

**LONDONMETRIC PROPERTY PLC**  
 (“LondonMetric” or the “Group” or the “Company”)  
**FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2024**

**Portfolio alignment to structurally supported sectors delivers continued earnings and dividend growth in a transformational year for the Group**

LondonMetric today announces its full year results for the year ended 31 March 2024.

	EPRA <sup>1,2</sup>		IFRS	
<b>Income Statement</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2023</b>
Net rental income (£m)	177.1	146.8	175.3	144.1
Earnings/Reported Profit /(Loss) (£m)	121.6	101.1	118.7	(506.3)
Earnings per share (p)	10.9	10.3	10.6	(51.8)
Dividend per share (p)	10.2	9.5	10.2	9.5
	EPRA <sup>1,2</sup>		IFRS	
<b>Balance Sheet</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2023</b>
Net tangible assets (NTA)/ Net Assets (£m)	3,908.9	1,956.2	3,969.5	1,995.2
NTA/ Net Assets per share (p)	191.7	198.9	195.2	203.7
LTV (%)	33.2	32.8		

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

**Focus on winning sectors and transformational M&A drives rents, earnings and dividend growth**

- Net contracted rent increased over the year from £145m to £340m as a result of merger activity
- Net rental income increased 20.6% to £177.1m and 21.7% on an IFRS basis
- EPRA earnings up 20.3% to £121.6m, +5.4% on a per share basis
- EPRA cost ratio improved to 11.6%, guiding to 8% for FY 2025
- Dividend increased 7.4% to 10.2p, 107% covered by earnings, including Q4 dividend declared today of 3.0p
- Continued dividend progression with Q1 2025 dividend expected to be 2.85p (Q1 FY24: 2.4p), an increase of 18.8%, and in line with target to pay a 12 pence per share dividend for the full year

**Portfolio returns driven by strong income performance**

- Total property return +4.7%, outperforming IPD by 570bps
- ERV growth of 5.7% absorbed yield expansion of 26 bps resulting in a broadly flat valuation
- EPRA NTA per share of 191.7p (-3.6%) largely due to one-off merger transaction costs
- IFRS reported profit of £118.7m (31 March 2023: loss of £506.3m)

**Portfolio aligned to structurally supported sectors of logistics, convenience, healthcare and entertainment**

- Portfolio value of £6.0bn doubled as a result of merger activity (31 March 2023: £3.0bn)
- £2.9bn added through the LXI merger and £0.3bn added through the CTPT acquisition
- £185m of disposals in year with a WAULT of six years, sold at 1% discount to prevailing book value
- Post year end, £51m of urban logistics acquired and £75m of sales, mainly retail and offices
- Logistics represents 43% of the portfolio and is expected to rise to above 50% over the next year

**Activity enhanced portfolio quality and strengthened long and strong income characteristics**

- Occupancy of 99.4%, WAULT of 19.4 years (31 March 2023: 11.9 years) and gross to net income ratio of 99.0%
- Contractual rental uplifts on 79% of income, embedded reversion on logistics with ERVs 26% ahead of passing rent
- 85% of portfolio EPC A-C rated and 0.8 MWp of solar PV added in year, with further 3.1MWp completed since

**Strong occupational activity delivered +£7.5m pa contracted income, 5.5% like for like income growth**

- Rent reviews +19% on a five yearly equivalent basis, urban logistics open market reviews +40%
- Regears achieving rental uplift of 23% with urban logistics regears +37%
- Income uplift expected over next two years of £23m from rent reviews and regears

**Strong financial position**

- LTV of 33.2% with weighted average debt maturity of 5.4 years and cost of debt at 3.9% (100% hedged)
- Post merger refinancing resulted in cheaper financing costs and scale is expected to drive further debt cost benefits

Andrew Jones, Chief Executive of LondonMetric, commented:

*“This has been a transformational period for our Company with the successful execution of two M&A transactions. We have doubled the size of our portfolio to £6 billion, creating the UK’s leading triple net lease REIT and the third largest UK REIT by market capitalisation. Scale and income granularity are increasingly important and our activity has further enhanced our sector leading income metrics with reliable, predictable and exceptional income growth.*

*“Our financial performance again reflects our sectorial focus, strength of our portfolio and the efficiency with which it is run. Our material earnings growth allowed us to again increase our covered dividend by 7.4% and gives us confidence to increase our Q1 dividend for FY 2025 by 19%. This will be our tenth year of dividend progression; a performance that allows us to be called a dividend achiever.”*

*“We are a thematic triple net income investor in structurally supported sectors with high quality assets that enjoy strong occupier contentment. Logistics remains our strongest conviction call for accelerated rental growth, particularly urban logistics, and this weighting is expected to increase materially as we reinvest proceeds from non core and ex-growth asset sales, with approximately £180 million already sold or under offer since year end.*

*“We are fully aligned to shareholders with a shared mission and will be ruthlessly efficient in how we operate our business and how we allocate capital in our quest towards dividend aristocracy.”*

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**Meeting and audio webcast**

An analysts meeting will be held at 9.00 a.m. today and a live audio webcast will be available at the below web page. An on demand recording will be available from the same page after the meeting: [https://brrmedia.news/LMP\\_FY](https://brrmedia.news/LMP_FY)

**Notes to editors**

LondonMetric is a FTSE 250 real estate company that owns £6.0 billion of structurally supported assets across the logistics, convenience, healthcare & education and entertainment & leisure sectors. It is the UK’s leading Triple Net Lease REIT with net contracted rent of £340 million per annum. By investing in mission critical and key real estate assets that benefit from structural drivers, we will deliver reliable, repetitive and growing income over the long term. Further information is available at [www.londonmetric.com](http://www.londonmetric.com).

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

## Chair's statement

After nearly a year in my position as Chair of LondonMetric, it is with great privilege that I write to you for the first time. I would like to take this opportunity to thank my predecessor, Patrick Vaughan, for his long and successful leadership of the Company.

The year has been exceptionally busy for LondonMetric following the merger with LXi REIT plc and the acquisition of CT Property Trust Limited. These are excellent transactions for the Company which have materially transformed the portfolio. The ability of the management team to identify, execute and integrate these opportunities has been highly impressive and is a testament to the strength and depth of the wider team that has been built up.

The Company has become the UK's leading Triple Net Lease REIT and the third largest UK REIT by market capitalisation with a portfolio that has doubled in size over the year to £6.0 billion. In addition, the Company's credentials have been enhanced across key metrics which has resulted in an even stronger earnings and dividend growth outlook, greater certainty of income and income growth and a business model that is the most cost efficient in the sector.

We were highly appreciative of the overwhelming shareholder support that we received for the LXi deal and the trust that shareholders have put in the LondonMetric team to deliver on the transaction. The structurally supported portfolio we acquired is very strong and the team has already set to work in implementing asset management plans across the LXi assets as well as readying certain non-core assets for sale to ensure that the Company remains aligned to the winning sectors and the best assets.

Over the last five years, excluding the two mergers this year, LondonMetric has bought and sold £2.5 billion of assets, proving its ability to monetise ex-growth and non core assets and recycle capital into higher growth opportunities. The scale of the Company today should provide it with an even better platform to access attractive deals – finding and transacting on attractive opportunities is in the management's DNA.

Our financial results for the year to 31 March 2024 again reflect the strength of the portfolio, the efficiency with which it is run and our focus on income growth and cost control. Net rental income was up 20.6% whilst our EPRA earnings per share increased by 5.4% to 10.9 pence, which is a material increase from 3.9 pence at the time of our formation in 2013 and represents a 10% compounded annual growth rate.

This has given us confidence to increase our dividend per share for the ninth year in a row, up 7.4% on 2023 to 10.2p which is 107% covered by EPRA earnings per share. Furthermore, reflecting the material earnings growth that we expect from the LXi transaction, we have indicated that our first quarterly dividend for the next financial year will be 19% higher than the prior year comparative, in line with our target of paying a 12 pence per share dividend for the full year.

Over the year, our portfolio's valuations were largely flat, but our strong income performance enabled us to deliver a total property return of 4.7% which represents a 570 bps outperformance of MSCI All Property. Whilst EPRA NTA per share fell by 3.6% over the year, this was largely down to one off transaction costs associated with the merger activity and we still reported a positive total accounting return of 1.3% and, over a longer term, the Company has delivered a TAR of 35.3% over five years and 126.5% over ten years.

From a financing perspective, we have continued to strengthen our debt facilities by improving flexibility, increasing duration and looking for cost efficiencies. We signed a new £700 million unsecured bank facility to refinance £625 million of LXi secured bank facilities and extended the term on £675 million of pre-existing LondonMetric debt. In addition to strong support from existing LondonMetric lenders, we are benefiting from new lending relationships gained as part of the process. As a result, our debt metrics are in great shape and we have been able to report at the year end a debt maturity of 5.4 years, an average cost of debt of 3.9% and significant undrawn facilities. We also continue to maintain a conservative LTV of 33.2% post the merger.

I have enjoyed working with the team over the last year. It is clear to me that we have a well aligned and high-grade management team with strong occupier and property relationships. I would like to thank all of our employees and the Board for their hard work and dedication over the past year.

We have strengthened the Board over the year with the appointment of Nick Leslau and Sandy Gumm, who I would like to welcome on your behalf. Their insight to the portfolio and broader industry is undoubted, as is their alignment with shareholders having rolled all of their LXi shares into LondonMetric. Their shareholding is significant and increases management's overall shareholding to 3.1% of the Company. In addition, Suzy Neubert has been appointed as Senior Independent Director.

I would also like to thank both James Dean and Rosalyn Wilton who retired as Non Executive Directors in the year. Their contribution to the Company was invaluable and we are delighted that James will be continuing in his role as a consultant to the Company.

I am genuinely excited by the prospects for the Company which I believe is very well placed to deliver reliable and growing dividends over the long term from its high class portfolio, long leases and guaranteed rental growth.

# Chief Executive's review

## Overview

Financial markets continue to be defined by elevated interest rates and higher borrowing costs. Whilst long term interest rates peaked last summer, higher levels of inflation persist and expectations of numerous rate cuts this year have proven to be overly optimistic, with markets now not pricing in a rate cut until later this year.

The uncertainty of interest rates continues to loom large over the sector. This is severely impacting liquidity across the real estate market, especially for larger assets and those sectors impacted by changing consumer behaviour. It is particularly impacting the office sector and parts of retail where there are few buyers and price discovery is almost impossible. Conversely, we are seeing price stability in structurally supported sectors where income security and rental growth is more assured. Liquidity levels are also better for smaller assets, where debt is not required. We expect this polarisation between the winning and losing sectors to continue as refinancing and redemption pressures force more legacy assets onto the market.

Our focus on the macro trends has served us well and continues to influence our capital allocation. We are a high conviction triple net income ('NNN') investor in structurally supported sectors benefiting from consumer tailwinds of online shopping, convenience retail, social experiences, healthcare and quicker gratification. We will consciously avoid the troubled legacy sectors where income security and growth is less assured.

We have been very active over the year both in the direct market and with M&A, and have not been waiting for the discounts to narrow or 'all clear' signs to appear. The LXi deal in the year has been transformational, giving us material scale and affording us significant cost synergies, debt optionality and much increased liquidity in our shares. Whilst smaller, the CTPT transaction added to our strongest conviction call of urban logistics where we are benefiting from long term structural shifts and capturing elevated levels of rental growth.

We firmly believe that the macro will always outdo the micro and so will continue to lean into winning sectors and the best properties that are mission critical to an occupier's business and where investment values are well below replacement costs.

Our total return model focuses on NNN income compounding with strong shareholder alignment ensuring that we remain disciplined, rational and active, looking to continually improve our portfolio, financing and net operating income. This approach is allowing us to materially progress our earnings and covered dividend, which is why we expect to increase our Q1 dividend for FY 2025 by 19%.

## Generate income

### **As the UK's leading NNN REIT we aim to deliver reliable, repetitive and growing income**

We continue to believe that income and income growth are the defining characteristics of long term investment returns. We appreciate the true benefit of income compounding over the longer term, focusing on the quantity, quality and timing of when cash will be returned. Compounding is not intuitive and, as a result, is often misunderstood and underappreciated.

Even with elevated 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 the property. After all, ten year indexed gilts are trading at 0.5%.

NNN REITs that invest in quality assets, with high occupier contentment with the certainty of income growth, are very well placed to deliver long term compounded returns. This model has been highly successful in the US and is a scalable, low cost proposition that does not require great activity, people or risky decision making. We believe that this is the right way to invest - low cost, high quality, reliably and efficiently delivered.

The LXi deal delivered on our ambition to be the UK's leading NNN REIT and further enhances our reliable, repetitive and growing income streams. Our rent roll over the year increased from £145 million per annum to £340 million per annum and our income metrics were enhanced with our WAULT increasing to 19 years, occupancy higher at 99.4% and, reflecting minimal property costs, our gross to net income ratio rose to 99.0%. Our high levels of contractual rental uplifts are also providing high certainty of income growth.

Our NNN income compounding model means that we are highly focused on net operating income and our sector leading low EPRA cost ratio is expected to fall further. Our target for FY 2025 is 8%. Following full integration of LXi, we expect to have achieved £15 million of cost savings on top of the £4 million achieved from CTPT.

## Own desirable real estate

### **Our strategy is to own quality assets in winning sectors underpinned by strong income**

Our job is to allocate capital into real estate sectors where it will be treated best. We are constantly looking for new trends and changes in direction that might create new opportunities. There is no substitute for being aware and always prepared to pivot.

We continue to prioritise asset selection and occupier contentment in structurally supported sectors that are benefiting from consumer tailwinds. We have deliberately avoided offices and have largely exited operational retail assets where capex requirements are growing faster than net rents. In our view, a sector that requires capex to grow is much less attractive than a sector that grows without the need for capex.

When you choose real estate where the wind is at your back, you are more likely to be a price setter than a price taker. Occupiers will need you more, you can attract quality occupiers, charge higher rents and be more confident of rental growth. The best thing we can do is provide buildings that our occupiers love; they will stay longer, invest more in the property and will be prepared to pay more rent.

Our disciplined approach ensures that we pursue quality returns over long periods of time. Our model is about long term compounding equity value, rather than simply growing assets under management. This tempers our acquisition activity, limits speculative development exposure and frames our disposal decisions. Buying lowly rated assets cheaply is not our strategy, as these assets will at some point become a problem and add unnecessary risk, stress and take up valuable thinking time.

Whilst we are happy to get rich slowly, we are equally prepared to speed up the process, where management initiatives can create additional value or attractive opportunities present themselves. With many REITs trading at material discounts, we have been actively looking at and executing on M&A using our more highly rated shares.

Through the LXI merger, we acquired £2.9 billion of assets with an annual rent roll of £178 million. These high quality assets are aligned to NNN themes of convenience, entertainment & leisure and healthcare & education with very long leases and with 98% of the income benefiting from fixed or inflation linked rent reviews. Through the CTPT merger, we added a £0.3 billion portfolio of complementary and high quality assets with material reversion potential from a high urban logistics weighting and strong South East bias. The deal also brought an attractive debt structure with a low LTV, cash and an attractive cost of debt. We are excited by the wider prospects of the CTPT portfolio and are already achieving strong rental uplifts from asset management.

As with most portfolios, you can never love all of the assets and we have quickly set to work on selling some of the non core assets from both portfolios. Over the year, we sold £185 million at just 1% below book values and these comprised mainly non core offices, retail and multi-let industrial. Since the year end, we have sold £75 million with a further £107 million under offer. Our disposals are often characterised by a long period of attractive returns and a growing expectation that these may flatten or even reverse as a building grows older and leases get shorter.

Increased scale gives us a larger platform to leverage. With swap rates remaining high, significant amounts of real estate debt requiring refinancing, highly restricted availability of debt and material REIT discounts, we expect further attractive investment opportunities to present themselves. We remain active, interested and open minded.

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

We believe that the longer term demand/supply dynamics for logistics remains attractive, which is why urban logistics remains our strongest conviction call for NNN investing. The structural tailwinds for the logistic sector remain strong, namely continued online sales growth, reshoring activities, rewiring of supply chains and warehouse automation.

After several years of materially stronger than average occupational demand for logistics in the UK, take up for 2023 fell back to be more in line with pre-Covid levels. Most apparent has been the reduced demand for big box logistics whilst demand for smaller units of 100,000-300,000 sq ft has been more resilient. On the supply side, a material increase in speculative development completions over the past two years pushed availability up to a ten year high. Accordingly, the UK logistics vacancy rate has increased from 2.7% at the start of 2023 to 5.3% in March 2024. However, the vacancy rate is expected to fall as speculative development starts to reduce materially in response to higher financing costs and rising build costs.

After many years of strong market rental growth, further growth in logistics rents is expected with rents predicted to grow by between 2% to 3% per annum over the next four years. We continue to believe that urban logistics remains the most attractive sub sector of logistics and has the greatest demand/supply tension and rental growth potential. Occupier demand is highly granular and is benefiting from an ongoing need for occupiers to evolve operationally by locating closer to the end customer, minimise delivery times, increase accuracy of delivery and satisfy consumer demands for instant gratification.

Over the year, our logistics assets saw ERV growth of 6% with rent reviews settled at 21% above previous passing on a five yearly equivalent basis. Urban rent reviews were the strongest, achieving 40% uplifts on open market reviews, helped by our urban portfolio's high weighting towards London and the South East. Our logistics portfolio remains highly reversionary with average ERVs 26% above average passing rents and this is expected to provide superior returns as we capture the embedded reversion.

Investment activity over the year added £394 million of logistics through the CTPT and LXi mergers as well as £36 million of direct investments from opportunistic acquisitions. Logistics disposals in the year totalled £109 million and were characterised by shorter let assets with a WAULT of four years. As at the year end, our logistics portfolio was valued at £2.6 billion, accounting for 43% of the portfolio which has risen post year end with investment activity. We expect this weighting to exceed 50% over the next year as we execute on further acquisitions and capital recycling.

### **Long income assets continue to deliver attractive income returns**

Long income assets with low operational requirements have always been an important part of our portfolio. These are assets in structurally supported sectors let on long leases, to strong operators, where the real estate is considered mission critical. Our long income portfolio is 100% let, offers an attractive topped up NIY of 5.8%, a WAULT of 24 years and contractual rental uplifts on 90% of income. This provides incredibly strong income with inflation protection and attractive income compounding qualities forming the bedrock of our attractive dividend.

The LXi merger added £2.6 billion of long income assets, increasing the value of our long income portfolio to £3.2 billion at the year end, representing 54% of our total portfolio. Our long income exposure has previously focused on convenience retail, and the LXi merger has added to this exposure as well as provided material access to new sectors of entertainment, budget hotels and healthcare.

As detailed further below, these sectors are benefiting from changes in consumer behaviour as the population continues to pivot its expenditure towards convenience, experience and better healthcare. We are attracted by the strong demand/ supply dynamics and the strong replacement metrics which ensure that these assets are mission critical operating assets for our occupiers. In the year, we sold £43 million of long income assets and have made further disposals since the year end including some from the LXi portfolio. It is inevitable that we will look to trim our long income exposure further, particularly in respect of individual credits where we feel the portfolio would benefit from greater diversification.

#### Convenience

Despite the growth in online shopping, the store network still remains integral to retailers. Well located, stand-alone or cluster properties that are fit for purpose, right sized and right rented and let on long NNN leases to grocers, discounters, home and DIY operators continue to be attractive. These occupiers have resilient business models that are less exposed to the impact of the migration of shopping online, offering essential goods and omni-channel optionality in a convenient format. Roadside convenience has been an area of focus for us through drive-thrus but also the need to service customers using electric vehicle charging points.

#### Entertainment & Leisure

The trend towards experiences, the recovery in foreign international travel and greater consumer preferences for staycations given growing household financial pressures has supported favourable growth in certain parts of the UK entertainment and leisure sector. The UK hotel sector, in particular, has seen a strong recovery following the pandemic and is experiencing favourable demand/supply dynamics following years of supply contraction. Visitor attraction operators, including theme parks, have also benefitted from these trends, proving to be non-cyclical performers and beneficiaries of consumers' unwillingness to cut back on discretionary spend in this area. Theme parks also have significant barriers to entry in the UK which adds to its defensive characteristics.

#### Healthcare

The property sector for healthcare continues to be underpinned by strong demand drivers from an ageing and growing population as well as improvements in medical technology. UK private hospitals are particularly well placed. They are increasingly taking on NHS patients as a result of the growing NHS waiting lists where nearly eight million people in the UK are awaiting treatment. Unsurprisingly, they are also seeing a strong growth in patients treated through private medical insurance as well as self-pay as they seek better and faster care. 2023 saw a record growth in insured patient volumes across the independent healthcare provider sector and, in its last half year set of results, Ramsay Health Care saw 10% growth in admissions in the UK acute hospital business which resulted in a 15% increase in its UK turnover.

## **Manage & enhance responsibly**

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

During the year, occupier initiatives added £7.5 million per annum of rent and delivered like for like income growth of 5.5%. Lettings and regears added £2.7 million and were signed on average lease lengths of 12 years, with regears on logistics achieving rents 37% ahead of previous passing. Rent reviews added £4.8 million of rent, representing a 19% uplift on a five yearly equivalent basis. Post year end, we have signed deals that add £2.4 million per annum of rent.

Looking forward, with high reversionary potential on our logistics and a high proportion of guaranteed uplifts on long income assets, we have visibility on c.£23 million per annum of rental uplifts from rent reviews and regears over the next two years. We expect to materially increase this rental uplift as we continue to actively asset manage the portfolio and enhance the LXi assets.

We continue to embed sustainability and high ESG standards across our activities, driven by our own aspirations as well as those of our customers and stakeholders. In the year, we materially improved our GRESB score from 64 to 76, which resulted in us being awarded a three star rating. A further three solar PV installations were added in the year which, together with two projects that completed post year end, have increased total installed capacity from 3.6 MWp in March 2023 to 7.6 MWp. Over the year, we also installed 25 EV charging points across our convenience portfolio. We continue to engage with occupiers on sustainability initiatives including further near term potential solar PV installations that total 3.2 MWp.

We have made good progress in better understanding the LXi assets from a property as well as a sustainability perspective. We are incorporating the LXi portfolio into our action plans and are actively refining our approach to properly consider the implications of the merger on our ESG strategy.

## **Expertise and relationships**

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

Our team's economic alignment to the Company's success ensures an ownership culture and a strong conviction to make the right property and financial decisions. We work with all stakeholders to deliver longer term benefits to our investors, occupiers, people, local communities and contractors.

We were pleased that our occupier survey again showed high contentment with an average score of 9.0 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord, up from a score of 8.7 in 2023. In terms of satisfaction with our properties, our score also increased from 8.1 to 8.5.

We also received a high score in our latest employee survey with 97% of employees saying that they are proud to work for the Company, which is up from 94% last year. The team has worked incredibly hard over the year, has embraced our 'work from work' culture and I am hugely grateful for their efforts. This appreciation extends to our ten new colleagues who have joined from LXi, not only for their contribution and hard work, but also their faith and commitment in joining LondonMetric. Whilst our team of 47 employees is well placed, we will continue to strengthen our team's capabilities. In addition, I am delighted to report that we have promoted Will Evers to Joint Head of Investments alongside Valentine Beresford. Will has been with us since inception and is integral to our activities.

Our investor and banking relationships have been crucial to delivering on our M&A during the year. The support from, and level of engagement with, these relationships has been exceptional and our well positioned balance sheet and our proactive approach places us in a good position.

## **Outlook**

We have embraced the NNN income model for many years, delivering strong income, elevated levels of rental growth, with a low cost platform and only minor income leakage. We believe that this is the right way to invest – high quality, guaranteed growth, low cost efficiently delivered. Internally, we refer to it as the three Cs – collect, compound and watch the yields compress.

Scale is becoming increasingly important and the LXi merger has allowed us improved liquidity, access to bigger deals and economies in terms of overheads, earnings efficiency and debt optionality. We have one of the lowest EPRA cost ratios across the sector which we expect to fall further as we deliver on cost synergies in the enlarged Group, and with this strong cost control and limited income leakage, we are able to further increase our net rental income, earnings per share and progress our covered dividend. This puts us on track for our tenth consecutive year of dividend progression; a performance that puts us in a rarefied club.

Our decisions remain heavily influenced by the macro environment, consumer behaviour and demand/supply dynamics. As we have demonstrated over the last ten years, our deep experiences and confidence to position the portfolio where we see best growth will ensure that our portfolio remains fit for purpose – we will never stop exercising. Therefore, it is inevitable that we will look to improve the quality of our assets and income stream by trimming our exposure to certain sub-sectors and individual credits.

Dislocation both in the real estate and equity markets is presenting new opportunities to grow our business and cement our position as the UK's leading NNN income compounder. The urban logistics market remains our strongest conviction for accelerated rental growth and so we will look to reinvest sale receipts into this segment of the market.

We are fully aligned with a shared mission and will be ruthlessly efficient in how we operate our business and how we allocate capital in our quest towards dividend aristocracy. After all, income compounding is the eighth Wonder of the World – the secret sauce and the rocket fuel that creates wealth.

## The world around us

### Macro events continue to dominate the investment backdrop

Global economic and geopolitical uncertainty continues to dominate the investment market backdrop. Although the markets are taking the conflicts in the Middle East and Ukraine as well as tensions with China largely in their stride, there is still considerable uncertainty on the horizon with general elections in both the US and UK later this year.

As has been the case for a while, the future path of interest rates has been the main driver of market sentiment. Central banks continue to play a delicate balancing act of keeping inflation in check without stifling growth and, whilst current economic data suggests that the global economy is far healthier than some perceive, we expect central banks to start cutting rates this summer. Usually these two factors are mutually contradictory conditions.

For the UK, we have a resilient economy with no imminent threat of a recession. However, growth has proven more elusive and has essentially flatlined with unemployment and inactivity rates rising. Whilst interest rate increases are now having the desired impact of dampening inflation (CPI of 2.3% at the last print compared to 9-10% a year ago), service sector inflation and wage growth remain high which may temper the number of rate reductions this year.

