

LONDONMETRIC PROPERTY PLC
 (“LondonMetric” or the “Group” or the “Company”)
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Portfolio alignment to structurally supported logistics and long income delivers continued earnings and dividend growth

LondonMetric today announces its half year results for the six months ended 30 September 2023.

	EPRA ^{1,2}		IFRS	
Income Statement	H1 2024	H1 2023	H1 2024	H1 2023
Net rental income (£m)	76.9	72.1	76.0	70.5
Earnings/Reported Profit/(Loss) (£m)	53.1	50.2	81.0	(243.4)
Earnings per share (p)	5.25	5.14	8.0	(24.9)
Dividend per share (p)	4.8	4.6	4.8	4.6
	EPRA ^{1,2}		IFRS	
Balance Sheet	H1 2024	FY 2023	H1 2024	FY 2023
Net tangible assets (NTA)/Net Assets (£m)	2,178.5	1,956.2	2,222.5	1,995.2
NTA per share (p)	199.6	198.9	204.5	203.7

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 the winning sectors drives earnings and dividend growth

- Net rental income increased 6.7% to £76.9m, +7.8% on an IFRS basis
- EPRA earnings up 5.8% to £53.1m, +2.1% on a per share basis
- EPRA cost ratio down 80 bps to 11.5%
- Dividend progressed 4.3% to 4.8p, 109% covered by earnings, including Q2 dividend declared today of 2.4p
- Continued dividend progression expected for full year supported by earnings

Portfolio valuation stabilised reflecting liquidity in our sectors

- Portfolio value of £3.2bn (31 March 2023: £3.0bn)
- Total property return +3.2%, capital return +0.7%
- Yield expansion of 10 bps offset by ERV growth of 1.8% delivering a revaluation uplift of 0.1% (+0.8% with CTPT discount)
- EPRA NTA per share +0.4% to 199.6p underpinning a total accounting return of 2.8%
- IFRS reported profit £81.0m (30 September 2022: £243.4m loss)

Strong occupational activity delivered +£3.6m pa income and 2.9% like for like income growth

- Rent reviews +19% on a five yearly equivalent basis with urban logistics reviews +35%
- Lettings signed with WAULT of 13 years with regears achieving +28%
- Further £2.8m p.a. uplift from PPE deals agreed and completed

Activity continues to maintain portfolio’s long and strong income characteristics and quality

- Occupancy remains high at 99%, WAULT of 11 years and gross to net income ratio of 99%
- Contractual rental uplifts on 59% of portfolio’s income
- Significant embedded reversion with portfolio expected to generate £15m p.a. of rental uplift over next 2-3 years
- 86% of portfolio EPC A-C rated, 31% BREEAM Very Good or Excellent and 0.6 MWp of solar added in period

Portfolio aligned to structurally supported sectors

- Distribution weighting at 71.7% (urban logistics at 43.2%) and long income at 23.5%
- £157m of disposals (including PPE) with a WAULT of 7 years, sold at 0.3% below prevailing book
- £285m CT Property Trust portfolio acquired at a discount and actively managing with strong reversion

Strong financial position with reduced LTV

- LTV fallen from 32.8% to 29.5% and cost of debt from 3.4% to 3.3%
- Debt maturity increased to 6.2 years with no refinancing requirement until FY2027 and 99.5% of drawn debt hedged

Andrew Jones, Chief Executive of LondonMetric, commented:

“Financial markets continue to be defined by elevated interest rates and higher borrowing costs. This is severely impacting liquidity across the real estate sector and exacerbating a polarisation in performance. We expect this to continue with refinancings and redemptions putting further downward pricing pressure in legacy sectors. We are, however, more confident that structurally supported assets with better income security and positive rental trajectory will enjoy better price stability.

“Against this backdrop, we have continued to be active and opportunistic, looking to sell mature and non-core assets and remaining alert to quality opportunities that are being mis-priced by either the real estate or stock markets. During the period we successfully concluded the £285 million portfolio acquisition of CT Property Trust and to date have disposed of £157 million of assets across our portfolio.

“As a result, our portfolio is in great shape and its alignment to well positioned triple net income assets has helped to deliver a positive set of financial results, further increasing our net rental income, earnings per share and covered dividend. This puts us on track for a ninth consecutive year of dividend progression; a performance that puts us in a rarefied club.

“Looking forward, we will continue to allocate capital to sectors that are benefiting from evolving consumer behaviours which provide an attractive tailwind for returns and dividend growth. We remain alert, interested and open minded to using our strong financial position to access new opportunities where the market is unfairly discounting and where our proactive approach can deliver growth and value.”

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Meeting and audio webcast

An analysts meeting will be held at 8.45 am today and a live audio webcast will be available at the below link. An on demand recording will also be available from the same link shortly after the meeting:

https://brrmedia.news/LMP_HY23

Notes to editors

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

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

Chief Executive's Statement

Overview

Over the last 12 months we have seen a dramatic rise in interest rates and an end to the era of cheap money.

This has led to an enormous recalibration of valuations across most financial markets and, whilst this is ongoing for many sub-sectors of the real estate markets, we have seen some pricing stability within the more structurally supported real estate sectors.

The backdrop however remains challenging, with heightened inflation and elevated costs of debt materially impacting liquidity and making price discovery difficult, especially within the office and retail sectors. This will continue for some time as the sector readjusts to new financing costs and changing consumer behaviour and will intensify the ongoing polarisation in performance between the winners and losers.

Our focus on the macro trends has served us well and continues to influence our capital allocation. We have consciously aligned the portfolio to long income properties that can benefit from changing consumer demand preferences of better convenience, social experiences and quicker gratification, as well as attractive demand/supply dynamics and rental growth. Our strongest conviction call of urban logistics warehousing within the best locations is ensuring that we are benefiting from long term structural shifts and capturing elevated levels of rental growth at both rent review and lease renewal. We expect this to continue.

In the same way that technological innovation has impacted shopping patterns, it is also now impacting office occupancy and a growing preference to spend part of the week working remotely. This, alongside increasing environmental obsolescence, is having a dramatic impact on all but the very best office values. After many years of the wind blowing at their back, it is now very much in their face.

The Company's alignment to the winning sectors is evidenced by our portfolio's high occupancy, long leases and growing rents. This, together with our low EPRA cost ratio of 11.5% and an attractive average cost of debt at 3.3%, has allowed us to progress our EPRA earnings per share by 2.1% and increase our dividend by 4.3%, which puts us on track for our ninth year of dividend progression and which remains comfortably covered by earnings. Our EPRA net tangible assets per share also increased by 0.4% and we delivered a total property return of 3.2% and a total accounting return of 2.8%.

Our total return model and management's strong shareholder alignment ensures that we remain disciplined, rational and active, looking to continually improve our portfolio and our financing. Over the period, we completed the acquisition of CT Property Trust Limited ('CTPT'), which added £285 million of assets, and we also sold £131 million of properties. We have proactively managed our debt facilities, reducing the amount of debt outstanding, increasing its longevity and ensuring that our drawn debt is 99.5% hedged against interest rate volatility.

These actions have helped to reduce our LTV from 32.8% to 29.5% at the end of the period, with no major refinancings until FY 2027 and debt maturity at 6.2 years. Our well positioned balance sheet and our proactive approach has ensured that we are well protected, able to progress our dividend and in a strong position to go fishing as the investing waters begin to settle. As one famous investor said, 'Opportunities come infrequently. When it rains gold put out the bucket, not the thimble'.

Macro events continue to dominate the investment backdrop

Global economic and geopolitical uncertainty continues to dominate the investment backdrop. The conflict in the Middle East, together with the ongoing war in Ukraine and tensions with China, has added further volatility into the financial markets which continue to navigate uncertainty over interest rates, persistent inflationary pressures and worries about future growth.

The UK economy has been highly resilient with strong wage growth and near to full employment. 14 consecutive increases in interest rates are, however, now having the desired impact of dampening the economy and inflation, which has more than halved from c.11% at its peak to c.5% today. Whilst inflation has remained more persistent than most expected, there are suggestions that the economy is in fact weaker than the data is currently showing. Peering through the fog of data, there is evidence of a weakening labour market with gently rising unemployment. This indicates that the full impact of higher interest rates will take time, with economists suggesting that less than half of the BoE's tightening has actually passed through into the real economy.

We believe that the UK consumer is well positioned to navigate these challenges, helped by healthy saving ratios, falling energy costs and good wage growth. Furthermore, more than half of all homeowners do not have a mortgage.

Liquidity in real estate remains limited outside select sub sectors

Whilst liquidity for real estate has improved from the days of the mini budget last year, the property market is still a long way from functioning normally. We remain of the view that we won't start to see normal liquidity for real estate until five year swap rates fall materially towards 300bps. The five year swap rate is currently 415bps which, whilst down from its peak of 540bps, is still up from 400bps at the time we last reported. However, we expect liquidity to benefit from a growing assumption that base rates have peaked at 5.25% and will start to fall during 2024.

Furthermore, following material repricing of lower yielding and high growth real estate, some sub sectors have been experiencing much improved liquidity for a while now, and we have also seen good volumes for smaller lot sizes where debt is less of an issue. The logistics sector has been one of the few sectors transacting and this has helped price discovery and supported evidence for our valuations.

In our last set of results, I wrote that the more challenged sub-sectors of retail and offices had escaped the dramatic revaluation relatively unscathed. This seemed rather irrational and, not surprisingly, we are now seeing appraisers reassess the values within these sectors, even when there are few transactions.

We are 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 equitized and the banks are becoming increasingly active in forcing assets to the market.

This is creating some very interesting debt propositions and distressed sales, especially outside of our core sectors. 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 the office sector where new working patterns combined with ageing stock and growing ESG requirements is having a dramatic impact on valuations. Assets that made sense when in a QE World of free money are no longer viable when borrowing costs are at 7+%.

The good news is that the UK listed sector is in a much better position 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 and so we are a long way away from a repeat of 2008/09.

Our strategy is about owning quality assets in the winning sectors underpinned by strong income

Our job is to allocate capital into real estate sectors where it will be treated best. After all, the macro calls are much more important than the micro calls. We continue to prioritise asset selection, patience and strong conviction in our structurally supported sectors.

