5)</b>	<b>2,250.8</b>	2,497.2	72.5	(10.1)	2,559.6
Derivatives	18.7	0.3	–	<b>19.0</b>	–	0.1	–	0.1
<b>IFRS net assets</b>	<b>2,211.1</b>	<b>68.2</b>	<b>(9.5)</b>	<b>2,269.8</b>	2,497.2	72.6	(10.1)	2,559.7

IFRS reported net assets have decreased 11.3% since March to £2.3 billion. EPRA NTA excludes the derivative financial instruments asset of £19.0 million and has decreased by 12.2% on a per share basis to 229.3p. The movement in EPRA NTA and EPRA NTA per share in the period is reflected in the table below.

	EPRA NTA £m	EPRA NTA per share p
At 1 April 2022	2,559.6	261.1
EPRA earnings	50.2	5.1
Dividends <sup>2</sup>	(47.4)	(4.9)
Property revaluation	(296.4)	(30.3)
Derivatives purchased	(12.6)	(1.3)
Other movements <sup>1</sup>	(2.6)	(0.4)
<b>At 30 September 2022</b>	<b>2,250.8</b>	<b>229.3</b>

<sup>1</sup> Other movements include loss on sales (£3.5 million), share based awards (£4.4 million), offset by scrip share issue savings (£5.3 million)

<sup>2</sup> Dividend per share is based on the weighted average number of shares in the period. The actual dividend paid in the period was 4.85p as reflected in note 6 to the financial statements

The decrease in EPRA NTA per share was principally due to the property revaluation loss of 30.3p per share, as dividends paid in the period were covered by EPRA earnings, adding 0.2p to EPRA NTA per share.

We acquired £187.5 million interest rate swaps in the period to hedge our floating rate unsecured credit facilities at a cost of £12.6 million or 1.3p per share. Post period end we have acquired a further £37.5 million swaps at a cost of £2.5 million.

The movement in EPRA NTA per share, together with the dividend paid in the period, results in a total accounting return of -10.3%. The full calculation can be found in supplementary note viii.

## Dividend

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

The Company paid the third and fourth quarterly dividends for the year to 31 March 2022 of £47.4 million or 4.85p per share in the period as reflected in note 6 to the financial statements. The Company issued 2.1 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.3 million to £42.1 million.

The first quarterly payment for the current year of 2.3p per share was paid as a Property Income Distribution (PID) in October 2022 and the Company has approved a second quarterly payment of 2.3p per share in January 2023. The total dividend payable for the half year of 4.6p represents an increase of 4.5% over the previous half year.

## Portfolio valuation

Our property portfolio including share of joint ventures fell by £142.8 million over the half year to £3,451.1 million 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.

	Group £m	JV £m	NCI £m	30 September 2022 £m	31 March 2022 £m
Opening valuation	3,512.4	96.6	(15.1)	<b>3,593.9</b>	2,583.6
Acquisitions <sup>1</sup>	147.1	—	—	<b>147.1</b>	457.5
Developments <sup>2</sup>	58.1	—	—	<b>58.1</b>	88.9
Capital expenditure <sup>3</sup>	9.3	0.4	—	<b>9.7</b>	16.1
Disposals	(52.4)	(8.9)	—	<b>(61.3)</b>	(184.4)
Revaluation	(291.7)	(5.2)	0.5	<b>(296.4)</b>	632.2
<b>Property portfolio value</b>	<b>3,382.8</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,451.1</b>	3,593.9
Head lease and right of use assets	4.2	—	—	<b>4.2</b>	4.5
<b>Closing valuation</b>	<b>3,387.0</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,455.3</b>	3,598.4

<sup>1</sup> Group acquisitions include purchase costs and represent completed investment properties as shown in note 8 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 8

<sup>3</sup> Group capital expenditure and lease incentive movements on completed properties as reflected in note 8 to the financial statements

During the six month period, we invested £147.1 million into distribution and long income assets. We sold seven assets generating net proceeds of £58.3 million at share and reducing the book value of property by £61.8 million (including the cost of lease incentives written off for the Group of £0.4 million and its share of joint ventures of £0.1 million). One disposal which generated net proceeds of £15.0 million and five acquisitions for £72.4 million had exchanged last year.

We also exchanged to sell three assets totalling £67.3 million and to acquire one asset for £4.2 million in the period, the largest being the sale of our regional warehouse let to DHL in Reading. These transactions will be accounted for on completion in the second half of the year.

Property values have decreased by £296.4 million in the half year due to the outward shift in property yields of 47bps outweighing the portfolio ERV growth over the period of 4.3%. This represented an 8% fall in the valuation of the portfolio.

Our 23,000 sq ft development in Tottenham, which was acquired vacant and completely refurbished, completed in the period and has been transferred to investment properties. We spent £41.7 million at our two largest developments in Huntingdon and Leicester, both of which are expected to complete in the second half of the year. Our development exposure remains modest at 2.9% of the portfolio. A breakdown of the property portfolio by sector is reflected in the table below.



As at	30 September 2022 £m	30 September 2022 %	31 March 2022 £m	31 March 2022 %
Mega distribution	366.0	10.6	425.2	11.8
Regional distribution	665.3	19.3	665.3	18.5
Urban logistics	1,455.3	42.2	1,551.5	43.2
Distribution	2,486.6	72.1	2,642.0	73.5
Long income	774.7	22.4	785.3	21.8
Retail Parks	66.1	1.9	70.6	2.0
Offices	25.8	0.7	27.3	0.8
Investment portfolio	3,353.2	97.1	3,525.2	98.1
Development <sup>1</sup>	97.0	2.9	67.8	1.9
Residential	0.9	–	0.9	–
<b>Property portfolio value</b>	<b>3,451.1</b>	<b>100.0</b>	<b>3,593.9</b>	<b>100.0</b>
Head lease and right of use assets	4.2		4.5	
	<b>3,455.3</b>		<b>3,598.4</b>	

<sup>1</sup> Represents regional distribution £36.9 million (1.1%), urban logistics £23.5 million (0.7%), long income £33.8 million (1.0%), office and other land £2.8 million (0.1%) at 30 September 2022. Split of prior period comparatives was 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%)

Investment in our preferred sectors of distribution and long income has continued to grow this half year to 97.3%, up from 97.1% in March.

The Group had contractual capital commitments of £46.3 million as reported in note 8 to the financial statements, relating primarily to three forward funded developments at Huntingdon, Leicester and Uckfield. 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	30 September 2022 £m	31 March 2022 £m
Gross debt	1,204.8	1,053.7
Cash	49.1	54.3
Net debt	1,155.7	999.4
Loan to value <sup>1</sup>	32.1%	28.8%
Cost of debt <sup>2</sup>	3.2%	2.6%
Undrawn facilities	85.0	245.0
Average debt maturity	5.8 years	6.5 years
Hedging <sup>3</sup>	77%	71%

<sup>1</sup> LTV at 30 September 2022 includes the impact of sales and acquisitions that have exchanged and will complete in the second half of the year of £73.5 million and £4.2 million respectively (31 March 2022: £21.2 million and £72.4 million respectively), and excludes the fair value debt adjustment of £2.1 million (31 March 2022: £2.2 million)

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

<sup>3</sup> Based on the notional amount of existing hedges and total debt drawn

Net debt has increased by £156.3 million in the period to fund net property acquisitions and our development programme. Loan to value has increased to 32.1% (31 March 2022: 28.8%) after taking account of sales that will complete in the second half of the year. This is a result of increased borrowings and decreases in property values in the period, but still remains comfortably below our longer term threshold, providing flexibility to execute transactions.

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

Our two £400 million 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. All targets were achieved following the announcement of our full year results and a margin saving of 0.02% has been added to funds allocated for charitable giving. In April, we agreed the first one year extension for these two revolving credit facilities.

During the period, we also extended the maturity on our shortest dated £150 million credit facility with Barclays by 0.5 years and post period end have completed a new £225 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This sustainability-linked loan, with two one year extension options and an accordion facility of up to £75 million, will be used to refinance the balance of our shorter dated facilities not repaid through completed sales, mitigate further refinancing risk in FY 2024 and FY 2025 and provide additional funds for investment opportunities.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging and fixed rate arrangements. We acquired £187.5 million interest rate swaps in the period to hedge our floating rate unsecured credit facilities, securing an average rate of 2.51% and increased the proportion of our drawn debt hedged to 77%. Post period end, we acquired a further £37.5 million interest rate swaps at an average rate of 2.57% increasing our hedging to 85% as at the date of this report. Overall, the average swap rate secured on the £225 million interest rate swaps acquired was 2.52%.

Following the implementation of this hedging and as at the date of this report, a 25bps increase in interest rates would only reduce our annual EPRA earnings by £0.4 million. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

Our debt maturity at the period end was 5.8 years (31 March 2022: 6.5 years) and our average debt cost was 3.2% (31 March 2022: 2.6%). At 30 September 2022, the Group had headroom available from undrawn facilities and cash balances held of £134 million, providing ample cover for its contracted capital commitments of £46.3 million. Following completion of the post period end refinancing, our debt maturity has increased to 6.2 years and our available undrawn facilities have increased to £235 million.