Whilst the cost of living in the UK is undoubtedly impacting the consumer and consumer confidence remains cautious, we believe that it is well positioned to navigate the current economic climate, helped by low unemployment levels, good savings ratios, strong wage growth and lower household budget inflation (particularly with energy prices falling back).

### Liquidity in real estate remains limited

Interest rates remain the yardstick by which our assets are valued. Whilst liquidity for real estate has improved, the property market remains a long way from functioning normally as evidenced by the 30% decline in transactional activities in 2023 and subdued activity so far this year.

Elevated interest rates and swap rates are effectively ruling out the debt buyers and we remain of the view that normal liquidity won't return until five year swap rates fall materially towards 300bps.

For high growth real estate sectors, liquidity is much improved, with good volumes for smaller lot sizes where debt is not required. The logistics sector has been one of the few sectors transacting helped by more assured income security and rental growth.

For lower growth real estate sectors such as offices and shopping centres, there remains a gulf in buyer and seller expectations. Whilst the values of some of these assets have fallen 60%+ and greater pricing realism has crept into valuations there still appears to be further to go. We are also now operating in a new paradigm where, if the property market won't offer price discovery, then the debt market inevitably will.

There is a significant amount of debt expiring and loans to be refinanced over the coming years. The overall property market remains over-leveraged or under-equitised and the banks are becoming increasingly active in forcing assets to the market. Refinancings are exposing proper price transparency and highlighting to owners and debt providers that assets that once yielded a positive carry and attractive cash on cash metrics are now seeing equity holders being wiped out and lenders taking a loss. This is particularly acute in parts of the office sector.

The UK listed sector remains in a much better place to ride out the current higher rate environment than the private sector or indeed many of the European REITs, where leverage is materially higher. Many of the lessons learned from the global financial crisis were forgotten, but, in the UK, lower leverage was not one of them.

However, that is not to say the UK listed space isn't without its issues. Legacy investment strategies and poor structures have been exposed. When debt was free, REIT investing seemed like a one-way bet. However, as interest rates have normalised, portfolio quality, debt management, management alignment and liquidity have come sharply into focus.

Whilst we have already seen some sector consolidation there are still a number of listed REITs who are no longer 'fit for purpose'. More often, these are small cap, externally managed with limited sectoral focus and little shareholder alignment of interest.

We continue to believe that the market will offer up further opportunities for consolidation and that as confidence returns, we believe that public real estate can once again grow. After all, boards have a duty of care to the shareholders and investors deserve scalable and efficient structures that provide opportunities for them to deploy their significant sums of capital.

### Polarisation across real estate will continue

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.

As I have already mentioned, we believe that the structural tailwinds will continue to provide strong support for logistics, convenience, healthcare and experiences. Student accommodation and build-to-rent seems like it also has longer term



structural support but these are operational sectors that do not meet our NNN criteria. Data centres are also an interesting growth sector aligned to the need for a growing digital infrastructure. We have some data centres but it is a complex area with many variables, not least power constraints and evolving technology.

For the troubled sectors, there remains significant headwinds. Operational retail property continues to face challenges as the consumer pivots further towards an omni-channel and convenience shopping model. The shift in spending over the last decade has resulted in massive value destruction across large parts of retail real estate, with department store and shopping centre values largely decimated. Despite a good recovery from the pandemic, we still have too much physical retail property which means that supply often exceeds demand and the true rental values are still materially lower than history suggests. Whilst many landlords will trumpet their achievements in settling new rents above ERV, these are mostly set below previous passing rents or have been materially inflated by capital contributions and long rent free periods... much like the London office market.

The adoption of omni-channel models however continues to afford the retail park market some stability with rising occupancy, reduced supply and pricing equilibrium. Whilst these conditions are not uniform, it is particularly the case around the strongest geographies, where existing space is being lost to other higher value alternatives, like residential. We therefore remain alert and wide eyed to individual opportunities where demand/supply metrics are attractive and asset management initiatives are available to enhance the NNN income characteristics.

In the retail grocery convenience sector, online penetration is much lower than that of general merchandise. As a result, the grocery store retains its important role in essential spending. However, performances across grocery real estate are already polarising as over-sized, over-rented larger format supermarkets continue to fight strong competition from the smaller, right rented, fit for purpose convenience and discount stores. After years of rental compounding, we believe that the best days for larger format supermarkets look like they are behind them. Shortening leases are beginning to expose their values; much as department store valuations did when they were exposed to true market fundamentals and their credits failed.

For the office market, outside of London's West End, the sector is seeing strong parallels to shopping centres nearly ten years ago. New technology, increasing obsolescence and changing workers' preferences are creating structural disruption for offices as work from home and growing ESG demands impact the amount, flexibility and quality of office space that companies require. Hybrid working is going nowhere and so companies are conscious that it requires a carrot and stick approach. They are therefore intensifying their offer with modern environments and better facilities incorporating new sustainability requirements. The problem is that the capital expenditure required is rising faster than the rents and so this will inevitably lead to a polarisation of performances and a large gap between the winners and losers.

Whilst many owners will confidently talk about their ability to repurpose obsolete offices, in much the same way as they did with shopping centres, the outcome is likely to be the same. Conversion into labs, gyms, nurseries, health clinics, etc., has limits and more often than not they don't justify the capex. After all, most offices are unsuitable for residential conversion due to floorplates, staircases and ceiling height restrictions. The value destruction will be enormous and, much like the shopping centre market, the lending banks will end up holding the keys.

As a result, rental outlook, capex risks and depreciation will continue to come in to sharp focus for investors and lenders. We continue to live in a fast changing world that shows no sign of slowing down and being on the right side of structural change is key. After all, you never know when you need liquidity until it's too late.

# Property Review

## Overview

### Investment activity in the year was dominated by opportunistic M&A

The merger with LXi REIT plc ('LXi') added £2.9 billion of assets with a rent roll of £178 million per annum and a very long WAULT of 26 years. The 280 properties focus on our long income sectors of entertainment and leisure, healthcare and convenience, and were acquired at a NIY of 5.7% with high certainty of income growth from fixed or inflation linked rent reviews which apply to 98% of the income.

The CT Property Trust ('CTPT') acquisition added a complementary portfolio of 33 assets valued at £285 million, with 57% weighted to logistics, 23% to long income and the remainder predominantly in offices. The portfolio had a WAULT of seven years and was acquired at a NIY of 6.0% with strong reversionary potential through open market rent reviews and asset management initiatives. 79% of the assets acquired were located in London and the South East.

All other acquisitions related to opportunistic logistics purchases of £36 million, transacted at a NIY of 8.0%.

Disposals in the year totalled £185 million, reflecting a NIY of 5.3% and with a WAULT of six years. These were transacted at 1% below prevailing book value. Two thirds of the sales related to logistics. Sales also included foodstores as well as non core assets comprising six offices, sold for £23.4 million, and four retail parks, sold for £9.7 million. These non core assets had been acquired either through the CTPT transaction or the Mucklow merger in 2019.

Post year end, we have sold £75 million at a 7% premium to book value. In addition, we have £107 million of sales in legals. We have now sold £33 million of assets from the CTPT portfolio, representing 47% of the CTPT assets that we deemed non core, and have also sold £55 million from the LXi portfolio. We have also acquired £51 million of assets post year end.

### Our portfolio is aligned to structurally supported sectors

Our investment activity during the year resulted in the portfolio doubling in size from £3.0 billion to £6.0 billion, a reduction in our logistics exposure from 73% to 43% and an increase in our long income weighting from 24% to 54%. Within long income, our entertainment and leisure weighting grew materially following the addition of a number of theme parks and hotels from the LXi transaction, which also added exposure to the healthcare sector for the first time, primarily through the addition of a number of hospitals. The remaining 3% of the portfolio mainly consists of two multi-let retail parks and 13 offices, the latter falling to nine following post year end sales which includes the sale of two former LXi offices in Scotland for £36.6 million.

### Portfolio weightings

(by value at 31 March 2024)

Logistics	43%
Entertainment & leisure	21%
Convenience	17%
Healthcare & education	16%
Other	3%

The portfolio delivered a total property return of 4.7% over the year outperforming MSCI by 570 bps. ERV growth was 5.7%, offsetting 26 bps of yield expansion to deliver a 0.2% property valuation decrease. The portfolio's EPRA topped up net initial yield is 5.3% (2023: 4.6%) and its equivalent yield is 6.3% (2023: 5.4%). The yield increases were mostly due to the addition of LXi's higher yielding assets.

### Our portfolio metrics have been enhanced in the year

Net contracted rent increased over the year from £145.2 million to £339.7 million whilst the portfolio's WAULT increased from 12 years to 19 years (18 years to first break), providing very strong income security with only 6% of income expiring within the next three years. Occupancy also increased to 99.4% and our gross to net income ratio of 99.0% continues to reflect the portfolio's very low property costs and minimal operational requirements.

Contractual rental uplifts apply to 79% of our income, which has increased from 63% a year ago, providing high certainty of income growth:

- 53% is index linked: 28% is RPI linked, whilst 25% is CPI or CPIH linked; and
- 26% is subject to fixed uplifts, with a weighted average uplift of 2.6% per annum.

At 41% of income, a significant number of contractual reviews are annually compounded, compared to just 16% in 2023. The remaining 38% of contractual rent is reviewed on a five yearly basis with index linked rent reviews subject to a range of collars and caps which are typically between 1% to 4% over a five year period such that:

- For RPI linked reviews, at 22% inflation over a five year period (equivalent to 4% per annum), 94% of inflation is captured; and
- For CPI linked reviews, at 16% inflation over a five year period (equivalent to 3% per annum), 100% of inflation is captured.

The remaining 21% of our income is subject to market rents and relates mainly to our urban logistics portfolio where we are capturing average rental growth of 5%+ per annum.

### **Asset management continues to grow our rental income materially**

During the year, we undertook 151 occupier initiatives adding £7.5 million per annum of rent and delivering like for like income growth of 5.5%. Leasing activity consisted of 53 new leases or regears, mostly on our urban logistics assets, adding £2.7 million per annum of rent with a WAULT of 12 years. Regears on urban logistics delivered an average rental uplift of 37%.

98 rent reviews were settled adding £4.8 million per annum of rent at an average of 19% above previous passing on a five yearly equivalent basis:

- Contractual rental uplifts, where 77 fixed and index linked reviews were settled, delivered an uplift of £2.5 million at an average of 17% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where 21 reviews were settled, delivered an uplift of £2.3 million at an average of 30% above passing. Open market reviews on urban logistics continued to see substantial increases and were settled on average at 40% above passing.

Looking forward, with the benefit of a high proportion of contractual uplifts, we have visibility on £23 million of rental growth over the next two years from rent reviews and regears. Since the year end, we have signed lettings and rent reviews that add £2.4 million per annum of rent.

### **We have strong and diversified income with high satisfaction**

Our investment and asset management actions over a number of years have increased the resilience of our portfolio by aligning our income to structurally supported sectors and assets that are in demand. The LXi deal has increased our income diversification through the addition of new sectors where we believe there are strong structural tailwinds.

A major focus for us over recent years has also been to diversify our income and improve the granularity of our occupier base with our top ten occupiers representing just 28% of our income at the start of the year. The LXi deal has increased our top ten exposure to 37% and added Ramsay Health Care and Merlin Entertainments as our two largest occupiers, accounting for 20% of net contracted rent. These are strong credits with highly robust business models occupying key operating assets and investing materially in their estate. Engagement with all of LXi's top occupiers since the merger has been very positive and we expect to develop these relationships through further asset management activity which should enhance our real estate. Equally, we will look to reduce our exposure to these occupiers over time through our disposal activity.

Our latest occupier survey in March 2024 again demonstrated strong contentment. We continue to receive very strong feedback. 91% of occupiers (weighted by income prior to the LXi merger completing) were contacted and 77 responses were received representing 46% of income. We scored an average of 9.0 out of 10.0 for whether occupiers would recommend us as a landlord, which is up from 8.7 in the previous year. In terms of satisfaction with our properties, the score was also higher at 8.5 (2023: 8.1) underscoring our desire to be a partner of choice.

<b><u>Top ten occupiers</u></b>	<b><u>(% of income)</u></b>
Ramsay Health Care <sup>1</sup>	11.0%
Merlin Entertainments <sup>2</sup>	9.0%
Travelodge	6.4%
Primark	1.8%
Tesco	1.7%
Great Bear	1.6%
Amazon	1.4%
SMG Europe	1.4%
Q-Park	1.4%
Co-op	1.3%
<b>Total</b>	<b>37.0%</b>

1. Ramsay Health Care provides quality healthcare globally with over eleven million admissions and patient visits per annum in over 500 locations. Ramsay is listed on the Australian Stock Exchange valued at £6 billion. In the UK, Ramsay has 34 acute hospitals caring for over 200,000 patients per annum and employing 7,000 people. UK revenues in the last financial year were £1.1 billion and, in the last six month period, it reported 15% revenue growth driven by a strong increase in NHS admissions as well as private patient volumes.

2. Merlin Entertainments is the global leader in branded entertainment destinations with 62 million guests per annum. It operates 141 attractions in over 20 countries, including Alton Towers, Thorpe Park and Warwick Castle that are owned by LondonMetric. It recorded revenues of £2.1 billion in 2023. Merlin has an investment grade rating of 'Baa2' from Moody's and 'BBB+' by S&P Global. It is majority owned by the Lego family with other investors including Blackstone, Wellcome Trust and Canada Pension Plan Investment Board.

## ESG Review

### **We continue to improve our ESG focus and sustainability credentials**

We recognise the importance of a comprehensive ESG strategy which includes minimising the environmental impact of our business, maximising energy efficiency of our assets and improving the climate resilience of our portfolio.

As part of our drive to upgrade the quality of our assets, we have invested in high quality buildings as well as focused on working with our occupiers to progress energy efficiency and clean energy initiatives, mainly from solar PV, LED lighting upgrades, roof improvements and degasification. We see ourselves as strong stewards of underinvested or poorer quality assets with the necessary expertise and appetite to materially improve buildings.

The alignment of our portfolio to NNN income assets has meant that our landlord Scope 1 and 2 emissions have fallen considerably to very low levels, the energy intensity of our buildings has been lower than for many other property sectors and the ability to improve assets' energy ratings and carbon emissions has been relatively easier and typically funded by our occupiers.

This has been reflected in our portfolio's EPC rating improvements over the years and our de minimis defensive capital expenditure required for environmental upgrades, with any capex achieving higher rents or paid for through normal lease incentive arrangements.

Our portfolio improvements as well as our focus on ESG has been rewarded through a material improvement in our Global Real Estate Sustainability Benchmark ('GRESB') survey score in the year from 64 to 76, which resulted in a three star rating. In other ESG benchmark assessments, we increased our rating by MSCI to 'AA', received a 'C-' score from ISS, which is above the peer group, maintained our Gold Award by EPRA sBPR, continue to be included in the FTSE4Good Index and responded to CDP for the first time in the year.

### **Impact of LXi merger on our ESG strategy**

In order to implement environmental initiatives and ultimately achieve net zero carbon on our buildings, we are reliant to a certain extent on our occupiers sharing similar environmental ambitions to us. Our full repair and insuring ('FRI')/NNN lease structure and our long lease lengths mean that if our occupiers are not pro-actively improving buildings then we could only really intervene at expiry.

The acquisition of the LXi assets has increased our reliance on our occupiers' environmental ambitions materially given that their WAULT of 26 years is twice that of the LondonMetric only portfolio. It has also introduced assets that require great intensity of management by the occupier, as well as properties that have lower EPC ratings and fewer building certifications.

Consequently, the portfolio's EPC ratings fell over the year with 'A'-'C' ratings falling from 90% to 85%, with those rated 'A'-'B' also falling from 51% to 49%. However, excluding LXi assets, the portfolio 'A'-'C' rating actually increased to 91%. Whilst not a specific target for us, the proportion of assets with BREEAM 'in construction' certification of 'Very Good' or 'Excellent' has also fallen from 31% to 19%.

Whilst we are still reviewing the LXi portfolio, there has been a significant amount of work and energy audits undertaken to assess EPC improvements and understand our ability to reach net zero carbon. With a greater occupier concentration, it is easier to collaborate more strategically with occupiers and we have good ongoing dialogue with key LXi occupiers, which will allow us to further understand and shape asset interventions. This should translate into better ratings over time and we are encouraged by the net zero carbon commitments of these occupiers.

In terms of LondonMetric's wider ESG strategy and targets, the LXi merger has necessitated a delay to publishing our net zero pathway which was planned this year. We will revisit our previous Net Zero ambition to take account of the LXi transaction and the outputs of LXi's net zero pathway that had been published before the merger. In addition, we will look to reset our ESG approach and targets.

### **Progress in the year**

Net zero (in operations) – We had set an ambition to be net zero in operations by the end of 2023, with any residual landlord (Scope 1&2) carbon emissions offset. We have made good progress in reducing our own emissions as far as possible and ensuring that 97% of our energy supplies are from renewable sources. In order to incorporate LXi, we are reviewing our ambition, instead targeting carbon neutrality for calendar year 2024.

EPCs – We undertook EPC assessments on 1.2 million sq ft (excluding LXi assets) which included some enhanced energy assessments. So that we comply with anticipated MEES regulation, we have progressed action plans for all assets rated below 'C' and have mandated that a minimum 'B' rating is achievable on all new leases, regears and refurbishments.

Net zero audits – As we focus on understanding how our buildings can achieve net zero, we undertook net zero audits across 0.4 million sq ft, in addition to the 2.5 million sq ft of audits obtained on the CTPT and LXi portfolios.

Occupier data – As part of measuring our occupiers' emissions at our buildings (our Scope 3 emissions which represent most of our overall emissions), we increased occupier energy data coverage from 68% last year to 72%. In the year, we put in place a

dedicated ESG platform that will help us to access data automatically, achieve higher data coverage and provide better analysis. Using this data, we have also expanded CRREM analysis across our portfolio to further understand how it aligns with key net zero pathways.

Green lease clauses - 80% of our leases signed in the year contained green lease clauses.

Physical risks – We continue to embed climate risk analysis and portfolio management, and plan to undertake an updated portfolio assessment in the next year.

Solar PV - We continue to engage with occupiers on adding further solar installations to our portfolio. In the year, three solar PV systems were added to our urban logistics portfolio in Coventry, Bicester and Ely totalling 0.8 MWp capacity, which together with two projects in Huntingdon (1.9MWp) and Biggin Hill (1.2MWp) that completed post year end, have increased total installed capacity from 3.6MWp last year to 7.6 MWp today. We have 3.2MWp of further potential solar capacity from near term initiatives. Key projects that completed recently include:

- At Huntingdon, 1.9 MWp of solar has been installed on a warehouse let to AM Fresh that LondonMetric funded the development of in 2022. The system will provide AM Fresh with c.28% of its annual energy needs and is expected to save c.500 tonnes per annum of CO2 emissions;
- At Bicester, 302 kWp has been installed on a warehouse let to Greencore Homes, a builder of climate positive homes. The SmartGrid system, which includes a 100kW/200kWh battery storage system, is expected to meet c.40% of Greencore's annual energy needs. The installation is expected to save c.39 tonnes per annum of CO2 emissions; and
- At Coventry, 275 kWp of solar has been installed on a warehouse let to Aubrey Allen. The system will provide Aubrey Allen with c.25% of its annual energy needs.

## Logistics Review

### Overview

Our logistics assets are spread across the urban, regional and mega sub-sectors and valued at £2,563 million, with a WAULT of 12.4 years and occupancy of 99.4%. Urban logistics has been our strongest conviction call for a number of years and our urban assets are now valued at £1,563 million, located across 147 locations and accounts for 61% of our logistics portfolio.

Our logistics assets delivered a total property return over the year of 4.6%, with urban and regional at 4.9% and 4.3% respectively, whilst mega was 4.1%. Over the year, we saw a small outward yield expansion of 28bps across our logistics portfolio. However, our actions and continued market rental growth, as reflected in the logistics portfolio's ERV growth of 6.0%, resulted in a valuation decrease of just 0.2% for logistics. Our logistics assets are valued at a topped up NIY of 4.7% and an equivalent yield of 5.7%.

As at 31 March 2024	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>	£1,563m	£690m	£310m
WAULT	11 years	15 years	16 years
Average rent (psf)	£8.60	£6.80	£5.90
ERV (psf)	£10.80	£8.20	£8.20
ERV growth	6.8%	4.7%	5.7%
Topped up NIY	4.6%	5.1%	4.3%
Contractual uplifts	49%	82%	100%
<b>Total property return</b>	<b>4.9%</b>	<b>4.3%</b>	<b>4.1%</b>

<sup>1</sup> Including developments

### Strong rental growth potential

Logistics continues to experience high occupier demand and attractive rental growth with material reversionary potential embedded.

In urban logistics, rental growth remains strong, driven by severely restricted supply as well as ongoing broad occupier demand. Whilst the WAULT on our urban assets of 11 years is lower than for mega or regional, these assets benefit from significant near term rental reversion, with average ERVs 25% above average passing rents and a high proportion of open market reviews. Furthermore, with 65% of our urban portfolio located in London and the South East and a further 22% in the Midlands, we expect these locations to experience attractive ongoing ERV growth.

Our regional and mega assets also have high reversionary potential with ERVs 26% above average passing rents. However, with most of these reviews either inflation linked or fixed, our ability to capture the full reversionary potential over the short to medium term is more limited given the longer leases on these assets.

Our logistics asset management added £6.4 million of rent in the year, with regears and rent reviews delivering rental growth of 23% ahead of previous passing on a five yearly basis.

#### **Logistics investment activity dominated by M&A**

Logistics acquisitions in the year totalled £429.9 million. The CTPT and LXi transactions added £394.0 million and comprised 27 logistics assets acquired with a NIY of 5.1%, a reversionary yield of 5.7% and with a WAULT of 15 years. Other logistics acquisitions comprised three opportunistic deals which totalled £35.9 million at a net initial yield of 8.0%. They comprised:

- LXi's logistics assets (2.0 million sq ft) - £231.7 million of logistics was acquired through the LXi merger. The 17 assets generate £13.2 million per annum of rent. They were acquired at a NIY of 5.3% and all of the rent benefits from contractual uplifts. The assets have a WAULT of 22 years and key occupiers include Bombardier, Gestamp, Stobart and Great Bear. 37% are located in London and the South East;
- CTPT's logistics assets (0.8 million sq ft) - Our acquisition of CTPT added £162.3 million of high quality urban logistics assets. The ten urban assets generate £8.4 million per annum of rent and were acquired at a NIY of 4.8% and a reversionary yield of 5.9%. We expect this portfolio to generate strong income growth, particularly given that all of the assets are located in the South East, where rental growth continues to be high, and 100% of rent reviews are on an open market basis. The assets had a WAULT of seven years and key occupiers include Booker, Bidvest, Bunzl and Diebold Nixdorf;
- Doncaster (264,000 sq ft) - A regional logistics warehouse was acquired for £21.2 million, reflecting a NIY of 6.3%, with a WAULT of 13 years. The warehouse is let to Next at a rent of £1.4 million pa, which equates to a low rent of £5.37 psf. The lease benefits from annual fixed rental uplifts of 2.5%;
- Crewe (213,000 sq ft) - A regional logistics development was acquired for £13.0 million. It consists of five units ranging from 18,000 to 60,000 sq ft. The developer has taken a three year leaseback of the site at a rent of £1.5 million pa, reflecting a net initial yield of c.11%. A yield on cost of c.8% is expected once the development is completed and fully let; and
- Leeds (15,000) sq ft - An urban logistics warehouse was acquired for £1.7 million with a WAULT of six years.

Post year end, we have acquired £51.4 million of urban logistics across eight assets at a NIY of 6.0% and a reversionary yield of 6.5%. The assets are located in Cardiff, Milton Keynes, York, Reading, Derby, Bolton and Huntingdon.

Logistics disposals in the year totalled £109 million, reflecting a NIY of 4.7% and sold with a WAULT of four years. These sales were in response to attractive offers and reflected a conscious effort in the first half of the year to sell down shorter let assets, predominantly multi-let industrial, where capex risks were heightened and rental growth was less certain. They comprised:

- Midlands – 435,000 sq ft - Four multi-let urban properties in Birmingham and Rugby were sold as part of a portfolio comprising 47 units. They were sold for £40.5 million, reflecting a NIY of 6.2%, with a WAULT of five years and had been previously acquired as part of the Mucklow acquisition in 2019;
- Solihull – 142,000 sq ft - A DHL warehouse was sold for £20.5 million, reflecting a NIY of 4.2% and with a WAULT of six years;
- Stoke – 141,000 sq ft - A warehouse let to Pets at Home was sold for £14.2 million, reflecting a NIY of 5.5% and with a WAULT of less than six months;
- Croydon & Oxford – 52,000 sq ft - Multi-let urban warehousing across two properties were sold for £17.5 million. They comprised 25 units with a WAULT of five years and had been acquired through the Savills IM portfolio in 2021;
- Croydon – 28,000 sq ft - An urban warehouse let to HTC with a WAULT of two years was sold for £8.1 million; and
- Leyton – 21,000 sq ft - A vacant urban warehouse in Leyton was sold for £8.3 million.