When you choose real estate for its quality and location, you are more likely to be a price setter than a price taker. Occupiers will need you more, you can attract quality companies, at higher rental levels and be more confident of future rental growth. After all, the best thing we can do is give reason for our occupiers to love our buildings; they will stay longer and over time will be prepared to pay more rent. Buying cheap is not a strategy as these assets will at some point become a problem and add unnecessary risk, stress and take up valuable thinking time.

Our disciplined and rational approach ensures that we pursue quality returns over long periods of time rather than spectacular returns over a short period, and never look to simply grow assets under management. This has always tempered our acquisition activity, limited our development exposure and framed our disposal decisions. However, whilst we are happy to get rich slowly, we are equally prepared to speed up the process, where management initiatives can create some additional value.

The current macro environment and our desire to maintain a lower LTV as well as repay our floating rate debt has seen us actively dispose of a number of assets. So far this financial year, we have sold £157 million of assets achieving prices just 0.3% below prevailing book values. With an average transactional value of under £10 million, we have found good liquidity for smaller lot sizes. Our disposals have been characterized by the sale of multi-let industrial, short-let logistics, offices and ex-growth grocery assets.

Unsurprisingly, we made no direct market investments in the period. However, with some REITs trading at material discounts, we have been and remain active in looking at M&A opportunities. The acquisition of CTPT, a listed UK REIT, allowed us to acquire £285 million of highly complementary and high quality assets in the period at a price discount on acquisition of £23 million. CTPT offered us material reversionary potential and an attractive debt structure with a low LTV, cash on the balance sheet and a low cost of debt.

As with most portfolios, you can't like all the assets and we have quickly set to work on selling some of CTPT's non-core office and retail assets, achieving prices that are ahead of our underwritten values. We are excited by the wider prospects of the portfolio including the ability to capture significant reversion over the near term from the core distribution assets.

With swap rates remaining high, significant amounts of real estate debt requiring refinancing in the near term, highly restricted availability of debt financing and material discounts in the REIT sector, 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 outlook for logistics remains attractive, particularly in urban logistics. The structural tailwinds for the sector remain strong, namely continued online sales growth, reshoring activities and rewiring of supply chains to meet sustainability targets and transitioning away from low-cost labour towards more automated facilities.

After several years of stronger than average occupational demand for logistics, it is unsurprising that take up for the first nine months of 2023 has fallen back to be more in line with pre-Covid levels. Most apparent has been the reduced demand for big box logistics where, according to CBRE, five lettings in excess of 500,000 sq ft were transacted compared to 18 in 2022. Demand for smaller units of 100-300,000 sq ft has been stronger with 45 lettings compared to 103 in 2022.

Whilst a record 5.7 million sq ft of speculative logistics development was delivered in Q3, new speculative development starts have fallen materially in response to higher financing costs, rising build costs and falling land values. Therefore, despite a rise in the UK logistics vacancy rate over the period, which according to CBRE has increased from 2.7% to 4.6%, we expect that a return to long term average take up levels should keep the demand/supply tension for logistics well balanced. This is reflected in rental growth forecasts which, according to Savills, are expected to be 5% this year and between 2% to 3% for each of the next four years.

Our preferred logistics sub-sector remains urban logistics, where we believe the demand/supply tension is greatest and there is the best granularity of occupier demand. Companies continue to evolve operationally by locating closer to their end customer to minimise delivery times, increase accuracy of delivery and satisfy consumer demands for instant gratification. With a declining supply of urban warehousing in the strongest cities, further impacted more recently by build cost inflation, ongoing demand should mean that rents continue to rise.

Our urban logistics investment activity over recent years has broadened and improved the quality of our logistics portfolio, our geographical exposure and income granularity with the addition of occupiers in new, high growth sectors. The CTPT acquisition added over £160 million of urban logistics which has increased the portfolio's urban logistics weighting to 43.2%. The CTPT urban assets have 23% reversion and, with a high proportion subject to open market reviews, we expect to capture a significant proportion of this reversion over the next few years.

Over the period, our logistics assets saw ERV growth of 2.4% with rent reviews settled at 19% above previous passing on a five yearly equivalent basis. Urban rent reviews were the strongest at 35% higher, helped by our urban logistics portfolio's 67% weighting towards London and the South East.

Long income assets continue to deliver attractive income returns with built in rental growth

Long income assets with low operational requirements have been an important part of our portfolio. These are well located assets in structurally supported sectors let on long leases, to strong operators such as convenience grocers, discounters, home and DIY stores. Most of these operators have resilient business models that offer essential and discount goods and omni channel optionality.

Our long income portfolio accounts for 23% of our total portfolio and continues to be 100% let, offers a topped up NIY of 5.6%, a WAULT of 12 years and 64% of income subject to contractual rental uplifts. This offers strong income with inflation protection and attractive compounding qualities and has formed the bedrock of our attractive dividend.

Our long income investment activity over recent years has focused on grocery and roadside properties with key operators including Aldi, Booker, BP, Costco, Lidl, M&S, Shell, Starbucks and Waitrose. Long income acquisitions in the financial year to date were related solely to the CTPT acquisition, adding £65 million of assets. This compares to £38 million of disposals which have mainly comprised of ex growth grocery and roadside assets.

We continue to be attracted to long let assets that can deliver guaranteed rental growth where we can produce excellent returns over a longer period of time.

Delivering reliable, repetitive and growing income remains our key priority

Investors are aware that, even with higher interest rates, the right real estate can offer excellent inflation protection and total returns materially higher than many alternatives with the added security of the intrinsic value of land and buildings. After all, ten year indexed gilts are trading at below 0.5%.

We continue to believe that income and income growth are the defining characteristics of long term investment returns. Collecting and growing income is fundamental to successful investing and we appreciate the true benefit of compounding over the longer term, focusing on the quantity, quality and timing of when cash will be returned.

Our portfolio continues to achieve its objective of delivering reliable, repetitive and growing income as part of a total return strategy. Its metrics remain very strong with occupancy at 99%, a WAULT of 11 years and a gross to net income ratio of 99% that reflects our very low income leakage. 59% of our income benefits from contractual rental uplifts, mainly RPI or CPI linked which, together with strong open market reviews on our logistics, is providing certainty of income and dividend growth.

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

During the six month period, 66 occupier initiatives added £3.6 million per annum of rent and delivered like for like income growth of 2.9%. Lettings and regears added £1.4 million and were signed on average lease lengths of 13 years, with regears achieving rents 28% ahead of previous passing. Rent reviews delivered £2.2 million of additional rent, representing a 19% uplift on a five yearly equivalent basis.

Looking forward, with 26% reversion embedded in our logistics portfolio, we expect to capture rental growth of £15 million over the next two to three years on a rent roll of £159 million as at the end of September 2023. Post period end, we have already signed or agreed deals that add £2.8 million p.a. of additional rent.

We continue to embed sustainability and high ESG standards across our activities, driven by our own aspirations as well as those of our customers, occupiers and stakeholders. In the period, we materially improved our GRESB score from 64 to 76, which resulted in us being awarded a three star rating and we continue to make good progress in implementing our Net Zero Carbon strategy.

86% of our assets have an EPC rating of between A-C with 51% rated A-B. The percentage of the portfolio certified BREEAM Very Good or Excellent is now 31% and, over the period, a further two solar PV installations were added to the portfolio, which increased total installed capacity to 4.2MWp. We continue to engage with occupiers on a number of further installations on our portfolio which would add a further 4MWp of PV capacity.

Polarisation across real estate will continue, driven by the wider macro trends

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, particularly in urban locations, where land is a scarce and a reducing commodity. These dynamics are underpinned by the further growth in online sales penetration which, despite falling back from the peak seen during the pandemic to currently stand at 26%, is still materially higher than the pre-pandemic level and is set to reach nearly 30% over the next two years. Evidence of this continued growth in online was seen in Next plc's third quarterly update in which it reported that online sales grew 6.5% y-o-y compared to a 0.6% fall in store sales.

Physical retail property continues to face significant challenges with reduced demand and over supply as the consumer pivots further towards an omni-channel shopping model. We are still reading weekly headlines suggesting that another national chain has announced further store closures adding to already elevated vacancy levels.

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 facing the brunt of falling rents, failing tenants, rising obsolescence and muted new demand. Retail landlords are normally a price taker; not the price setter. Whilst the physical store has a role to play in omni-channel retailing, it is clear that the rents that it can justify are materially lower than history suggests. As one retail CEO commented: retail rents today are way out of kilter with the role that shops now perform.

The adoption of omni-channel models is however affording the retail park market some stability and we are starting to see 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 expect this 'de-retailing' trend to continue.

In the retail grocery 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 face up to the strong competition from the smaller, right rented, fit for purpose convenience and discount stores which many consumers now prefer. After years of rental compounding, we believe that the best days for larger format supermarkets look like they are behind them. Shortening leases will inevitably 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 the West End, the sector is starting to attract similar comments to those that were being made about shopping centres seven or eight 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 here to stay 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. This will inevitably lead to a polarisation of performances across the office sector and a large gap between the winners and losers.

This is also at a time when the sub-sector is facing a refinancing tsunami, that will inevitably lead to more of these assets being forced onto the market, with commentators suggesting that many older 'brown' offices are both unsellable and unfinanceable. This will undoubtedly bring full price transparency to the sector and pain for both the equity and debt providers. 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 gyms, nurseries, health clinics has its limits and most offices are unsuitable for residential conversion due to floorplate and ceiling height restrictions. Often the quickest and cheapest solution is demolition.

Outlook

We are still seeing uncertainty and volatility across the financial markets, however there are early indications within the economy that we may have passed the moment of maximum pessimism. Falling inflation rates and signs that economic activity is slowing has created an inflection point for interest rates with swap rates drifting down from their highs as the trajectory looks increasingly to the downside.

Stability will bring confidence, lower swap rates and improved liquidity for real estate. Those sectors with strong long term fundamentals are set to enjoy attractive tailwinds that deliver reliable income and growth even as the economy slows. However, technology, changing consumer behaviour and higher environmental considerations will continue to weigh on some sectors. Their structural challenges continue to be exposed as motivated vendors continue to outweigh opportunistic purchasers and true price discovery takes hold.