The Group has comfortably complied throughout the period 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 94% of debt drawn at the period end, contain gearing and interest cover financial covenants.

At 30 September 2022, the Group's gearing ratio as defined within these funding arrangements was 51% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 5.1 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 39% and rents by 63% before banking covenants are breached.

## Cash flow

During the period since March, the Group's cash balances decreased by £5.5 million as reflected in the table below.

	2022	2021
For the six months to 30 September	£m	£m
Net cash from operating activities	69.5	53.5
Net cash used in investing activities	(157.9)	(182.0)
Net cash from financing activities	82.9	146.2
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5.5)</b>	17.7

The net cash inflow from operating activities of £69.5 million reflects an increase of £16.0 million compared to the previous period, which was due to increased net rents received and also changes in working capital.

The Group spent £195.5 million acquiring property in the period and received net cash proceeds of £50.2 million from property disposals and joint ventures. Capital expenditure on asset management, developments and other investments cost the Group £12.6 million.

Cash inflows from financing activities reflect new net borrowings of £160.0 million, offset by dividend payments and distributions of £42.5 million, financing costs of £28.4 million and share purchases and awards of £6.2 million. Further detail is provided in the Group Cash Flow Statement.

# Key Risks and Uncertainties

## 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. Our Board undertakes robust risk assessments and 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.

The processes for identifying, assessing and mitigating principal and emerging risks within the business are set out on pages 70 to 85 of our 2022 Annual Report. The Board is satisfied that these continue to be sound, and it considers risk management at each of its meetings. Since publication of the 2022 Annual Report no new principal or emerging risks have been identified however the risk posed by certain factors has intensified. The Board believes that the major event risk, which includes the current macro-economic climate with high inflation and rapid interest rate rises coupled with political turmoil and the ongoing war in Ukraine, currently dominates. Further information on this and how it is being navigated is provided in the relevant sections below which outline the principal risks and uncertainties facing the Group, the Board's appetite for each and significant changes in the period, where identified.

## Corporate risks

These risks relate to the entire Group and include those which affect strategy, our market, systems, employees and wider stakeholders, our regulatory and social and environmental responsibilities.

### Strategy and its execution

Risk: The Group's strategy may be inappropriate for the current economic climate or stage of the market cycle, or it may be poorly implemented. This may lead to underperformance and an inability to take advantage of opportunities. Threat management may also be ineffective, and we may have the wrong balance of skills and resources for ongoing success.

The Board continues to view the Group's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is extremely low.

Update: As detailed in the Chief Executive's Statement, we continue to believe that in this fast-changing world the environment continues to be supportive of our strategy and the right real estate in structurally supported sectors. In light of the current economic conditions, we are cautious in incurring capital expenditure. We remain vigilant to the market dislocation that will provide investment opportunities and have positioned ourselves to capitalise on these when they present themselves.

### Major event

Risk: Significant political, economic or 'Black Swan' events may lead to a market downturn or specific sector turbulence. This may reduce occupier demand, disrupt tenant businesses exerting pressure on their ability to pay, reduce asset liquidity and value and potentially impact debt markets.

The Board monitors the impact of such events that are outside its control and reflects these in its consideration of strategy, flexing operations as required. It remains focused on maintaining a robust, 'all weather' portfolio to withstand such shocks to the maximum extent possible.

Update: The current macro-economic crisis, exacerbated by the Government's mini-budget on 23 September 2022, has led to political turmoil and greater financial market volatility and has impacted real estate, softening capital values and reducing investment volumes. Operationally, our portfolio has maintained its high-quality metrics and our highly reversionary urban logistics and well located long income assets continue to benefit from favourable demand/supply dynamics, with occupier demand for UK logistics space remaining ahead of the long-term average, underpinning good income growth.

### **Human resources**

Risk: An inability to attract, motivate and retain high calibre skilled staff may jeopardise delivery of the Group's strategy and its ability to maintain a competitive advantage.

The Board believes it is vitally important to have the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change. It's appetite for this risk is low and it is satisfied it has the right human resource strategy in place and staff are competitively remunerated.

### **Systems, processes and financial management**

Risk: Controls for safeguarding assets and supporting strategy may be ineffective compromising security and the accuracy of crucial information. This may lead to losses and negatively impact decision making processes.

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

### **Responsible business and sustainability**

Risk: Non-compliance with responsible business practices including ESG concerns, such as climate change and treating stakeholders fairly, may damage reputation and have a negative impact on earnings, assets and share liquidity.

The Board has a low tolerance for practices that risk adversely impacting reputation, stakeholder sentiment and asset liquidity.

### **Regulatory framework**

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

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

### **Property risks**

These risks are focused on our core business and relate to portfolio composition and management, development activity, factors impacting capital values, income returns and our occupiers.

## **Investment risk**

Risk: The Group may be unable to source rationally priced investment opportunities and deploy capital into value enhancing and earnings accretive investments. It may also be unable to recycle capital by disposing of mature assets in a weaker market.

Management aim to keep this risk to a minimum by applying their extensive experience, leveraging a strong network of relationships and having the right funding in place to take advantage of opportunities as they arise.

Update: As noted above we are exercising caution in response to the ensuing turmoil following the Government's mini budget. Whilst the investment market has clearly softened since March, we have disposed of £120.4 million of assets (LondonMetric share: £111.4 million) over the half year at a NIY of 4.2% and with a WAULT of seven years. Acquisitions, totalling £99.1 million, were largely focused on urban logistics and were transacted at a NIY of 4.3%, which is expected to rise to nearly 5.0% over the next few years from rent reviews.

## **Development risk**

Risk: Excessive capital could be allocated to activities which carry development risk. Developments may fail to deliver expected returns due to inconsistent timing with the economic cycle, adverse letting conditions, increased costs, planning or construction delays, contractor failure or other supply chain interruption.

The Board takes on limited speculative development and its overall appetite for development risk in the current economic environment is low.

Update: Supply chain disruption and labour shortages have persisted over the last six months and cost inflation is high. These factors are impacting the UK construction sector. The Company has not committed to any significant new developments or refurbishments in the period and overall development exposure is limited representing 2.9% of the portfolio by value currently.

## **Valuation risk**

Risk: There is no certainty that property values will be realised. This risk is inherent in the real estate sector.

The Board aims to keep this risk to a minimum through its investment approach that looks to acquire and retain quality investments for the right price that offer long term income, capital growth and downside protection from strong intrinsic values and through active asset management initiatives.

Update: Despite the significant softening of property yields at the Half Year, underpinned by turbulent global markets and the future trajectory of debt costs which has led to a revaluation loss of £296.4 million, we have sold £140 million (at share) of assets in the financial year to date at a 6% premium to March 2022 book value.

## **Transaction and tenant risk**

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

The Board has no appetite for risk arising out of poor due diligence processes on acquisitions 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.

Update: Quarter by quarter, our rent collection has remained high at close to 100%. While we are unlikely to be immune from the pressures impacting tenants, the granularity of our income reduces the dependency on our

top occupiers. No single tenant accounts for more than 3.9% of income and portfolio occupancy is 98.7% with only 94,000 sq ft of space available to be let.

## **Financing risks**

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

### **Capital and finance risk**

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

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. It accepts some interest rate risk and loans are not fully hedged. This follows cost benefit assessment and considers that not all loans are fully drawn all the time.

Update: Over the financial year to date, to ensure our debt continues to provide long term certainty with flexibility, we have added £225 million of hedging and completed a new £225 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This sustainability-linked loan, with two one year extension options and an accordion facility of up to £75 million, will be used to refinance the balance of our shorter dated facilities not repaid through sales, mitigate further refinancing risk in FY 2024 and FY 2025 and provide funds for investment opportunities.

## Group income statement

		Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
	Note			
<b>Revenue</b>	3	<b>71.9</b>	63.7	133.2
Cost of sales		<b>(0.7)</b>	(0.8)	(1.5)
<b>Net income</b>		<b>71.2</b>	62.9	131.7
Administrative costs		<b>(8.6)</b>	(8.2)	(16.0)
(Loss)/profit on revaluation of investment properties	8	<b>(291.7)</b>	201.2	615.2
(Loss)/profit on sale of investment properties		<b>(3.4)</b>	2.2	8.0
Share of (losses)/profits of joint ventures	9	<b>(3.7)</b>	10.1	23.3
<b>Operating (loss)/profit</b>		<b>(236.2)</b>	268.2	762.2
Finance income		<b>0.8</b>	–	0.5
Finance costs	4	<b>(8.0)</b>	(11.6)	(24.4)
<b>(Loss)/profit before tax</b>		<b>(243.4)</b>	256.6	738.3
Taxation	5	<b>(0.2)</b>	(0.1)	(0.1)
<b>(Loss)/profit for the period and total comprehensive income</b>		<b>(243.6)</b>	256.5	738.2
Attributable to:				
Equity shareholders		<b>(243.4)</b>	254.1	734.5
Non-controlling interest	17	<b>(0.2)</b>	2.4	3.7
<b>Earnings per share</b>				
Basic	7	<b>(24.9)p</b>	28.0p	78.8p
Diluted	7	<b>(24.9)p</b>	27.9p	78.4p

All amounts relate to continuing activities.