#### **Logistics asset management added £6.4 million of additional rent**

Logistics lettings and regears in the year were signed on 0.8 million sq ft of urban logistics, adding £2.0 million per annum of income, with a WAULT of 12 years. Regears contributed £1.5 million, representing an uplift of 37% against previous passing rent. The largest deals comprised:

- A 190,000 sq ft regear with Tesco at Croydon where the lease was extended by ten years to 15 years and a rent review was settled;

- A 70,000 sq ft regear at Maidstone where the WAULT was extended by four years to six years and the rent increased by 20%;
- A 66,000 sq ft letting at Castle Donnington where the occupier vacated and a new ten year lease was signed at 37% ahead of previous passing;
- A 61,000 sq ft regear with Bunzl at Theale, a CTPT asset, where the lease was extended to ten years at a rent 44% higher than previous passing;
- A 51,000 sq ft regear with Fedex at Crawley where the lease was extended to ten years at a rent 47% higher than previous passing. As part of the regear, we agreed to contribute towards the cost of new roof which has the ability to take solar PV. This would have the potential to mitigate the occupier's energy usage and allow gas to be removed from the site. Reflecting the importance of the building to the occupier, it is also making further improvements to the building itself;
- A 50,000 sq ft letting to Nyetimber in Uckfield with a lease length of 15 years; and
- A 49,000 sq ft regear with Flender in Leeds where the lease was extended to ten years.

Logistics rent reviews in the year were settled across 4.2 million sq ft, adding £4.4 million per annum of income at 21% above previous passing rent, on a five yearly equivalent basis. These reviews comprised:

- 27 urban reviews settled at 31% above passing rent on a five yearly equivalent basis with open market urban reviews delivering a 40% uplift;
- Nine regional contractual reviews settled at 18% above previous passing on a five yearly equivalent basis; and
- One fixed mega review settled at 8% above passing rent on a five yearly equivalent basis.

## Long income review

### Overview

Long income assets with low operational requirements have always represented an important part of the portfolio. These assets are let on long leases, to strong operators in structurally supported sectors that are benefiting from the changes in the way people live and shop and are insulated from structural dislocation. Over the year, the value of our long income assets grew from £713 million to £3,244 million, representing 54% of our total portfolio which is up from 24% last year. These assets are 100% occupied, let with a WAULT of 24 years and generate an attractive topped up NIY of 5.8% with 90% of income subject to contractual rental uplifts. Long income delivered a total property return in the year of 4.9% with ERV growth of 5.0% and 22 bps of equivalent yield outward movement.

### M&A has added exposure to attractive new long income sectors

The LXi merger added 260 long income assets valued at £2,570 million with a NIY of 5.8% and a WAULT of 26 years. Almost three quarters of these assets related to sectors in which we had no prior exposure, specifically theme parks, budget hotels and hospitals, but where we see attractive tailwinds from the trends towards staycations, experiences and the need for private healthcare provision. As well as benefiting from these tailwinds, we believe that these assets are also seen as mission critical or key operating assets by occupiers who are investing heavily in their estate to ensure that their businesses remain fit for purpose. In addition to the LXi merger, the CTPT acquisition also added £65.1 million of long income assets in the year. These were acquired at a NIY of 6.6% and with a WAULT of seven years. Key occupiers included Halfords, Aldi, Wickes, B&M and Pets at Home.

### Disposals activity

We sold £42.8 million of long income properties largely in response to opportunistic bids for our assets, particularly convenience properties, and as part of our continued sell down of non core assets previously acquired through portfolio acquisitions. These assets were sold at a NIY of 5.5% and with a WAULT of 13 years. They comprised:

- Three foodstores in Durham (primarily LIDL), Malmesbury (Waitrose) and Leicester (Aldi), sold for £14.1 million, £9.6 million and £6.0 million respectively;
- A B&Q store in Nelson, sold for £4.7 million;
- A car show room in Newbury, sold for £3.8 million;
- An asset at London Bridge, sold for £3.1 million;
- A roadside asset in Harrogate, sold for £1.1 million; and
- A pub, sold for £0.6 million

Post year end, we have sold a further £29.0 million of long income assets including a 106,000 sq ft Asda foodstore in Scotland (a former LXi asset) and a 41,000 sq ft asset in Ipswich let to Wickes, Topps Tiles, McDonalds and Costa.

As at 31 March 2024	Entertainment & Leisure	Convenience	Healthcare & Education
Value <sup>1</sup>	£1,272m	£1,012m	£960m
Contracted rent	£83m	£61m	£55m
WAULT	36 years	14 years	16 years
Topped up NIY	6.1%	5.9%	5.4%
Contractual uplifts	97%	72%	100%
<b>Total property return</b>	<b>7.7%</b>	<b>4.3%</b>	<b>27.8%</b>

<sup>1</sup> Including developments

Entertainment & leisure represents 39% of our long income portfolio:

- Theme parks – Consists of Thorpe Park, Alton Towers, Warwick Castle and Heide Park (in Germany). These assets represent 45% of this sub sector's weighting and are let with a WAULT of 53 years to Merlin Entertainments with a mixture of annual CPI+0.5% rent reviews and annual fixed rent reviews of 3.3% per annum;
- Hotels – Consists of 78 budget hotels, with 69 let to Travelodge. These assets represent 32% of this sub sector's weighting and are let with a WAULT of 25 years, mainly on five yearly CPI+0.5% / RPI linked reviews. They are located nationwide but focused on roadside locations; and
- Other – Comprises pubs, cinemas, garden centres and events venues including the AO Manchester Arena mostly let to SMG Europe for a further 21 years.

Convenience assets represents 31% of our long income portfolio:

- Foodstores – 48 assets let at an average rent of £17.50 psf with key occupiers including Waitrose, Co-op, Costco, Tesco and Aldi. These are predominantly smaller format grocery with an average area of c.30,000 sq ft. Foodstores represent 45% of convenience;
- NNN retail – 32 assets, primarily single or cluster assets let to discount, essential, electrical and home retail occupiers such as B&M, Currys, DFS, Dunelm, Home Bargains, Pets at Home and The Range at an average rent of £18.30 psf. These assets typically benefit from high alternative use values. NNN retail represents 26% of convenience;
- Roadside – 69 assets, primarily convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes. Key occupiers include Co-op, IMO, BP, McDonalds, MFG and Starbucks. Roadside represents 15% of convenience weighting; and
- Other – Comprises 34 trade/DIY stores and autocentres (with key occupiers including Halfords, Kwik Fit, Topps Tiles and Wickes) as well as ten car parks let to Q-Parks with a WAULT of 30 years and annual rent reviews linked to RPI.

Healthcare & education represents 30% of our long income portfolio:

- Hospitals – 12 private hospitals make up 78% of this sub-sector. 11 are let to Ramsay Health Care with a WAULT of 13 years and annual fixed rent reviews of 2.75%. The two largest hospitals are in Sawbridgeworth and Chelmsford. Ramsay is one of the leading independent healthcare providers in England. Ramsay UK has a network of 34 acute hospitals and day procedure clinics in England providing a comprehensive range of clinical specialities to private and self-insured patients, as well as patients referred by the NHS. Ramsay UK cares for over 200,000 patients per year and employs more than 7,000 people. It is seeing strong growth in both private and NHS volumes. 97% of its facilities are rated 'Good' by the Care Quality Commission in the UK;
- Care Homes – 27 care homes represent 9% of the sub sector with the key occupiers comprising Bupa and Priority; and
- Education – Comprises two training centres in Milton Keynes and the West Midlands let to Compass as well as a number of children's nurseries and adventure centres, and one student accommodation asset.

#### Long income asset management added £0.8 million per annum of additional rent

In the year we signed 72 deals. 15 lettings or regears were signed with a WAULT of 11 years, adding £0.4 million per annum of income. The deals comprised:

- Three lettings signed with a WAULT of 14 years, comprising two new Starbucks and a McDonalds, and eight regears signed with a WAULT of 11 years including deals with Dunelm, Argos and Pets at Home; and
- Four EV charging lettings to InstaVolt and MFG with a WAULT of 20 years.

Rent reviews were settled on 57 long income assets in the year generating an uplift of £0.4 million per annum at 16% above previous passing on a five yearly equivalent basis. Most of the reviews were annual inflation linked or fixed uplifts. Post year end, we have settled fixed uplift rent reviews across all of our 12 hospitals adding £1.1 million of additional rent.



# Financial review

We have continued to operate within a challenging macroeconomic environment this year, where elevated interest rates and higher borrowing costs have persisted for longer than expected, severely impacting liquidity across the real estate market. We have responded by focusing our attention on disposals to provide optionality and manage our LTV and the M&A market, where through the support of our shareholders, we have had notable successes.

Our corporate acquisitions of CTPT and LXi have transformed the portfolio, doubling in size to £6.0 billion and increasing our net contracted rent roll by 134% to £340 million. Our merger with LXi provides better access to capital through scale, cost synergies and income security and longevity that continues to support our progressive dividend.

Our earnings for the year include the benefit of our M&A activity from acquisition; 7 August 2023 for CTPT and 5 March 2024 for LXi, helping to grow EPRA earnings by 20.3% to £121.6 million or by 5.4% on a per share basis to 10.9p per share, and enabling us to increase our dividend by 7.4% to 10.2p per share whilst maintaining cover of 107%. Driving this increase was a 20.6% increase in net rental income, continued exceptional rent collection rates and a strong culture of cost control.

IFRS net assets increased significantly as a result of our corporate acquisitions to £4.0 billion, whilst EPRA NTA per share fell by 3.6% to 191.7p (2023: 198.9p), largely due to the one off impact of costs arising on our M&A activity.

As part of the LXi transaction, we acquired a basket of secured debt which exceeded the maximum amount permitted under our existing unsecured facilities. We were delighted with the strong support and flexibility of our existing lenders, allowing us immediately post completion to refinance £625 million of LXi's secured facilities with a new £700 million unsecured facility on more favourable terms and with the ability to draw up to £100 million in euros allowing us to naturally hedge currency movements on our German asset. We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly loan prepayments.

Our other debt metrics remain strong, with debt maturity of 5.4 years (2023: 6.0 years) reflecting the one-year extensions we agreed on £675 million of unsecured facilities during the year, and average cost of debt of 3.9%, still significantly below current base rates.

We mitigated our exposure to interest rate movements by retaining all of the LXi hedging we acquired such that our drawn debt at the year-end was fully hedged.

We have prioritised net divestment of non core assets to protect our loan to value from adverse valuation movements and enhance the quality of the portfolio. At the year end, our loan to value remained modest at 33.2% (2023: 32.8%), providing flexibility to execute transactions whilst maintaining ample headroom under our banking covenants. With available debt facilities and cash of £794.9 million, we are in a strong financial position and well protected, with refinancing risk mitigated until FY 2026 and optionality to continue to execute transactions as opportunities arise.

## 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, financing break costs, net gains on business combinations and acquisition costs, all of which may fluctuate considerably from year to year. These are adopted throughout this report and are key business metrics supporting the level of dividend payments.

Further details, definitions and reconciliations between EPRA measures and the IFRS financial statements can be found in note 8 to the financial statements, Supplementary notes i to vii and xviii and in the Glossary.

## M&A activity

### CTPT

As reported in our Half Year Announcement, our all share offer for CTPT was sanctioned by the Guernsey Court on 7 August 2023. We issued 105.6 million shares as consideration at 183.3p per share, totalling £193.6 million and incurred transaction costs of £5.4 million. The fair value of net assets acquired was £222.3 million with the portfolio of 33 assets being valued on acquisition at £285.2 million.

The acquisition has been accounted for as a property acquisition and the difference between the consideration paid and the net assets acquired, representing a price discount of £23.3 million, has reduced the cost of the property assets acquired. The price discount was largely a result of the exchange ratio being based on the Company's prior year end net asset value of 198.9p, and the final consideration being determined by the Company's share price of 183.3p.

		CTPT £m
Consideration paid	Shares	193.6
	Transaction costs	5.4
		199.0
Net assets acquired	Investment property	285.2
	Cash	31.4
	Bank debt	(86.6)
	Other	(7.7)
		222.3
<b>Price discount on acquisition</b>		<b>(23.3)</b>

## LXi

The all share offer for the LXi group completed by way of a Scheme of Arrangement on 5 March 2024 through the issue of 943 million new shares at 185.8p, reflecting consideration paid of £1,752.0 million and an exchange ratio of 0.55 LondonMetric shares for every LXi ordinary share held, based on an adjusted NTA approach. The fair value of assets acquired of £1,828.9 million is set out below and in note 15(a) to the financial statements and reflects fair value movements to debt, prepaid finance costs and other financial liabilities.

Alongside this on 6 March 2024, we completed the acquisition of the LXi group's investment advisor, its team of ten employees and net liabilities of £0.7 million, for a cash consideration of £26.8 million. The two acquisitions have been accounted for as business combinations in accordance with IFRS 3.

The difference between the total consideration paid of £1,778.8 million and the total net assets acquired of £1,828.2 million totalling £49.4 million has been recognised in the income statement as a gain on acquisition. Transaction costs of £29.8 million have been recognised separately in the income statement.

		LXi REIT plc £m	LXi REIT Advisors Ltd £m	Total LXi £m
Consideration paid	Shares	1,752.0	–	1,752.0
	Cash <sup>1</sup>	–	26.8	26.8
		1,752.0	26.8	1,778.8
Net assets acquired	Investment property	3,102.0	–	3,102.0
	Cash	73.2	–	73.2
	Bank debt	(1,083.1)	–	(1,083.1)
	Other	(263.2)	(0.7)	(263.9)
		1,828.9	(0.7)	1,828.2
<b>Gain/(loss) on acquisition</b>		<b>76.9</b>	<b>(27.5)</b>	<b>49.4</b>
<b>Acquisition costs</b>		<b>(28.5)</b>	<b>(1.3)</b>	<b>(29.8)</b>

1 Includes contingent consideration for LXi REIT Advisors Limited of £1.5 million

## Income statement

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
Gross rental income	177.0	4.3	(2.4)	178.9	145.6	4.3	(1.5)	148.4
Property costs	(1.7)	(0.1)	–	(1.8)	(1.5)	(0.1)	–	(1.6)
Net rental income	175.3	4.2	(2.4)	177.1	144.1	4.2	(1.5)	146.8
Management fees	1.1	(0.6)	0.1	0.6	1.1	(0.5)	0.1	0.7
Administrative costs	(19.7)	–	–	(19.7)	(16.4)	(0.1)	–	(16.5)
Net finance costs	(37.4)	–	0.6	(36.8)	(29.5)	(0.6)	0.2	(29.9)
Other	–	–	0.4	0.4	(0.1)	–	0.1	–
<b>EPRA earnings</b>	<b>119.3</b>	<b>3.6</b>	<b>(1.3)</b>	<b>121.6</b>	<b>99.2</b>	<b>3.0</b>	<b>(1.1)</b>	<b>101.1</b>

### Net rental income

As the UK's leading NNN lease REIT, our aim is to deliver reliable, repetitive and growing income for our shareholders over the long term. Sustained growth in net rental income underpins dividend progression and we are pleased to report a 20.6% increase in net rental income this year to £177.1 million. This reflects strong performance across our existing portfolio through rent reviews and asset management initiatives alongside income from our corporate acquisitions and completed developments which offset income lost through disposals as set out in the table below.

	£m	£m
Net rental income in the year to 31 March 2023		146.8
Additional rent from existing properties		8.3
Additional rent from developments		3.6
Movement in surrender premium income		(0.1)
Additional rent from acquisitions <sup>1</sup>	32.9	
Rent lost through disposals	(14.2)	
Additional rent from net acquisitions		18.7
Movement in property costs		(0.2)
<b>Net rental income in the year to 31 March 2024</b>		<b>177.1</b>

<sup>1</sup> Includes rent from CTPT of £11.1 million, from LXI of £16.9 million and from other acquisitions of £4.9 million

The detailed movements in net rental income this year are categorised in the table based on properties held, developed, acquired or disposed since 1 April 2022. Although property costs are marginally higher than last year at £1.8 million, our cost leakage ratio has fallen to 1.0% (2023: 1.1%).

### Rent collection

Our rent collection rates continue to be exceptionally strong, reflecting the importance we place on credit control and the quality of our covenants. We have collected 99.9% of rent due in the year and only £0.1 million remains unpaid.

### Administrative costs and EPRA cost ratio

Administrative costs are £19.7 million, an increase of £3.2 million over the year. Alongside inflationary cost increases and higher professional advisory fees reflecting our merger activity, capitalised staff costs have fallen by £1.0 million as our development activity has reduced. Notwithstanding this increase, our EPRA cost ratio, which is used to monitor and manage our operational cost levels, has fallen 10bps to 11.6% and remains one of the lowest in the sector. This is due to our focus on cost control alongside the growth in our income and is expected to fall further following the full integration of LXI.

For the year to 31 March	2024 %	2023 %
EPRA cost ratio including direct vacancy costs	11.6	11.7
EPRA cost ratio excluding direct vacancy costs	11.1	11.3

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

Our net finance costs have increased by 23.1% over the year to £36.8 million, incorporating the cost of debt acquired through the LXi merger which was at an average rate of 5.3%. Whilst our £700 million refinancing of LXi's secured debt was on more favourable terms, the combined Group's average debt cost at the year end is 3.9%, up from 3.4% last year but lower than on merger as a result of the subsequent refinancing. We have used proceeds from our disposals to repay more expensive floating rate debt and have mitigated our exposure to elevated interest rates by retaining all of the existing LXi caps, which together with our existing fixed rates and swap derivatives, has enabled us to fully hedge all debt drawn at the year end.

The £6.9 million increase in net finance costs, excluding fair value movements in derivatives and financing break costs, reflects a higher average debt balance over the year compared to last year, increased interest charges of £1.7 million, increased commitment and other fees of £3.0 million, lower coupon and capitalised interest on developments of £3.1 million offset by higher bank interest receivable of £0.9 million.

Further detail is provided in notes 5 and 10 to the financial statements.

## Share of joint ventures

EPRA earnings from our MIPP joint venture were £3.6 million, an increase of £0.6 million over last year due to interest cost savings following the repayment of bank debt in April. The Group received net management fees of £0.6 million for acting as property advisor to MIPP.

## 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. We acquired one German asset as part of the LXi merger which is subject to German corporate income tax.

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations. We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles. We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise. There were no issues raised in the year. We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained. The Group paid the required PID for the year to 31 March 2023 ahead of the 12 month deadline and has already paid a large part of its expected PID for the year to 31 March 2024.

Our tax strategy was updated and approved by the Board in the year and can be found on our website at [www.londonmetric.com](http://www.londonmetric.com).

## IFRS reported profit

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
EPRA earnings	119.3	3.6	(1.3)	121.6	99.2	3.0	(1.1)	101.1
Gain on acquisition	49.4	–	–	49.4	–	–	–	–
Acquisition costs	(29.8)	–	–	(29.8)	–	–	–	–
Revaluation of property	(7.5)	(3.7)	0.1	(11.1)	(577.4)	(12.5)	2.4	(587.5)
Fair value of derivatives	(3.9)	–	–	(3.9)	(4.0)	(0.1)	–	(4.1)
Loss on disposal	(7.4)	–	–	(7.4)	(14.7)	(0.7)	–	(15.4)
Debt/hedging costs	–	–	–	–	(0.4)	–	–	(0.4)
Deferred tax	(0.1)	–	–	(0.1)	–	–	–	–
<b>IFRS reported profit/(loss)</b>	<b>120.0</b>	<b>(0.1)</b>	<b>(1.2)</b>	<b>118.7</b>	<b>(497.3)</b>	<b>(10.3)</b>	<b>1.3</b>	<b>(506.3)</b>

The Group's reported profit for the year was £118.7 million compared with a loss of £506.3 million last year. The movement reflects an increase in EPRA earnings of £20.5 million, a net gain after transaction costs of £19.6 million relating to the LXi merger and a reduction in the revaluation deficit of £576.4 million.

## Balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
Investment property	6,232.2	67.1	(36.4)	6,262.9	2,944.9	70.8	(35.7)	2,980.0
Assets held for sale	8.5	–	–	8.5	19.8	–	–	19.8
Trading property	1.1	–	–	1.1	1.1	–	–	1.1
	6,241.8	67.1	(36.4)	6,272.5	2,965.8	70.8	(35.7)	3,000.9
Gross debt	(2,087.4)	–	–	(2,087.4)	(1,017.0)	(13.5)	–	(1,030.5)
Cash	111.9	3.0	(0.8)	114.1	32.6	5.4	(1.5)	36.5
Other net liabilities	(398.6)	(0.9)	9.2	(390.3)	(58.8)	(1.2)	9.3	(50.7)
<b>EPRA NTA</b>	<b>3,867.7</b>	<b>69.2</b>	<b>(28.0)</b>	<b>3,908.9</b>	1,922.6	61.5	(27.9)	1,956.2
Derivatives	32.6	–	–	32.6	11.1	–	–	11.1
<b>IFRS equity shareholders' funds</b>	<b>3,900.3</b>	<b>69.2</b>	<b>(28.0)</b>	<b>3,941.5</b>	1,933.7	61.5	(27.9)	1,967.3
<b>IFRS net assets</b>	<b>3,900.3</b>	<b>69.2</b>	<b>–</b>	<b>3,969.5</b>	1,933.7	61.5	–	1,995.2

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 above and in note 8(c) to the financial statements.

IFRS reported net assets have increased by £1,974.3 million or 99% over the year to £4.0 billion. Similarly, EPRA NTA, which excludes the derivative financial instruments asset of £32.6 million, has increased by £1,952.7 million. The movement is due to the all share acquisitions of CTPT and LXi as reflected in the table below.

				£m
EPRA NTA at 1 April 2023				1,956.2
EPRA earnings				121.6
Dividends paid <sup>1</sup>				(90.5)
Property revaluation movement				(11.1)
Corporate acquisitions	CTPT	Share issue	193.6	
	LXi	Share issue	1,752.0	
	LXi	Gain on business combination <sup>2</sup>	24.0	
	LXi	Acquisition costs <sup>3</sup>	(30.4)	
				1,939.2
Other movements <sup>4</sup>				(6.5)
<b>EPRA NTA at 31 March 2024</b>				<b>3,908.9</b>

<sup>1</sup> Dividend charge of £100.2 million less scrip savings of £9.7 million

<sup>2</sup> Net gain on business combinations of £49.4 million as reflected in the Group income statement less fair value of derivatives acquired of £25.4 million

<sup>3</sup> Acquisition costs of £29.8 million reflected in the Group income statement and £0.6 million charged to reserves

<sup>4</sup> Other movements include loss on sales (-£7.4 million), share based awards (£0.5 million), foreign currency movements (£0.5 million) and deferred tax (-£0.1 million)

Our M&A activity increased EPRA NTA by £1.9 billion. EPRA earnings in the year covered the dividend paid and the deficit on our portfolio valuation was broadly flat.

The movement in EPRA NTA per share, together with the dividend paid in the year, results in a total accounting return of 1.3%. Over the three year LTIP period our total accounting return was 15.4%. The full calculation can be found in Supplementary note viii.

## Portfolio valuation

Our property portfolio including share of joint ventures doubled in value over the year to £6.0 billion as a result of our M&A activity 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.

For the year to 31 March		100% owned £m	JV £m	NCI £m	Total 2024 £m	Total 2023 £m
Opening valuation		2,958.7	70.8	(35.7)	2,993.8	3,593.9
Acquisitions <sup>1</sup>	CTPT	261.9	–	–	261.9	–
	LXi <sup>5</sup>	2,853.3	–	–	2,853.3	–
	Other	42.7	–	–	42.7	164.6
		3,157.9	–	–	3,157.9	164.6
Developments <sup>2,4</sup>		43.9	–	–	43.9	87.4
Capital expenditure <sup>3</sup>		22.5	–	(0.8)	21.7	18.1
Disposals		(203.6)	–	–	(203.6)	(282.7)
Revaluation		(7.5)	(3.7)	0.1	(11.1)	(587.5)
Foreign currency		0.8	–	–	0.8	–
<b>Property portfolio value</b>		<b>5,972.7</b>	<b>67.1</b>	<b>(36.4)</b>	<b>6,003.4</b>	2,993.8
Income strip asset		221.5	–	–	221.5	–
Head lease and right of use assets		47.6	–	–	47.6	7.1
<b>Closing valuation</b>		<b>6,241.8</b>	<b>67.1</b>	<b>(36.4)</b>	<b>6,272.5</b>	3,000.9

1 Group acquisitions include purchase costs and represent completed investment properties as shown in note 9 to the financial statements. The acquisition cost of CTPT reflects the property valuation of £285.2 million less the price discount on acquisition of £23.3 million

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

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

4 Includes LXi developments acquired of £27.2 million and capitalised interest of £2.2 million

5 Excludes income strip asset of £221.5 million and developments acquired of £27.2 million

Acquisitions added £3.2 billion of property to our portfolio, largely through the corporate acquisitions of CTPT and LXi, and we spent £65.6 million on developments and other capital expenditure, including those acquired from LXi. We generated net sales proceeds of £198.7 million which reduced the book value of property by £206.1 million (including the cost of lease incentives written off for the Group of £2.5 million). Two disposals which generated proceeds of £19.6 million had exchanged last year. We also exchanged to sell four assets for £9.3 million and these transactions will be accounted for on completion next year. A full reconciliation between transactions exchanged and completed in the year is set out in Supplementary note xix. Investment in our preferred sectors of distribution and long income is in line with last year at 97% of the total portfolio, however following the LXi merger the sector weighting has changed as discussed in detail in the Property review.

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

As at 31 March	2024 £m	2024 %	2023 £m	2023 %
Mega distribution	310.2	5.2	311.5	10.4
Regional distribution	689.7	11.5	586.1	19.6
Urban logistics	1,557.2	25.9	1,262.3	42.2
Distribution	2,557.1	42.6	2,159.9	72.2
Convenience	995.2	16.5	637.1	21.3
Entertainment & leisure	1,271.3	21.2	55.5	1.9
Healthcare & education	960.2	16.0	14.8	0.5
Long income	3,226.7	53.7	707.4	23.7
Other	180.3	3.0	92.8	3.0
<b>Investment portfolio</b>	<b>5,964.1</b>	<b>99.3</b>	2,960.1	98.9
Development <sup>1</sup>	39.3	0.7	33.7	1.1
<b>Property portfolio value</b>	<b>6,003.4</b>	<b>100.0</b>	2,993.8	100.0
Income strip asset	221.5		–	
Head lease and right of use assets	47.6		7.1	
	<b>6,272.5</b>		3,000.9	

1 Represents urban logistics £6.0 million (0.1%), convenience £16.9 million (0.3%) and other £16.4 million (0.3%) at 31 March 2024.