For us, we will look for the best assets within the structurally supported sectors, let to excellent occupiers that love our buildings. This allows us to deliver a reliable and growing income stream that will continually compound over long periods of time. We have a high conviction that our core sectors of urban logistics and long income are well supported by evolving consumer behaviour.

Our portfolio is in great shape with a strong and long income profile combined with attractive embedded reversion and continued rental growth prospects. Our active management of leverage and negligible exposure to floating rate debt puts us in a strong financial position which we will continue to exploit as debt refinancings force assets to the market and corporate consolidation opportunities present themselves.

We remain alert to the structural changes that are impacting different real estate sectors and so are always conscious of which way the wind is blowing before we allocate capital and if an opportunity is structural or cyclical. As material shareholders in the business, the management team is fully aligned with shareholders and remains laser focused on ensuring that the portfolio remains fit for the future and can deliver long term dividend growth.

After all successful investments revolve around delivering attractive returns over the longest period of time. Hence our path to dividend aristocracy remains firmly on track.

Property Review

Investment activity reflects our opportunistic acquisition of CT Property Trust Limited ('CTPT')

The acquisition of CTPT dominated our investment activity in the period. The transaction added a highly complementary portfolio of 33 assets valued at £285.2 million, with 80% weighted towards logistics and long income, 79% located in London and the South East and a WAULT of seven years. These assets had a NIY of 6.0% and a reversionary yield of 6.7%.

All other investment activity in the period related to £131.5 million of disposals, reflecting a NIY of 5.3% and with a WAULT of seven years. These were transacted at 0.8% below prevailing book value and delivered a profit on cost of 11%.

Two thirds of sales related to urban logistics assets, primarily consisting of a DHL warehouse in Solihull and a number of multi-let industrial assets. The balance comprised long income and retail assets, primarily low yielding grocery and roadside properties as well as several non-core assets from the CTPT portfolio.

Post period end, we have sold a further £25.4 million of assets, with a WAULT of 6.2 years at a 2% premium to book value. Following completion of these disposals, we have now sold eight assets from the CTPT portfolio, representing 9% of the portfolio acquired and comprising four retail parks, three offices and one long income asset.

Aligned to structurally supported sectors and strong geographies with the portfolio delivering a TPR of +3.2%

As at the period end, our distribution portfolio was valued at £2,273 million, representing 71.7% of the total portfolio, with urban logistics remaining our largest sector exposure at 43.2%. Our long income weighting fell slightly to 23.5% of the portfolio, with grocery and roadside continuing to represent our largest weighting within this sector. The remaining 4.8% of the portfolio was split between nine retail parks (2.6%) and 14 offices (2.2%) which, following the completion of post period end activity, has fallen to five and ten assets respectively.

Our focus on owning assets in strong geographies, particularly around major urban conurbations, is demonstrated by the portfolio's London and South East weighting of 54%, with the Midlands accounting for a further 27%.

The portfolio delivered a total property return of 3.2% over the six month period with a capital return of 0.7%. ERV growth over the period was 1.8%, offsetting 10bps of yield expansion to deliver a 0.1% property valuation increase, which including the CTPT price discount on acquisition increases to 0.8%.

At the period end, the investment portfolio's EPRA topped up net initial yield was 4.8% and the equivalent yield was 5.6%.

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

The portfolio's WAULT at the end of the period was 11.3 years, continuing to provide good income security with only 11% of income expiring within the next three years.

Occupancy remains high at 98.7% and our gross to net income ratio of 99.1% continues to reflect the portfolio's very low property costs and minimal operational requirements.

Contractual rental uplifts apply to 59% of our income, which provides high certainty of income growth:

- 48% is index linked: 31% is RPI linked, whilst 17% is CPI or CPIH linked; and

- 11% is subject to fixed uplifts, with a weighted average uplift of c.2% per annum.

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

- For RPI linked reviews, at 28% inflation over a five year period (equivalent to 5% p.a.), 76% of inflation is captured; and
- For CPI linked reviews, at 22% inflation over a five year period (equivalent to 4% p.a.), 78% of inflation is captured.

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

The remaining 41% of our income that does not benefit from contractual uplifts is subject to market rents and relates mainly to our urban logistics portfolio where we are capturing average rental growth of 4-5% per annum.

Asset management added £3.6 million p.a. of rental income with near term activity to deliver material income growth

During the six month period, we undertook 66 occupier initiatives adding £3.6 million per annum of rent and delivering like for like income growth of 2.9%.

Leasing activity consisted of 30 new leases or regears, mostly on our urban logistics assets, delivering £1.4 million of increased rent with a WAULT of 13 years. Overall, rents were agreed at ERV with an average rental uplift on regears of 28%.

Rent reviews in the period totalled 36 and added £2.2 million of rent at an average of 19% above previous passing on a five yearly equivalent basis:

- Contractual rental uplifts, where 29 fixed and index linked reviews were settled, delivered £0.9 million of increased rent at an average of 16% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where seven reviews were settled, delivered £1.3 million of increased rent at an average of 37% above passing. Open market reviews on urban logistics continued to see substantial increases and were settled at 43% above passing.

Over the next two to three years, we believe that the portfolio is capable of delivering c.£15 million of rental uplift as a result of a significant proportion of our rent coming up for review over the short term and with the benefit of expected regears. Since the period end, we have signed or agreed on deals that add £2.8 million p.a. of additional rent.

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

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

We have a diverse occupier base by type of activity with:

- Business Services & Trade accounting for 39% of income, spread across a broad range of sectors;

- Third Party, Parcel & Retail Logistics accounting for 34%;
- Electrical, Home & Discount Stores accounting for 12%;
- Grocery & Roadside accounting for 9%; and
- Leisure and other sectors accounting for 6%.

Our top ten occupiers account for 25% of contracted income which is down from 28% in March 2023 and down from 36% in March 2021.

Contracted rent increased over the period from £145.2 million to £159.0 million, primarily as a result of our acquisition of CTPT.

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

We recognise the importance of a comprehensive ESG focus. This includes minimising the environmental impact of our business, maximising energy efficiency of our assets and improving the resilience of our portfolio to climate change. We see ourselves as strong stewards of underinvested or poorer quality assets with the necessary expertise and appetite to materially improve our buildings.

As part of our drive to upgrade the quality of our assets and progress our Net Zero Carbon ('NZC') ambition, we continue to invest in high quality buildings as well as progress energy efficiency and clean energy initiatives in conjunction with our occupiers. These include solar PV, LED lighting upgrades, roof improvements, degasification of buildings and electric vehicle charging. We incorporate energy improvement plans and green leases into our leasing activity, with 88% of our leases signed in the period containing green lease clauses.

We continue to monitor our EPC ratings closely. The proportion of our assets with an EPC 'A'-'C' rating fell slightly over the period from 90% to 86%, with 'A'-'B' rated assets at 51%. The reduction in the 'A'-'C' percentage was partly due to the CTPT acquisition. We continue to refresh EPCs and implement our asset by asset plans in conjunction with our occupiers to ensure we maintain or improve the EPC ratings across the portfolio.

Whilst BREEAM 'in construction' certification is not a specific target for us, our assets built to a BREEAM Very Good or Excellent standard is now 31% of our portfolio.

We continue to engage with occupiers on adding further solar installations to our portfolio. In the period, two solar PV installations were added, taking our total solar PV capacity to 4.2MWp. A number of advanced discussions are ongoing with occupiers, and there is the potential to add 4MWp of additional solar PVs over the next 18 months based on current activity.

As set out more fully in our ESG report at www.londonmetric.com/sustainability/policies-documents-reporting, we have three specific NZC ambitions, as part of our longer term target of becoming NZC:

1. Operations will be NZC by the end of 2023 with any residual carbon offset;
2. Developments will be NZC by 2030; and
3. Buildings will be NZC by 2035 as we help our occupiers to meet their NZC targets.

As part of our NZC journey, we are expanding on this ambition by mapping out our NZC pathway with the benefit of a number of NZC audits that have either been undertaken on our assets or that are planned over the next few months. We will report more fully on this work with our full year results in May 2024.

Over the period, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey, materially improving our GRESB score from 64 to 76 which resulted in us being awarded a three star rating.

Distribution portfolio review

Overview

Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, the value of these assets was £2,273 million, accounting for 71.7% of our portfolio. The WAULT on these assets is 11 years and occupancy increased slightly to 99.3%, with our mega and regional assets fully let. Our urban logistics occupancy increased over the period to 98.8% with our main vacancy relating to an asset that we have sold post period end.

Urban logistics has been our strongest conviction call for several years and our urban logistics portfolio is now valued at £1,369 million, located across 126 locations and accounting for 60% of all distribution assets.

Our distribution assets delivered a total property return over the period of 3.4%, with urban and regional at 3.6% and 3.1% respectively, whilst mega was 3.0%. Over the period, we saw a small outward yield expansion of 8bps across our logistics portfolio. However, our actions and continued market rental growth, as reflected in the distribution portfolio's ERV growth of 2.4%, helped to deliver a valuation increase of 0.6%.

Our distribution assets are valued at a topped up NIY of 4.4% and an equivalent yield of 5.3%.

As at 30 September 2023	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 ¹	£1,369m	£590m	£314m
WAULT	9 years	15 years	16 years
Average rent (psf)	£8.90	£6.90	£5.90
ERV (psf)	£11.10	£8.60	£8.00
Topped up NIY	4.4%	4.4%	4.2%
Contractual uplifts	42.7%	82.3%	100.0%
Total property return (H1)	3.6%	3.1%	3.0%

1 Including developments

Strong rental growth potential

The logistics portfolio continues to experience attractive rental growth and there is material rental growth potential embedded.

In urban logistics, rental growth remains the strongest, driven by severely restricted supply as well as broad occupier demand. Whilst the WAULT on our urban assets of nine years is lower than for mega or regional, these assets benefit from significant near term rental reversion, with average ERVs 24% above average rents and a high proportion of open market reviews. Furthermore, with 67% of our urban portfolio located in London and the South East and a further 23% 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 28% above average passing rents. Over the next 18 months, including outstanding reviews, 58% of rental income from these assets is subject to rent reviews. 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.