## Group balance sheet

	Note	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	Audited 31 March 2022 £m
<b>Non current assets</b>				
Investment properties	8	3,312.4	2,792.8	3,494.6
Investment in equity accounted joint ventures	9	68.2	65.2	72.6
Other investments and tangible assets		1.3	1.2	1.3
Derivative financial instruments	13	18.7	—	—
		<b>3,400.6</b>	<b>2,859.2</b>	<b>3,568.5</b>
<b>Current assets</b>				
Non current assets held for sale	8	73.5	104.6	21.2
Trading properties		1.1	1.1	1.1
Trade and other receivables	10	7.3	12.5	13.1
Cash and cash equivalents	11	45.8	69.1	51.3
		<b>127.7</b>	<b>187.3</b>	<b>86.7</b>
<b>Total assets</b>		<b>3,528.3</b>	<b>3,046.5</b>	<b>3,655.2</b>
<b>Current liabilities</b>				
Trade and other payables	12	63.4	48.9	59.4
<b>Non current liabilities</b>				
Borrowings	13	1,181.3	1,036.3	1,021.4
Lease liabilities		4.3	4.9	4.6
		<b>1,185.6</b>	<b>1,041.2</b>	<b>1,026.0</b>
<b>Total liabilities</b>		<b>1,249.0</b>	<b>1,090.1</b>	<b>1,085.4</b>
<b>Net assets</b>		<b>2,279.3</b>	<b>1,956.4</b>	<b>2,569.8</b>
<b>Equity</b>				
Called up share capital	14	98.1	91.0	97.9
Share premium	14	391.9	220.8	386.8
Capital redemption reserve	15	9.6	9.6	9.6
Other reserve	15	490.4	492.5	491.1
Retained earnings	15	1,279.8	1,133.7	1,574.3
<b>Equity shareholders' funds</b>		<b>2,269.8</b>	<b>1,947.6</b>	<b>2,559.7</b>
Non-controlling interest	17	9.5	8.8	10.1
<b>Total equity</b>		<b>2,279.3</b>	<b>1,956.4</b>	<b>2,569.8</b>
<b>IFRS net asset value per share</b>	7	<b>232.1p</b>	214.4p	262.3p

## Group statement of changes in equity

Six months ended 30 September 2022 (Unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
At 1 April 2022	97.9	386.8	9.6	491.1	1,574.3	2,559.7	10.1	2,569.8
Loss for the period and total comprehensive income	–	–	–	–	(243.4)	(243.4)	(0.2)	(243.6)
Purchase of shares held in trust	–	–	–	(5.5)	–	(5.5)	–	(5.5)
Vesting of shares held in trust	–	–	–	4.8	(5.5)	(0.7)	–	(0.7)
Distribution to non-controlling interest	–	–	–	–	–	–	(0.4)	(0.4)
Share-based awards	–	–	–	–	1.8	1.8	–	1.8
Dividends	0.2	5.1	–	–	(47.4)	(42.1)	–	(42.1)
<b>At 30 September 2022</b>	<b>98.1</b>	<b>391.9</b>	<b>9.6</b>	<b>490.4</b>	<b>1,279.8</b>	<b>2,269.8</b>	<b>9.5</b>	<b>2,279.3</b>

Year ended 31 March 2022 (Audited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
At 1 April 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 trust	–	–	–	(1.5)	–	(1.5)	–	(1.5)
Vesting of shares held in trust	–	–	–	4.9	(5.7)	(0.8)	–	(0.8)
Share-based awards	–	–	–	–	3.5	3.5	–	3.5
Dividends	0.2	4.0	–	–	(81.7)	(77.5)	–	(77.5)
At 31 March 2022	97.9	386.8	9.6	491.1	1,574.3	2,559.7	10.1	2,569.8

Six months ended 30 September 2021 (Unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
At 1 April 2021	91.0	219.3	9.6	487.7	923.7	1,731.3	6.4	1,737.7
Profit for the period and total comprehensive income	–	–	–	–	254.1	254.1	2.4	256.5
Purchase of shares held in trust	–	–	–	(0.2)	–	(0.2)	–	(0.2)
Vesting of shares held in trust	–	–	–	5.0	(5.7)	(0.7)	–	(0.7)
Share-based awards	–	–	–	–	1.9	1.9	–	1.9
Dividends	–	1.5	–	–	(40.3)	(38.8)	–	(38.8)
At 30 September 2021	91.0	220.8	9.6	492.5	1,133.7	1,947.6	8.8	1,956.4

## Group cash flow statement

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax	(243.4)	256.6	738.3
<b>Adjustments for non-cash items:</b>			
Loss/(profit) on revaluation of investment properties	291.7	(201.2)	(615.2)
Loss/(profit) on sale of investment properties	3.4	(2.2)	(8.0)
Share of post-tax loss/(profit) of joint ventures	3.7	(10.1)	(23.3)
Movement in lease incentives	(4.8)	(3.8)	(8.9)
Share-based payment	1.8	1.9	3.5
Net finance costs	7.2	11.6	23.9
Cash from operations before changes in working capital	59.6	52.8	110.3
Change in trade and other receivables	6.2	(0.5)	(2.6)
Change in trade and other payables	3.8	1.1	11.5
Cash flows from operations	69.6	53.4	119.2
Tax (paid)/received	(0.1)	0.1	0.3
<b>Cash flows from operating activities</b>	<b>69.5</b>	<b>53.5</b>	<b>119.5</b>
<b>Investing activities</b>			
Purchase of investment properties	(195.5)	(200.1)	(500.6)
Capital expenditure on investment properties	(11.7)	(36.2)	(51.0)
Purchase of investments	(0.1)	(1.0)	(1.1)
Lease incentives paid	(1.0)	(1.5)	(4.2)
Sale of investment properties	49.5	52.7	179.8
Distributions from joint ventures	0.7	4.1	9.9
Interest received	0.2	–	–
<b>Net cash used in investing activities</b>	<b>(157.9)</b>	<b>(182.0)</b>	<b>(367.2)</b>
<b>Financing activities</b>			
Dividends paid	(42.1)	(38.8)	(77.5)
Distribution to non-controlling interest	(0.4)	–	–
Proceeds from issue of ordinary shares	–	–	170.2
Purchase of shares held in trust	(5.5)	(0.2)	(1.5)
Vesting of shares held in trust	(0.7)	(0.7)	(0.8)
New borrowings and amounts drawn down	210.0	789.0	1,059.0
Repayment of loan facilities	(50.0)	(586.0)	(871.0)
Purchase of derivative financial instruments	(12.6)	–	–
Financial arrangement fees and break costs	(1.3)	(5.4)	(6.6)
Interest paid	(14.5)	(11.7)	(24.2)
<b>Net cash from financing activities</b>	<b>82.9</b>	<b>146.2</b>	<b>247.6</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5.5)</b>	<b>17.7</b>	<b>(0.1)</b>
Opening cash and cash equivalents	51.3	51.4	51.4
<b>Closing cash and cash equivalents</b>	<b>45.8</b>	<b>69.1</b>	<b>51.3</b>

# Notes to the financial statements

## 1. Basis of preparation and general information

### Basis of preparation

The condensed consolidated financial information included in this Half Year Report has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting', as adopted by the United Kingdom. The current period information presented in this document is reviewed but unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the year to 31 March 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Half Year Report should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2022, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applied by the Group at the time.

These condensed financial statements were approved and authorised for issue by the Board of Directors on 23 November 2022. The same accounting policies, estimates, presentation and methods of computation are followed in the Half Year Report as those applied in the Group's consolidated financial statements for the year to 31 March 2022, except for certain new accounting amendments which became effective for the financial year commencing 1 April 2022 as noted below:

- Amendments to IFRS 3 – Conceptual Framework
- Amendments to IAS 16 – Property Plant and Equipment, Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts, Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020

The new amendments had no material impact on the financial statements.

### Going concern

The Board has continued to pay particular attention to the appropriateness of the going concern basis in preparing these financial statements. The going concern assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance as discussed in detail in the Key Risks and Uncertainties section of this report.

A key consideration is the Group's financial position, cash flows and liquidity, including its access to debt facilities and headroom under financial loan covenants, which is discussed in detail in the Financial Review.

The Group's unsecured revolving credit facilities and private placement loan notes, which together represented 94% of total Group borrowings including its share of joint ventures at the half year, contain gearing and interest cover covenants. At 30 September 2022, the Group had substantial headroom within these covenants. Gearing was 51%, substantially lower than the maximum limit of 125% and its interest cover ratio was 5.1 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 39% and rents by 63% before banking covenants are breached.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. They were mindful of the Group's income certainty and diversity, strong rent collection rates and long lease lengths when assessing the Group's going concern position.

On the basis of their 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 Half Year Report.

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

#### **Significant area 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 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.