Split of prior year comparatives was urban logistics £25.3 million (0.9%), convenience £5.6 million (0.1%), other £2.8 million (0.1%)

## Dividend

Our policy of paying a sustainable and progressive dividend remains unchanged and the dividend declared this year is 107% covered by EPRA earnings. We have continued to declare quarterly dividends and offer shareholders a scrip alternative to cash payments.

In the year to 31 March 2024, the Company paid the third and fourth quarterly dividends for the year to 31 March 2023 and the first two quarterly dividends for the year to 31 March 2024, at a total cost of £100.2 million or 9.7p per share as reflected in note 7 to the financial statements.

The Company issued 5.3 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.7 million to £90.5 million. The first two quarterly payments for the current year of 4.8p per share were paid as Property Income Distributions ('PIDs') in the year. The third quarterly dividend of 2.4p per share was paid as a PID in April 2024 and the Company has approved a fourth quarterly payment of 3.0p per share to be paid in July 2024, of which 1.5p will be a PID. The total dividend payable for 2024 of 10.2p represents an increase of 7.4% over the previous year.

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

- Its REIT obligations to distribute 90% of property rental business profits;
- Its desire to pay a sustainable, covered and progressive return to shareholders;
- Its EPRA earnings for 2024; and
- The outlook for 2025.

At the year end, the Company had distributable reserves of £1,164.9 million (2023: £1,270.6 million), providing substantial cover for the dividend payable for the year. When required and at least six monthly, the Company receives dividends from its subsidiaries which increase its distributable reserves.

## Financing

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

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

As at 31 March	2024 £m	2023 £m
Gross debt	2,087.4	1,030.5
Cash	114.1	36.5
Net debt	1,973.3	994.0
Loan to value <sup>1</sup>	33.2%	32.8%
Cost of debt <sup>2</sup>	3.9%	3.4%
Interest cover <sup>3</sup> (times)	4.5	4.7
Undrawn facilities	680.8	380.0
Average debt maturity	5.4 years	6.0 years
Hedging <sup>4</sup>	100%	93%

1 LTV includes the impact of sales and acquisitions that have exchanged and excludes the fair value of debt as reflected in Supplementary note xviii

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

3 Net income divided by net interest payable as defined by the Group's private placement and RCF funding arrangements

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

## Financing activity in the year

Our merger with LXI added £1.1 billion of secured debt to our balance sheet at an average cost of 5.3%, increasing our total gross debt to £2.1 billion at the year end. The combined group's basket of secured debt exceeded the maximum amount permitted under our existing unsecured facilities and consequently, immediately post completion in March, we refinanced £625 million of LXI's secured facilities with a new £700 million unsecured facility on more favourable terms. The new facility introduced a new lender, diversifying our exposure and included the ability to draw up to £100 million in euros allowing us to naturally hedge currency movements on our German asset. We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly loan prepayments.

Through our acquisition of CTPT, we secured an additional £90 million fixed rate loan with Canada Life at a favourable rate of 3.36%. CTPT's attractive debt structure and exceptionally low loan to value of 20.5% also helped to reduce our Group LTV.

During the year, we have also repaid our MIPP JV debt facility in full and £65 million of our private placement debt and have extended the maturity on our revolving credit facilities totalling £675 million for a further year.

### Hedging

The Group's policy is to limit our exposure to volatility in interest rates by entering into hedging and fixed rate arrangements.

We mitigated our exposure to interest rate movements further this year by retaining all of the LXi hedging we acquired such that our drawn debt at the year-end was fully hedged.

We received £6.7 million from the interest rate swaps and caps we had in place during the year. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

### Financial position at 31 March 2024

We have prioritised net divestment of non core assets to provide optionality, protect our loan to value from adverse valuation movements and enhance the quality of our portfolio. At the year end, our loan to value remained modest at 33.2% (2023: 32.8%), providing flexibility to execute transactions whilst maintaining ample headroom under our banking covenants.

With available debt facilities and cash of £794.9 million, we are in a strong financial position and well protected with refinancing risk mitigated until FY 2026 and optionality to continue to execute transactions as opportunities arise.

Our other debt metrics remain strong, with debt maturity of 5.4 years (2023: 6.0 years) and average cost of debt of 3.9% (2023: 3.4%), still significantly below current base rates.

### Financial loan covenants

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom 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 61% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2024, the Group's gearing ratio as defined within these funding arrangements was 58% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.5 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 33% to reach the banking gearing threshold which would equate to an LTV ratio of 54%. Similarly, rents would have to fall by 61% or interest costs rise by 172% before the banking interest covenant is breached.

### Cash flow

During the year, the Group's cash balances increased by £79.3 million as reflected in the table below.

	2024 £m	2023 £m
For the year to 31 March		
Net cash from operating activities	123.1	133.0
Net cash from/(used in) investing activities	206.1	(17.4)
Net cash used in financing activities	(249.9)	(134.3)
Net increase/(decrease) in cash and cash equivalents	79.3	(18.7)

The net cash inflow from operating activities of £123.1 million is stated after charging LXi acquisition related costs paid of £29.8 million. After adjusting for these one off costs, cash flows from operating activities were £152.9 million, representing an increase of £19.9 million or 15.0% compared to last year.

The Group spent £65.4 million acquiring and developing property in the year and invested £7.8 million into joint ventures. It received net cash proceeds of £271.6 million from property disposals and corporate acquisitions and £7.7 million in interest.

Cash outflows from financing activities reflect net loan repayments of £100.0 million, dividend payments and distributions of £91.6 million, financing costs of £55.3 million and share purchases and awards of £3.0 million.

Further detail is provided in the Group Cash Flow Statement.



# Risk management and internal controls

Our risk management framework supports effective decision making, and is core to our management practices, which help deliver our strategy and our commitments to stakeholders.

## How we manage risk

Our risk management framework ensures that risks are managed in line with our risk appetite.

### The Board

Our Board is ultimately responsible for determining the type and level of risk that the business is willing to take in achieving its strategic objectives and has overall responsibility for establishing and maintaining an effective risk management and internal controls framework.

Risk is considered at every Board meeting with the Chief Executive providing the primary stimulus for debate through an informative market overview covering macroeconomic or longer term themes and evolving trends within the sector, the wider economy and risk environment, in conjunction with the Finance Director as required. Feedback from meetings with industry representatives and stakeholders is also provided.

Detailed papers on matters reserved for the Board's attention highlight areas of risk and where such papers are circulated outside of the Board's regular forum, Directors are provided with an opportunity to discuss proposals with senior management prior to approval and later ratification by the Board as a whole. Pertinent discussions between individual Directors outside of scheduled meetings are additionally brought to the Board's attention. The Board also uses a high-level risk dashboard to monitor material issues, track new and emerging risks and further promote regular risk discussion at its meetings.

Strategy remains a key focus for the Board and this year saw debate on risks associated with weak market liquidity, corporate opportunities, disposals to manage gearing and provide optionality, the debt market, floating rate debt exposure and asset management initiatives. Significant time, including three additional meetings, was dedicated solely to the merger with LXI. Following completion of the merger an action list has been appended to the risk dashboard to assist Directors in tracking the integration progress in addition to the more detailed updates they receive.

## Determining appropriate risk appetite levels

Our risk management framework provides the Board with confidence that the risks inherent in operating the business are successfully being identified and mitigated to the extent possible to reduce unpalatable outcomes and to bring those which can be controlled to within acceptable appetite levels.

Risk appetite refers to the level and type of risk that the Board is prepared to accept or tolerate in pursuit of its strategic objectives and goals.

The Board carefully considers and debates a wide range of factors and the emergence of new risks. These frame the extent to which it is willing to accept some level of risk or flex its existing risk appetite when delivering its strategic priorities. It aims to maintain a low risk appetite overall, balancing commercial considerations within acceptable boundaries to protect stakeholder interests.

This year the Board has responded to the prevailing macro environment with elevated debt costs by limiting direct market investment in favour of disposals to provide optionality and to maintain a lower LTV while remaining active in looking at M&A opportunities. This culminated in sales of £185 million and the acquisitions of CTPT and LXI at £193.6 million and £1,752.0 million respectively, paid for through the issue of new shares to form a combined £6.0 billion property portfolio.

The transformative merger with LXI builds on the strengths and strong track records of both companies to create a new major UK REIT, aligned to structurally supported sectors with high barriers to entry and income security, with a low cost base, better access to capital through greater scale and enhanced scope for capital recycling and asset management to drive compounding income growth and total returns for shareholders.

Our acquisition of LXI raised the overall risk profile of the Company in the short term and the Board's appetite in relation to certain principal risks. The increased risk is largely connected to the timing of the acquisition close to our year end and LXI's externally managed business model, particularly its heavy reliance on third party service providers, which will be mitigated as the business is integrated into the Company.

## Risk categories

Our principal risks remain consistent with last year other than we no longer consider development to be a principal risk as our current exposure is limited. We consider risk under the three main categories, but it is recognised that these are often interlinked.

<b>Risk categories</b>	<b>Risk consideration</b>
Corporate - Relating to the entire Group.	Culture, strategy, the market, political, economic, employees, Responsible Business practices, wider stakeholders, security, systems, regulation.
Property - Focusing on our core business.	Portfolio composition, investment, divestments, asset management, developments, valuation and occupiers.
Financing - Focusing on business funding.	Capital markets, investors, joint ventures, debt, cash management.

## **LXi in focus**

Three additional meetings were dedicated solely to the LXi transaction during which the Board considered management's assessment and quantification of the risks relating to the merger amongst other things and appraised the due diligence and risk mitigating actions undertaken in determining its overall risk appetite for the transaction. Key due diligence and risk mitigating actions undertaken on the LXi acquisition included the following:

### **Corporate**

- Due diligence on the LXi group structure, material contracts, outsourced functions, financial reporting procedures and risk register
- Acquired the LXi investment advisor to internalise management, provide continuity and job security for LXi staff
- Held regular meetings with LXi staff to better understand the assets, discuss integration and plan for the year end reporting process
- Met key third party service providers including the administrator, Jersey administrator, valuer, tax advisor and auditor
- Engaged German tax specialists to understand the risks and compliance requirements on the German asset
- Ensured all regulatory requirements relating to the transaction were met, assisted by lawyers

### **Property**

- Inspected 92 assets across the UK, Northern Ireland and Germany
- Legal summary reports were produced and reviewed across every asset. Deeper title work was undertaken across the top 56 assets (66% by value)
- Covenant reviews were undertaken on key tenants and any 'at risk' credits
- Ranked all assets on standard criteria on a rating out of five driving thoughts on potential sale candidates
- Reviewed EPC analysis and discussed ESG in general with LXi's Head of ESG
- Identified key property risks with near term action required to mitigate them

### **Financing**

- Comprehensively engaged with both companies' larger shareholders to explain the rationale and understand concerns
- Reviewed the impact of the transaction on the Company's debt facilities
- Reviewed LXi facilities, hedging, recent covenant compliance calculations and certificates
- Engaged third parties to value debt in arriving at the exchange price mechanism
- Obtained consents from lenders to the transaction and waivers where necessary
- Increased the permissible secured debt basket limit under our unsecured facilities to provide headroom to avoid costly loan prepayments on LXi facilities
- Completed a new £700 million unsecured debt facility to replace £625 million of secured LXi facilities on more favourable terms and to provide secured debt basket headroom

## **Looking ahead**

To achieve what the Board considers to be more optimal sector weightings we will need to undertake the sale of assets considered to be non core and some portfolio repositioning over time. Management is currently focused on the integration of the two businesses following the completion of the LXi merger and our property team is forging relationships with the tenants in the new sectors acquired.

More generally we continue to live in a period of heightened geopolitical and economic uncertainty with conflict in the Middle East together with the ongoing war in Ukraine and tensions with China and persistent inflationary pressures which are pushing back interest rate cut expectations, impacting market conditions.

These factors will undoubtedly influence our approach over the next 12 months. Market sentiment is however starting to look increasingly positive, but investors are still adopting a wait-and-see approach in anticipation of interest rate cuts. The likelihood is that the improving outlook will drive more deals as the year progresses subject to any further geopolitical shocks.

## A review of our principal risks

### Corporate risks

#### 1. Strategy and its execution

##### Risk

Our success depends on owning quality assets in selected sectors underpinned by dependable and growing income. Our assets or the sectors in which we invest may not be appropriate for the current economic climate, market cycle or occupier needs. External factors or poor strategy implementation may mean that our investment objectives are not met.

##### Impact

Failure to respond appropriately to changing external factors or execute strategy effectively may adversely affect our financial performance and achievement of our growth targets.

##### Mitigation

- Our strategy and objectives are regularly evaluated and modified to changes in trends, market conditions and new opportunities or threats such as potentially disruptive technology.
- We use our network of connections, research, and deep occupier relationships to gather intelligence and help shape our decisions and strategic direction and our flat organisational structure makes it easier to identify market changes, emerging risks and monitor operations.
- Our portfolio is continually analysed and adjusted taking into consideration sector weightings, tenant and geographical concentrations, perceived threats and changes in the market, the balance of income to non income producing assets and asset management opportunities.
- The SLT comprises departmental heads from all key business functions with diverse skills and deep experience. High share ownership amongst the team provides strong shareholder alignment on all major decisions.
- We have appropriate controls in place around transactions and provide regular progress updates to the Board on significant activity.

##### Commentary

**Current year** - Our portfolio continues to be aligned to structurally supported sectors but has been broadened to include business critical and key operating assets for occupiers across a broader range of underlying sectors through our acquisition of LXi. Limited vacancy, a sector leading WAULT and minimal gross to net rent leakage, position the portfolio to provide reliable, repetitive, and growing income with substantial cost and operating synergies expected to drive faster earnings growth combined with dividend progression. With continuously increasing rents the portfolio is also positioned for capital appreciation in a stabilised market.

**Year ahead** - Our ambition in logistics, particularly urban, remains undiminished. Portfolio repositioning through acquisitions and the sale of non core LXi assets, will be a priority in the 12+ months ahead where we can afford to be patient if market liquidity continues to be weak. The integration of LXi and minimising gross to net income leakage are also priorities.

##### Appetite

Low. Our focus on the macro trends and how they define the winners and losers in the real estate sector have served us well and continue to influence how we invest our capital. This year we have brought together two highly complementary strategic approaches and embraced the Triple Net Lease business model successfully established in other parts of the world through our transformational merger with LXi.

##### Change in the year

Increased risk driven by our acquisition of LXi.

## 2. Major event

### Risk

An unforeseen national, regional or global event or series of events such as a financial crisis, pandemic, conflict, acts of terrorism or a political or economic event or events may result in a market downturn, specific sector turbulence or significant business disruption.

### Impact

Such events, particularly if sustained, may impair occupier demand, asset liquidity, revenue and values putting loan covenants and shareholder returns under pressure. They may also impact the cost and availability of debt and new equity. Staff and working practices may be negatively impacted.

### Mitigation

- We remain focused on what we can control within the business by adopting a disciplined and rational approach to portfolio management. This includes maintaining a broad tenant base and low vacancy on a portfolio of well located, predominantly UK assets in structurally supported sectors and assets that are business critical or key to the operations of their occupiers.
- Our strong occupier relationships provide market intelligence and help us to better understand our tenants' businesses and needs enabling us to provide fit for purpose long let real estate. They also help us to identify emerging trends and risks.
- Our development exposure is low in the current economic climate.
- Our financing strategy is regularly reviewed.
- We nurture relationships with new and existing debt and equity providers, and we predominantly have flexible funding arrangements from a diverse lender pool with significant covenant headroom.
- Our property portfolio is safeguarded by appropriate insurance cover.

### Commentary

**Current year** - 97% of our portfolio is now aligned to the logistics, convenience, healthcare, entertainment and leisure sectors with high occupancy and long leases. 79% of rent is subject to contractual uplifts providing strong income compounding with reversionary open market reviews on the remaining, mainly logistics assets where occupier demand is high.

We were supported by our relationship banks on the LXi transaction and welcomed ABN Amro as a significant lender into our new £700 million unsecured facility to refinance two secured LXi facilities.

We have cash and significant undrawn headroom of £795 million in our unsecured facilities at the year end.

**Year ahead** - An escalation of the conflict in the Middle East or Ukraine and potential changes in government in the UK and USA may impact policies affecting inflation and rates of interest.

### Appetite

These events are outside of the Board's control. Its focus remains on maintaining a robust portfolio and financing strategy to withstand shocks to the maximum extent possible. The Board monitors the impact of such events closely when they occur and flexes operations accordingly.

### Change in the year

No significant change

Continued uncertainty and high geopolitical risk with a new conflict in the Middle East together with the ongoing war in Ukraine and increasing tensions with China.

## 3. People

### Risk

Our business is run by a relatively small team and there may be an inability to attract, motivate and retain high calibre senior staff with the experience and expertise necessary to lead the business and deliver strategy.

### Impact

We may lose our competitive advantage and financial performance may suffer.

### Mitigation

- We undertake annual staff satisfaction surveys to help gauge contentment and our designated workforce Non Executive Director hosts annual round table meetings with a cross section of staff to hear their views and air concerns.

- We offer competitive remuneration packages with many staff participating in the LTIP which incentivises long term performance and creates an ownership culture and a sense of togetherness aiding retention and providing stability within the wider team. Staff turnover levels are low.
- The SLT promotes talent development below Board.
- Annual appraisals identify training needs and assess performance.
- External specialist support contracted as required.
- Our new Directors bring continuity for shareholders and expertise in the largest LXi assets and sectors, previously owned by Secure Income REIT plc prior to its merger with LXi.

### **Commentary**

**Current year** - SLT members met LXi staff pre merger with finance staff holding weekly meetings to discuss integration and the year end reporting process. "Get to know you" events have been held and our new LXi colleagues have relocated to LondonMetric's office. Extra staff have also been recruited in addition to those joining from LXi where requirements have been identified. Changes in role resulting from the merger have been reflected through remuneration reviews.

Our staff survey responses continue to be very positive with respondents proud and happy to work for LondonMetric and highly confident in senior management's decisions.

**Year ahead** - Complete integration and address requirement for a more structured approach to executive succession planning as identified by the external Board evaluation review.

### **Appetite**

Low. The Board believes that it is vitally important that the business has the appropriate level of leadership, experience and expertise to deliver our objectives and to identify and adapt to change.

### **Change in the year**

Increased risk

Increase caused by the integration requirement, the significant increase in workload from the doubling of the Company's size, the proximity of our merger with LXi to the year end and less familiar asset classes.

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

### **Risk**

The integrity of our property database and financial systems and the accuracy and timeliness of financial information which supports strategy may be poor.

### **Impact**

Decisions may be made on inaccurate information and published information may be misstated or late.

### **Mitigation**

- We have a strong controls culture and maintain appropriate segregation of duties and controls over financial systems. We also maintain appropriate data capture procedures to ensure the accuracy of the property database.
- Management accounts are produced quarterly at Group level and reviewed by senior managers before being shared with the Board. Variances against forecast are investigated and reported.
- Our cost control procedures ensure expenditure is valid, properly authorised and monitored.
- Detailed due diligence is undertaken on corporate acquisitions to understand differences in accounting policies, processes, controls and the timing of financial information. Additional controls and oversight processes are implemented on completion prior to integration as considered appropriate where those businesses are externally managed.
- Our business continuity plan is tested, and we seek to ensure the integrity of our IT systems and cyber security through third party specialists and staff training.

### **Commentary**

**Current year** - We have successfully concluded the integration for the CTPT acquisition which completed in August.

Prior to the LXi acquisition completing, senior finance members from both companies met LXi's administrator to agree amendments to ongoing procedures and reporting for the merger and the year end to streamline it to the extent possible to minimise delays given the proximity of the transaction to our year end. The two finance teams then coordinated processes for the year end consolidation and audit of the enlarged Group.

**Year ahead** - Complete integration including bringing those functions currently undertaken by LXi's administrator in-house. Complete and test the enhanced Group financial forecast model being built by a specialist third party. Prepare and progress pathway for compliance with the expanded Code Provision 29.

#### **Appetite**

Low. Management continually strives to monitor and improve processes to ensure they are fit for purpose.

#### **Change in the year**

Increased risk

As an externally managed business, LXi engaged experienced third party service providers to carry out virtually all functions including the provision of accounting services. Surrendering day to day control of accounting processes can lead to inaccuracies in financial information as well as delays in reporting timelines. The lack of direct access to accounting systems may also cause delays in information sharing and difficulties in resolving issues promptly. LXi's reliance on the performance and reliability of its administrator means that operational issues could potentially disrupt the quality and continuity of the services provided affecting financial reporting.

### **5. Responsible Business and sustainability**

#### **Risk**

Non-compliance with Responsible Business practices and management of climate risk.

#### **Impact**

Non-compliance may lead to reputational damage and be detrimental to our relationship with key stakeholders. It may also impact asset liquidity, shareholder returns and potentially reduce access to debt and capital markets.

#### **Mitigation**

- We monitor changes in law, stakeholder sentiment and best practice on sustainability, environmental matters and our societal impact with support from specialist consultants and consider the impact on strategy.
- Responsibility for specific obligations is allocated to SLT members and our Responsible Business Working group which meets each month and reports to Audit Committee.
- Sustainability targets are set, monitored and reported. EPC rating benchmarks are set to comply with current and future Minimum Energy Efficiency Standards ('MEES') to ensure that the quality and desirability of our assets is not affected and that we do not suffer higher voids, reduced income and liquidity issues.
- We consider environmental and climate change risk relating to our assets, commission studies and reports and provide staff training.
- Proper consideration is given to the needs of shareholders and occupiers by maintaining high levels of engagement.
- We work with occupiers to improve the resilience of our assets and their business models to climate change and a low carbon economy. We also consider our impact on local communities.
- Contractors are required to conform to our responsible development requirements.

#### **Commentary**

**Current year** - We made good progress on our 2024 targets which have largely been achieved. In particular, we materially increased our GRESB score from 64 to 76, driven by a number of improvements including better data collection.

We have also had a good level of occupier engagement which has translated into a significant number of ongoing and completed green initiatives and an occupier survey landlord recommendation score of 9.0/10.0. Green lease clauses are now widely being adopted on new leases and regears.

We engaged with shareholders representing 67% of our register and met with the vast majority of the combined register on the LXi merger proposals.

Our employee satisfaction score was again high with 97% of employees proud to work for LondonMetric, up from 94% in 2023.

**Year ahead** - We are currently working on integration and completing the rollout of Evora, a comprehensive ESG software platform.

#### **Appetite**

Low. The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment and asset liquidity.

## **Change in the year**

Increased risk

Through our M&A activity we have inherited an ESG specialist, know-how and knowledge. Our merger with LXI has however impacted portfolio ESG ratings with the enlarged Group's EPC A-C ratings falling to 85% from 90% last year. We have had to pause on developing our net zero pathway so that we can consider the implication of the material shift in our portfolio makeup. Our Triple Net Lease model with materially longer leases presents challenges with less scope for near term direct intervention by us to improve assets and reduce emissions. It instead places greater reliance on occupiers' environmental ambitions. We will need to revisit and readjust our plans following integration.

## **6. Regulatory framework**

### **Risk**

Non-compliance with legal or regulatory obligations.

### **Impact**

Potential reputational damage, increased costs, fines, penalties, or sanctions. Access to debt and capital markets may also be reduced.

### **Mitigation**

- We monitor regulatory changes that impact our business assisted by specialist support providers and consider the impact of legislative changes on strategy.
- We have allocated responsibility for specific obligations to individuals within the SLT and provide staff training on a wide range of issues.
- Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance. Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk and community.

### **Commentary**

**Current year** - No significant new regulatory changes have impacted the business. We are cognisant of the 2024 Code's requirement to include a Board declaration on the effectiveness of material controls by 31 March 2027. A pathway for compliance with the expanded Provision 29 (the Internal Controls declaration) will be prepared and progress monitored.

**Year ahead** - We anticipate no significant change in this risk over the next 12 months. New regulations and evolving best practice will continue to impact the business.

### **Appetite**

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

## **Change in the year**

There has been no significant change in perceived risk.

## **Property risks**

### **7. Investment risk**

#### **Risk**

We may be unable to source rationally priced investment opportunities.

#### **Impact**

Our ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.

#### **Mitigation**

- Our property team's extensive experience and strong network of relationships provide insight into the property market and opportunities.
- We have a dedicated Investment Committee led by SLT members which meets regularly.
- Management has a proven track record of executing transactions, making good sector choices and growing income even through periods of uncertainty and market volatility.

- We have a resilient capital structure and significant undrawn headroom in our debt facilities.

#### **Commentary**

**Current year** - This year we have favoured M&A activity through the issue of new shares as described under Principal risk 1 (Strategy and its execution).

**Year ahead** - We have initiated our portfolio repositioning to achieve more optimal sector weightings, but accretive capital deployment remains difficult. Since acquisition we have exchanged on non core LXI asset sales of £55.3 million and prioritised the acquisition of urban logistics and trade counters, finding reasonable liquidity in smaller lot sizes in the current market conditions.

#### **Appetite**

Low. The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise. The Board's aim is to minimise this risk to the extent possible.

#### **Change in the year**

Decreased risk

We expect increased scale and liquidity to confer a competitive advantage when pursuing possible transactions including superior access to larger investment opportunities.

### **8. Valuation risk**

#### **Risk**

Investments may fall in value.

#### **Impact**

Pressure on net asset value may have negative implications for the Group and potentially loan to value debt covenants.