Distribution investment activity

Our distribution acquisitions in the period consisted entirely of assets acquired through the CTPT transaction and comprised ten urban logistics assets totalling £162.3 million. These were acquired with a NIY of 4.8% and a reversionary yield of 5.9%, reflecting strong income growth that we expect from these assets, all of which are based in the South East. Key occupiers include Booker, Bidvest, Bunzl and Diebold Nixdorf.

Over the period, we transacted on £86.6 million of distribution sales, reflecting a NIY of 5.1% and sold with a WAULT of five years. Disposals comprised:

- 435,000 sq ft of multi-let urban warehousing in Birmingham and Rugby across four properties comprising 47 units sold for £40.5 million. The properties had a WAULT of five years and had been acquired as part of the Mucklow acquisition in 2019;
- A 142,000 sq ft DHL warehouse in Solihull sold for £20.5 million, reflecting a NIY of 4.2% and a WAULT of six years;
- 52,000 sq ft of multi-let urban warehousing in Croydon and Oxford across two properties and comprising 25 units sold for £17.5 million with a WAULT of five years; and
- A 28,000 sq ft urban warehouse in Croydon let to HTC with a WAULT of two years, sold for £8.1 million.

Post period end, we have sold a vacant 21,000 sq ft warehouse in Leyton for £8.3 million.

Distribution asset management

Distribution lettings and regears in the period were signed on 0.6 million sq ft of urban logistics, adding £1.3 million per annum of income, with a WAULT of 13 years. Regears contributed £1.0 million of additional rent, representing an uplift of 34% against previous passing. The largest lettings and regears 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;
- 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 by nine years to ten years;

In the period, we facilitated the addition of two solar PV arrays at urban logistics assets in Coventry and Bicester totalling 577 kWp.

- 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.
- 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.

These two solar installations are expected to save c.100 tonnes of CO2 emissions per annum.

Distribution rent reviews

Distribution rent reviews in the period were settled across 2.2 million sq ft, adding £1.9 million per annum of income at 19% above previous passing rent, on a five yearly equivalent basis. These reviews comprised:

- Ten urban reviews settled at 35% above passing rent on a five yearly equivalent basis with open market urban reviews delivering a 43% uplift;
- Two annual contractual regional reviews settled at 13% 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 portfolio review

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

As at the period end, the value of our long income assets was £744 million, representing 23.5% of our total portfolio. They are 100% occupied and let to strong companies with a WAULT of 12 years, affordable average rents of £16.20 psf, an attractive topped up NIY of 5.6% with 64% of income subject to contractual rental uplifts. Half of the assets are located in London and the South East.

Long income delivered a total property return of 2.2% with ERV growth of 0.2% offset by a 16bps equivalent yield outward movement.

Long Income portfolio breakdown

As at 30 September 2023	Grocery & Roadside	NNN Retail	Trade& DIY	Leisure ²
Value ¹	£284m	£254m	£134m	£72m
WAULT	14 years	9 years	12 years	17 years
Average rent (psf)	£19.50	£18.60	£8.90	£20.40
Topped up NIY	5.1%	6.2%	5.0%	6.7%
Contractual uplifts	88.7%	39.2%	60.2%	79.9%
Total property return (H1)	-1.4%	6.3%	0.9%	5.7%

1 Including developments

2 Leisure primarily consists of five out of town cinemas let to Odeon and an asset in Fulham

Grocery & Roadside

Grocery-led convenience forms c.40% of this segment with the remainder made up of convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes, all located in high density urban areas. Key occupiers include Aldi, Booker, BP, Co-op, Costco, EG Group, Lidl, M&S, Starbucks and Waitrose.

NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 45% of the assets are located in London and the South East, with the largest located in New Malden, London. These assets typically benefit from high alternative use values. Key occupiers include B&M, Currys, DFS, Dunelm, Halfords, Home Bargains, Pets at Home and The Range.

Trade, DIY & Other

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

Long Income investment activity

Through the CTPT acquisition, nine long income assets valued at £65.1 million were added to the portfolio in the period at a NIY of 6.6% and a WAULT of seven years. 42% of these assets by value were grocery and roadside assets and key occupiers at these assets include Halfords, Aldi, Wickes, B&M and Pets at Home.

Long income disposals in the period totalled £37.6 million and were sold at a NIY of 5.3% and with a WAULT of 14 years (ten years to first break). They comprised:

- An asset in Durham sold for £14.1 million let to LIDL and the Range;
- A grocery store in Malmesbury sold for £9.6 million let to Waitrose;
- A grocery store in Leicester sold for £6.0 million let to Aldi;
- A car show room in Newbury sold for £3.8 million;
- An asset located close to London Bridge sold for £3.1 million; and
- A car wash in Harrogate sold for £1.1 million.

Long income asset management

In the period, we signed six lettings or regears with a WAULT of eight years, adding £0.1 million per annum of income. These comprised:

- Three NNN Retail lease regears with Dunelm, Argos and Jollyes where the WAULT was extended ahead of upcoming expiries to five, ten and 13 years respectively;
- A letting to Starbucks for a new drive thru in Birmingham with a WAULT of ten years; and
- Two lettings to Instavolt for EV charging with a WAULT of 20 years.

Rent reviews were settled on 21 assets in the period generating an uplift of £0.3 million per annum at 20% above previous passing on a five yearly equivalent basis. Most of the reviews were annual inflation linked or fixed uplifts.

Developments

In the period, we completed 0.2 million sq ft of development activity representing £1.7 million of rent per annum. Developments comprised:

- A 125,000 sq ft distribution warehouse which completed at the start of the period. The building was fully let to EM Pharma for 15 years at a rent of £0.9 million per annum and is BREEAM Very Good; and
- A 41,000 sq ft grocery-led funding let to M&S and Home Bargains for 12 years at a rent of £0.8 million per annum, which completed in September 2023.

Financial Review

The macro-economic challenges of heightened inflation, interest rates and rising costs have persisted this half year and we continue to face increasing geopolitical tensions with the ongoing war in Ukraine and recent conflict in the Middle East, all of which have impacted property transactions and yields.

However, despite these uncertainties, our trading performance has been strong, delivering earnings growth and dividend progression, and we have capitalised on corporate investment opportunities using the relative strength of our equity, to acquire CT Property Trust Limited ('CTPT') and its portfolio of 33 assets valued on acquisition at £285.2 million.

Over the period, we have increased EPRA earnings by 5.8% to £53.1 million or by 2.1% on a per share basis to 5.25p per share, enabling us to grow our dividend by 4.3% whilst maintaining cover of 109%. This was driven by a 6.7% increase in net rental income, exceptional rent collection rates and a strong control on costs. IFRS net assets increased by £227.3 million or by 11.4% primarily as a result of the CTPT acquisition and EPRA net tangible assets ('NTA') per share increased by 0.4% over the period to 199.6p (31 March 2023: 198.9p).

Our all-share offer was approved by CTPT shareholders on 18 July 2023 and the scheme was sanctioned by the Guernsey Court on 7 August 2023. We issued 105.6 million shares as consideration at 183.3p, being the opening share price on 8 August 2023, totalling £193.6 million and incurred transaction costs of £5.4 million. The fair value of assets acquired was £222.3 million as reflected in the table below.

	Fair value £m		
Consideration paid			
Shares issued (105.6 million at 183.3p per share)			193.6
Transaction costs			5.4
			199.0
	Net assets on completion £m	Fair value adjustments £m	Net assets at fair value £m
Net assets acquired			
Investment Property	285.2	–	285.2
Bank loan	(90.0)	3.4	(86.6)
Cash	31.4	–	31.4
Other net liabilities	(7.7)	–	(7.7)
	218.9	3.4	222.3
Price discount on acquisition	(19.9)	(3.4)	(23.3)

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 assets acquired to £261.9 million and generated an exceptional revaluation gain in the period. The price discount was largely a result of the transaction, an all share offer of 105.6 million shares, being based on the Company's year end net asset value of 198.9p, and the final consideration being determined by the Company's share price of 183.3p. In addition, the attractive debt structure acquired, at a low LTV and fixed cost, was subject to a fair value adjustment as reflected in the table above. CTPT has contributed £1.9 million to EPRA earnings in the period.

Although liquidity for real estate has improved, valuations continue to be impacted by high and rising interest rates and muted transactional activity, and the valuation of our existing portfolio this half year, excluding the impact of the CTPT price discount on acquisition, was flat. We are reporting an IFRS profit of £81.0 million this half year (30 September 2022: loss of £243.4 million), reflecting EPRA earnings of £53.1 million, the positive

property valuation movement of £3.3 million compared to a loss of £296.4 million in the previous comparative period, and the CTPT price discount on acquisition of £23.3 million.

Our desire to maintain a lower LTV and mitigate exposure to rising interest rates has seen us actively dispose of assets and repay floating rate debt. At the period end, 99.5% of our drawn debt was hedged by fixed rates and interest rate swaps and our loan to value has reduced to 29.5%, from 32.8% in March, also protecting us from potential adverse valuation movements. With available debt facilities and cash of £473.2 million and ample headroom under banking covenants, we are in a strong financial position and well protected with refinancing risk mitigated until FY 2027 and optionality to execute transactions as opportunities arise.

During the period and up to the date of this report, we have repaid our MIPP JV debt facility in full and £65 million of our Private Placement debt and have extended the maturity on all three revolving credit facilities totalling £675 million for a further year. We acquired the CTPT fixed rate £90 million loan with Canada Life at a favourable rate of 3.36%.

Together, these transactions have allowed us to increase our debt maturity to 6.2 years (31 March 2023: 6.0 years) despite the passing of time and reduce our average cost of debt to 3.3% (31 March 2023: 3.4%) despite base rate increases in the period.

Presentation of financial information

The Group financial statements have been prepared in accordance with IFRS. Management monitors the performance of the business principally on a proportionately consolidated basis, which includes the Group's share of joint ventures ('JV') and excludes any non-controlling interest ('NCI') on a line by line basis. The figures and commentary in this review are presented on a proportionately consolidated basis, consistent with our management approach, as we believe this provides a meaningful analysis of overall performance. These measures are alternative performance measures, as they are not defined under IFRS.