## 2. Segmental information

### Property value

	100% owned <sup>1</sup> £m	Share of JV £m	NCI £m	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	Audited 31 March 2022 £m
Distribution	2,486.6	—	—	<b>2,486.6</b>	2,137.4	2,642.0
Long income	706.4	82.9	(14.6)	<b>774.7</b>	678.8	785.3
Retail parks	66.1	—	—	<b>66.1</b>	58.5	70.6
Office	25.8	—	—	<b>25.8</b>	29.7	27.3
Residential	0.9	—	—	<b>0.9</b>	1.9	0.9
Development	97.0	—	—	<b>97.0</b>	59.6	67.8
	<b>3,382.8</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,451.1</b>	<b>2,965.9</b>	<b>3,593.9</b>
Head lease and right of use assets				<b>4.2</b>	4.8	4.5
				<b>3,455.3</b>	<b>2,970.7</b>	<b>3,598.4</b>

<sup>1</sup> Includes trading property of £1.1 million and assets held for sale of £73.5 million

### Gross rental income

	100% owned £m	Share of JV £m	NCI £m	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Distribution	48.8	—	—	<b>48.8</b>	41.6	88.7
Long income	19.4	2.2	(0.5)	<b>21.1</b>	18.8	39.1
Retail parks	2.0	—	—	<b>2.0</b>	2.7	4.4
Office	0.8	—	—	<b>0.8</b>	1.2	2.3
Residential	—	—	—	—	—	0.1
Development	0.2	—	—	<b>0.2</b>	—	0.1
	<b>71.2</b>	<b>2.2</b>	<b>(0.5)</b>	<b>72.9</b>	<b>64.3</b>	<b>134.7</b>

### Net rental income

	100% owned £m	Share of JV £m	NCI £m	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Distribution	48.3	—	—	<b>48.3</b>	41.0	87.5
Long income	19.3	2.1	(0.5)	<b>20.9</b>	18.8	38.9
Retail parks	1.9	—	—	<b>1.9</b>	2.6	4.5
Office	0.8	—	—	<b>0.8</b>	1.1	2.0
Residential	—	—	—	—	—	0.1
Development	0.2	—	—	<b>0.2</b>	—	0.1
	<b>70.5</b>	<b>2.1</b>	<b>(0.5)</b>	<b>72.1</b>	<b>63.5</b>	<b>133.1</b>

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 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 Chief Executive, Property and Financial Reviews, 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

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Gross rental income	71.2	62.6	131.5
Property management fee income	0.7	0.7	1.3
Other income	–	0.4	0.4
<b>Revenue</b>	<b>71.9</b>	<b>63.7</b>	<b>133.2</b>
	Unaudited Six months to 30 September 2022 £m	Unaudited months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Gross rental income	71.2	62.6	131.5
Cost of sales – property operating expenses	(0.7)	(0.8)	(1.5)
<b>Net rental income</b>	<b>70.5</b>	<b>61.8</b>	<b>130.0</b>

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

### 4. Finance costs

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Interest payable on bank loans and related derivatives	14.3	11.1	23.1
Unwinding of discount on fixed rate debt acquired	(0.1)	(0.1)	(0.2)
Debt and hedging early close out costs	–	–	–
Amortisation of loan issue costs	0.6	0.6	1.2
Interest on lease liabilities	0.1	–	0.1
Commitment fees and other finance costs	0.7	0.7	1.6
<b>Total borrowing costs</b>	<b>15.6</b>	<b>12.3</b>	<b>25.8</b>
Less amounts capitalised on developments	(1.5)	(0.7)	(1.4)
<b>Net borrowing costs</b>	<b>14.1</b>	<b>11.6</b>	<b>24.4</b>
Fair value gain on derivative financial instruments	(6.1)	–	–
<b>Total finance costs</b>	<b>8.0</b>	<b>11.6</b>	<b>24.4</b>

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii include interest receivable of £0.8 million (30 September 2021: nil, 31 March 2022: £0.5 million) as reflected in the income statement and exclude the fair value gain on derivative financial instruments of £6.1 million (30 September 2021: nil, 31 March 2022: nil).

### 5. Taxation

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
UK tax charge on profit	0.2	0.1	0.1

As the Group is a UK-REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

## 6. Dividends

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
<b>Ordinary dividends paid</b>			
2021 Third quarterly interim dividend: 2.1p per share	–	19.0	19.0
2021 Fourth quarterly interim dividend: 2.35p per share	–	21.3	21.3
2022 First quarterly interim dividend: 2.2p per share	–	–	20.0
2022 Second quarterly interim dividend: 2.2p per share	–	–	21.4
2022 Third quarterly interim dividend: 2.2p per share	<b>21.5</b>	–	–
2022 Fourth quarterly interim dividend: 2.65p per share	<b>25.9</b>	–	–
	<b>47.4</b>	40.3	81.7
<b>Ordinary dividends payable</b>			
2023 First quarterly interim dividend: 2.3p per share	<b>22.5</b>		
2023 Second quarterly interim dividend: 2.3p per share	<b>22.5</b>		

The Company paid its first quarterly interim dividend in respect of the financial year to 31 March 2023 of 2.3p per share, wholly as a Property Income Distribution (PID), on 7 October 2022 to ordinary shareholders on the register at the close of business on 2 September 2022.

The second quarterly interim dividend for the current year of 2.3p per share will be paid on 10 January 2023, wholly as a PID, to ordinary shareholders on the register at the close of business on 2 December 2022. A scrip dividend alternative will be offered to shareholders as it was for the first quarterly dividend payment.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the six months to 31 March 2023.

During the period, the Company issued 2.1 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £5.3 million to £42.1 million.

## 7. Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations (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 period and excludes the average number of shares held by the Employee Benefit Trust for the period. The basic net asset per share calculation uses the number of shares in issue at the period end and excludes the actual number of shares held by the Employee Benefit Trust at the period end. 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 information section.

### a) EPRA Earnings

EPRA earnings for the Group and its share of joint ventures are summarised in the Financial Review and in Supplementary note ii. The reconciliation between EPRA earnings and the IFRS reported loss is disclosed in the Financial Review and in note 7(b) below.



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

		Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
IFRS reported (loss)/profit		<b>(243.4)</b>	254.1	734.5
EPRA adjustments <sup>1</sup>				
Revaluation of investment property	Group	<b>291.7</b>	(201.2)	(615.2)
	JV	<b>5.2</b>	(8.2)	(19.7)
Fair value of derivatives	Group	<b>(6.1)</b>	–	–
	JV	<b>(0.2)</b>	(0.3)	(0.7)
Loss/(profit) on disposals	Group	<b>3.4</b>	(2.2)	(8.0)
	JV	<b>0.1</b>	(0.2)	(0.2)
Debt early close out costs	Group	–	–	–
	JV	–	0.1	0.1
Non-controlling interest share of adjustments		<b>(0.5)</b>	2.1	2.7
<b>EPRA earnings</b>		<b>50.2</b>	44.2	93.5

<sup>1</sup> EPRA adjustments are also shown in the table reconciling EPRA earnings with IFRS reported (loss)/profit in the Financial Review

	Unaudited Six months to 30 September 2022 Number of shares (millions)	Unaudited Six months to 30 September 2021 Number of shares (millions)	Audited Year to 31 March 2022 Number of shares (millions)
Ordinary share capital	<b>980.3</b>	909.9	934.2
Shares held in the Employee Benefit Trust	<b>(2.7)</b>	(3.0)	(2.7)
Weighted average number of ordinary shares - basic	<b>977.6</b>	906.9	931.5
Employee share schemes	<b>4.2</b>	5.1	4.8
Weighted average number of ordinary shares – fully diluted	<b>981.8</b>	912.0	936.3
<b>Earnings per share</b>			
Basic	<b>(24.90)p</b>	28.01p	78.84p
Diluted	<b>(24.90)p</b>	27.86p	78.44p
<b>EPRA Earnings per share</b>			
Basic	<b>5.14p</b>	4.87p	10.04p
Diluted	<b>5.12p</b>	4.84p	9.99p

## 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.

<b>As at 30 September 2022 (unaudited)</b>	<b>EPRA net tangible assets £m</b>	<b>EPRA net disposal value £m</b>	<b>EPRA net reinstatement value £m</b>
Equity shareholders' funds	<b>2,269.8</b>	<b>2,269.8</b>	<b>2,269.8</b>
Fair value of group derivatives	<b>(18.7)</b>	–	<b>(18.7)</b>
Fair value of joint ventures' derivatives	<b>(0.3)</b>	–	<b>(0.3)</b>
Mark to market of fixed rate debt	–	<b>60.9</b>	–
Purchasers' costs <sup>1</sup>	–	–	<b>235.0</b>
<b>EPRA net asset value</b>	<b>2,250.8</b>	<b>2,330.7</b>	<b>2,485.8</b>

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

<b>As at 30 September 2021 (unaudited)</b>	<b>EPRA net tangible assets £m</b>	<b>EPRA net disposal value £m</b>	<b>EPRA net reinstatement value £m</b>
Equity shareholders' funds	1,947.6	1,947.6	1,947.6
Fair value of joint ventures' derivatives	0.3	–	0.3
Mark to market of fixed rate debt	–	(7.0)	–
Purchasers' costs	–	–	202.0
<b>EPRA net asset value</b>	<b>1,947.9</b>	<b>1,940.6</b>	<b>2,149.9</b>