#### **Mitigation**

- Our focus remains on sustainable income and lettings to high quality tenants within a diverse portfolio of well located assets. Fit for purpose, modern long let assets, low vacancy and strong tenant covenants provide resilience and reduce the negative impact of a market downturn and we therefore continue to enhance our income and the quality of our assets.
- Our portfolio is predominantly aligned to structurally supported sectors with negligible exposure to legacy sectors and none to stranded assets.
- Trends and the property cycle are continually monitored with investment decisions made strategically in anticipation of changing conditions.
- Asset performance is regularly reviewed and benchmarked on an asset by asset basis.
- Tenant covenants and trading performance are monitored.

#### **Commentary**

**Current year** - 151 occupier initiatives in the year added £7.5 million per annum of rent and helped to deliver like for like income growth of 5.5%. Looking forward, we have visibility on c.£23 million per annum of additional rent over the next two years from rent reviews alone.

**Year ahead** - The current backdrop remains challenging however there is growing consensus that interest rates will follow inflation in a downward trajectory, subject to any further geopolitical shocks.

#### **Appetite**

Property valuations are inherently subjective and there is no certainty that values will be realised. Valuations are particularly sensitive to changes in interest rates. The Board aims to keep valuation risk to a minimum through its asset selection and accretive asset management initiatives.

#### **Change in the year**

Decreased risk.

Some pricing stability within the more structurally supported real estate sectors. Elevated debt costs however continue to materially impact liquidity overall making price discovery more difficult.



## 9. Transaction and tenant risk

### Risk

Acquisitions and asset management initiatives may be inconsistent with strategy or our due diligence may be flawed. Tenants may default or fail.

### Impact

May adversely affect our financial performance and achievement of our growth targets.

### Mitigation

- Thorough due diligence is undertaken on all investments with input from specialist advisors including legal and property, tenant covenant strength and trading performance. New initiatives undergo cost benefit analysis prior to implementation.
- Portfolio tenant concentration is considered in all investment and leasing transactions. We screen all prospective tenants and undertake regular reviews thereafter. Rent collection is monitored closely to identify potential issues.
- We have a diversified tenant base and limited exposure to occupiers in bespoke properties outside of the healthcare and entertainment assets acquired through LXi this year.
- Our experienced asset management team work closely with tenants to offer them real estate solutions that meet their business objectives. This proactive management approach helps to reduce vacancy risk.

### Commentary

**Current year** - Income granularity has reduced through the LXi merger with Merlin and Ramsay Health Care, both strong covenants, now accounting for 20% of net contracted rent. Operationally, the Company continues to perform strongly with occupancy of 99.4% and rent recovery of 99.9% in the year.

**Year ahead** - We anticipate no significant change in this risk over the next 12 months and will continue to monitor the effects of market conditions on tenant businesses.

### Appetite

Low. The Board has no appetite for risk arising out of poor due diligence or implementation on investment and asset management activities. 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.

### Change in the year

Increased risk. Increase driven by continued challenging economic backdrop and our acquisition of LXi with its higher tenant concentrations

## Financing risks

## 10. Capital and finance risk

### Risk

The Company may have insufficient liquid funds and available credit.

### Impact

Strategy implementation is at risk.

### Mitigation

- The availability of debt and the terms on which it is available is considered as part of our long term strategy.
- We maintain a modest level of gearing and monitor headroom and non financial covenants. Cash flow forecasts are also closely monitored.
- Loan facilities incorporate covenant headroom and appropriate cure provisions and our unsecured arrangements provide flexibility.
- Where secured loans inherited through our M&A activity cover multiple assets we consider the impact of disposals as part of our decision making process and work with lenders on substitutions.
- We maintain a disciplined investment approach with competition for capital and assets are considered for sale when they have achieved target returns and strategic asset plans.
- Derivatives are used to fix or cap exposure to rising rates as deemed prudent.

## Commentary

**Current year** - This year we inherited £760 million of secured debt in addition to a further £625 million that was refinanced on completion of the LXi merger with a new £700 million unsecured facility on more favourable terms. We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly LXi loan prepayments. Our gearing remains low at 33.2% at the year end with interest cover of 4.5 times. Drawn debt was fully hedged or carried a fixed rate coupon.

**Year ahead** - Agree and facilitate asset substitutions on two secured LXi facilities to accommodate proposed sales. Consider obtaining a credit rating to access a broader range of funding sources.

## Appetite

Low. The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines and very limited appetite for unhedged floating rate debt in the current interest rate environment.

## Change in the year

Increased risk.

Increase driven by the secured debt coming onto the balance sheet through M&A activity with less flexible terms and high frictional costs for substitutions where non core asset sales have been identified. Our first significant debt maturity is now autumn of 2025.

# Going concern and viability

The Directors have considered the Group's prospects, including reference to the Group's principal risks, to form the basis of an assessment of short-term and longer-term viability.

The assessment is detailed below. Based on the results of this assessment the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and has adequate resources to meet its liabilities as they fall due over the three year period to 31 March 2027.

## Time period of assessment

Consistent with previous years and in accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over the following time horizons:

- Short term – a period of 12 months from the date of this report as required by the 'Going Concern' provision; and
- Longer term – a period of three years to 31 March 2027 as required by the 'Viability Statement' provision.

## Short term assessment

The Directors' going concern assessment, as required under provision 30 of the Code, considered the key models and metrics used by the Senior Leadership Team to measure and monitor liquidity including the following:

- The current financial position of the Group;
- The short term cash flow forecasting undertaken on a daily, weekly and monthly basis;
- Rent collection rates, which are circulated and reviewed on a weekly basis;
- The availability of cash and undrawn facilities; and
- The repayment profile of the Group's debt facilities.

The following key financial metrics, which are set out in the Financial review supported their assessment:

As at 31 March	2024
Loan to value	33.2%
Cost of debt	3.9%
Interest cover (times)	4.5
Undrawn facilities	£680.8m
Cash	£114.1m
Average debt maturity	5.4 years
Hedging	100%
Rent collection in the year	99.9%
Occupancy	99.4%

As part of the LXi merger we acquired a basket of secured debt which exceeded the maximum amount permitted under our existing unsecured facilities. Consequently, immediately post completion in March we refinanced £625 million of LXi's secured facilities with a new £700 million unsecured facility on more favourable terms, which strengthened the Group's financial position.

In addition, as at 31 March 2024, the Group's gearing ratio as defined within its unsecured facilities and private placement loan notes, which together account for 61% of debt drawn, was 58% (maximum 125%) and interest cover was 4.5 times (minimum 1.5 times).

The Directors concluded that the Group was in a strong financial position with significant cash and undrawn facilities, ample headroom under banking covenants and refinancing risk mitigated until FY 2026.

## **Going Concern Statement**

On the basis of this review, together with available market information and the Directors' experience and knowledge of the portfolio, they have a reasonable expectation that the Company and the Group can meet its liabilities as they fall due and has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2024.

## **Longer term assessment**

The Board reviews and challenges the period over which to assess viability on an annual basis and have determined that the three year period to 31 March 2027 remains an appropriate period over which to assess the Group's viability, as in previous years, for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period;
- It is a reasonable approximation of the time it takes from obtaining planning permission for a development project to practical completion of the property; and
- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

## **Assessment of viability**

The Board conducted this review taking account of the Group's business strategy, principal and emerging risks, financial position and outlook.

The Group's three year business model is used to consider future prospects on a quarterly basis and to stress test assumptions and consider the likely impact of changes in the principal risks, including:

- Changes to macroeconomic conditions including inflation and interest rates, impacting rent, property values and finance costs;
- Changes to the occupier market impacting occupancy levels;
- Changes in the availability of funds and interest rates; and
- Changes in the property market conditions impacting investment and development opportunities.

Following the merger with LXi, the Group's portfolio significantly increased in size, diversified into a broader range of operating segments, focusing on the Triple Net Lease model and the continued delivery of reliable, repetitive and growing income over the long term.

Strategy continues to be reviewed by the Board at each meeting to ensure it remains appropriate and capital allocation takes into account macroeconomic factors including elevated inflation and interest rates.

The Group's strategy underpins the business plan and three year financial forecasting model which incorporates transactions under offer, committed developments and reinvestment plans. It is an integrated model that projects future earnings, cash flows and net assets and considers capital commitments, dividend cover, loan covenants and REIT compliance metrics.

The Senior Leadership Team provides regular strategic input to the financial forecasts covering investment, divestment and development plans and they consider their impact to earnings and liquidity. Forecasts are reviewed against actual performance and reported quarterly to the Board. This year, the combined Group's financial forecast includes an overlay for LXi which will continue to be developed and refined.

The business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including changes to macroeconomic conditions that were considered severe but realistic scenarios, both on an individual and collective basis.

The scenarios considered the likely impact on the Group's longer term profitability and liquidity and are set out below:

- A 2% increase in interest rates;
- A 5% tenant default rate reducing rent by the equivalent amount; and
- A 5% decline in property valuations.

The modelling indicated that under all scenarios the Group would still be able to execute its strategic plan and had sufficient reserves to continue in operation and remain compliant with its debt covenants.

In addition, reverse stress testing was undertaken to determine the circumstances under which financial covenants would be breached and considered the following scenarios:

- The amount by which property values would need to fall before the gearing covenant was breached;
- The amount by which rent would need to fall before the interest cover covenant was breached; and
- The amount by which interest costs would need to rise before the interest cover covenant was breached.

Under the Group's unsecured and private placement debt facilities, that together account for 61% of the Group's borrowing including its share of joint ventures, the reverse stress testing indicated the following:

- Property values would need to fall by 33% before the banking gearing threshold was reached and this would equate to a loan to value ratio of 54%; and
- Rental income would need to fall by 61% or interest payable rise by 172% to breach the interest cover covenant.

In conjunction with the modelling undertaken, the Board is mindful of the following points when assessing the Group's longer term prospects:

- Income certainty, with 79% of the Group's rental income benefiting from contractual uplifts;
- Income diversity, with 37% of rent due from our top ten occupiers;
- Strong rent collection, with 99.9% of rent due in the year collected;
- Strong relationships with debt providers, evidenced by the new £700 million facility completed in the year which also diversified the pool of lenders;
- Substantial liquidity, with undrawn debt facilities and cash of £794.9 million at the year end, mitigating refinancing risk until FY 2026;
- Fully hedged drawn debt as at 31 March 2024 following the decision to retain all of LXi's interest rate caps on merger;
- The Group's proven track record of executing transactions, making good sector choices and growing income even through periods of significant uncertainty and volatility; and
- The Group's ability to be flexible and react to changes in the macroeconomic and property markets, including the focus on disposals to manage LTV and reduce exposure to floating rate debt and the ability to transact through corporate opportunities.

This testing, combined with the Group's strong financial position and mitigation actions available including deferring non committed capital expenditure and selling assets, supports the Group's ability to weather unexpected and adverse economic and property market conditions over the longer term viability period.

## **Viability Statement**

Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year viability period to 31 March 2027.

# Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board. The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

## Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

**Andrew Jones**

Chief Executive

4 June 2024

**Martin McGann**

Finance Director

4 June 2024

## Group income statement

For the year ended 31 March

	Note	2024 £m	2023 £m
<b>Revenue</b>	3	<b>178.1</b>	146.7
Cost of sales		<b>(1.7)</b>	(1.5)
<b>Net income</b>		<b>176.4</b>	145.2
Administrative costs	4	<b>(19.7)</b>	(16.4)
Net gain on business combinations	15c	<b>49.4</b>	–
Acquisition costs	15c	<b>(29.8)</b>	–
Loss on revaluation of investment properties	9a	<b>(7.5)</b>	(577.4)
Loss on sale of investment properties		<b>(7.4)</b>	(14.7)
Share of losses of joint ventures	10	<b>(0.1)</b>	(10.3)
<b>Operating profit/(loss)</b>		<b>161.3</b>	(473.6)
Finance income	5	<b>8.5</b>	2.9
Finance costs	5	<b>(49.8)</b>	(36.8)
<b>Profit/(loss) before tax</b>		<b>120.0</b>	(507.5)
Taxation	6	<b>(0.1)</b>	(0.1)
<b>Profit/(loss) for the year</b>		<b>119.9</b>	(507.6)
Attributable to:			
Equity shareholders		<b>118.7</b>	(506.3)
Non-controlling interest	20b	<b>1.2</b>	(1.3)
<b>Earnings per share</b>			
Basic	8	<b>10.6p</b>	(51.8)p
Diluted	8	<b>10.6p</b>	(51.8)p

## Group statement of comprehensive income

For the year ended 31 March

	2024 £m	2023 £m
Profit/(loss) for the year	<b>119.9</b>	(507.6)
Foreign exchange translation	<b>0.5</b>	–
<b>Other comprehensive income for the year</b>	<b>0.5</b>	–
<b>Total comprehensive income/(expense) for the year</b>	<b>120.4</b>	(507.6)
Attributable to:		
Equity shareholders	<b>119.2</b>	(506.3)
Non-controlling interest	<b>1.2</b>	(1.3)

All amounts relate to continuing activities.

# Group balance sheet

As at 31 March

	Note	2024 £m	2023 £m
<b>Non current assets</b>			
Investment properties	9a	6,232.2	2,944.9
Investment in equity accounted joint ventures	10	69.2	61.5
Other investments and tangible assets		1.7	1.2
Derivative financial instruments	14c	32.6	11.1
		6,335.7	3,018.7
<b>Current assets</b>			
Assets held for sale	9b	8.5	19.8
Trading properties		1.1	1.1
Trade and other receivables	11	21.4	5.8
Cash and cash equivalents	12	111.9	32.6
		142.9	59.3
<b>Total assets</b>		<b>6,478.6</b>	<b>3,078.0</b>
<b>Current liabilities</b>			
Trade and other payables	13	155.8	65.9
Bank borrowings	14a(i)	43.5	65.0
Other financial liabilities	14a(ii)	8.6	–
Lease liabilities	16	1.1	–
		209.0	130.9
<b>Non current liabilities</b>			
Bank borrowings	14a(i)	2,030.6	944.8
Other financial liabilities	14a(ii)	212.9	–
Lease liabilities	16	47.0	7.1
Deferred tax	6	9.6	–
		2,300.1	951.9
<b>Total liabilities</b>		<b>2,509.1</b>	<b>1,082.8</b>
<b>Net assets</b>		<b>3,969.5</b>	<b>1,995.2</b>
<b>Equity</b>			
Called up share capital	17,18	203.7	98.3
Share premium	17,18	404.7	395.5
Capital redemption reserve	18	9.6	9.6
Other reserve	18	2,332.4	490.3
Retained earnings	18	991.1	973.6
<b>Equity shareholders' funds</b>		<b>3,941.5</b>	<b>1,967.3</b>
Non-controlling interest	20b	28.0	27.9
<b>Total equity</b>		<b>3,969.5</b>	<b>1,995.2</b>
<b>IFRS net asset value per share</b>	8c	<b>195.2p</b>	<b>203.7p</b>

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2024 and were signed on its behalf by:

**Martin McGann**

Finance Director

Registered in England and Wales, No 7124797

# Group statement of changes in equity

For the year ended 31 March

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves <sup>1</sup> £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2023		98.3	395.5	9.6	490.3	973.6	1,967.3	27.9	1,995.2
Profit for the year		—	—	—	—	118.7	118.7	1.2	119.9
Other comprehensive income for the year		—	—	—	0.5	—	0.5	—	0.5
Total comprehensive income for the year		—	—	—	0.5	118.7	119.2	1.2	120.4
Share issue on acquisitions	17,18	104.9	—	—	1,840.1	—	1,945.0	—	1,945.0
Purchase of shares held in Employee Benefit Trust		—	—	—	(2.5)	—	(2.5)	—	(2.5)
Vesting of shares held in Employee Benefit Trust		—	—	—	4.0	(4.5)	(0.5)	—	(0.5)
Distribution to non-controlling interest	20b	—	—	—	—	—	—	(1.1)	(1.1)
Share based awards		—	—	—	—	3.5	3.5	—	3.5
Dividends	7	0.5	9.2	—	—	(100.2)	(90.5)	—	(90.5)
<b>At 31 March 2024</b>		<b>203.7</b>	<b>404.7</b>	<b>9.6</b>	<b>2,332.4</b>	<b>991.1</b>	<b>3,941.5</b>	<b>28.0</b>	<b>3,969.5</b>

1 Other reserves include merger relief reserve, Employee Benefit Trust shares and a foreign currency exchange reserve as set out in note 18

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves <sup>1</sup> £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 year and total comprehensive expense		—	—	—	—	(506.3)	(506.3)	(1.3)	(507.6)
Purchase of shares held in Employee Benefit Trust		—	—	—	(5.6)	—	(5.6)	—	(5.6)
Vesting of shares held in Employee Benefit Trust		—	—	—	4.8	(5.6)	(0.8)	—	(0.8)
Investment from non-controlling interest	20b	—	—	—	—	—	—	19.5	19.5
Distribution to non-controlling interest	20b	—	—	—	—	—	—	(0.4)	(0.4)
Share based awards		—	—	—	—	3.6	3.6	—	3.6
Dividends	7	0.4	8.7	—	—	(92.4)	(83.3)	—	(83.3)
<b>At 31 March 2023</b>		<b>98.3</b>	<b>395.5</b>	<b>9.6</b>	<b>490.3</b>	<b>973.6</b>	<b>1,967.3</b>	<b>27.9</b>	<b>1,995.2</b>



# Group cash flow statement

For the year ended 31 March

	Note	2024 £m	2023 £m
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		120.0	(507.5)
<b>Adjustments for non cash items:</b>			
Loss on revaluation of investment properties		7.5	577.4
Loss on sale of investment properties		7.4	14.7
Share of post-tax loss of joint ventures		0.1	10.3
Movement in lease incentives		(17.4)	(11.7)
Share based payment		3.5	3.6
Net gain on business combinations		(49.4)	–
Net finance costs		41.3	33.9
Cash flows from operations before changes in working capital		113.0	120.7
Change in trade and other receivables		(4.1)	8.1
Change in trade and other payables		14.8	4.5
Cash flows from operations		123.7	133.3
Tax paid		(0.6)	(0.3)
<b>Cash flows from operating activities</b>		<b>123.1</b>	<b>133.0</b>
<b>Investing activities</b>			
Net cash acquired from the acquisition of CTPT		26.0	–
Net cash acquired from the acquisition of LXi		47.3	–
Purchase of investment properties and development properties		(57.4)	(258.0)
Capital expenditure on investment properties		(5.8)	(16.9)
Purchase of investments and tangible assets		(0.5)	(0.1)
Lease incentives paid		(1.7)	(2.6)
Sale of investment properties		198.3	258.6
Investment in joint ventures		(10.5)	–
Distributions from joint ventures		2.7	0.8
Interest received		7.7	0.8
<b>Net cash from/(used in) investing activities</b>		<b>206.1</b>	<b>(17.4)</b>
<b>Financing activities</b>			
Dividends paid		(90.5)	(83.3)
Investment from non-controlling interest	20b	–	19.5
Distribution to non-controlling interest	20b	(1.1)	(0.4)
Purchase of shares held in Employee Benefit Trust		(2.5)	(5.6)
Vesting of shares held in Employee Benefit Trust		(0.5)	(0.8)
New borrowings and amounts drawn down	19	669.2	440.0
Repayment of loan facilities	19	(769.2)	(450.0)
Purchase of derivative financial instruments		–	(15.1)
Financial arrangement fees and break costs		(10.6)	(5.0)
Lease liabilities and other financial liabilities paid		(1.1)	(0.8)
Interest paid		(43.6)	(32.8)
<b>Net cash used in financing activities</b>		<b>(249.9)</b>	<b>(134.3)</b>
Net increase/(decrease) in cash and cash equivalents	19	79.3	(18.7)
<b>Opening cash and cash equivalents</b>		<b>32.6</b>	<b>51.3</b>
<b>Closing cash and cash equivalents</b>		<b>111.9</b>	<b>32.6</b>

# Notes forming part of the Group financial statements

## 1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2024 or 31 March 2023 but is derived from those accounts. Statutory accounts for the years ended 31 March 2024 and 31 March 2023 have been reported on by the independent auditor. The independent auditor's reports on the Annual Report and financial statements for 2024 and 2023 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2024 will be delivered to the Registrar following the Company's Annual General Meeting. The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations issued by the IASB. The accounting policies adopted in this results announcement are consistent with those used in preparing the financial statements for the year ended 31 March 2024, which are the same as those used in the financial statements for the year ended 31 March 2023.

### **a) General information**

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act and is registered in England. The address of the registered office is One Curzon Street, London, W1J 6HB. The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Property review.

### **b) Statement of compliance**

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards ('IFRS') as issued by the IASB.

### **c) Going concern**

The Board has continued to pay particular attention to the appropriateness of the going concern basis in preparing these financial statements and its detailed assessment is set out above. The assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in detail in the Property review. 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.

### **d) Basis of preparation**

The financial statements are prepared on a going concern basis, as explained above. The functional currency of the Company and the presentational currency of the Group is sterling. The functional currency of all subsidiaries except for the Group's German operations is sterling. Euro denominated results of the German operations have been converted to sterling initially at the applicable exchange rate ruling on the transaction date.

Foreign exchange gains and losses from settling transactions are reflected in the income statement, and from retranslating assets and liabilities held in foreign currencies, in other comprehensive income. Assets and liabilities are retranslated at the period end rate and income and expenses are retranslated at the average rate. The principal exchange rate used to translate foreign currency denominated assets and liabilities at the period end and the net income for the period was £1= €1.17.

The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently in all material respects except for the adoption of new and revised standards as noted below.

#### **i) Significant accounting estimates and judgements**

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

The accounting policies subject to significant judgements and estimates are considered by the Audit Committee and are as follows:

### **Significant areas of estimation uncertainty**

Property valuations

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

The determination of the fair value of each property requires, to the extent applicable, the use of estimates and assumptions in relation to factors such as estimated rental value and current market rental yields. In addition, to the extent possible, the valuers make reference to market evidence of transaction prices for similar properties.

The fair value of a development property is determined by using the 'residual method', which deducts all estimated costs necessary to complete the development, together with an allowance for development risk, profit and purchasers' costs, from the fair valuation of the completed property. Note 9(c) to the financial statements includes further information on the valuation techniques, sensitivities and inputs used to determine the fair value of the property portfolio.

### **Significant areas of judgement**

#### Significant transactions

Some property transactions are large or complex and require management to make judgements when considering the appropriate accounting treatment. These include acquisitions of property through corporate vehicles, which could represent either asset acquisitions or business combinations under IFRS 3. Other complexities include conditionality inherent in transactions and other unusual terms and conditions. There is a risk that an inappropriate approach could lead to a misstatement in the financial statements. Management applied judgement to three corporate acquisitions made during the year to 31 March 2024 and determined the following:

- The acquisition of CT Property Trust Limited ('CTPT') was an asset acquisition rather than a business combination, as no processes or workforce were acquired and substantially all of the fair value of the net assets acquired was represented by investment properties; and
- The acquisition of LXi REIT plc and its investment advisor LXi REIT Advisors Limited represented two business combinations in accordance with IFRS 3 as in addition to the substantial property portfolio and debt facilities acquired, the management team of ten employees and all of its operating processes were transferred.

#### ii) Adoption of new and revised standards - Standards and interpretations effective in the current period

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

Name	Description
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 12	International tax reform – Pillar Two Model Rules
Amendments to IFRS 17	Insurance contracts

#### iii) Standards and interpretations in issue not yet adopted

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations, as at the date of this report, that are mandatory for later accounting periods and which have not been adopted early. They are not expected to have a material impact on the financial statements.

Name	Description
IFRS S1	General requirements for disclosure of sustainability related financial information
IFRS S2	Climate-related disclosures
Amendments to IAS 1	Classification of liabilities as current and non current. Non current liabilities with covenants
Amendments to IFRS 16	Lease liability in a sale and leaseback

#### iv) Consideration of climate change

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change, particularly in the context of risk identified in the TCFD disclosures. There has been no material impact identified on the financial reporting

judgments and estimates. In particular, the Directors have considered the impact of climate change in respect of the following areas:

- Going Concern and the Viability statement;
- Impact on the carrying value and useful economic lives of property and other tangible assets; and
- Preparation of budgets and cash flow forecasts.

Given no material risks have been identified as per the assessment outlined in the TCFD report, no climate change related impact was identified. The Directors are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's Financial Statements.

#### **e) Basis of consolidation**

##### **i) Subsidiaries**

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

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

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Joint arrangements are those entities over whose activities the Group has joint control. The Group's joint venture is a type of joint arrangement in which the partners have rights to the net assets. Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and the consolidated income statement incorporates the Group's share of joint venture profits after tax. The Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements. Joint venture management fees are recognised as income in the accounting period in which the service is rendered.

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

The Group's non-controlling interest ('NCI') represents a 31% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of retail assets. The Group consolidates the results and net assets of its subsidiary in these financial statements and reflects the non-controlling interests' share within equity in the consolidated balance sheet and allocates to the non-controlling interest their share of profit or loss for the period within the consolidated income statement.

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

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

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

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition. Where a business acquisition reflects an integrated set of activities and assets capable of being conducted and managed for the purpose of providing goods or services to customers, the acquisition accounting method is used.

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

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

**f) Property portfolio**

**i) Investment properties**

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

Where a property held for investment is appropriated to development property, it is transferred at fair value. A property ceases to be treated as a development property on practical completion. In accordance with IAS 40 Investment Properties, no depreciation is provided in respect of investment properties. Investment property is recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the Group; and
- The cost of the investment property can be measured reliably.

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

**ii) Assets held for sale**

An asset is classified as held for sale if its carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for sale in its present condition and management are committed to the sale and expect it to complete within one year from the date of classification. Assets classified as held for sale are measured at the lower of carrying amount and the fair value less costs to sell.

**iii) Tenant leases**

**Leases – the Group as a lessor**

Rent receivable is recognised in the income statement on a straight line basis over the term of the lease. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. All leases where the Group is a lessor are classified as operating leases.