The Group uses alternative performance measures based on the European Public Real Estate Association ('EPRA') Best Practice Recommendations ('BPR') to supplement IFRS, in line with best practice in our sector, as they highlight the underlying performance of the Group's property rental business and exclude property and derivative valuation movements, profits and losses on disposal of properties and financing break costs, all of which may fluctuate considerably from year to year. These are adopted throughout this report and are key business metrics supporting the level of dividend payments. Further details, definitions and reconciliations between EPRA measures and the IFRS financial statements can be found in note 7 to the financial statements, Supplementary notes i to vii and xviii, and in the Glossary.

Income statement

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

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2023 £m	100% owned £m	JV £m	NCI £m	Total 2022 £m
Gross rental income	76.6	2.2	(1.2)	77.6	71.2	2.2	(0.5)	72.9
Property costs	(0.6)	(0.1)	–	(0.7)	(0.7)	(0.1)	–	(0.8)
Net rental income	76.0	2.1	(1.2)	76.9	70.5	2.1	(0.5)	72.1
Management fees	0.6	(0.3)	–	0.3	0.7	(0.3)	–	0.4
Administrative costs	(8.6)	–	–	(8.6)	(8.6)	–	–	(8.6)
Net finance costs	(16.3)	–	0.3	(16.0)	(13.3)	(0.4)	0.1	(13.6)
Other	0.3	–	0.2	0.5	(0.2)	–	0.1	(0.1)
EPRA earnings	52.0	1.8	(0.7)	53.1	49.1	1.4	(0.3)	50.2

1 Group net finance costs reflect net borrowing costs of £19.8 million (30 September 2022: £14.1 million) (note 4b) less finance income of £3.5 million (30 September 2022: £0.8 million) (note 4a)

Net rental income

Growth in earnings and dividend progression for our shareholders remains a key priority and this is underpinned by sustained growth in our net rental income. We are therefore pleased to report a 6.7% increase in net rental income this half year to £76.9 million. This reflects strong performance from our existing portfolio of assets through rent reviews and asset management initiatives as discussed in the Property Review, alongside new income from completed developments which offset income lost through net disposals as reflected in the table below.

The detailed movements in net rental income this half year compared to the previous comparative period are categorised below based on properties held, developed, acquired or disposed since 1 April 2022.

	£m	£m
Net rental income in the half year to 30 September 2022		72.1
Additional rent from existing properties		3.2
Additional rent from developments		2.0
Movement in surrender premium income		0.9
Additional rent from acquisitions ¹	5.6	
Rent lost through disposals	(7.0)	
Net rent lost through disposals		(1.4)
Movement in property costs		0.1
Net rental income in the half year to 30 September 2023		76.9

1 Includes rent from the CTPT acquisition of £2.5 million and additional rent from acquisitions in prior periods of £3.1 million

Additional rent from acquisitions includes the CTPT contribution of £2.5 million for the period since completion on 7 August 2023.

Property costs are marginally lower than last half year at £0.7 million and our cost leakage ratio has fallen once again to 0.9% (30 September 2022 and 31 March 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 99.8% of rent due in the period and just £0.1 million has been forgiven or remains unpaid.

Administrative costs and EPRA cost ratio

Administrative costs are unchanged from last year at £8.6 million, despite continued inflationary cost pressures, and are stated after capitalising staff costs of £0.8 million (30 September 2022: £1.3 million) in respect of time spent on development projects in the period.

Our EPRA cost ratio remains one of the lowest in the sector, falling by 80 bps since the last half year to 11.5%. This is due to careful management of operational costs and a focus on cost control, alongside the growth in our rent roll.

	30 September 2023 %	30 September 2022 %	31 March 2023 %
EPRA cost ratio including direct vacancy costs	11.5	12.3	11.7
EPRA cost ratio excluding direct vacancy costs	11.0	11.9	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

The proceeds from disposals made in the period have allowed us to repay debt and reduce our average cost at the period end to 3.3%, from 3.4% at the year end. We have mitigated the impact of interest rate rises by the fixed rate loans and interest rate swaps we have in place and the minimal exposure we have to floating rate debt, which was only £5 million at the period end, with 99.5% of our debt being hedged.

Despite our average debt balance over the six month period being lower than over the comparative period to 30 September 2022, our average interest rate was 0.6% higher than the average rate over the same period last year. Consequently our net finance costs, excluding fair value movements in derivatives and financing break costs, were £16.0 million, an increase of £2.4 million over the previous comparative period.

The increase reflected higher interest charges of £1.8 million and higher commitment fees of £0.6 million as a consequence of reducing the floating rate debt drawn under our revolving credit facilities. Increased bank interest receivable of £0.5 million was offset by lower coupon interest from forward funded investments of £0.3 million and lower interest capitalised on developments of £0.2 million.

Further detail is provided in note 4 to the financial statements.

Share of joint ventures

EPRA earnings from our MIPP joint venture were £1.8 million, an increase of £0.4 million over the comparative period due to the repayment of bank debt in April and consequent interest cost savings. The Group received net management fees of £0.3 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.

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

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained. The Group has paid the estimated PID for the year to 31 March 2023 ahead of the 12 month deadline for submission.

IFRS reported profit

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

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2023 £m	100% owned £m	JV £m	NCI £m	Total 2022 £m
EPRA earnings	52.0	1.8	(0.7)	53.1	49.1	1.4	(0.3)	50.2
Revaluation of property								
- CTPT price discount	23.3	–	–	23.3	–	–	–	–
- Revaluation gain/(loss)	4.3	(0.8)	(0.2)	3.3	(291.7)	(5.2)	0.5	(296.4)
	27.6	(0.8)	(0.2)	26.6	(291.7)	(5.2)	0.5	(296.4)
Fair value of derivatives	4.9	–	–	4.9	6.1	0.2	–	6.3
Loss on disposal	(3.6)	–	–	(3.6)	(3.4)	(0.1)	–	(3.5)
IFRS reported profit/(loss)	80.9	1.0	(0.9)	81.0	(239.9)	(3.7)	0.2	(243.4)

The Group's reported profit for the period was £81.0 million compared with a loss of £243.4 million in the previous comparative period. As well as the increase in EPRA earnings of £2.9 million, the movement reflects the CTPT price discount on acquisition of £23.3 million and a portfolio revaluation gain of £3.3 million this half year compared to a loss of £296.4 million in the previous half year.

The £225 million interest rate swaps acquired last year increased in value by £4.9 million in the period and disposals were £3.6 million below March 2023 book values, after deducting costs. The total profit on cost of sales in the period was 12%.

Balance sheet

EPRA net tangible assets ('NTA') is a key performance measure that includes both income and capital returns but excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between IFRS and EPRA NTA is detailed in the table below and in note 7(c) to the financial statements.

As at	100% owned £m	JV £m	NCI £m	30 September 2023 £m	100% owned £m	JV £m	NCI £m	31 March 2023 £m
Investment property	3,125.4	70.0	(36.4)	3,159.0	2,944.9	70.8	(35.7)	2,980.0
Assets held for sale	16.9	–	–	16.9	19.8	–	–	19.8
Trading property	1.1	–	–	1.1	1.1	–	–	1.1
	3,143.4	70.0	(36.4)	3,177.0	2,965.8	70.8	(35.7)	3,000.9
Gross debt	(973.7)	–	–	(973.7)	(1,017.0)	(13.5)	–	(1,030.5)
Cash	26.2	3.2	(1.2)	28.2	32.6	5.4	(1.5)	36.5
Other net liabilities	(61.6)	(1.0)	9.6	(53.0)	(58.8)	(1.2)	9.3	(50.7)
EPRA NTA	2,134.3	72.2	(28.0)	2,178.5	1,922.6	61.5	(27.9)	1,956.2
Derivatives	16.0	–	–	16.0	11.1	–	–	11.1
IFRS equity								
shareholders' funds	2,150.3	72.2	(28.0)	2,194.5	1,933.7	61.5	(27.9)	1,967.3
IFRS net assets	2,150.3	72.2	–	2,222.5	1,933.7	61.5	–	1,995.2

IFRS reported net assets have increased by £227.3 million or 11.4% since March to £2.2 billion. Similarly, EPRA NTA, which excludes the derivative financial instruments asset of £16.0 million, has increased by £222.3 million. The movement is principally due to the all-share acquisition of CTPT as reflected in the table below. On a per share basis EPRA NTA increased 0.4% to 199.6p per share.

		EPRA NTA £m	EPRA NTA £m	EPRA NTA per share p
At 1 April 2023			1,956.2	198.9
EPRA earnings			53.1	5.3
Dividends ¹			(48.1)	(4.8)
Property revaluation		26.6		
	Less CTPT price discount on acquisition	(23.3)		
			3.3	0.3
CTPT acquisition	Fair value of net assets acquired	222.3		
	Transaction costs	(5.4)		
			216.9	0.6
Other movements ²			(2.9)	(0.7)
At 30 September 2023			2,178.5	199.6

1 Dividend per share is based on the weighted average number of shares in the period. The actual dividend paid in the period was 4.9p as reflected in note 6 to the financial statements

2 Other movements include loss on sales (-£3.6 million), share based awards (-£1.0 million), offset by scrip share issue savings (£1.7 million). EPRA NTA per share includes the impact of the movement in the fully diluted number of shares in the period

EPRA earnings in the period covered dividends paid, increasing EPRA NTA per share by 0.5p. The revaluation gain added 0.3p per share and the CTPT acquisition was accretive adding 0.6p per share to our net asset value.

The movement in EPRA NTA per share, together with the dividend paid in the period, results in a total accounting return of 2.8%. The full calculation can be found in supplementary note viii.

Dividend

Our policy of paying a sustainable and progressive dividend remains unchanged and the dividend for the period is 109% covered by EPRA earnings per share. We have continued to declare quarterly dividends and offer shareholders a scrip alternative to cash payments.