<b>As at 31 March 2022 (audited)</b>	<b>EPRA net tangible assets £m</b>	<b>EPRA net disposal value £m</b>	<b>EPRA net reinstatement value £m</b>
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	–	–	202.0
<b>EPRA net asset value</b>	<b>2,559.6</b>	<b>2,571.0</b>	<b>2,761.6</b>

	<b>Unaudited 30 September 2022 Number of shares (millions)</b>	<b>Unaudited 30 September 2021 Number of shares (millions)</b>	<b>Audited 31 March 2022 Number of shares (millions)</b>
As at			
Ordinary share capital	<b>980.7</b>	910.3	978.6
Shares held in Employee Benefit Trust	<b>(2.9)</b>	(2.1)	(2.7)
Number of ordinary shares - basic	<b>977.8</b>	908.2	975.9
Employee share schemes	<b>3.9</b>	4.5	4.5
Number of ordinary shares – fully diluted	<b>981.7</b>	912.7	980.4
<b>IFRS net asset value per share</b>	<b>232.1p</b>	214.4p	262.3p
<b>EPRA net tangible assets per share</b>	<b>229.3p</b>	213.4p	261.1p
<b>EPRA net disposal value per share</b>	<b>237.4p</b>	212.6p	262.2p
<b>EPRA net reinstatement value per share</b>	<b>253.2p</b>	235.6p	281.7p

## 8. Investment properties

### a) Investment properties

	Completed £m	Under development £m	Unaudited 30 September 2022 £m	Completed £m	Under development £m	Audited 31 March 2022 £m
Opening balance	3,423.4	66.7	<b>3,490.1</b>	2,440.8	58.7	2,499.5
Acquisitions	147.1	48.4	<b>195.5</b>	457.5	43.5	501.0
Capital expenditure	3.9	9.7	<b>13.6</b>	10.4	44.6	55.0
Disposals	(37.4)	–	<b>(37.4)</b>	(60.4)	(3.4)	(63.8)
Property transfers <sup>1</sup>	(56.1)	(11.2)	<b>(67.3)</b>	(28.9)	(94.3)	(123.2)
Revaluation movement	(274.0)	(17.7)	<b>(291.7)</b>	598.4	16.8	615.2
Tenant incentives	5.4	–	<b>5.4</b>	5.6	0.8	6.4
Property portfolio	3,212.3	95.9	<b>3,308.2</b>	3,423.4	66.7	3,490.1
Head lease and right of use assets	4.2	–	<b>4.2</b>	4.5	–	4.5
	3,216.5	95.9	<b>3,312.4</b>	3,427.9	66.7	3,494.6

<sup>1</sup> Properties totalling £67.3 million have been transferred to current assets and separately disclosed as assets held for sale as reflected in note 8b

Investment properties are held at fair value as at 30 September 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. There has been no change in the valuation technique in the period. The total fees earned by CBRE and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Long term leasehold values included within investment properties amount to £100.0 million (30 September 2021: £143.3 million, 31 March 2022: £169.7 million). All other properties are freehold.

Included within the investment property valuation is £91.2 million (30 September 2021: £81.5 million, 31 March 2022: £85.8 million) in respect of lease incentives and rent free periods. The movement in the period reflects lease incentives paid of £1.0 million (30 September 2021: £1.5 million, 31 March 2022: £4.2 million) and rent free and amortisation movements of £4.8 million (30 September 2021: £3.8 million, 31 March 2022: £8.9 million), offset by incentives written off on disposal of £0.4 million (30 September 2021: £3.2 million, 31 March 2022: £6.7 million).

The historical cost of all of the Group's investment properties at 30 September 2022 was £2,524.6 million (30 September 2021: £2,127.5 million, 31 March 2022: £2,358.4 million).

Capital commitments have been entered into amounting to £46.3 million (30 September 2021: £33.5 million, 31 March 2022: £127.4 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £1.3 million (30 September 2021: £1.2 million, 31 March 2022: £2.5 million) have been capitalised in the period, being directly attributable to the development projects in progress.

Forward funded development costs of £34.9 million (30 September 2021: nil, 31 March 2022: £13.2 million) have been classified within investment property as acquisitions.

At 30 September 2022, investment properties included £4.2 million for the head lease right of use assets in accordance with IFRS 16 (30 September 2021: £4.8 million, 31 March 2022: £4.5 million).

## b) Non current assets held for sale

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Opening balance	21.2	—	—
Disposals	(15.0)	—	(102.0)
Property transfers	67.3	104.6	123.2
<b>Closing balance</b>	<b>73.5</b>	<b>104.6</b>	<b>21.2</b>

The valuation of property held for sale at 30 September 2022 was £73.5 million, representing £60.6 million distribution and £12.9 million long income assets. Long term leasehold values included amount to £60.6 million. All other properties are freehold. The sales of these assets are expected to complete within the next six months.

Assets held for sale at 1 April 2021 of £22.4 million were not separately disclosed on the face of the balance sheet and were classified within investment properties.

## 9. Investment in joint ventures

At 30 September 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 Sector	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.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold one property in the period for £18.0 million (Group share: £9.0 million).

At 30 September 2022, the freehold and leasehold investment properties were externally valued by CBRE. There were no properties held for sale by joint ventures at 30 September 2022 (30 September 2021: £4.4 million (Group share: £2.0 million), 31 March 2022: nil).

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

	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Audited Year to 31 March 2022 £m
Opening balance	72.6	59.2	59.2
Share of (loss)/profit in the period	(3.7)	10.1	23.3
Distributions received	(0.7)	(4.1)	(9.9)
<b>Closing balance</b>	<b>68.2</b>	<b>65.2</b>	<b>72.6</b>

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	Unaudited Total 30 September 2022 £m	Unaudited Group share 30 September 2022 £m
<b>Summarised income statement</b>				
Gross rental income	4.4	—	4.4	2.2
Property costs	(0.1)	—	(0.1)	(0.1)
Net rental income	4.3	—	4.3	2.1
Management fees	(0.6)	—	(0.6)	(0.3)
Revaluation	(10.4)	—	(10.4)	(5.2)
Net finance cost	(0.7)	—	(0.7)	(0.4)
Derivative movement	0.3	—	0.3	0.2
Loss on disposal	(0.3)	—	(0.3)	(0.1)
<b>Loss after tax</b>	<b>(7.4)</b>	<b>—</b>	<b>(7.4)</b>	<b>(3.7)</b>
<b>Group share of loss after tax</b>	<b>(3.7)</b>	<b>—</b>	<b>(3.7)</b>	
<b>EPRA adjustments</b>				
Revaluation	10.4	—	10.4	5.2
Derivative movement	(0.3)	—	(0.3)	(0.2)
Loss on disposal	0.3	—	0.3	0.1
<b>EPRA earnings</b>	<b>3.0</b>	<b>—</b>	<b>3.0</b>	<b>1.4</b>
<b>Group share of EPRA earnings</b>	<b>1.4</b>	<b>—</b>	<b>1.4</b>	
<b>Summarised balance sheet</b>				
Investment properties	165.7	—	165.7	82.9
Other current assets	0.1	—	0.1	0.1
Cash	7.7	0.2	7.9	3.9
Current liabilities	(2.6)	—	(2.6)	(1.3)
Bank debt	(35.4)	—	(35.4)	(17.7)
Unamortised finance costs	0.1	—	0.1	—
Derivative financial instruments	0.6	—	0.6	0.3
<b>Net assets</b>	<b>136.2</b>	<b>0.2</b>	<b>136.4</b>	<b>68.2</b>
<b>Group share of net assets</b>	<b>68.1</b>	<b>0.1</b>	<b>68.2</b>	

	Metric Income Plus Partnership £m	LSP London Residential Investments £m	Unaudited Total 30 September 2021 £m	Unaudited Group share 30 September 2021 £m
<b>Summarised income statement</b>				
Gross rental income	4.6	–	4.6	2.3
Property costs	(0.1)	–	(0.1)	–
Net rental income	4.5	–	4.5	2.3
Management fees	(0.5)	–	(0.5)	(0.3)
Revaluation	16.7	(0.5)	16.2	8.2
Net finance cost	(1.2)	–	(1.2)	(0.6)
Derivative movement	0.5	–	0.5	0.3
Profit on disposal	0.6	–	0.6	0.2
Profit/(loss) after tax	20.6	(0.5)	20.1	10.1
Group share of profit/(loss) after tax	10.3	(0.2)	10.1	
<b>EPRA adjustments</b>				
Revaluation	(16.7)	0.5	(16.2)	(8.2)
Derivative movement	(0.5)	–	(0.5)	(0.3)
Debt and hedging early close out costs	0.2	–	0.2	0.1
Profit on disposal	(0.6)	–	(0.6)	(0.2)
EPRA earnings	3.0	–	3.0	1.5
Group share of EPRA earnings	1.5	–	1.5	

	Metric Income Plus Partnership £m	LSP London Residential Investments £m	Audited Total 31 March 2022 £m	Audited Group share 31 March 2022 £m
<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
Net assets	145.0	0.2	145.2	72.6
Group share of net assets	72.5	0.1	72.6	

## 10. Trade and other receivables

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	Audited 31 March 2022 £m
Trade receivables	4.6	9.8	5.7
Prepayments and accrued income	1.7	1.5	6.2
Other receivables	1.0	1.2	1.2
	7.3	12.5	13.1

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment dates with no credit period. At 30 September 2022, trade receivables of £112,200 were overdue and considered at risk (30 September 2021: £101,200, 31 March 2022: £125,800).