**Leases – the Group as lessee**

Where the Group is a lessee, a right of use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments based on the Group's expectations of the likelihood of the lease term. The lease liability is subsequently adjusted to reflect an imputed finance charge, payments made to the lessor and any lease modifications.

The right of use asset is initially measured at cost, which comprises the amount of the lease liability, direct costs incurred, less any lease incentives received by the Group. The Group has two categories of right of use assets: those in respect of head leases related to a number of leasehold properties and an occupational lease for its head office. All right of use assets are classified as investment properties and added to the carrying value of leasehold investment properties. The right of use asset in respect of the Group's head office lease is subsequently depreciated over the length of the lease.

**iv) Net rental income**

Rental income from investment property leased out under an operating lease is recognised in the profit or loss on a straight line basis over the lease term. Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. The uplift from rent reviews is recognised when such reviews have been agreed with tenants. Surrender premiums receivable are recognised on completion of the surrender. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. For leases which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight line basis to the earlier of the first break option or the lease termination date.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

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

Profits and losses on sales of investment properties are recognised at the date of legal completion rather than exchange of contracts and calculated by reference to the carrying value at the previous year end valuation date, adjusted for subsequent capital expenditure.

#### **g) Financial assets and financial liabilities**

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual terms of the instrument.

#### **Financial instruments under IFRS 9**

##### **i) Trade and other receivables**

Trade receivables are initially recognised at their transaction price and subsequently measured at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. An impairment provision is created based on lifetime expected credit losses, which reflect the Group's historical credit loss experience and an assessment of current and forecast economic conditions at the reporting date.

##### **ii) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, measured at amortised cost. When the Group is the principal in an underlying transaction and has the right to the cash inflows and/or the obligation to settle a liability and directs another entity, acting as its agent, to receive and make payments on its behalf, the Group accounts for the transaction in the cash flow statement by reporting the underlying cash flows as operating, investing or financing according to their nature.

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

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

##### **iv) Borrowings**

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

##### **v) Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to interest rate risks. Derivative financial instruments are recognised initially at fair value and subsequently remeasured at each period end, with changes in fair value being recognised in the income statement. The Group does not apply hedge accounting under IFRS 9.

##### **vi) Income strip asset and liability**

As part of the merger with LXI, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022. The structure comprised selling the freehold of the properties to a UK institutional investor, with 999 year leases granted back to LXI pursuant to which was the obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant. LXI has the ability to acquire the freehold back in 2087 for £1.

The financial obligations in relation to this transaction have been fair valued on acquisition using the prevailing market interest rate at £221.4 million. Thereafter, the liability is measured at amortised cost. At 31 March 2024 the total liability was £221.5 million with £8.6 million being due in less than one year. A corresponding asset of £221.5 million has been included within investment properties at the year end.

#### **h) Finance costs and income**

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

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

Finance income includes interest receivable on funds invested at the effective rate and notional interest receivable on forward funded developments at the contractual rate. Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively.

### **i) Tax**

Tax is included in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of UK properties or other temporary differences. The Group must comply with the UK REIT regulation to benefit from the favourable tax regime. As a result of the merger with LXi, the Group acquired one German property and is now subject to German corporate income tax on those operations. A deferred tax liability was recognised on acquisition and has been restated for the revaluation and currency movement in the period.

### **j) Share based payments**

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

### **k) Shares held in Trust**

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

### **l) Dividends**

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

## **2 Segmental information**

As at 31 March

<b>Property value</b>	<b>100% owned<sup>1</sup> £m</b>	<b>JV £m</b>	<b>NCI £m</b>	<b>2024 Total £m</b>	<b>100% owned £m</b>	<b>JV £m</b>	<b>NCI £m</b>	<b>2023 Total £m</b>
Distribution	2,557.1	—	—	2,557.1	2,159.9	—	—	2,159.9
Long income	3,182.5	67.1	(22.9)	3,226.7	659.8	70.8	(23.2)	707.4
Other	193.8	—	(13.5)	180.3	105.3	—	(12.5)	92.8
Development	39.3	—	—	39.3	33.7	—	—	33.7
	5,972.7	67.1	(36.4)	6,003.4	2,958.7	70.8	(35.7)	2,993.8
Income strip asset	221.5	—	—	221.5	—	—	—	—
Right of use assets	47.6	—	—	47.6	7.1	—	—	7.1
	6,241.8	67.1	(36.4)	6,272.5	2,965.8	70.8	(35.7)	3,000.9

1 Includes trading property of £1.1 million (2023: £1.1 million) and assets held for sale of £8.5 million (2023: £19.8 million)

For the year to 31 March

<b>Gross rental income</b>	<b>100% owned £m</b>	<b>JV £m</b>	<b>NCI £m</b>	<b>2024 Total £m</b>	<b>100% owned £m</b>	<b>JV £m</b>	<b>NCI £m</b>	<b>2023 Total £m</b>
Distribution	115.2	—	—	115.2	100.5	—	—	100.5
Long income	53.6	4.3	(1.8)	56.1	39.4	4.3	(1.3)	42.4
Other	8.2	—	(0.6)	7.6	5.7	—	(0.2)	5.5
	177.0	4.3	(2.4)	178.9	145.6	4.3	(1.5)	148.4

For the year to 31 March

	100% owned £m	JV £m	NCI £m	2024 Total £m	100% owned £m	JV £m	NCI £m	2023 Total £m
<b>Net rental income</b>								
Distribution	114.1	–	–	114.1	99.5	–	–	99.5
Long income	53.6	4.2	(1.8)	56.0	39.2	4.2	(1.3)	42.1
Other	7.6	–	(0.6)	7.0	5.4	–	(0.2)	5.2
	<b>175.3</b>	<b>4.2</b>	<b>(2.4)</b>	<b>177.1</b>	<b>144.1</b>	<b>4.2</b>	<b>(1.5)</b>	<b>146.8</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 and liabilities are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates predominantly in the United Kingdom and no geographical split is provided in information reported to the Board.

The acquisition of LXI REIT plc on 5 March 2024 resulted in a change to the Group's portfolio mix and consequently we have changed the way we report our operating segments to the Board and have reclassified the previous year accordingly. Retail parks, offices and residential properties have been grouped together and reflected as other properties this year.

Included within the distribution operating segment are the sub-categories of urban logistics, regional distribution and mega distribution and within the long income operating segment are the sub categories of convenience, entertainment and leisure and healthcare and education. 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 and long income sectors as a whole as their own operating segments. The income strip asset and right of use assets are not considered separate operating segments and are included in this note for reconciliation purposes only.

### 3 Revenue

For the year to 31 March	2024 £m	2023 £m
Gross rental income	177.0	145.6
Property management fee income	1.1	1.1
<b>Revenue</b>	<b>178.1</b>	<b>146.7</b>

For the year to 31 March	2024 £m	2023 £m
Gross rental income	177.0	145.6
Cost of sales – property operating expenses	(1.7)	(1.5)
<b>Net rental income</b>	<b>175.3</b>	<b>144.1</b>

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

### 4 Administrative costs

#### a) Total administrative costs

For the year to 31 March	2024 £m	2023 £m
Staff costs	14.9	12.5
Auditor's remuneration	0.7	0.3
Depreciation	0.7	0.6
Other administrative costs	3.4	3.0
	<b>19.7</b>	<b>16.4</b>



**b) Staff costs**

For the year to 31 March	2024 £m	2023 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	11.7	10.3
Less staff costs capitalised in respect of development projects	(1.5)	(2.5)
	10.2	7.8
Social security costs	0.9	0.9
Pension costs	0.3	0.2
Share based payment	3.5	3.6
	14.9	12.5

The long term share incentive plan ('LTIP') allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £3.5 million (2023: £3.6 million). The cost of acquiring the shares expected to vest under the LTIP of £2.5 million has been charged to reserves this year (2023: £5.6 million). Directors' emoluments are reflected in the table below. Directors received a salary supplement in lieu of pension contributions for the current and previous year. Details of the Directors' remuneration awards under the LTIP are given in the Remuneration Committee report.

For the year to 31 March	2024 £m	2023 £m
Remuneration for management services	3.3	2.9
Entitlement to pension scheme contributions	0.1	0.1
	3.4	3.0

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

For the year to 31 March	2024 £m	2023 £m
Short term employee benefits	9.5	7.2
Share based payments	3.1	2.4
	12.6	9.6

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

**c) Staff numbers**

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

	2024 Number	2023 Number
Property and administration	35	34

**d) Auditor's remuneration**

For the year to 31 March	2024 £000	2023 £000
<b>Audit services:</b>		
Audit of the Group and Company financial statements, pursuant to legislation	626.0	251.5
<b>Other fees:</b>		
Audit related assurance services	50.0	41.8
<b>Total fees for audit and other services</b>	<b>676.0</b>	<b>293.3</b>

In addition to the above audit fees, £23,500 (2023: £29,700) was due to the Group's auditor in respect of the audit of its joint venture.

## 5 Finance income and costs

### a) Finance income

For the year to 31 March	2024 £m	2023 £m
Interest received on bank deposits	1.0	0.1
Interest receivable from interest rate derivatives	6.7	0.7
Interest receivable from forward funded developments	0.8	2.1
<b>Total finance income</b>	<b>8.5</b>	<b>2.9</b>

### b) Finance costs

For the year to 31 March	2024 £m	2023 £m
Interest payable on bank loans	41.5	33.3
Unwinding of discount on fixed rate debt acquired	0.7	(0.2)
Debt and hedging early close out costs	–	0.4
Amortisation of loan issue costs	2.0	1.6
Interest on lease and other liabilities	1.0	0.1
Commitment fees and other finance costs	2.9	1.6
<b>Total borrowing costs</b>	<b>48.1</b>	<b>36.8</b>
Less amounts capitalised on developments	(2.2)	(4.0)
<b>Net borrowing costs</b>	<b>45.9</b>	<b>32.8</b>
Fair value loss on derivative financial instruments	3.9	4.0
<b>Total finance costs</b>	<b>49.8</b>	<b>36.8</b>

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value loss on derivative financial instruments of £3.9 million (2023: £4.0 million) and early close out costs in the previous year of £0.4 million.

## 6 Taxation

For the year to 31 March	2024 £m	2023 £m
<b>Current tax</b>		
UK corporation tax	(0.1)	0.1
German corporate income tax	0.1	–
Deferred tax on German asset	0.1	–
<b>Total tax charge</b>	<b>0.1</b>	<b>0.1</b>

As the Group is a UK REIT, any profits and gains arising from its property rental business are exempt from UK corporation tax and there is no provision for deferred tax arising on the revaluation of properties.

The UK corporation tax charge relates to tax arising on income attributable to the Group's non-controlling interest and other residual tax. As a result of the merger with LXI, the Group acquired one German property and is now subject to German corporate income tax at an effective rate of 15.825%, resulting in a tax charge of £0.1 million in the period. An associated deferred tax liability of £9.6 million was recognised on acquisition and the revaluation and currency movement of £0.1 million was recognised in the period to 31 March 2024.

The reconciliation of the total tax charge in the year to the tax assessed on profits at the standard rate of corporation tax in the UK is set out below.

For the year to 31 March	2024 £m	2023 £m
Profit/(loss) before tax	120.0	(507.5)
Tax charge/(credit) at the standard rate of corporation tax in the UK of 25% (2023: 19%)	30.0	(96.4)
Effects of:		
Items not (taxable)/deductible	(0.2)	113.3
Share of post tax losses of joint ventures	–	2.0
REIT exemption on income and gains	(29.6)	(18.6)
German tax charges	0.2	–
Other	(0.3)	(0.2)
<b>Tax charge on profit</b>	<b>0.1</b>	<b>0.1</b>

## 7 Dividends

For the year to 31 March	2024 £m	2023 £m
<b>Ordinary dividends paid</b>		
2022 Third quarterly interim dividend 2.2p per share	–	21.5
2022 Fourth quarterly interim dividend 2.65p per share	–	25.9
2023 First quarterly interim dividend 2.3p per share	–	22.5
2023 Second quarterly interim dividend 2.3p per share	–	22.5
2023 Third quarterly interim dividend 2.3p per share	22.5	–
2023 Fourth quarterly interim dividend 2.6p per share	25.5	–
2024 First quarterly interim dividend 2.4p per share	26.1	–
2024 Second quarterly interim dividend 2.4p per share	26.1	–
	<b>100.2</b>	<b>92.4</b>
<b>Ordinary dividend payable</b>		
2024 Third quarterly interim dividend 2.4p per share	26.1	
2024 Fourth quarterly interim dividend 3.0p per share	61.0	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2024 of 2.4p per share, wholly as a Property Income Distribution ('PID'), on 8 April 2024 to ordinary shareholders on the register at the close of business on 1 March 2024. The fourth quarterly interim dividend for 2024 of 3.0p per share, of which 1.5p is payable as a PID, will be payable on 22 July 2024 to shareholders on the register at the close of business on 14 June 2024. A scrip dividend alternative will be offered to shareholders as it was for the first three quarterly dividend payments. Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the year to 31 March 2025. During the year, the Company issued 5,293,712 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.7 million to £90.5 million.

## 8 Earnings and net assets per share

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

The basic earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year. The IFRS basic net asset per share calculation uses the number of shares in issue at the year end and excludes the actual number of shares held by the Employee Benefit Trust at the year end. The fully diluted calculations assume that new shares are issued in connection with the expected vesting of the Group's long term incentive plan.

Further EPRA performance measures are reflected in the Supplementary notes.

### a) EPRA earnings

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	2024 £m	100% owned £m	JV £m	NCI £m	2023 £m
Gross rental income	177.0	4.3	(2.4)	178.9	145.6	4.3	(1.5)	148.4
Property costs	(1.7)	(0.1)	–	(1.8)	(1.5)	(0.1)	–	(1.6)
<b>Net rental income</b>	<b>175.3</b>	<b>4.2</b>	<b>(2.4)</b>	<b>177.1</b>	<b>144.1</b>	<b>4.2</b>	<b>(1.5)</b>	<b>146.8</b>
Management fees	1.1	(0.6)	0.1	0.6	1.1	(0.5)	0.1	0.7
Administrative costs	(19.7)	–	–	(19.7)	(16.4)	(0.1)	–	(16.5)
Net finance costs <sup>1</sup>	(37.4)	–	0.6	(36.8)	(29.5)	(0.6)	0.2	(29.9)
Tax	–	–	0.4	0.4	(0.1)	–	0.1	–
<b>EPRA earnings</b>	<b>119.3</b>	<b>3.6</b>	<b>(1.3)</b>	<b>121.6</b>	<b>99.2</b>	<b>3.0</b>	<b>(1.1)</b>	<b>101.1</b>

1 Group net finance costs reflect net borrowing costs of £45.9 million (2023: £32.8 million) (note 5b) and finance income of £8.5 million (2023: £2.9 million) (note 5a) less early close out costs of £0.4 million in the previous year

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	2024 £m	100% owned £m	JV £m	NCI £m	2023 £m
EPRA earnings	119.3	3.6	(1.3)	121.6	99.2	3.0	(1.1)	101.1
Gain on acquisition	49.4	–	–	49.4	–	–	–	–
Acquisition costs	(29.8)	–	–	(29.8)	–	–	–	–
Revaluation of property	(7.5)	(3.7)	0.1	(11.1)	(577.4)	(12.5)	2.4	(587.5)
Fair value of derivatives	(3.9)	–	–	(3.9)	(4.0)	(0.1)	–	(4.1)
Loss on disposal	(7.4)	–	–	(7.4)	(14.7)	(0.7)	–	(15.4)
Debt/hedging costs	–	–	–	–	(0.4)	–	–	(0.4)
Deferred tax	(0.1)	–	–	(0.1)	–	–	–	–
<b>IFRS reported profit/(loss)</b>	<b>120.0</b>	<b>(0.1)</b>	<b>(1.2)</b>	<b>118.7</b>	<b>(497.3)</b>	<b>(10.3)</b>	<b>1.3</b>	<b>(506.3)</b>

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

For the year to 31 March	2024 £m	2023 £m
Basic and diluted earnings	118.7	(506.3)
EPRA adjustments above	2.9	607.4
<b>EPRA earnings</b>	<b>121.6</b>	<b>101.1</b>

For the year to 31 March	2024 Number of shares (millions)	2023 Number of shares (millions)
Weighted ordinary share capital	1,119.5	981.3
Shares held in the Employee Benefit Trust	(2.5)	(2.8)
<b>Weighted average number of ordinary shares – basic</b>	<b>1,117.0</b>	<b>978.5</b>
Employee share schemes	4.7	4.1
<b>Weighted average number of ordinary shares – fully diluted</b>	<b>1,121.7</b>	<b>982.6</b>
<b>Earnings per share</b>		
Basic	10.6p	(51.8)p
Diluted	10.6p	(51.8)p
<b>EPRA earnings per share</b>		
Basic	10.9p	10.3p
Diluted	10.8p	10.3p

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

The EPRA best practice recommendations for financial disclosures by public real estate companies include three 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. 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.

	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
As at 31 March 2024			
Equity shareholders' funds	3,941.5	3,941.5	3,941.5
Deferred tax on fair value gains of investment property	9.6	–	9.6
Fair value of Group derivatives	(32.6)	–	(32.6)
Gain on business combinations as a result of deferred tax	(9.6)	–	(9.6)
Mark to market of fixed rate debt	–	86.0	–
Purchasers' costs <sup>1</sup>	–	–	408.2
<b>EPRA net asset value</b>	<b>3,908.9</b>	<b>4,027.5</b>	<b>4,317.1</b>

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

	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
As at 31 March 2023			
Equity shareholders' funds	1,967.3	1,967.3	1,967.3
Fair value of Group derivatives	(11.1)	–	(11.1)
Mark to market of fixed rate debt	–	59.8	–
Purchasers' costs	–	–	203.8
<b>EPRA net asset value</b>	<b>1,956.2</b>	<b>2,027.1</b>	<b>2,160.0</b>

	2024 Number of shares (millions)	2023 Number of shares (millions)
As at 31 March		
Ordinary share capital	2,036.5	982.6
Shares held in Employee Benefit Trust	(2.6)	(2.9)
<b>Number of ordinary shares – basic</b>	<b>2,033.9</b>	<b>979.7</b>
Employee share schemes	4.8	3.9
<b>Number of ordinary shares – fully diluted</b>	<b>2,038.7</b>	<b>983.6</b>
<b>IFRS net asset value per share</b>	<b>195.2p</b>	203.7p
<b>EPRA net tangible assets per share</b>	<b>191.7p</b>	198.9p
<b>EPRA net disposal value per share</b>	<b>197.5p</b>	206.1p
<b>EPRA net reinstatement value per share</b>	<b>211.8p</b>	219.6p

## 9 Investment properties

### a) Investment properties

As at 31 March	Completed £m	Under development £m	2024 Total £m	Completed £m	Under development £m	2023 Total £m
Opening balance	2,905.2	32.6	2,937.8	3,423.4	66.7	3,490.1
Acquisitions <sup>1, 2</sup>	3,379.4	39.8	3,419.2	187.4	70.4	257.8
Capital expenditure	5.9	4.1	10.0	7.7	17.0	24.7
Disposals	(183.8)	–	(183.8)	(247.8)	–	(247.8)
Property transfers <sup>3</sup>	28.7	(37.2)	(8.5)	87.0	(106.8)	(19.8)
Revaluation movement	(6.4)	(1.1)	(7.5)	(562.7)	(14.7)	(577.4)
Foreign currency movement	0.8	–	0.8	–	–	–
Movement in tenant incentives and rent free uplifts	16.6	–	16.6	10.2	–	10.2
Property portfolio	6,146.4	38.2	6,184.6	2,905.2	32.6	2,937.8
Head lease and right of use assets	47.6	–	47.6	7.1	–	7.1
	6,194.0	38.2	6,232.2	2,912.3	32.6	2,944.9

1 Acquisitions include CTPT assets at a valuation of £285.2 million less a price discount on acquisition of £23.3 million, LXi assets at a valuation of £3,102.0 million and other acquisitions of £55.3 million

2 Includes income strip asset of £221.4 million on acquisition

3 Properties totalling £8.5 million (2023: £19.8 million) have been transferred to current assets and separately disclosed as assets held for sale as reflected in note 9b

Investment properties are stated at fair value as at 31 March 2024 based on external valuations performed by professionally qualified and independent valuers CBRE Limited ('CBRE'), Savills (UK) Limited ('Savills') and Knight Frank LLP ('Knight Frank'). The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2022 on the basis of fair value as set out in note 1. There has been no change in the valuation technique in the year. The total fees earned by each valuer 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. A reconciliation of the total portfolio valuation to the valuers' reports is provided below:

As at 31 March	Note	2024 £m	2023 £m
Portfolio valuation from external valuation reports		5,971.6	2,957.6
Property portfolio valuation	9a	6,184.6	2,937.8
Assets held for sale	9b	8.5	19.8
Less income strip assets		(221.5)	–
		5,971.6	2,957.6

As part of the LXi merger, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022 as set out in note 14a(ii). The income strip asset represents the gross up of this liability.

Completed properties include buildings that are occupied or are available for occupation. Properties under development include land under development and investment property under construction. Internal staff costs of the development team of £1.5 million (2023: £2.5 million) have been capitalised in the year, being directly attributable to the development projects in progress.

Long term leasehold values included within investment properties amount to £1,144.5 million (2023: £89.3 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2024 was £5,469.3 million (2023: £2,448.7 million).

Included within the investment property valuation is £112.6 million (2023: £96.0 million) in respect of unamortised lease incentives and rent free periods. The movement in the year reflects lease incentives paid of £1.7 million (2023: £2.6 million) and rent free and amortisation movements of £17.4 million (2023: £11.7 million), offset by incentives written off on disposal of £2.5 million (2023: £4.1 million).

Capital commitments have been entered into amounting to £27.5 million (2023: £20.3 million) which have not been provided for in the financial statements.

At 31 March 2024, investment properties included £47.6 million for the head lease right of use assets in accordance with IFRS 16 (2023: £7.1 million).

## b) Assets held for sale

	2024 £m	2023 £m
Opening balance	19.8	21.2
Disposals	(19.8)	(21.2)
Property transfers	8.5	19.8
<b>Closing balance</b>	<b>8.5</b>	<b>19.8</b>

The valuation of freehold property held for sale at 31 March 2024 was £8.5 million (2023: £19.8 million), representing long income assets which are expected to complete within the next six months.

## c) Valuation technique and quantitative information

Asset type	Fair value 2024 <sup>1</sup> £m	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	2,557.1	Yield capitalisation	9.54	2.50-35.70	4.6	2.0-11.1	5.7	4.0-11.9
Long income	3,182.5	Yield capitalisation	22.97	3.50-191.60	5.8	3.3-51.9	5.6	3.0-45.2
Other	193.8	Yield capitalisation	12.15	5.70-60.80	5.9	3.8-19.1	7.5	4.7-24.6
Development	38.2	Residual	21.62	17.80-47.60	5.2	5.2-7.5	7.1	5.3-9.1

1 As reflected in note 2 and including assets held for sale of £8.5 million but excluding trading properties classified as development of £1.1 million

Asset type	Fair value 2023 £m	Valuation technique	ERV		Net initial yield		Reversionary yield	
			Weighted average (£ per sq ft)	Range (£ per sq ft)	Weighted average %	Range %	Weighted average %	Range %
Distribution	2,159.9	Yield capitalisation	9.32	5.60-32.30	4.2	2.7-12.1	5.4	2.8-11.8
Long income	659.8	Yield capitalisation	14.20	3.20-173.70	4.9	3.2-12.2	4.9	2.9-25.8
Other	105.3	Yield capitalisation	15.76	4.20-43.00	5.7	3.3-16.3	5.6	4.8-9.8
Development	32.6	Residual	10.71	7.64-20.07	4.6	3.3-6.7	5.7	5.0-6.7

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 fair value measurement. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2024. The fair value at 31 March 2024 represents the highest and best use of the properties. When considering the highest and best use, the valuers will look at existing and potential uses which are viable.

### i) Technique

The valuation techniques described below are consistent with IFRS 13 and use significant 'unobservable' inputs such as Expected Rental Value ('ERV') and yield. There have been no changes in valuation techniques since the prior year.

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

Residual – for certain investment properties under development, the fair value of the property is calculated by estimating the fair value of the completed property using the yield capitalisation technique less estimated costs to completion and a risk premium which includes but is not limited to construction and letting risk.