The Company paid the third and fourth quarterly dividends for the year to 31 March 2023 of £48.1 million or 4.9p per share in the period as reflected in note 6 to the financial statements. The Company issued 0.9 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £1.7 million to £46.4 million.

The first quarterly payment for the current year of 2.4p per share was paid as a Property Income Distribution (PID) in October 2023 and the Company has approved a second quarterly payment of 2.4p per share in January 2024. The total dividend payable for the half year of 4.8p represents an increase of 4.3% over the previous half year.

Portfolio valuation

Our property portfolio including share of joint ventures increased by £176.4 million over the half year to £3,170.2 million as reflected in the table below. The portfolio closing valuation includes the value of assets held for sale and trading properties that are reflected separately in the balance sheet.

	100% owned £m	JV £m	NCI £m	30 September 2023 £m	31 March 2023 £m
Opening valuation	2,958.7	70.8	(35.7)	2,993.8	3,593.9
Acquisitions¹					
Acquisition of CTPT at valuation	285.2	—	—	285.2	—
Price discount on acquisition	(23.3)	—	—	(23.3)	—
	261.9	—	—	261.9	—
Other acquisitions	—	—	—	—	164.6
Developments ²	14.9	—	—	14.9	87.4
Capital expenditure ³	7.2	—	(0.5)	6.7	18.1
Disposals	(133.7)	—	—	(133.7)	(282.7)
Revaluation	27.6	(0.8)	(0.2)	26.6	(587.5)
Property portfolio value	3,136.6	70.0	(36.4)	3,170.2	2,993.8
Head lease and right of use assets	6.8	—	—	6.8	7.1
Closing valuation	3,143.4	70.0	(36.4)	3,177.0	3,000.9

1 Group acquisitions include purchase costs and represent completed investment properties as shown in note 8 to the financial statements

2 Group developments include acquisitions, capital expenditure and lease incentive movements on properties under development as reflected in note 8

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

During the six month period, we acquired property assets valued at £285.2 million and spent £21.6 million on developments and other capital expenditure. We generated net proceeds of £132.3 million which reduced the book value of property by £135.9 million (including the cost of lease incentives written off for the Group of £2.2 million). Two disposals which generated proceeds of £19.6 million had exchanged last year. We also exchanged to sell five assets for £17.1 million. These transactions will be accounted for on completion in the second half of the year. A full reconciliation between transactions exchanged and completed in the period is set out in Supplementary note xix.

We acquired 33 property assets through the corporate acquisition of CTPT at a valuation of £285.2 million, by way of an all share offer and equity issue of 105.6 million new shares. The property valuation gain of £26.6 million in the half year includes the impact of the CTPT price discount of £23.3 million. After adjusting for this, the property revaluation of £3.3 million was relatively flat, with ERV growth of 1.8% offset by 10bps of yield expansion.

We completed our forward funded developments in Leicester and Uckfield in the period and our development exposure has fallen to just 0.3% of the portfolio. A breakdown of the property portfolio by sector is reflected in the table below.

	30 September 2023 £m	30 September 2023 %	31 March 2023 £m	31 March 2023 %
As at				
Mega distribution	314.0	9.9	311.5	10.4
Regional distribution	590.5	18.6	586.1	19.6
Urban logistics	1,362.5	43.0	1,262.3	42.2
Distribution	2,267.0	71.5	2,159.9	72.2
Long income	742.8	23.5	707.4	23.7
Retail Parks	83.4	2.6	70.2	2.3
Offices	66.3	2.1	21.7	0.7
Investment portfolio	3,159.5	99.7	2,959.2	98.9
Development ¹	9.8	0.3	33.7	1.1
Residential	0.9	—	0.9	—
Property portfolio value	3,170.2	100.0	2,993.8	100.0
Head lease and right of use assets	6.8		7.1	
	3,177.0		3,000.9	

1 Represents urban logistics £6.1 million (0.2%), long income £1.4 million (0.0%), office and other land £2.3 million (0.1%) at 30 September 2023. Split of prior year comparatives was urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), office and other land £2.8 million (0.1%)

Investment in our preferred sectors of distribution and long income has fallen marginally to 95.2% from 96.9% in March. Further detail on property acquisitions, sales, asset management and development can be found in the Property Review.

Financing

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

As at	30 September 2023 £m	31 March 2023 £m
Gross debt	973.7	1,030.5
Cash	28.2	36.5
Net debt	945.5	994.0
Loan to value ¹	29.5%	32.8%
Cost of debt ²	3.3%	3.4%
Interest cover ³ (times)	4.6	4.7
Undrawn facilities	445.0	380.0
Average debt maturity	6.2 years	6.0 years
Hedging ⁴	99.5%	93.2%

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

2 Cost of debt is based on gross debt and 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

Net debt has decreased by £48.5 million in the period, as our focus has been to utilise the proceeds from disposals to repay floating rate debt and increase the proportion of debt hedged, which was 99.5% at the period end up from 93.2% in March. This has allowed us to reduce our loan to value to 29.5%, from 32.8% in March after taking account of sales that will complete in the second half of the year.

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.

Over the period and to the date of this report, we have repaid our MIPP JV debt facility in full and £65 million of our Private Placement debt and have extended the maturity on all three revolving credit facilities totalling £675 million for a further year.

At 30 September 2023, we had total debt facilities of £1.4 billion, undrawn debt facilities and cash of £473.2 million and ample headroom under banking covenants. Our proactive approach to debt management has ensured that we are in a strong financial position, well protected with refinancing risk mitigated until FY 2027 and have optionality to execute transactions as opportunities arise.

Together, the transactions undertaken have allowed us to increase our debt maturity to 6.2 years (31 March 2023: 6.0 years) despite the passing of time and reduce our average cost of debt to 3.3% (31 March 2023: 3.4%) despite base rate increases in the period.

The Group's policy continues to be to limit exposure to interest rate volatility by entering into fixed rate arrangements and interest rate swaps. The £225 million interest rate swaps acquired in the previous year generate a total saving of £6.0 million per annum, based on the period end SONIA rate. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

The Group has comfortably complied throughout the period with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom within these. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facilities and private placement loan notes, which together account for 85% of debt drawn at the period end, contain gearing and interest cover financial covenants.

At 30 September 2023, the Group's gearing ratio as defined within these funding arrangements was 45% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.6 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 44% and rents by 61% before banking covenants are breached.

Cash flow

During the period since March, the Group's cash balances decreased by £6.4 million as reflected in the table below.

	2023	2022
For the six months to 30 September	£m	£m
Net cash from operations before changes in working capital	62.9	59.6
Working capital movements	(6.5)	9.9
Net cash from operating activities	56.4	69.5
Net cash from/(used in) investing activities	137.6	(157.9)
Net cash (used in)/from financing activities	(200.4)	82.9
Net decrease in cash and cash equivalents	(6.4)	(5.5)

The net cash inflow from operations of £62.9 million reflects an increase of £3.3 million compared to the previous period.

The Group received net cash proceeds of £132.6 million from property disposals and invested £9.7 million into the MIPP joint venture. The CTPT acquisition added net cash after transaction costs of £26.0 million and interest received amounted to £3.0 million. Capital expenditure on asset management, developments and other investments cost the Group £14.3 million.

Cash outflows from financing activities reflect net loan repayments of £130.0 million, dividend payments and distributions of £47.2 million, financing costs of £20.5 million and share purchases and awards of £2.7 million. Further detail is provided in the consolidated cash flow statement.

Risk Management

The Board as a whole is responsible for determining the type and level of risk that it is willing to accept in pursuing its strategic objectives. It aims to maintain a low risk appetite overall whilst balancing commercial considerations.

Responsibility for the establishment and maintenance of an effective risk management and controls framework also sits with the Board, with the Audit Committee providing a key oversight and assurance role. This framework provides the Board with confidence that the risks inherent in operating the business are being managed successfully to the extent possible within appropriate appetite levels.

Our processes for identifying, assessing and mitigating principal and emerging risks are set out on pages 82 to 99 of our 2023 Annual Report and the Board is satisfied that these continue to be sound.

Since publication of the 2023 Annual Report no new principal or emerging risks have been identified however certain external factors continue to pose a heightened risk. Further information is provided in the relevant sections below which outline the principal risks and uncertainties facing the Group, the Board's appetite for each and significant changes in the period, where identified.

Corporate risks

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

Strategy and its execution

Risk: The Group's strategy may be inappropriate for the current economic climate or stage of the market cycle, or it may be poorly implemented. This may lead to underperformance and/or an inability to take advantage of opportunities. Threat management may also be ineffective, and we may have the wrong balance of skills and resources for ongoing success. The Board continues to view the Group's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is extremely low.

Update: Operationally we have maintained our high quality portfolio metrics and our well located long income and urban logistics assets continue to benefit from favourable demand/supply dynamics which underpin good income growth. Occupier demand for larger logistics units has moderated in recent months following three years of exceptional take up but remains in line with the long-term pre Covid average. Our exposure to such units remains low and all remain fully let.

Major event

Risk: Significant political, economic or unexpected 'Black Swan' events may lead to a market downturn or specific sector turbulence. This may reduce occupier demand, disrupt tenant businesses exerting pressure on their ability to pay rent, reduce asset liquidity and value and potentially impact debt markets. The Board monitors the impact of such events which are outside of its control and flexes strategy and operations as required. It remains focused on maintaining a robust, 'all weather' portfolio to withstand such shocks to the maximum extent possible.

Update: Geopolitical tensions remain heightened and include the ongoing war in Ukraine and the more recent conflict in the Middle East. The latter may increase inflationary risk if the conflict escalates regionally and impacts oil prices.

Human resources

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

The Board believes it is vitally important to have the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change. Its appetite for this risk is low.

Systems, processes and financial management

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

Appetite for such risk is low and management continually strives to monitor and improve processes to ensure they are fit for purpose.

Responsible business and sustainability

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

The Board has a low tolerance for practices that risk reputational damage, stakeholder sentiment and asset liquidity.