Based on the IFRS 9 expected credit loss model, an impairment provision of £1.1 million (30 September 2021: £810,000, 31 March 2022: £1.1 million) has also been made against trade receivables.

## 11. Cash and cash equivalents

Cash and cash equivalents include £8.5 million (30 September 2021: £12.1 million, 31 March 2022: £7.4 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

## 12. Trade and other payables

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	Audited 31 March 2022 £m
Trade payables	16.1	11.4	12.2
Amounts payable on property acquisitions and disposals	1.1	1.0	1.0
Rent received in advance	26.6	22.1	24.6
Accrued interest	1.2	1.0	1.0
Other payables	7.4	3.1	7.1
Other accruals and deferred income	11.0	10.3	13.5
	<b>63.4</b>	<b>48.9</b>	<b>59.4</b>

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

## 13. Borrowings

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	Audited 31 March 2022 £m
Secured Bank loans	62.1	62.4	62.2
Unsecured Bank loans	1,125.0	980.0	965.0
	<b>1,187.1</b>	<b>1,042.4</b>	<b>1,027.2</b>
Unamortised finance costs	(5.8)	(6.1)	(5.8)
	<b>1,181.3</b>	<b>1,036.3</b>	<b>1,021.4</b>

Certain bank loans at 30 September 2022 are secured by fixed charges over Group investment properties with a carrying value of £257.9 million (30 September 2021: £239.7 million, 31 March 2022: £284.7 million).

As at 30 September 2022 (unaudited)	Floating rate £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
<b>Secured bank loans:</b>				
Scottish Widows fixed rate debt	–	62.1	62.1	9.2
<b>Unsecured bank loans:</b>				
Revolving credit facility (syndicate)	200.0	–	200.0	2.6
Wells Fargo revolving credit facility	115.0	–	115.0	4.6
Barclays credit facility	150.0	–	150.0	1.2
Private Placement 2016 (syndicate)	–	130.0	130.0	2.2
Private Placement 2018 (syndicate)	–	150.0	150.0	8.3
Private Placement 2021 (syndicate)	–	380.0	380.0	9.7
	<b>465.0</b>	<b>722.1</b>	<b>1,187.1</b>	<b>5.9</b>

As at 31 March 2022 (audited)	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
	305.0	722.2	1,027.2	6.6

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.

As at 30 September 2022 (unaudited)	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	150.5	172.0	381.3	685.0	1,388.8
Derivative financial instruments	0.6	0.6	1.6	–	2.8
	151.1	172.6	382.9	685.0	1,391.6

As at 31 March 2022 (audited)	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

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.

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. At 30 September 2022, 77% of the Group's (including share of JV) debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps (30 September 2021: 70%, 31 March 2022: 71%).

Details of the fair value of the Group's derivative financial instruments that were in place in the current and previous periods are provided below.

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2022 %	Audited 31 March 2022 %	Unaudited 30 September 2022 £m	Audited 31 March 2022 £m	Unaudited 30 September 2022 £m	Audited 31 March 2022 £m
<b>Interest rate swaps – expiry</b>						
Two to five years	2.5	–	187.5	–	18.7	–



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

## 14. Share capital

	Unaudited 30 September 2022 Number	Unaudited 30 September 2022 £m	Audited 31 March 2022 Number	Audited 31 March 2022 £m
<b>Issued, called up and fully paid</b>				
Ordinary shares of 10p each	<b>980,693,900</b>	<b>98.1</b>	978,607,507	97.9

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 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
At 31 March 2022	978,607,507	97.9	386.8
Issued under scrip share scheme	2,086,393	0.2	5.1
<b>At 30 September 2022</b>	<b>980,693,900</b>	<b>98.1</b>	<b>391.9</b>

The Company issued 2,086,393 ordinary shares under the terms of its Scrip Dividend Scheme during the period. Post period end in October, the Company issued a further 1,446,036 ordinary shares under the terms of its Scrip Dividend Scheme.

The movement in the shares held by the Employee Benefit Trust in the current and previous period is summarised in the table below.

	Ordinary shares Number	Ordinary shares £m
<b>Shares held by the Employee Benefit Trust</b>		
At 1 April 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
At 31 March 2022	2,662,621	0.3
Shares issued under employee share schemes	(2,092,512)	(0.2)
Shares acquired by the Employee Benefit Trust	2,302,122	0.2
<b>At 30 September 2022</b>	<b>2,872,231</b>	<b>0.3</b>

In June 2022, the Company granted options over 1,853,585 ordinary shares under its Long Term Incentive Plan. In addition, 2,092,512 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 235.9p. As at 30 September 2022, the Company's Employee Benefit Trust held 2,872,231 shares in the Company to satisfy awards under the Company's Long Term Incentive and Deferred Bonus Plans.

## 15. Reserves

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

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited, 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	30 September 2022 Total other reserves £m	Merger reserve £m	Employee Benefit Trust shares £m	31 March 2022 Total other reserves £m
<b>Share capital issued, called up and fully paid</b>						
Opening balance	497.4	(6.3)	<b>491.1</b>	497.4	(9.7)	487.7
Employee share schemes:						
Purchase of shares	–	(5.5)	<b>(5.5)</b>	–	(1.5)	(1.5)
Vesting of shares	–	4.8	<b>4.8</b>	–	4.9	4.9
<b>Closing balance</b>	<b>497.4</b>	<b>(7.0)</b>	<b>490.4</b>	497.4	(6.3)	491.1

## 16. Analysis of movement in net debt

	1 April 2022 £m	Financing cash flows £m	Other cash flows £m	Non cash movements			30 September 2022 £m
				Impact of issue and arrangement costs £m	Fair value of derivatives £m	Interest charge and unwinding of discount £m	
Bank loans and derivatives	1,027.2	147.4	–	–	(6.1)	(0.1)	<b>1,168.4</b>
Unamortised finance costs	(5.8)	(0.6)	–	0.6	–	–	<b>(5.8)</b>
Other finance costs	–	(0.7)	–	0.7	–	–	–
Interest payable	1.0	(14.1)	–	–	–	14.3	<b>1.2</b>
Lease liabilities	4.6	(0.4)	–	–	–	0.1	<b>4.3</b>
Total liabilities from financing activities	1,027.0	131.6	–	1.3	(6.1)	14.3	<b>1,168.1</b>
Cash and cash equivalents	(51.3)	–	5.5	–	–	–	<b>(45.8)</b>
<b>Net debt</b>	<b>975.7</b>	<b>131.6</b>	<b>5.5</b>	<b>1.3</b>	<b>(6.1)</b>	<b>14.3</b>	<b>1,122.3</b>

	1 April 2021 £m	Financing cash flows £m	Other cash flows £m	Non cash movements			31 March 2022 £m
				Impact of issue and arrangement costs £m	Fair value of derivatives £m	Interest charge and unwinding of discount £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>

## 17. Related party transactions

### a) Joint Ventures

Management fees and distributions receivable from the Group's joint arrangements during the period were as follows:

	Group interest	Management fees		Distributions	
		Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2021 £m
LSP London Residential Investments Ltd	40%	–	–	–	0.5
LMP Retail Warehouse JV Holdings Limited	82%	0.1	–	1.8	–
Metric Income Plus Partnership	50%	0.6	0.7	0.7	3.6
		0.7	0.7	2.5	4.1

Transactions between the Company and its wholly owned 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 share as a deduction in the consolidated income statement and consolidated balance sheet.

As at the period end, the non-controlling interest share of losses and net assets was £0.2 million and £9.5 million respectively. A distribution of £0.4 million was paid to the NCI during the period.

## 18. Post balance sheet events

Post period end, we have completed sales totalling £91.4 million, of which £63.3 million had exchanged in the period. Property sales are discussed in detail in the Property Review.

In November, we completed a new £225 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This new sustainability-linked loan, with two one year extension options and an accordion facility of up to £75 million, will be used to refinance the balance of our shorter dated facilities not repaid through sales and provide funds for investment opportunities.

## Directors' Responsibility Statement

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

- This condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the United Kingdom; and
- This condensed set of financial statements includes a fair review of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

By order of the Board

**Andrew Jones**

Chief Executive

**Martin McGann**

Finance Director

23 November 2022

## Independent Review Report to LondonMetric Property Plc

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2022 which comprises the Group income statement, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30<sup>th</sup> September 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, 'Interim Financial Reporting'.