### ii) Sensitivity

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group's investment properties by £95.3 million or £94.7 million respectively. An increase or decrease of 25bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £258.1 million or £282.9 million respectively. An increase or decrease of 50bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £494.5 million or £595.1 million respectively. There are interrelationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the interrelationship of two inputs moving in opposite directions, for example an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

### iii) Process

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

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

## 10 Investment in joint ventures

At 31 March 2024, the following principal property interest, being a jointly controlled entity, has been equity accounted for in these financial statements:

	Country of incorporation or registration <sup>1</sup>	Property sectors	Group share
Metric Income Plus Partnership ('MIPP')	England	Long income	50.0%

<sup>1</sup> The registered address is One Curzon Street, London, W1J 5HB

The principal activity is property investment into long income assets in the UK, which complements the Group's operations and contributes to the achievement of its strategy. During the year, MIPP repaid its bank loan in full with existing cash resources and additional funding from its partners of £21.0 million. At 31 March 2024, the investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers, CBRE. There were no properties held for sale by joint ventures at 31 March 2024 (2023: nil). The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2024 £m	2023 £m
Opening balance	61.5	72.6
Investment in the year	10.5	–
Share of loss for the year	(0.1)	(10.3)
Distributions received	(2.7)	(0.8)
	69.2	61.5

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

	Total 2024 £m	Group share 2024 £m	Total 2023 £m	Group share 2023 £m
<b>Summarised income statement</b>				
Gross rental income	8.5	4.3	8.6	4.3
Property costs	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net rental income</b>	<b>8.4</b>	<b>4.2</b>	<b>8.5</b>	<b>4.2</b>
Administrative costs	(0.1)	–	(0.1)	(0.1)
Management fees	(1.1)	(0.6)	(1.0)	(0.5)
Revaluation	(7.5)	(3.7)	(24.9)	(12.5)
Net finance cost	–	–	(1.3)	(0.6)
Derivative movement	–	–	(0.2)	(0.1)
Loss on disposal	–	–	(1.6)	(0.7)
<b>Loss after tax</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(20.6)</b>	<b>(10.3)</b>
<b>Group share of loss after tax</b>	<b>(0.1)</b>		<b>(10.3)</b>	
EPRA adjustments:				
Revaluation	7.5	3.7	24.9	12.5
Derivative movement	–	–	0.2	0.1
Loss on disposal	–	–	1.6	0.7
<b>EPRA earnings</b>	<b>7.2</b>	<b>3.6</b>	<b>6.1</b>	<b>3.0</b>
<b>Group share of EPRA earnings</b>	<b>3.6</b>		<b>3.0</b>	



	Total 2024 £m	Group share 2024 £m	Total 2023 £m	Group share 2023 £m
<b>Summarised balance sheet</b>				
Investment properties	134.1	67.1	141.6	70.8
Other current assets	0.2	0.1	0.1	0.1
Cash	6.1	3.0	10.8	5.4
Current liabilities	(2.0)	(1.0)	(2.5)	(1.3)
Bank debt	–	–	(26.9)	(13.5)
<b>Net assets</b>	<b>138.4</b>	<b>69.2</b>	123.1	61.5
<b>Group share of net assets</b>	<b>69.2</b>		61.5	

## 11 Trade and other receivables

	2024 £m	2023 £m
As at 31 March		
Trade receivables	10.9	2.5
Prepayments and accrued income	3.9	1.6
Other receivables	6.6	1.7
	<b>21.4</b>	<b>5.8</b>

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment days with no credit period.

## 12 Cash and cash equivalents

Cash and cash equivalents include £59.5 million (2023: £8.7 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

## 13 Trade and other payables

	2024 £m	2023 £m
As at 31 March		
Trade payables	5.7	12.9
Amounts payable on property acquisitions and disposals	13.5	1.0
Rent received in advance	72.5	25.3
Accrued interest	4.9	1.5
Tax liabilities	19.0	3.1
Other payables	21.9	7.8
Other accruals and deferred income	18.3	14.3
	<b>155.8</b>	<b>65.9</b>

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

## 14 Borrowings and financial instruments

### a) Borrowings

#### i) Bank loans

	2024 £m	2023 £m
As at 31 March		
Secured bank loans	798.2	62.0
Unsecured bank loans	1,289.2	955.0
	<b>2,087.4</b>	<b>1,017.0</b>
Unamortised finance costs	(13.3)	(7.2)
	<b>2,074.1</b>	<b>1,009.8</b>

Certain bank loans at 31 March 2024 are secured by fixed charges over Group investment properties with a carrying value of £1,953.9 million (2023: £232.6 million). Borrowings of £43.5 million are repayable within one year (2023: £65.0 million).

As at 31 March 2024	Total debt facility £m	Floating rate debt drawn £m	Fixed rate debt drawn £m	Unamortised fair value adjustments £m	Total debt £m	Weighted average maturity (years)
<b>Secured bank loans:</b>						
Scottish Widows fixed rate debt (Mucklow)	60.0	–	60.0	1.8	61.8	7.7
Canada Life fixed rate debt (CTPT)	90.0	–	90.0	(2.7)	87.3	2.6
L & G fixed rate debt (LXi)	62.8	–	62.8	(0.6)	62.2	1.4
AIG fixed rate debt (LXi)	289.3	–	289.3	(2.3)	287.0	1.5
Scottish Widows fixed rate debt (LXi)	170.0	–	170.0	(16.7)	153.3	9.7
Canada Life fixed rate debt (LXi)	148.0	–	148.0	(1.4)	146.6	15.1
<b>Unsecured bank loans:</b>						
Revolving credit facility 2021 (syndicate)	225.0	90.0	–	–	90.0	2.1
Wells Fargo revolving credit facility	175.0	55.0	–	–	55.0	2.1
Revolving credit facility 2022 (syndicate)	275.0	100.0	–	–	100.0	2.6
Revolving credit facility 2024 (syndicate)	560.0	309.2	–	–	309.2	3.8
Term loan 2024 (syndicate)	140.0	140.0	–	–	140.0	1.8
Private Placement 2016 (syndicate)	65.0	–	65.0	–	65.0	2.0
Private Placement 2018 (syndicate)	150.0	–	150.0	–	150.0	6.8
Private Placement 2021 (syndicate)	380.0	–	380.0	–	380.0	8.2
	<b>2,790.1</b>	<b>694.2</b>	<b>1,415.1</b>	<b>(21.9)</b>	<b>2,087.4</b>	<b>5.4</b>

During the year we acquired drawn debt of £1.2 billion through corporate acquisitions, £90.0 million following our acquisition of CT Property Trust Limited in August 2023 and £1.1 billion following our acquisition of LXi in March 2024. The basket of secured debt acquired as part of the LXi acquisition exceeded the maximum amount permitted under the Group's existing RCF and private placement facilities. As a consequence, on 20 March 2024, we repaid and cancelled £625 million of LXi's secured debt facilities (of which £434.2 million was drawn) and replaced these with a new unsecured £560 million RCF and £140 million term loan. The new RCF was on better terms than the facilities being replaced and introduced a new lending relationship to the Group. The new facility includes the ability to draw up to £100 million in euros, allowing us to naturally hedge currency movements on the German asset. All of the LXi hedging totalling £610 million interest rate caps have been retained and all floating rate debt currently drawn is fully hedged. During the year, we also repaid borrowings of £65 million relating to the 2016 Private Placement and extended the maturity by one year on £675 million of our revolving credit facilities.

As at 31 March 2023	Total debt facility £m	Floating rate debt drawn £m	Fixed rate debt drawn £m	Unamortised fair value adjustments £m	Total debt £m	Weighted average maturity (years)
<b>Secured bank loans:</b>						
Scottish Widows fixed rate debt	60.0	–	60.0	2.0	62.0	8.7
<b>Unsecured bank loans:</b>						
Revolving credit facility 2021 (syndicate)	225.0	135.0	–	–	135.0	2.1
Wells Fargo revolving credit facility	175.0	30.0	–	–	30.0	4.1
Revolving credit facility 2022 (syndicate)	275.0	130.0	–	–	130.0	2.6
Private Placement 2016 (syndicate)	130.0	–	130.0	–	130.0	1.7
Private Placement 2018 (syndicate)	150.0	–	150.0	–	150.0	7.8
Private Placement 2021 (syndicate)	380.0	–	380.0	–	380.0	9.2
	<b>1,395.0</b>	<b>295.0</b>	<b>720.0</b>	<b>2.0</b>	<b>1,017.0</b>	<b>6.1</b>

## ii) Other financial liability

As part of the merger with LXi, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022. The structure comprised selling the freehold of the properties to a UK institutional investor, with 999 year leases granted back to LXi pursuant to which was the obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant. LXi has the ability to acquire the freehold back in 2087 for £1. The financial obligations in relation to this transaction have been fair valued on acquisition using the prevailing market interest rate at £221.4 million. At 31 March 2024 the total liability was £221.5 million with £8.6 million being due in less than one year. The corresponding income strip asset represents the gross up of the financial liability.

## b) Financial risk management

### Financial risk factors

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

#### i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

The Group mitigates financial loss from tenant defaults by dealing with only creditworthy tenants. Trade receivables are presented at amortised cost less loss allowance for expected credit losses. The loss allowance balance is low relative to the scale of the balance sheet at £1.9 million (2023: £1.3 million) and therefore the credit risk of trade receivables is considered to be low. Cash is held in a diverse mix of institutions with investment grade credit ratings. The credit ratings of the banks are monitored and changes are made where necessary to manage risk.

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

#### ii) Liquidity risk

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

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

At 31 March 2024, the Group had cash reserves of £111.9 million (2023: £32.6 million), of which £59.5 million was retained in rent and restricted accounts, and available and undrawn bank loan facilities of £680.8 million (2023: £380.0 million).

The following table shows the contractual maturity profile of the Group's bank loans, interest payments on bank loans, other financial liabilities and derivative financial instruments on an undiscounted cash flow basis and assuming settlement on the earliest repayment date. Other liabilities as disclosed in note 14c(i) include trade payables and accrued interest and are repayable within one year. The contractual maturity profile of lease liabilities disclosed in the balance sheet is reflected in note 16.

As at 31 March 2024	Less than one month £m	One to three months £m	Three months to one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	9.3	17.1	118.6	578.4	987.7	879.2	2,590.3
Other financial liabilities	0.7	1.4	6.5	8.7	26.8	719.5	763.6
Derivative financial instruments	(1.8)	(3.7)	(16.4)	(20.7)	(7.0)	—	(49.6)
	8.2	14.8	108.7	566.4	1,007.5	1,598.7	3,304.3

As at 31 March 2023	Less than one month £m	One to three months £m	Three months to one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	3.2	6.4	93.0	76.2	356.4	676.6	1,211.8
Derivative financial instruments	(0.3)	(0.6)	(2.8)	(3.7)	(7.8)	–	(15.2)
	2.9	5.8	90.2	72.5	348.6	676.6	1,196.6

### iii) Market risk – interest rate risk

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

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

At 31 March 2024, all of the Group's debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps, swaptions and caps. The average interest rate payable by the Group on all bank borrowings at 31 March 2024 including the cost of amortising finance arrangement fees, was 3.9% (2023: 3.4%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £0.2 million.

### iv) Capital risk management

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

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

As at 31 March	2024 £m	2023 £m
Net debt	2,204.1	974.7
Shareholders' equity	3,941.5	1,967.3
	6,145.6	2,942.0

### v) Foreign currency exchange risk

The Group prepares its financial statements in sterling. However, the Group is subject to foreign currency exchange risk as c.1% of its net assets by value are denominated in euros. A 10% increase or decrease in average and closing sterling rates against the euro would increase or decrease net assets by £3.9 million.

### c) Financial instruments

#### i) Categories of financial instruments

As at 31 March	Measured at amortised cost		Measured at fair value	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Non current assets</b>				
Derivative financial instruments (see 14c (iii))	–	–	32.6	11.1
<b>Current assets</b>				
Cash and cash equivalents (note 12)	111.9	32.6	–	–
Trade receivables (note 11)	10.9	2.5	–	–
Other receivables (note 11)	6.6	1.7	–	–
	129.4	36.8	32.6	11.1
<b>Non current liabilities</b>				
Borrowings (note 14a (i))	2,030.6	944.8	–	–
Other financial liabilities (note 14a (ii))	212.9	–	–	–
Lease liabilities (note 16)	47.0	7.1	–	–
<b>Current liabilities</b>				
Borrowings (note 14a (i))	43.5	65.0	–	–
Other financial liabilities (note 14a (ii))	8.6	–	–	–
Lease liabilities (note 16)	1.1	–	–	–
Contingent consideration (note 15b)	–	–	1.5	–
Trade payables (note 13)	5.7	12.9	–	–
Accrued interest (note 13)	4.9	1.5	–	–
	2,354.3	1,031.3	1.5	–

#### ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2024 with the exception of the Group's fixed rate debt. The adjustment required to measure the fixed rate debt at fair value is provided in note 8(c). This is measured by Chatham Financial using the equity method which discounts the difference between the remaining contractual and market debt service payments at an equity discount rate and represents Level 2 in the hierarchy table.

#### iii) Derivative financial instruments

Details of the fair value of the Company and Group's derivative financial instruments that were in place at 31 March 2024 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
	2024 %	2023 %	2024 £m	2023 £m	2024 £m	2023 £m
<b>Interest rate swaps – expiry</b>						
Two to five years	3.1	2.5	375.0	225.0	10.8	11.1

As at 31 March	Average rate		Notional amount		Fair value	
	2024 %	2023 %	2024 £m	2023 £m	2024 £m	2023 £m
<b>Interest rate caps– expiry</b>						
Less than one year	2.5	–	60.0	–	1.1	–
Two to five years	2.5	–	550.0	–	20.7	–
	2.5	–	610.0	–	21.8	–
<b>Total fair value</b>					32.6	11.1

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation at the period end by Chatham Financial. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement.

The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

## 15 Business combinations

### **a) Acquisition of LXi REIT plc**

On 5 March 2024, the Company acquired the entire issued share capital of LXi REIT plc, a closed-ended investment company listed on the premium listing segment of the Official List. The acquisition was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act which became effective on 5 March 2024 and constituted a reverse takeover pursuant to the Listing Rules due to its size. LXi shares were delisted and trading ceased the following morning. The merger brought together two real estate companies, with assets aligned to structurally supported sectors with high barriers to entry and income security, creating the UK's leading Triple Net Lease REIT.

The all share acquisition was effected through the issue of 943 million new ordinary shares at 185.8p per share, representing the closing share price on 5 March 2024 and totalling £1,752.0 million as consideration paid. The exchange ratio of 0.55 LondonMetric shares for every LXi ordinary share held, was based on an adjusted net tangible assets ('NTA') to adjusted NTA approach, taking into account the fair value of debt and derivatives, potential liabilities in respect of German taxation and the acquisition of LXi's investments advisor as reflected in note 15b.

The fair value of the identifiable net assets acquired was £1,828.9 million as reflected in the table below. The difference between the consideration paid and the fair value of net assets acquired represents a price discount of £76.9 million, which has been recognised in the Group income statement in the year as a gain on business combination. The price discount was largely a result of the fair value adjustments incorporated into the exchange ratio, as well as the Company's share price on acquisition of 185.8p trading at a discount to its 30 September 2023 net asset value upon which the deal was based of 199.6p per share.

Acquisition related costs of £28.5 million have been recognised separately in the income statement.

The fair value adjustments required under IFRS 3 are as follows:

- Investment properties and other financial liabilities – the income strip financial liability set out in note 14a(ii) has been remeasured at the market rate on acquisition and an adjustment of £33.5 million has been made to decrease both the other financial liability and investment property value.
- Investment properties and head lease liabilities – head lease liabilities have been remeasured as the present value of the remaining lease payments at the acquisition date and an adjustment of £2.2 million has been made to increase both the lease liability and right of use asset.
- Tax liabilities – deferred tax has been recognised on the Heide Park asset in Germany that is not included in the property rental business at the prevailing German Corporate Income Tax ('CIT') rate and the estimated Real Estate Transfer Tax ('RETT') charge on acquisition reflects current expectations.
- Borrowings – secured debt with a nominal value of £1,104.3 million was fair valued to £1,083.1 million, a £21.2 million reduction. The fair value adjustment is offset by £22.9 million of unamortised issue costs associated with debt which was derecognised on completion. The fair value adjustment will be amortised to other finance costs over the remaining term of the debt facilities.

**Acquisition of LXi REIT plc**

	Book value as at 5 March 2024 £m	Fair value of fixed rate debt £m	Fair value of financial instruments £m	Fair value of tax liabilities £m	Fair value of prepaid finance costs £m	Other fair value adjustments £m	Fair value as at 5 March 2024 £m
Investment properties <sup>1</sup>	3,135.5	–	(33.5)	–	–	–	<b>3,102.0</b>
Right of use assets	39.0	–	–	–	–	2.2	<b>41.2</b>
Property, plant and equipment	0.1	–	–	–	–	–	<b>0.1</b>
Derivative financial instruments	25.4	–	–	–	–	–	<b>25.4</b>
Trade and other receivables	10.3	–	–	–	–	(0.7)	<b>9.6</b>
Cash and cash equivalents	73.2	–	–	–	–	–	<b>73.2</b>
<b>Total assets</b>	<b>3,283.5</b>	<b>–</b>	<b>(33.5)</b>	<b>–</b>	<b>–</b>	<b>1.5</b>	<b>3,251.5</b>
Trade and other payables	(48.1)	–	–	–	–	–	<b>(48.1)</b>
Borrowings	(1,104.3)	21.2	–	–	–	–	<b>(1,083.1)</b>
Prepaid finance costs	22.9	–	–	–	(22.9)	–	<b>–</b>
Other financial liabilities	(254.9)	–	33.5	–	–	–	<b>(221.4)</b>
Lease liabilities	(39.0)	–	–	–	–	(2.2)	<b>(41.2)</b>
Current tax liabilities	(23.5)	–	–	4.3	–	–	<b>(19.2)</b>
Deferred tax liabilities	–	–	–	(9.6)	–	–	<b>(9.6)</b>
<b>Total liabilities</b>	<b>(1,446.9)</b>	<b>21.2</b>	<b>33.5</b>	<b>(5.3)</b>	<b>(22.9)</b>	<b>(2.2)</b>	<b>(1,422.6)</b>
<b>Fair value of net assets acquired</b>	<b>1,836.6</b>	<b>21.2</b>	<b>–</b>	<b>(5.3)</b>	<b>(22.9)</b>	<b>(0.7)</b>	<b>1,828.9</b>

**Fair value of consideration paid**

Issue of 942.9 million ordinary shares	<b>1,752.0</b>
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**Gain on business combination  
recognised in the income  
statement**
**76.9**

<sup>1</sup> Includes income strip asset of £221.4 million

**b) Acquisition of LXi REIT Advisors Limited**

On 6 March 2024, alongside the acquisition noted in 15a above, we completed the acquisition of the LXi group's investment advisor for a total consideration of £26.8 million, which included £1.5 million of contingent consideration at fair value. The contingent consideration is payable over four years and is based on growth in the LondonMetric share price, capped at £1 million per annum or £4 million in aggregate.

The investment advisor provides management services to the LXi group under an investment advisory agreement and employed all staff involved in running the LXi business. Following our acquisition of the company staff are now employed directly by LondonMetric. The investment advisory agreement contains no early termination rights prior to 6 July 2028 other than for breach or insolvency. Following the resignation of the company's executive management key man provisions have been breached. The Board believes these breaches are not capable of being rectified and anticipates that the contract will be terminated as a result.

The fair value of net liabilities acquired was £0.7 million and the resulting goodwill generated on acquisition of £27.5 million has been fully impaired to the income statement and offset against the gain on business combination noted in 15a above. Additional transaction costs of £1.3 million have been recognised separately within the income statement.

### c) Summary of LXi acquisition disclosures

	LXi REIT plc £m	LXi REIT Advisors Ltd £m	Total £m
Fair value of net assets/(liabilities) acquired	1,828.9	(0.7)	<b>1,828.2</b>
Fair value of consideration paid:			
Shares	1,752.0	-	<b>1,752.0</b>
Cash	-	26.8	<b>26.8</b>
<b>Total consideration paid</b>	<b>1,752.0</b>	<b>26.8</b>	<b>1,778.8</b>
<b>Gain/(loss) on business combination recognised in the income statement</b>	<b>76.9</b>	<b>(27.5)</b>	<b>49.4</b>
<b>Acquisition costs<sup>1</sup></b>	<b>28.5</b>	<b>1.3</b>	<b>29.8</b>

1 Included professional fees and taxes of £28.6 million and debt related costs of £1.2 million.

The cost of the LXi acquisition reflected in the Group cash flow statement of £47.3 million reflects the cash acquired of £73.2 million (as reflected in note 15a) less cash consideration paid of £25.9 million. This reflects the total cash consideration noted above of £26.8 million less contingent consideration payable of £1.5 million and includes acquisitions costs of £0.6 million charged to reserves.

Taken together, the contribution to gross rental income, EPRA earnings and retained profit of the LXi group and investment advisor, is set out in the table below.

	5 March 2024 to 31 March 2024 £m	1 April 2023 to 4 March 2024 £m	Proforma annual contribution £m
Gross rental income	<b>16.9</b>	231.5	248.4
EPRA earnings	<b>12.8</b>	139.3	152.1
Retained profit/(loss)	<b>10.2</b>	(110.4)	(100.2)

The pro forma information is provided for illustrative purposes only and is not necessarily indicative of the results that the combined Group would have reported had the merger completed at the beginning of the financial year, or indicative of future results of the combined Group.

## 16 Leases

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

As at 31 March	2024 £m	2023 £m
Less than one year	<b>332.3</b>	135.1
Between one and five years	<b>1,287.7</b>	492.4
Between six and ten years	<b>1,529.2</b>	477.6
Between 11 and 15 years	<b>1,287.9</b>	327.2
Between 16 and 20 years	<b>877.7</b>	180.3
Over 20 years	<b>2,270.3</b>	48.2
	<b>7,585.1</b>	1,660.8



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

	Undiscounted minimum lease payments £m	Interest £m	Present value of minimum lease payments 2024 £m	Present value of minimum lease payments 2023 £m
As at 31 March				
Less than one year	3.0	(1.9)	1.1	0.3
Between one and two years	2.8	(2.0)	0.8	0.7
Between two and five years	7.9	(5.6)	2.3	2.2
Over five years	192.6	(148.7)	43.9	3.9
	206.3	(158.2)	48.1	7.1

## 17 Share capital

	2024 Number	2024 £m	2023 Number	2023 £m
As at 31 March				
<b>Issued, called up and fully paid</b>				
Ordinary shares of 10p each	2,036,519,647	203.7	982,646,261	98.3

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 31 March 2022	978,607,507	97.9	386.8
Issued under scrip share scheme	4,038,754	0.4	8.7
At 31 March 2023	982,646,261	98.3	395.5
Issued on acquisition	1,048,579,674	104.9	-
Issued under scrip share scheme	5,293,712	0.5	9.2
<b>At 31 March 2024</b>	<b>2,036,519,647</b>	<b>203.7</b>	<b>404.7</b>

The Company issued 105,619,395 ordinary shares as consideration for the acquisition of CTPT on 7 August 2023 and 942,960,279 ordinary shares as consideration for the acquisition of LXI on 5 March 2024, as set out in note 15. The share issues qualified for merger relief and the premium arising of £1,840.1 million has been added to the merger relief reserve as set out in note 18.

The Company issued 5,293,712 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 4,046,714 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 year is summarised in the table below.

	Ordinary shares Number	Ordinary shares £m
<b>Shares held by the Employee Benefit Trust</b>		
At 1 April 2022	2,662,621	0.3
Shares issued under employee share schemes	(2,092,512)	(0.2)
Shares acquired by the Employee Benefit Trust	2,372,483	0.2
At 31 March 2023	2,942,592	0.3
Shares issued under employee share schemes	(1,791,027)	(0.2)
Shares acquired by the Employee Benefit Trust	1,437,642	0.2
<b>At 31 March 2024</b>	<b>2,589,207</b>	<b>0.3</b>

In June 2023, the Company granted options over 2,831,462 ordinary shares under its Long Term Incentive Plan. In addition, 1,791,027 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2020 vested. The average share price on vesting was 175.2p.

As at 31 March 2024, the Company's Employee Benefit Trust held 2,589,207 shares in the Company to satisfy awards under the Company's Long Term Incentive Plan.

## 18 Reserves

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

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

### Other reserves

As at 31 March	Merger relief reserve £m	Employee Benefit Trust shares £m	Foreign currency exchange reserve £m	2024 Total other reserves £m	Merger relief reserve £m	Employee Benefit Trust shares £m	2023 Total other reserves £m
Opening balance	497.4	(7.1)	–	490.3	497.4	(6.3)	491.1
Share issue on acquisitions	1,840.1	–	–	1,840.1	–	–	–
Foreign currency exchange	–	–	0.5	0.5	–	–	–
Employee share schemes:							
Purchase of shares	–	(2.5)	–	(2.5)	–	(5.6)	(5.6)
Vesting of shares	–	4.0	–	4.0	–	4.8	4.8
<b>Closing balance</b>	<b>2,337.5</b>	<b>(5.6)</b>	<b>0.5</b>	<b>2,332.4</b>	497.4	(7.1)	490.3

The movement in the merger relief reserve in the year reflects the share issues on the acquisitions of CTPT and LXi and is calculated as the difference between the nominal value of shares issued of 10p per share and the share price on acquisition of 183.3p and 185.8p respectively. The shares were issued as consideration for the entire issued share capital of CTPT and LXi and therefore qualify for merger relief.

## 19 Analysis of movement in net debt

	1 April 2023 £m	Financing cash flows £m	Other cash flows £m	Acquisition of subsidiaries £m	Non cash movements			31 March 2024 £m
					Impact of issue and arrangement costs and foreign exchange £m	Fair value movements and early close out costs £m	Interest charge and unwinding of discount £m	
Bank loans	1,017.0	(100.0)	–	1,169.7	–	–	0.7	2,087.4
Derivative financial instruments	(11.1)	–	–	(25.4)	–	3.9	–	(32.6)
Unamortised finance costs	(7.2)	(7.7)	–	(0.4)	2.0	–	–	(13.3)
Other finance costs	–	(2.9)	–	–	2.9	–	–	–
Interest payable	1.5	(43.6)	–	5.2	0.3	–	41.5	4.9
Other financial liabilities	–	(0.6)	–	221.4	–	–	0.7	221.5
Lease liabilities	7.1	(0.5)	–	41.2	–	–	0.3	48.1
Total liabilities from financing activities	1,007.3	(155.3)	–	1,411.7	5.2	3.9	43.2	2,316.0
Cash and cash equivalents	(32.6)	–	(79.3)	–	–	–	–	(111.9)
<b>Net debt</b>	<b>974.7</b>	<b>(155.3)</b>	<b>(79.3)</b>	<b>1,411.7</b>	<b>5.2</b>	<b>3.9</b>	<b>43.2</b>	<b>2,204.1</b>

	1 April 2022 £m	Financing cash flows £m	Other cash flows £m	Non cash movements			31 March 2023 £m
				Impact of issue and arrangement costs £m	Fair value movements and early close out costs £m	Interest charge and unwinding of discount £m	
Bank loans	1,027.2	(10.0)	–	–	–	(0.2)	1,017.0
Derivative financial instruments	–	(15.1)	–	–	4.0	–	(11.1)
Unamortised finance costs	(5.8)	(3.4)	–	1.6	0.4	–	(7.2)
Other finance costs	–	(1.6)	–	1.6	–	–	–
Interest payable and fees	1.0	(32.8)	–	–	–	33.3	1.5
Lease liabilities	4.6	(0.8)	–	–	3.2	0.1	7.1
Total liabilities from financing activities	1,027.0	(63.7)	–	3.2	7.6	33.2	1,007.3
Cash and cash equivalents	(51.3)	–	18.7	–	–	–	(32.6)
<b>Net debt</b>	<b>975.7</b>	<b>(63.7)</b>	<b>18.7</b>	<b>3.2</b>	<b>7.6</b>	<b>33.2</b>	<b>974.7</b>

## 20 Related party transactions

### a) Joint arrangements

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

	Group interest	Management fees		Distributions	
		2024 £m	2023 £m	2024 £m	2023 £m
For the year to 31 March					
Metric Income Plus Partnership	50%	1.1	1.1	2.7	0.8

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

### b) Non-controlling interest

The Group's non-controlling interest ('NCI') represents a 31% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of retail assets.