Regulatory framework

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

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

Property risks

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

Investment risk

Risk: The Group may be unable to source rationally priced investment opportunities and deploy capital into value enhancing and earnings accretive investments. It may also be unable to recycle capital by disposing of mature assets in a weaker market. Management aims to keep this risk to a minimum by applying their extensive experience, leveraging a strong network of relationships and having the right funding in place to take advantage of opportunities as they arise.

Update: We have positioned ourselves to capitalise on investment opportunities with significant headroom in our debt facilities. During the period we acquired assets valued at £285 million through our corporate acquisition of CTPT. Outside of this acquisition we continued to prioritise sales of non-core and mature assets, with sales of £131.5 million over the period.

Development risk

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

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

Valuation risk

Risk: There is no certainty that property values will be realised. This risk is inherent in the real estate sector. The Board aims to keep this risk to a minimum through its investment approach that looks to acquire and retain quality investments for the right price that offer long term income, capital growth and downside protection from strong intrinsic values and through active asset management initiatives.

Update: Persistent inflation and rising debt costs have tempered some of the positive sentiment seen earlier this year. Despite this and low liquidity overall, logistics remains the sector of choice with urban logistics in strong geographies still attracting a deep investor pool. This has aided price discovery and supported evidence for our valuations.

Transaction and tenant risk

Risk: Acquisitions and asset management initiatives may be inconsistent with strategy and due diligence may be flawed. Tenant default and failure to let vacant assets may impact earnings and, if material, could reduce dividend cover and put pressure on loan covenants. The Board has no appetite for risk arising out of poor due diligence processes on acquisitions and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.

Update: While the current macro-economic backdrop continues to be challenging, we have experienced no significant delinquencies over the period. We are unlikely to be immune from the pressures impacting tenants, however the granularity of our income reduces dependency on our top occupiers. Our rent collection and portfolio occupancy remain high at close to 100%.

Financing risks

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

Capital and finance risk

Risk: The Group may have insufficient funds and credit available to enable it to fund investment opportunities and implement strategy. Exposure to high interest rates may have a negative impact on earnings.

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines and it has a low appetite to interest rate exposure risk in the current environment.

Update: The debt market remains challenging. 99.5% of our drawn debt at the period end was subject to a fixed interest rate or interest rate swap.

Condensed consolidated income statement

	Note	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Revenue	3	77.2	71.9	146.7
Cost of sales		(0.6)	(0.7)	(1.5)
Net income		76.6	71.2	145.2
Administrative costs		(8.6)	(8.6)	(16.4)
Profit/(loss) on revaluation of investment properties	8	27.6	(291.7)	(577.4)
Loss on sale of investment properties		(3.6)	(3.4)	(14.7)
Share of profits/(losses) of joint ventures	9	1.0	(3.7)	(10.3)
Operating profit/(loss)		93.0	(236.2)	(473.6)
Finance income	4	3.5	0.8	2.9
Finance costs	4	(14.9)	(8.0)	(36.8)
Profit/(loss) before tax		81.6	(243.4)	(507.5)
Taxation	5	0.3	(0.2)	(0.1)
Profit/(loss) for the period and total comprehensive income/(expense)		81.9	(243.6)	(507.6)
Attributable to:				
Equity shareholders		81.0	(243.4)	(506.3)
Non-controlling interest	17	0.9	(0.2)	(1.3)
Earnings per share				
Basic	7	8.0p	(24.9)p	(51.8)p
Diluted	7	8.0p	(24.9)p	(51.8)p

All amounts relate to continuing activities. There are no items of comprehensive income other than those presented in the income statement above and accordingly a separate statement of comprehensive income is not presented.

Condensed consolidated balance sheet

	Note	Unaudited 30 September 2023 £m	Unaudited 30 September 2022 £m	Audited 31 March 2023 £m
Non current assets				
Investment properties	8	3,125.4	3,312.4	2,944.9
Investment in equity accounted joint ventures	9	72.2	68.2	61.5
Other investments and tangible assets		1.4	1.3	1.2
Derivative financial instruments	13	16.0	18.7	11.1
		3,215.0	3,400.6	3,018.7
Current assets				
Assets held for sale	8	16.9	73.5	19.8
Trading properties		1.1	1.1	1.1
Trade and other receivables	10	7.4	7.3	5.8
Cash and cash equivalents	11	26.2	45.8	32.6
		51.6	127.7	59.3
Total assets		3,266.6	3,528.3	3,078.0
Current liabilities				
Trade and other payables	12	70.8	63.4	65.9
Borrowings	13	40.0	65.0	65.0
Non current liabilities				
Borrowings	13	926.5	1,116.3	944.8
Lease liabilities		6.8	4.3	7.1
		933.3	1,120.6	951.9
Total liabilities		1,044.1	1,249.0	1,082.8
Net assets		2,222.5	2,279.3	1,995.2
Equity				
Called up share capital	14,15	108.9	98.1	98.3
Share premium	14,15	580.2	391.9	395.5
Capital redemption reserve	15	9.6	9.6	9.6
Other reserve	15	492.1	490.4	490.3
Retained earnings	15	1,003.7	1,279.8	973.6
Equity shareholders' funds		2,194.5	2,269.8	1,967.3
Non-controlling interest	17	28.0	9.5	27.9
Total equity		2,222.5	2,279.3	1,995.2
IFRS net asset value per share	7	204.5p	232.1p	203.7p

Condensed consolidated statement of changes in equity

Six months ended 30 September 2023 (Unaudited)

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2023		98.3	395.5	9.6	490.3	973.6	1,967.3	27.9	1,995.2
Profit for the period and total comprehensive income		–	–	–	–	81.0	81.0	0.9	81.9
Share issue on acquisition	14	10.5	183.1	–	–	–	193.6	–	193.6
Purchase of shares held in trust		–	–	–	(2.2)	–	(2.2)	–	(2.2)
Vesting of shares held in trust		–	–	–	4.0	(4.5)	(0.5)	–	(0.5)
Distribution to non-controlling interest	17	–	–	–	–	–	–	(0.8)	(0.8)
Share-based awards		–	–	–	–	1.7	1.7	–	1.7
Dividends	6	0.1	1.6	–	–	(48.1)	(46.4)	–	(46.4)
At 30 September 2023		108.9	580.2	9.6	492.1	1,003.7	2,194.5	28.0	2,222.5

Year ended 31 March 2023 (Audited)

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 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 trust		–	–	–	(5.6)	–	(5.6)	–	(5.6)
Vesting of shares held in trust		–	–	–	4.8	(5.6)	(0.8)	–	(0.8)
Investment from non-controlling interest	17	–	–	–	–	–	–	19.5	19.5
Distribution to non-controlling interest	17	–	–	–	–	–	–	(0.4)	(0.4)
Share-based awards		–	–	–	–	3.6	3.6	–	3.6
Dividends	6	0.4	8.7	–	–	(92.4)	(83.3)	–	(83.3)
At 31 March 2023		98.3	395.5	9.6	490.3	973.6	1,967.3	27.9	1,995.2

Six months ended 30 September 2022 (Unaudited)

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
At 1 April 2022		97.9	386.8	9.6	491.1	1,574.3	2,559.7	10.1	2,569.8
Loss for the period and total comprehensive expense		–	–	–	–	(243.4)	(243.4)	(0.2)	(243.6)
Purchase of shares held in trust		–	–	–	(5.5)	–	(5.5)	–	(5.5)
Vesting of shares held in trust		–	–	–	4.8	(5.5)	(0.7)	–	(0.7)
Distribution to non-controlling interest	17	–	–	–	–	–	–	(0.4)	(0.4)
Share-based awards		–	–	–	–	1.8	1.8	–	1.8
Dividends	6	0.2	5.1	–	–	(47.4)	(42.1)	–	(42.1)
At 30 September 2022		98.1	391.9	9.6	490.4	1,279.8	2,269.8	9.5	2,279.3

Condensed consolidated cash flow statement

	Note	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Cash flows from operating activities				
Profit/(loss) before tax		81.6	(243.4)	(507.5)
Adjustments for non-cash items:				
(Profit)/loss on revaluation of investment properties		(27.6)	291.7	577.4
Loss on sale of investment properties		3.6	3.4	14.7
Share of post-tax (profit)/loss of joint ventures		(1.0)	3.7	10.3
Movement in lease incentives		(6.8)	(4.8)	(11.7)
Share-based payment		1.7	1.8	3.6
Net finance costs		11.4	7.2	33.9
Cash from operations before changes in working capital		62.9	59.6	120.7
Change in trade and other receivables		(0.4)	6.2	8.1
Change in trade and other payables		(6.1)	3.8	4.5
Cash flows from operations		56.4	69.6	133.3
Tax paid		–	(0.1)	(0.3)
Cash flows from operating activities		56.4	69.5	133.0
Investing activities				
Net cash acquired from the acquisition of subsidiaries		26.0	–	–
Purchase of investment and development properties		(12.7)	(195.5)	(258.0)
Capital expenditure on investment properties		(0.4)	(11.7)	(16.9)
Purchase of other investments and tangible assets		(0.3)	(0.1)	(0.1)
Lease incentives paid		(0.9)	(1.0)	(2.6)
Sale of investment properties		132.6	49.5	258.6
Investment in joint ventures		(10.5)	–	–
Distributions from joint ventures		0.8	0.7	0.8
Interest received		3.0	0.2	0.8
Net cash from/(used in) investing activities		137.6	(157.9)	(17.4)
Financing activities				
Dividends paid		(46.4)	(42.1)	(83.3)
Investment from non-controlling interest		–	–	19.5
Distribution to non-controlling interest	17	(0.8)	(0.4)	(0.4)
Purchase of shares held in trust		(2.2)	(5.5)	(5.6)
Vesting of shares held in trust		(0.5)	(0.7)	(0.8)
New borrowings and amounts drawn down	16	105.0	210.0	440.0
Repayment of loan facilities	16	(235.0)	(50.0)	(450.0)
Purchase of derivative financial instruments		–	(12.6)	(15.1)
Financial arrangement fees and break costs	16	(1.8)	(1.3)	(5.0)
Lease liabilities paid	16	(0.4)	–	(0.8)
Interest paid	16	(18.3)	(14.5)	(32.8)
Net cash (used in)/from financing activities		(200.4)	82.9	(134.3)
Net decrease in cash and cash equivalents	16	(6.4)	(5.5)	(18.7)
Opening cash and cash equivalents		32.6	51.3	51.3
Closing cash and cash equivalents		26.2	45.8	32.6

Notes to the condensed set of financial statements

1. Basis of preparation and general information

Basis of preparation

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

The financial information for the year to 31 March 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The Half Year Report should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2023, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applied by the Group at the time.