## **Conclusion Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

## **Responsibilities of the Directors**

The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

## **Auditor's Responsibilities for the review of the financial information**

In reviewing the half yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## **Use of our report**

This report is made solely to the Company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Deloitte LLP**

Statutory Auditor

London, United Kingdom

23 November 2022

# Supplementary information

## i EPRA Summary table

	30 September 2022	30 September 2021	31 March 2022
EPRA earnings per share	<b>5.14p</b>	4.87p	10.04p
EPRA net tangible assets per share	<b>229.3p</b>	213.4p	261.1p
EPRA net disposal value per share	<b>237.4p</b>	212.6p	262.2p
EPRA net asset reinstatement value per share	<b>253.2p</b>	235.6p	281.7p
EPRA vacancy rate	<b>1.3%</b>	1.1%	1.3%
EPRA cost ratio (including vacant property costs)	<b>12.3%</b>	13.2%	12.5%
EPRA cost ratio (excluding vacant property costs)	<b>11.9%</b>	12.4%	11.8%
EPRA net initial yield	<b>3.8%</b>	3.8%	3.4%
EPRA 'topped up' net initial yield	<b>4.1%</b>	4.2%	3.7%

## ii EPRA proportionally consolidated income statement

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	71.2	2.2	(0.5)	<b>72.9</b>	62.6	2.3	(0.6)	64.3
Property costs	(0.7)	(0.1)	–	<b>(0.8)</b>	(0.8)	–	–	(0.8)
Net rental income	70.5	2.1	(0.5)	<b>72.1</b>	61.8	2.3	(0.6)	63.5
Management fees	0.7	(0.3)	–	<b>0.4</b>	0.7	(0.3)	0.1	0.5
Other income	–	–	–	–	0.4	–	–	0.4
Administrative costs	(8.6)	–	–	<b>(8.6)</b>	(8.2)	–	–	(8.2)
Net finance costs	(13.3)	(0.4)	0.1	<b>(13.6)</b>	(11.6)	(0.5)	0.1	(12.0)
Tax	(0.2)	–	0.1	<b>(0.1)</b>	(0.1)	–	0.1	–
<b>EPRA earnings</b>	<b>49.1</b>	<b>1.4</b>	<b>(0.3)</b>	<b>50.2</b>	<b>43.0</b>	<b>1.5</b>	<b>(0.3)</b>	<b>44.2</b>

## iii EPRA proportionally consolidated balance sheet

As at	100% owned £m	JV £m	NCI £m	30 September 2022 £m	100% owned £m	JV £m	NCI £m	31 March 2022 £m
Investment property	3,312.4	82.9	(14.6)	<b>3,380.7</b>	3,494.6	96.6	(15.1)	3,576.1
Assets held for sale	73.5	–	–	<b>73.5</b>	21.2	–	–	21.2
Trading property	1.1	–	–	<b>1.1</b>	1.1	–	–	1.1
	3,387.0	82.9	(14.6)	<b>3,455.3</b>	3,516.9	96.6	(15.1)	3,598.4
Gross debt	(1,187.1)	(17.7)	–	<b>(1,204.8)</b>	(1,027.2)	(26.5)	–	(1,053.7)
Cash	45.8	3.9	(0.6)	<b>49.1</b>	51.3	3.6	(0.6)	54.3
Other net liabilities	(53.3)	(1.2)	5.7	<b>(48.8)</b>	(43.8)	(1.2)	5.6	(39.4)
<b>EPRA NTA</b>	<b>2,192.4</b>	<b>67.9</b>	<b>(9.5)</b>	<b>2,250.8</b>	<b>2,497.2</b>	<b>72.5</b>	<b>(10.1)</b>	<b>2,559.6</b>
Derivatives	18.7	0.3	–	<b>19.0</b>	–	0.1	–	0.1
<b>IFRS net assets</b>	<b>2,211.1</b>	<b>68.2</b>	<b>(9.5)</b>	<b>2,269.8</b>	<b>2,497.2</b>	<b>72.6</b>	<b>(10.1)</b>	<b>2,559.7</b>
Loan to value	32.3%	16.7%	–	<b>32.1%</b>	28.9%	24.3%	–	28.8%
Cost of debt	3.2%	3.5%	–	<b>3.2%</b>	2.6%	3.4%	–	2.6%
Undrawn facilities	85.0	–	–	<b>85.0</b>	245.0	–	–	245.0

#### iv EPRA cost ratio

	2022 £m	2021 £m
For the six months to 30 September		
Property operating expenses	0.7	0.8
Administrative costs	8.6	8.2
Share of joint venture property costs, administrative costs and management fees	0.4	0.2
Less:		
Joint venture property management fee income	(0.7)	(0.7)
Ground rents	–	–
<b>Total costs including vacant property costs (A)</b>	<b>9.0</b>	<b>8.5</b>
Group vacant property costs	(0.3)	(0.5)
<b>Total costs excluding vacant property costs (B)</b>	<b>8.7</b>	<b>8.0</b>
Gross rental income	71.2	62.6
Share of joint venture gross rental income	2.2	2.3
Share of non-controlling interest gross rental income	(0.5)	(0.6)
	72.9	64.3
Less: Ground rents	–	–
<b>Total gross rental income (C)</b>	<b>72.9</b>	<b>64.3</b>
<b>Total EPRA cost ratio (including vacant property costs) (A)/(C)</b>	<b>12.3%</b>	<b>13.2%</b>
<b>Total EPRA cost ratio (excluding vacant property costs) (B)/(C)</b>	<b>11.9%</b>	<b>12.4%</b>

#### v EPRA net initial yield and ‘topped up’ net initial yield

	30 September 2022 £m	31 March 2022 £m
As at		
Investment property – wholly owned <sup>1</sup>	3,381.7	3,511.3
Investment property – share of joint ventures	82.9	96.6
Trading property	1.1	1.1
Less development properties	(97.0)	(67.8)
Less residential properties	(0.9)	(0.9)
Less non-controlling interest	(14.6)	(15.1)
Completed property portfolio	3,353.2	3,525.2
Allowance for:		
Estimated purchasers’ costs	228.0	239.7
Estimated costs to complete	34.8	33.7
<b>EPRA property portfolio valuation (A)</b>	<b>3,616.0</b>	<b>3,798.6</b>
Annualised passing rental income	137.3	129.4
Share of joint ventures	4.0	4.5
Less development properties	(3.9)	(3.3)
<b>Annualised net rents (B)</b>	<b>137.4</b>	<b>130.6</b>
Contractual rental increase across the portfolio	11.2	11.5
<b>‘Topped up’ net annualised rent (C)</b>	<b>148.6</b>	<b>142.1</b>
<b>EPRA net initial yield (B/A)</b>	<b>3.8%</b>	<b>3.4%</b>
<b>EPRA ‘topped up’ net initial yield (C/A)</b>	<b>4.1%</b>	<b>3.7%</b>

<sup>1</sup> Wholly owned investment property includes assets held for sale of £73.5m (31 March 2022: £21.2m)

## vi EPRA vacancy rate

As at	30 September 2022 £m	31 March 2022 £m
Annualised estimated rental value of vacant premises	2.2	2.1
Portfolio estimated rental value <sup>1</sup>	168.2	157.1
<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	100% owned <sup>5</sup> £m	JV £m	NCI £m	30 September 2022 £m	100% owned £m	JV £m	NCI £m	31 March 2022 £m
Opening valuation	3,516.9	96.6	(15.1)	<b>3,598.4</b>	2,505.7	94.4	(11.4)	2,588.7
Acquisitions <sup>1</sup>	147.1	—	—	<b>147.1</b>	457.5	—	—	457.5
Developments <sup>2,4</sup>	56.8	—	—	<b>56.8</b>	87.8	—	—	87.8
<u>Investment properties</u>								
Incremental lettable space <sup>3</sup>	—	—	—	—	4.5	—	(0.7)	3.8
No incremental lettable space <sup>3</sup>	3.7	0.1	—	<b>3.8</b>	5.6	1.6	—	7.2
Tenant incentives	5.4	0.3	—	<b>5.7</b>	5.6	(0.5)	(0.3)	4.8
Capitalised interest <sup>4</sup>	1.5	—	—	<b>1.5</b>	1.4	—	—	1.4
<b>Total EPRA capex</b>	<b>214.5</b>	<b>0.4</b>	<b>—</b>	<b>214.9</b>	<b>562.4</b>	<b>1.1</b>	<b>(1.0)</b>	<b>562.5</b>
Disposals	(52.4)	(8.9)	—	<b>(61.3)</b>	(165.8)	(18.6)	—	(184.4)
Revaluation	(291.7)	(5.2)	0.5	<b>(296.4)</b>	615.2	19.7	(2.7)	632.2
ROU asset	(0.3)	—	—	<b>(0.3)</b>	(0.6)	—	—	(0.6)
<b>Closing valuation</b>	<b>3,387.0</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,455.3</b>	<b>3,516.9</b>	<b>96.6</b>	<b>(15.1)</b>	<b>3,598.4</b>

1 Group acquisitions in the period include completed investment properties as reflected in note 8 to the financial statements

2 Group developments include acquisitions, capital expenditure and lease incentive movements on properties under development as reflected in note 8 to the financial statements after excluding capitalised interest noted in footnote 4 below

3 Group capital expenditure on completed properties as reflected in note 8 to the financial statements after excluding capitalised interest noted in footnote 4 below