The Group's interest in LMP Retail Warehouse JV Holdings Limited is 69%, 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. At the year end, LMP Retail Warehouse JV Holdings Limited owed £28.8 million to the Company, which has been eliminated on consolidation.

As at the year end, the NCI's share of profits and net assets was £1.2 million (2023: loss of £1.3 million) and £28.0 million (2023: £27.9 million) respectively. Distributions to the NCI in the year totalled £1.1 million (2023: £0.4 million).

## **21 Post balance sheet events**

Post period end we have exchanged or completed asset acquisitions and sales for £51.4 million and £68.4 million respectively, of which £0.6 million sales had exchanged in the year.

## Supplementary information (not audited)

### i EPRA summary table

	2024	2023
EPRA earnings per share	<b>10.9p</b>	10.3p
EPRA net tangible assets per share	<b>191.7p</b>	198.9p
EPRA net disposal value per share	<b>197.5p</b>	206.1p
EPRA net reinstatement value per share	<b>211.8p</b>	219.6p
EPRA vacancy rate	<b>0.6%</b>	0.9%
EPRA cost ratio (including vacant property costs)	<b>11.6%</b>	11.7%
EPRA cost ratio (excluding vacant property costs)	<b>11.1%</b>	11.3%
EPRA loan to value	<b>35.4%</b>	35.1%
EPRA net initial yield	<b>5.2%</b>	4.1%
EPRA 'topped up' net initial yield	<b>5.3%</b>	4.6%

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

### ii EPRA proportionally consolidated income statement

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
Gross rental income	<b>177.0</b>	<b>4.3</b>	<b>(2.4)</b>	<b>178.9</b>	145.6	4.3	(1.5)	148.4
Property costs	<b>(1.7)</b>	<b>(0.1)</b>	<b>–</b>	<b>(1.8)</b>	(1.5)	(0.1)	–	(1.6)
Net rental income	<b>175.3</b>	<b>4.2</b>	<b>(2.4)</b>	<b>177.1</b>	144.1	4.2	(1.5)	146.8
Management fees	<b>1.1</b>	<b>(0.6)</b>	<b>0.1</b>	<b>0.6</b>	1.1	(0.5)	0.1	0.7
Administrative costs	<b>(19.7)</b>	<b>–</b>	<b>–</b>	<b>(19.7)</b>	(16.4)	(0.1)	–	(16.5)
Net finance costs	<b>(37.4)</b>	<b>–</b>	<b>0.6</b>	<b>(36.8)</b>	(29.5)	(0.6)	0.2	(29.9)
Tax	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>0.4</b>	(0.1)	–	0.1	–
EPRA earnings	<b>119.3</b>	<b>3.6</b>	<b>(1.3)</b>	<b>121.6</b>	99.2	3.0	(1.1)	101.1

### iii EPRA proportionally consolidated balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
Investment property	6,232.2	67.1	(36.4)	6,262.9	2,944.9	70.8	(35.7)	2,980.0
Assets held for sale	8.5	–	–	8.5	19.8	–	–	19.8
Trading property	1.1	–	–	1.1	1.1	–	–	1.1
	6,241.8	67.1	(36.4)	6,272.5	2,965.8	70.8	(35.7)	3,000.9
Gross debt	(2,087.4)	–	–	(2,087.4)	(1,017.0)	(13.5)	–	(1,030.5)
Cash	111.9	3.0	(0.8)	114.1	32.6	5.4	(1.5)	36.5
Other net liabilities	(398.6)	(0.9)	9.2	(390.3)	(58.8)	(1.2)	9.3	(50.7)
EPRA net tangible assets	3,867.7	69.2	(28.0)	3,908.9	1,922.6	61.5	(27.9)	1,956.2
Derivatives	32.6	–	–	32.6	11.1	–	–	11.1
IFRS equity shareholders' funds	3,900.3	69.2	(28.0)	3,941.5	1,933.7	61.5	(27.9)	1,967.3
IFRS net assets	3,900.3	69.2	–	3,969.5	1,933.7	61.5	–	1,995.2
Loan to value	33.2%	–	–	33.2%	32.8%	11.4%	–	32.8%
Cost of debt	3.9%	–	–	3.9%	3.4%	3.6%	–	3.4%
Undrawn facilities	680.8	–	–	680.8	380.0	–	–	380.0

### iv EPRA cost ratio

For the year to 31 March	2024 £m	2023 £m
Property operating expenses	1.7	1.5
Administrative costs	19.7	16.4
Share of joint venture and NCI property costs, administrative costs and management fees	0.6	0.7
Less:		
Joint venture property management fee income	(1.1)	(1.1)
Ground rents	(0.1)	(0.1)
<b>Total costs including vacant property costs (A)</b>	<b>20.8</b>	<b>17.4</b>
Group vacant property costs	(1.0)	(0.7)
<b>Total costs excluding vacant property costs (B)</b>	<b>19.8</b>	<b>16.7</b>
Gross rental income	177.0	145.6
Share of joint venture gross rental income	4.3	4.3
Share of NCI gross rental income	(2.4)	(1.5)
	<b>178.9</b>	<b>148.4</b>
Less:		
Ground rents	(0.1)	(0.1)
<b>Total gross rental income (C)</b>	<b>178.8</b>	<b>148.3</b>
<b>Total EPRA cost ratio (including vacant property costs) (A)/(C)</b>	<b>11.6%</b>	<b>11.7%</b>
<b>Total EPRA cost ratio (excluding vacant property costs) (B)/(C)</b>	<b>11.1%</b>	<b>11.3%</b>

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

As at 31 March	2024 £m	2023 £m
Investment property – wholly owned <sup>1</sup>	5,971.6	2,957.6
Investment property – share of joint ventures	67.1	70.8
Trading property	1.1	1.1
Less development properties	(39.3)	(33.7)
Less non-controlling interest	(36.4)	(35.7)
Completed property portfolio	5,964.1	2,960.1
Allowance for:		
Estimated purchasers' costs	405.6	201.2
Estimated costs to complete	13.7	10.4
<b>EPRA property portfolio valuation (A)</b>	<b>6,383.4</b>	<b>3,171.7</b>
Annualised passing rental income	329.2	128.2
Share of joint ventures	4.3	4.2
Less development properties	(3.4)	(1.8)
<b>Annualised net rents (B)</b>	<b>330.1</b>	<b>130.6</b>
Contractual rental increase across the portfolio	9.0	15.9
<b>'Topped up' net annualised rent (C)</b>	<b>339.1</b>	<b>146.5</b>
<b>EPRA net initial yield (B/A)</b>	<b>5.2%</b>	<b>4.1%</b>
<b>EPRA 'topped up' net initial yield (C/A)</b>	<b>5.3%</b>	<b>4.6%</b>

<sup>1</sup> Wholly owned investment property includes assets held for sale of £8.5 million (2023: £19.8 million)

## vi EPRA vacancy rate

As at 31 March	2024 £m	2023 £m
Annualised estimated rental value of vacant premises	2.2	1.5
Portfolio estimated rental value <sup>1</sup>	362.7	168.6
<b>EPRA vacancy rate</b>	<b>0.6%</b>	<b>0.9%</b>

<sup>1</sup> Excludes development properties

## vii EPRA capital expenditure analysis

As at 31 March	100% owned <sup>5</sup> £m	JV £m	NCI £m	Total 2024 £m	100% owned £m	JV £m	NCI £m	Total 2023 £m
Opening valuation	2,965.8	70.8	(35.7)	3,000.9	3,516.9	96.6	(15.1)	3,598.4
Acquisitions <sup>1</sup>								
– acquisition of CTPT	261.9	–	–	261.9	–	–	–	–
– acquisition of LXi <sup>8</sup>	2,853.3	–	–	2,853.3	–	–	–	–
– other acquisitions	42.7	–	–	42.7	187.4	–	(22.8)	164.6
Developments <sup>2,4,7</sup>	41.7	–	–	41.7	83.7	–	–	83.7
Investment properties								
– incremental lettable space <sup>3</sup>	1.9	–	(0.2)	1.7	0.1	–	–	0.1
– no incremental lettable space <sup>3</sup>	4.0	–	(0.3)	3.7	7.3	0.2	–	7.5
– tenant incentives	16.6	–	(0.3)	16.3	10.2	0.2	(0.2)	10.2
Capitalised interest <sup>4</sup>	2.2	–	–	2.2	4.0	–	–	4.0
Total EPRA capex	3,224.3	–	(0.8)	3,223.5	292.7	0.4	(23.0)	270.1
Disposals <sup>6</sup>	(203.6)	–	–	(203.6)	(269.0)	(13.7)	–	(282.7)
Revaluation	(7.5)	(3.7)	0.1	(11.1)	(577.4)	(12.5)	2.4	(587.5)
Foreign currency	0.8	–	–	0.8	–	–	–	–
Income strip asset	221.5	–	–	221.5	–	–	–	–
ROU asset	40.5	–	–	40.5	2.6	–	–	2.6
Closing valuation	6,241.8	67.1	(36.4)	6,272.5	2,965.8	70.8	(35.7)	3,000.9

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

2 Group developments include acquisitions, capital expenditure and lease incentive movements on properties under development as reflected in note 9 after excluding capitalised interest noted in footnote 4 below

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

4 Capitalised interest on investment properties of £nil (2023: £0.3 million) and development properties of £2.2 million (2023: £3.7 million)

5 Including trading property of £1.1 million and assets held for sale of £8.5 million

6 Group disposals include assets held for sale

7 Includes LXi developments acquired of £27.2 million

8 Excludes income strip asset of £221.5 million and LXi developments of £27.2 million

## viii Total accounting return

For the year to 31 March	2024 pence per share	2023 pence per share
EPRA net tangible assets per share		
– at end of year	191.7	198.9
– at start of year	198.9	261.1
Decrease in the year	(7.2)	(62.2)
Dividend paid	9.7	9.5
Total increase/(decrease)	2.5	(52.7)
<b>Total accounting return</b>	<b>1.3%</b>	<b>(20.2)%</b>



## ix Portfolio split and valuation

	2024 £m	2024 %	2023 £m	2023 %
As at 31 March				
Mega distribution	310.2	5.2	311.5	10.4
Regional distribution	689.7	11.5	586.1	19.6
Urban logistics	1,557.2	25.9	1,262.3	42.2
<b>Distribution</b>	<b>2,557.1</b>	<b>42.6</b>	<b>2,159.9</b>	<b>72.2</b>
Convenience	995.2	16.5	637.1	21.3
Entertainment & leisure	1,271.3	21.2	55.5	1.9
Healthcare & education	960.2	16.0	14.8	0.5
<b>Long income</b>	<b>3,226.7</b>	<b>53.7</b>	<b>707.4</b>	<b>23.7</b>
Other	180.3	3.0	92.8	3.0
<b>Investment portfolio</b>	<b>5,964.1</b>	<b>99.3</b>	<b>2,960.1</b>	<b>98.9</b>
Development <sup>1</sup>	39.3	0.7	33.7	1.1
<b>Total portfolio</b>	<b>6,003.4</b>	<b>100.0</b>	<b>2,993.8</b>	<b>100.0</b>
Income strip asset <sup>2</sup>	221.5		—	
Head lease and right of use assets	47.6		7.1	
	<b>6,272.5</b>		<b>3,000.9</b>	

1 Represents urban logistics £6.0 million (0.1%), convenience £16.9 million (0.3%), other £16.4 million (0.3%) at 31 March 2024. Split of prior year comparatives was urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), other £2.8 million (0.1%)

2 Represents the gross up of the financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022, as reflected in note 14a(ii)

## x Investment portfolio yields

	2024			2023		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
As at 31 March						
Distribution	4.5	4.7	5.7	3.8	4.3	5.3
Long income	5.7	5.8	6.6	4.9	5.4	5.6
Other	5.8	6.0	7.3	5.0	5.8	6.1
<b>Investment portfolio</b>	<b>5.2</b>	<b>5.3</b>	<b>6.3</b>	<b>4.1</b>	<b>4.6</b>	<b>5.4</b>

## xi Investment portfolio – Key statistics

	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
As at 31 March 2024					
Distribution	16,275	12.4	11.3	99.4	7.60
Long income	8,395	24.1	22.8	99.8	20.14
Other	1,165	12.8	12.6	94.4	10.11
<b>Investment portfolio</b>	<b>25,835</b>	<b>19.4</b>	<b>18.2</b>	<b>99.4</b>	<b>11.63</b>

## xii Total property returns

	All property 2024 %	All property 2023 %
For the year to 31 March		
Capital return	(0.3)	(15.7)
Income return	5.0	4.4
<b>Total return</b>	<b>4.7</b>	<b>(12.0)</b>

### xiii Net contracted rental income

As at 31 March	2024 £m	2023 £m
Distribution	126.4	97.8
Long income	198.4	39.8
Other	11.5	5.8
<b>Investment portfolio</b>	<b>336.3</b>	<b>143.4</b>
Development	3.4	1.8
<b>Total portfolio</b>	<b>339.7</b>	<b>145.2</b>

### xiv Rent subject to expiry

As at 31 March 2024	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	8.5	16.7	44.4	68.6	85.6	100.0
Long income	2.9	3.8	9.4	39.9	55.4	100.0
Other	20.8	29.1	48.4	62.0	71.0	100.0
<b>Investment portfolio</b>	<b>5.5</b>	<b>9.4</b>	<b>23.5</b>	<b>51.1</b>	<b>67.0</b>	<b>100.0</b>

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

As at 31 March	2024 £m	2024 %	2023 £m	2023 %
Distribution	81.2	64.0	61.4	62.8
Long income	188.0	90.4	27.3	68.7
Other	5.5	47.8	1.6	38.5
<b>Investment portfolio</b>	<b>274.7</b>	<b>79.3</b>	<b>90.3</b>	<b>63.0</b>

### xvi Top ten assets (by value)

As at 31 March 2024	Area '000 sq ft	Net contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Ramsay Rivers Hospital	193	9.6	100.0	13.1	13.1
Alton Towers Park	n/a	9.3	100.0	53.3	53.3
Bedford Link, Bedford	715	5.5	100.0	17.5	15.7
Thorpe Park	n/a	9.8	100.0	53.3	53.3
Primark, Slip	1,062	6.0	100.0	16.5	16.5
Great Bear, Dagenham	454	4.8	100.0	19.5	19.5
Ramsay Springfield Hospital	85	5.6	100.0	13.1	13.1
Heide Park	n/a	4.1	100.0	53.4	53.4
Argos, Bedford	658	4.1	100.0	10.0	10.0
THG, Warrington	686	4.1	100.0	20.7	20.7

## xvii Top ten occupiers

As at 31 March 2024	Net contracted rental income £m	Net contracted rental income %
Ramsay Health Care	37.3	11.0%
Merlin Entertainments	30.6	9.0%
Travelodge	21.9	6.4%
Primark	6.0	1.8%
Tesco	5.9	1.7%
Great Bear	5.4	1.6%
Amazon	4.9	1.4%
SMG Europe	4.6	1.4%
Q-Park	4.6	1.4%
Co-op	4.5	1.3%
<b>Total</b>	<b>125.7</b>	<b>37.0%</b>

## xviii Loan to value

As at 31 March	100% owned £m	JV £m	NCI £m	2024 £m	2023 £m
Gross debt	2,087.4	–	–	<b>2,087.4</b>	1,030.5
Less: Fair value adjustments	21.9	–	–	<b>21.9</b>	(2.0)
Less: Cash balances	(111.9)	(3.0)	0.8	<b>(114.1)</b>	(36.5)
Net debt	1,997.4	(3.0)	0.8	<b>1,995.2</b>	992.0
Acquisitions exchanged in the year	2.3	–	–	<b>2.3</b>	2.3
Disposals exchanged in the year	(9.3)	–	–	<b>(9.3)</b>	(19.1)
<b>Adjusted net debt (A)</b>	<b>1,990.4</b>	<b>(3.0)</b>	<b>0.8</b>	<b>1,988.2</b>	975.2
Exclude:					
Acquisitions exchanged in the year	(2.3)	–	–	<b>(2.3)</b>	(2.3)
Disposals exchanged in the year	9.3	–	–	<b>9.3</b>	19.1
Include:					
Net payables	134.4	0.9	(0.3)	<b>135.0</b>	60.9
<b>EPRA net debt (B)</b>	<b>2,131.8</b>	<b>(2.1)</b>	<b>0.5</b>	<b>2,130.2</b>	1,052.9
Investment properties at fair value	5,963.1	67.1	(36.4)	<b>5,993.8</b>	2,972.9
Properties held for sale	8.5	–	–	<b>8.5</b>	19.8
Trading properties	1.1	–	–	<b>1.1</b>	1.1
Total property portfolio	5,972.7	67.1	(36.4)	<b>6,003.4</b>	2,993.8
Acquisitions exchanged in the year	2.3	–	–	<b>2.3</b>	2.3
Disposals exchanged in the year	(8.5)	–	–	<b>(8.5)</b>	(19.8)
<b>Adjusted property portfolio (C)</b>	<b>5,966.5</b>	<b>67.1</b>	<b>(36.4)</b>	<b>5,997.2</b>	2,976.3
Exclude:					
Acquisitions exchanged in the year	(2.3)	–	–	<b>(2.3)</b>	(2.3)
Disposals exchanged in the year	8.5	–	–	<b>8.5</b>	19.8
Include:					
Financial assets	8.9	–	–	<b>8.9</b>	5.2
<b>EPRA property portfolio (D)</b>	<b>5,981.6</b>	<b>67.1</b>	<b>(36.4)</b>	<b>6,012.3</b>	2,999.0
<b>Loan to value (A)/(C)</b>				<b>33.2%</b>	32.8%
<b>EPRA Loan to value (B)/(D)</b>				<b>35.4%</b>	35.1%

## xix Acquisitions and disposals

As at 31 March	100% owned £m	JV £m	NCI £m	2024 £m	2023 £m
<b>Acquisition costs</b>					
Completed in the year <sup>1</sup>	3,157.9	–	–	<b>3,157.9</b>	164.6
CTPT price discount on acquisition	23.3	–	–	<b>23.3</b>	–
Exchanged in the previous year	–	–	–	<b>–</b>	(72.4)
Exchanged but not completed in the year	–	–	–	<b>–</b>	2.3
Forward funded investments classified as developments	27.2	–	–	<b>27.2</b>	32.1
Transaction costs and other	(6.7)	–	–	<b>(6.7)</b>	(6.2)
<b>Exchanged in the year</b>	<b>3,201.7</b>	<b>–</b>	<b>–</b>	<b>3,201.7</b>	<b>120.4</b>
<b>Disposal proceeds</b>					
Completed in the year	198.7	–	–	<b>198.7</b>	271.7
Exchanged in the previous year	(19.6)	–	–	<b>(19.6)</b>	(21.2)
Exchanged but not completed in the year	9.3	–	–	<b>9.3</b>	19.1
Transaction costs and other	(3.5)	–	–	<b>(3.5)</b>	2.9
<b>Exchanged in the year</b>	<b>184.9</b>	<b>–</b>	<b>–</b>	<b>184.9</b>	<b>272.5</b>

1 Excludes income strip asset of £221.5 million

# 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.

## **Carbon Neutral**

Companies, processes, and buildings become carbon neutral when they calculate their carbon emissions and compensate for what they have produced via carbon offsetting projects.

## **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.

## **CO<sub>2</sub>e**

The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases on a common basis. This quantity is quoted in units of tonnes carbon dioxide equivalent (tCO<sub>2</sub>e).

## **Code**

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018, publicly available at [www.frc.org.uk](http://www.frc.org.uk) which sets out principles of good corporate governance for listed companies. In January 2024 the Financial Reporting Council published a revised UK Corporate Governance Code (the '2024 Code'). The 2024 Code will apply to financial years beginning on or after 1 January 2025, other than provision 29 which will apply to financial years beginning on or after 1 January 2026.

## **Contracted Rent**

The annualised rent excluding rent free periods.

## **Cost of Debt**

Weighted average interest rate payable.

## **CRREM Modelling**

The Carbon Risk Real Estate Monitor (CRREM) tool models an asset performance to determine the year it will become 'stranded'. Stranding is the point in time when the asset will not meet future energy efficiency standards and whose energy upgrade will not be financially viable.

## **CT Property Trust Limited ('CTPT')**

CT Property Trust Limited (now LMP Bude Limited). Incorporated in Guernsey with registration number 41870.

## **Debt Maturity**

Weighted average period to expiry of debt drawn.

## **Distribution**

The term is used synonymously with 'Logistics' and means the organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption by the end user.

## **Embodied Carbon**

Embodied carbon refers to the emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure. It is typically associated with any processes, materials, or products used to construct, maintain, repair, refurbish, and repurpose a building. LondonMetric's Development-related emissions account only for upfront embodied carbon, which refers to the emissions up to practical completion before the building begins to be used by an occupier.

## **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 weighted 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').

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

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

**Financial Conduct Authority ('FCA')**

The Financial Conduct Authority is a regulatory body, operating independently of the UK Government, which regulates financial firms providing services to consumers and maintains the integrity of the financial markets in the UK.

**GHG**

Greenhouse gases (GHG) are gases that contribute directly to climate change by trapping heat in the earth's atmosphere.

**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.

**Income strip asset and liability**

Through the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022, the Group has an obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant and the ability to acquire the freehold back in 2087 for £1.

**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.

**IPCC**

The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. They developed the Representative Concentration Pathways (RCPs), which describe four different 21st-century pathways of greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions and land use.

**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.

**Listing Rules**

The listing rules of the FCA made under the Financial Services and Markets Act 2000 as amended from time to time

**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 term is used synonymously with 'Distribution' and means the organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption by the end user.

**LXi acquisition/merger**

The acquisition of the entire issued share capital of LXi REIT plc implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 and deemed a reverse takeover and Class 1 transaction pursuant to the Listing Rules.

**LXi REIT plc ('LXi')**

LXi REIT plc (now LXi Limited). Incorporated in the UK with company number 10535081.

**MEES**

The Minimum Energy Efficiency Standards (MEES) Regulations establish a minimum level of energy efficiency for rented property in England and Wales. From April 2023, they require private rented properties to have a minimum Energy Performance Certificate (EPC) rating of E unless they have registered a valid exemption. This is set to rise to a 'C' rating by 2028 and EPC 'B' by 2030.

**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.

**Net Zero Carbon**

Companies, processes, and buildings become Net Zero Carbon when they reduce their absolute emissions to a minimum, with only a small amount, if any, being offset.

**NNN**

NNN, or Triple Net Lease, is a type of lease agreement commonly used in commercial real estate. In a NNN lease, the tenant is responsible for paying key expenses in addition to the base rent.

**NNN REIT**

Also known as Triple Net Lease Real Estate Investment Trust, is a type of real estate investment trust (REIT) that specialises in properties leased to tenants under triple net leases. In a triple net lease, the tenant agrees to pay all ongoing operating expenses associated with the property, in addition to rent and utilities.

**Occupancy Rate**

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

**Operational emissions**

Also known as corporate emissions, are emissions associated with operations owned or controlled by a company or that are a consequence of its operations. For LondonMetric, this currently includes Scope 1 and 2 emissions, and a subset of Scope 3 emissions, such as business travel.

**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.

**REGOs**

Renewable Energy Guarantees of Origin Certificates (REGOs) demonstrate that electricity has been generated from renewable sources.

**Scope 1**

Direct GHG emissions from the combustion of fuel in equipment that is owned or controlled by the company, largely resulting from the use of natural gas, refrigerants, and vehicle fuel. For LondonMetric, this includes landlord-procured gas usage at our operational assets, including void units.



**Scope 2**

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. For LondonMetric, this includes electricity usage at our head office and landlord-procured electricity at our operational assets, including void units.

**Scope 3**

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of a company's activities, including both upstream and downstream emissions. For LondonMetric, this currently relates to emissions from our occupiers' operations, our developments and business travel.

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

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

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

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

**Total Property Return ('TPR')**

Unlevered weighted capital and income return of the property portfolio as calculated by MSCI.

**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.

**Triple Net Lease**

Triple Net Lease, or NNN, is a type of lease agreement commonly used in commercial real estate. In a NNN lease, the tenant is responsible for paying key expenses in addition to the base rent.

**Triple Net Lease REIT**

Also known as NNN REIT, is a type of real estate investment trust (REIT) that specialises in properties leased to tenants under triple net leases. In a triple net lease, the tenant agrees to pay all ongoing operating expenses associated with the property, in addition to rent and utilities.

**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.

**Whole life Carbon**

The combined total of embodied and operational emissions over the whole life cycle of a building. The whole life cycle of a building is 'the entire life of a building from material sourcing, manufacture, construction, use over a given period, demolition and disposal, including transport emissions and waste disposal.