4 Capitalised interest on investment properties of £0.2 million (31 March 2022: £0.3 million) and development properties of £1.3 million (31 March 2022: £1.1 million)

5 Including trading property of £1.1 million and assets held for sale of £73.5 million

## viii Total accounting return

	30 September 2022 p/share	30 September 2021 p/share	31 March 2022 p/share
EPRA net tangible asset value per share			
– at end of period	<b>229.3</b>	213.4	261.1
– at start of period	<b>261.1</b>	190.3	190.3
{Decrease}/increase in the period	<b>(31.8)</b>	23.1	70.8
Dividend paid	<b>4.9</b>	4.5	8.9
Net (decrease)/ increase	<b>(26.9)</b>	27.6	79.7
<b>Total accounting return</b>	<b>-10.3%</b>	14.5%	41.9%



## ix Portfolio split and valuation

As at	30 September 2022		31 March 2022	
	£m	%	£m	%
Mega distribution	366.0	10.6	425.2	11.8
Regional distribution	665.3	19.3	665.3	18.5
Urban logistics	1,455.3	42.2	1,551.5	43.2
Distribution	2,486.6	72.1	2,642.0	73.5
Long income	774.7	22.4	785.3	21.8
Retail parks	66.1	1.9	70.6	2.0
Offices	25.8	0.7	27.3	0.8
<b>Investment portfolio</b>	<b>3,353.2</b>	<b>97.1</b>	<b>3,525.2</b>	<b>98.1</b>
Development <sup>1</sup>	97.0	2.9	67.8	1.9
Residential	0.9	–	0.9	–
<b>Total portfolio</b>	<b>3,451.1</b>	<b>100.0</b>	<b>3,593.9</b>	<b>100.0</b>
Head lease and right of use assets	4.2		4.5	
	<b>3,455.3</b>		<b>3,598.4</b>	

<sup>1</sup> Represents regional distribution £36.9 million (1.1%), urban logistics £23.5 million (0.7%), long income £33.8 million (1.0%), office and other land £2.8 million (0.1%) at 30 September 2022. Split of prior period comparatives was 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%)

## x Investment portfolio yields

As at	30 September 2022			31 March 2022		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	3.4	3.8	4.6	3.0	3.4	4.1
Long income	4.8	5.0	5.2	4.6	4.7	5.1
Retail parks	5.1	5.3	5.2	4.5	4.9	4.8
Offices	6.1	6.3	7.0	6.4	6.4	6.5
<b>Investment portfolio</b>	<b>3.8</b>	<b>4.1</b>	<b>4.8</b>	<b>3.4</b>	<b>3.7</b>	<b>4.4</b>

## xi Investment portfolio – Key statistics

As at 30 September 2022	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	14,019	11.2	10.0	98.6	7.20
Long income	2,874	13.3	12.0	99.8	15.90
Retail parks	258	7.3	6.8	100.0	14.70
Offices	118	3.5	3.3	81.9	16.50
<b>Investment portfolio</b>	<b>17,269</b>	<b>11.6</b>	<b>10.4</b>	<b>98.7</b>	<b>8.70</b>

## xii Total property returns

	All property 30 September 2022	All property 30 September 2021	All property 31 March 2022
	%	%	%
Capital return	2.0	7.9	22.9
Income return	-8.1	2.4	4.4
<b>Total return</b>	<b>-6.3</b>	<b>10.4</b>	<b>28.2</b>

### xiii Contracted rental income

As at	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Distribution	100.2	87.9	95.6
Long income	40.9	36.3	38.9
Retail parks	3.8	3.8	3.6
Offices	1.7	2.1	1.9
<b>Investment portfolio</b>	<b>146.6</b>	<b>130.1</b>	<b>140.0</b>
Development – distribution	3.0	–	2.4
Development – long income	0.9	0.4	0.9
<b>Total portfolio</b>	<b>150.5</b>	<b>130.5</b>	<b>143.3</b>

### xiv Rent subject to expiry

As at 30 September 2022	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	15.0	22.4	47.5	73.9	85.9	100.0
Long income	5.8	11.1	33.3	61.9	91.8	100.0
Retail parks	17.8	41.8	78.3	100.0	100.0	100.0
Offices	74.2	78.9	100.0	100.0	100.0	100.0
<b>Total investment portfolio</b>	<b>13.2</b>	<b>20.4</b>	<b>45.0</b>	<b>71.5</b>	<b>88.1</b>	<b>100.0</b>

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

As at	30 September 2022 £m	30 September 2022 %	30 September 2021 £m	31 March 2022 %
Distribution	60.1	60.0	60.0	61.2
Long income	27.5	67.2	27.0	67.7
Retail parks	0.6	15.4	0.3	9.2
<b>Total investment portfolio</b>	<b>88.2</b>	<b>60.1</b>	<b>87.3</b>	<b>60.9</b>

### xvi Top ten assets (by value)<sup>1</sup>

As at 30 September 2022	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	1,062	5.9	100.0	18.0	18.0
Eddie Stobart, Dagenham	454	4.1	100.0	21.0	21.0
Argos, Bedford	658	4.1	100.0	11.5	11.5
THG, Warrington	686	4.1	100.0	22.2	22.2
Tesco, Croydon	191	1.9	100.0	5.6	5.6
Movianto, Bedford	356	2.8	100.0	24.2	24.2
Amazon, Warrington	357	2.4	100.0	9.2	9.2
Oak Furniture, Swindon	357	1.9	100.0	13.1	13.1
Reynolds, Waltham Cross	115	1.6	100.0	21.6	21.6
Clipper, Ollerton	364	2.2	100.0	15.0	15.0

<sup>1</sup> Excludes post period end sales that exchanged in the period

## xvii Top ten occupiers<sup>1</sup>

As at 30 September 2022	Contracted rental income £m	Contracted rental income %
Primark	5.9	3.9
Amazon	4.9	3.2
Argos	4.2	2.8
THG	4.1	2.8
Eddie Stobart	4.1	2.7
Currys	3.9	2.6
DFS	3.9	2.6
Odeon	3.6	2.4
Waitrose	3.3	2.2
Marks and Spencer	3.2	2.1
<b>Top ten</b>	<b>41.1</b>	<b>27.3</b>

<sup>1</sup> Excludes income from post period end sales that exchanged in the period

## xviii Loan to value

As at	100% owned £m	JV £m	NCI £m	30 September 2022 £m	31 March 2022 £m
Gross debt	1,187.1	17.7	–	<b>1,204.8</b>	1,053.7
less: Fair value adjustments	(2.1)	–	–	<b>(2.1)</b>	(2.2)
less: Cash balances	(45.8)	(3.9)	0.6	<b>(49.1)</b>	(54.3)
Net debt	1,139.2	13.8	0.6	<b>1,153.6</b>	997.2
Acquisitions exchanged in the period	4.2	–	–	<b>4.2</b>	72.4
Disposals exchanged in the period	(73.5)	–	–	<b>(73.5)</b>	(21.2)
<b>Adjusted net debt (A)</b>	<b>1,069.9</b>	<b>13.8</b>	<b>0.6</b>	<b>1,084.3</b>	1,048.4
Exclude:					
Acquisitions exchanged in the period	(4.2)	–	–	<b>(4.2)</b>	(72.4)
Disposals exchanged in the period	73.5	–	–	<b>73.5</b>	21.2
Include:					
Net payables	56.1	1.2	(0.5)	<b>56.8</b>	47.2
<b>EPRA net debt (B)</b>	<b>1,195.3</b>	<b>15.0</b>	<b>0.1</b>	<b>1,210.4</b>	1,044.4
Investment properties at fair value	3,308.2	82.9	(14.6)	<b>3,376.5</b>	3,571.6
Properties held for sale	73.5	–	–	<b>73.5</b>	21.2
Trading properties	1.1	–	–	<b>1.1</b>	1.1
Total property portfolio	3,382.8	82.9	(14.6)	<b>3,451.1</b>	3,593.9
Acquisitions exchanged in the period	4.2	–	–	<b>4.2</b>	72.4
Disposals exchanged in the period	(73.5)	–	–	<b>(73.5)</b>	(21.2)
<b>Adjusted property portfolio (C)</b>	<b>3,313.5</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,381.8</b>	3,645.1
Exclude:					
Acquisitions exchanged in the period	(4.2)	–	–	<b>(4.2)</b>	(72.4)
Disposals exchanged in the period	73.5	–	–	<b>73.5</b>	21.2
Include:					
Financial assets	5.2	–	–	<b>5.2</b>	5.2
<b>EPRA property portfolio (D)</b>	<b>3,388.0</b>	<b>82.9</b>	<b>(14.6)</b>	<b>3,456.3</b>	3,599.1
<b>Loan to value (A)/(C)</b>	<b>32.3%</b>			<b>32.1%</b>	28.8%
<b>EPRA Loan to value (B)/(D)</b>	<b>35.3%</b>			<b>35.0%</b>	29.0%

# 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 Loan to Value (LTV)**

Net debt and net current payables if applicable, divided by the total property portfolio value including net current receivables if applicable and financial assets due from the NCI.

## **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).

## **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.

## **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.