These condensed financial statements were approved and authorised for issue by the Board of Directors on 23 November 2023. The same accounting policies, estimates, presentation and methods of computation are followed in the Half Year Report as those applied in the Group's consolidated financial statements for the year to 31 March 2023, except for certain new accounting amendments which became effective for the financial year commencing 1 April 2023 as noted below:

- 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

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

Going concern

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

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

The Group's unsecured revolving credit facilities and private placement loan notes, which together represented 85% of total Group borrowings including its share of joint ventures at the half year, contain gearing and interest cover covenants. At 30 September 2023, the Group had substantial headroom within these covenants. Gearing was 45%, substantially lower than the maximum limit of 125% and its interest cover ratio was 4.6 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 44% and rents by 61% before banking covenants are breached.

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

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

Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The accounting policies subject to significant judgements and estimates are as follows:

Significant area of estimation uncertainty

Property valuations

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

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

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

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 the corporate acquisition of CT Property Trust Limited ('CTPT') made during the period and determined that it was an asset acquisition rather than a business combination, as no processes or workforce were acquired and substantially all of the fair value was represented by investment properties.

2. Segmental information

Property value

	100% owned ¹ £m	Share of JV £m	NCI £m	Unaudited 30 September 2023 £m	Unaudited 30 September 2022 £m	Audited 31 March 2023 £m
Distribution	2,267.0	—	—	2,267.0	2,486.6	2,159.9
Long income	695.7	70.0	(22.9)	742.8	774.7	707.4
Retail parks	96.9	—	(13.5)	83.4	66.1	70.2
Office	66.3	—	—	66.3	25.8	21.7
Residential	0.9	—	—	0.9	0.9	0.9
Development	9.8	—	—	9.8	97.0	33.7
	3,136.6	70.0	(36.4)	3,170.2	3,451.1	2,993.8
Head lease and right of use assets	6.8	—	—	6.8	4.2	7.1
	3,143.4	70.0	(36.4)	3,177.0	3,455.3	3,000.9

¹ Includes trading property of £1.1 million (30 September 2022: £1.1 million, 31 March 2023: £1.1 million) and assets held for sale of £16.9 million (30 September 2022: £73.5 million, 31 March 2023: £19.8 million)

Gross rental income

	100% owned £m	Share of JV £m	NCI £m	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Distribution	52.8	—	—	52.8	48.8	100.5
Long income	19.9	2.2	(0.9)	21.2	21.1	42.4
Retail parks	2.7	—	(0.3)	2.4	2.0	3.7
Office	1.2	—	—	1.2	0.8	1.7
Residential	—	—	—	—	—	0.1
Development	—	—	—	—	0.2	—
	76.6	2.2	(1.2)	77.6	72.9	148.4

Net rental income

	100% owned £m	Share of JV £m	NCI £m	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Distribution	52.5	—	—	52.5	48.3	99.5
Long income	19.9	2.1	(0.9)	21.1	20.9	42.1
Retail parks	2.6	—	(0.3)	2.3	1.9	3.6
Office	1.0	—	—	1.0	0.8	1.5
Residential	—	—	—	—	—	0.1
Development	—	—	—	—	0.2	—
	76.0	2.1	(1.2)	76.9	72.1	146.8

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

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

3. Revenue

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Gross rental income	76.6	71.2	145.6
Property management fee income	0.6	0.7	1.1
Revenue	77.2	71.9	146.7
	Unaudited Six months to 30 September 2023 £m	Unaudited months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Gross rental income	76.6	71.2	145.6
Cost of sales – property operating expenses	(0.6)	(0.7)	(1.5)
Net rental income	76.0	70.5	144.1

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

4. Finance income and costs

a) Finance income

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Interest received on bank deposits	0.5	–	0.1
Interest receivable from interest rate derivatives	2.5	–	0.7
Interest receivable from forward funded developments	0.5	0.8	2.1
Total finance income	3.5	0.8	2.9

b) Finance costs

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Interest payable on bank loans and related derivatives	18.7	14.3	33.3
Unwinding of discount on fixed rate debt acquired	0.1	(0.1)	(0.2)
Debt and hedging early close out costs	–	–	0.4
Amortisation of loan issue costs	1.0	0.6	1.6
Interest on lease liabilities	0.1	0.1	0.1
Commitment fees and other finance costs	1.2	0.7	1.6
Total borrowing costs	21.1	15.6	36.8
Less amounts capitalised on developments	(1.3)	(1.5)	(4.0)
Net borrowing costs	19.8	14.1	32.8
Fair value (gain)/loss on derivative financial instruments	(4.9)	(6.1)	4.0
Total finance costs	14.9	8.0	36.8

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value gain on derivative financial instruments of £4.9 million (30 September 2022: £6.1 million, 31 March 2023: £4.0 million loss) and early close out costs in the year to 31 March 2023 of £0.4 million.

5. Taxation

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
UK tax (credit)/charge on profit (25% from 1 April 2023)	(0.3)	0.2	0.1

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

6. Dividends

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Ordinary dividends paid			
2022 Third quarterly interim dividend: 2.2p per share	—	21.5	21.5
2022 Fourth quarterly interim dividend: 2.65p per share	—	25.9	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	22.6	—	—
2023 Fourth quarterly interim dividend: 2.6p per share	25.5	—	—
	48.1	47.4	92.4
Ordinary dividends payable			
2024 First quarterly interim dividend: 2.4p per share	26.1		
2024 Second quarterly interim dividend: 2.4p per share	26.1		

The Company paid its first 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 9 October 2023 to ordinary shareholders on the register at the close of business on 1 September 2023.

The second quarterly interim dividend for the current year of 2.4p per share will be paid on 11 January 2024, wholly as a PID, to ordinary shareholders on the register at the close of business on 1 December 2023. A scrip dividend alternative will be offered to shareholders as it was for the first quarterly dividend payment.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the six months to 31 March 2024.

During the period, the Company issued 0.9 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £1.7 million to £46.4 million.

7. Earnings and net assets per share

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

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

Further EPRA performance measures are reflected in the Supplementary information section.

a) EPRA Earnings

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

b) Earnings per ordinary share attributable to equity shareholders

		Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
IFRS reported profit/(loss)		81.0	(243.4)	(506.3)
<u>EPRA adjustments</u>				
Revaluation of investment property	Group	(27.6)	291.7	577.4
	JV	0.8	5.2	12.5
Fair value of derivatives	Group	(4.9)	(6.1)	4.0
	JV	–	(0.2)	0.1
Loss on disposals	Group	3.6	3.4	14.7
	JV	–	0.1	0.7
Debt early close out costs	Group	–	–	0.4
Non-controlling interest share of adjustments		0.2	(0.5)	(2.4)
EPRA earnings		53.1	50.2	101.1
		Unaudited Six months to 30 September 2023 Number of shares (millions)	Unaudited Six months to 30 September 2022 Number of shares (millions)	Audited Year to 31 March 2023 Number of shares (millions)
Weighted ordinary share capital		1,013.8	980.3	981.3
Shares held in the Employee Benefit Trust		(2.5)	(2.7)	(2.8)
Weighted average number of ordinary shares - basic		1,011.3	977.6	978.5
Employee share schemes		4.5	4.2	4.1
Weighted average number of ordinary shares – fully diluted		1,015.8	981.8	982.6
Earnings per share				
Basic		8.01p	(24.90)p	(51.75)p
Diluted		7.97p	(24.90)p	(51.75)p
EPRA Earnings per share				
Basic		5.25p	5.14p	10.33p
Diluted		5.23p	5.12p	10.28p

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.

As at 30 September 2023 (unaudited)	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
Equity shareholders' funds	2,194.5	2,194.5	2,194.5
Fair value of Group derivatives	(16.0)	–	(16.0)
Mark to market of fixed rate debt	–	81.1	–
Purchasers' costs ¹	–	–	214.8
EPRA net asset value	2,178.5	2,275.6	2,393.3

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

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

As at 31 March 2023 (audited)	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
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
EPRA net asset value	1,956.2	2,027.1	2,160.0

As at	Unaudited 30 September 2023 Number of shares (millions)	Unaudited 30 September 2022 Number of shares (millions)	Audited 31 March 2023 Number of shares (millions)
Ordinary share capital	1,089.2	980.7	982.6
Shares held in Employee Benefit Trust	(2.5)	(2.9)	(2.9)
Number of ordinary shares - basic	1,086.7	977.8	979.7
Employee share schemes	4.9	3.9	3.9
Number of ordinary shares – fully diluted	1,091.6	981.7	983.6
IFRS net asset value per share	204.5p	232.1p	203.7p
EPRA net tangible assets per share	199.6p	229.3p	198.9p
EPRA net disposal value per share	208.5p	237.4p	206.1p
EPRA net reinstatement value per share	219.2p	253.2p	219.6p

8. Investment properties

a) Investment properties

	Completed £m	Under development £m	Unaudited 30 September 2023 £m	Completed £m	Under development £m	Audited 31 March 2023 £m
Opening balance	2,905.2	32.6	2,937.8	3,423.4	66.7	3,490.1
Acquisitions:						
- Acquisition of CTPT at valuation	285.2	–	285.2	–	–	–
- Price discount on acquisition	(23.3)	–	(23.3)	–	–	–
	261.9	–	261.9	–	–	–
Other acquisitions	–	12.7	12.7	187.4	70.4	257.8
	261.9	12.7	274.6	187.4	70.4	257.8
Capital expenditure	1.7	2.2	3.9	7.7	17.0	24.7
Disposals	(113.9)	–	(113.9)	(247.8)	–	(247.8)
Property transfers ¹	20.5	(37.4)	(16.9)	87.0	(106.8)	(19.8)
Revaluation movement	29.0	(1.4)	27.6	(562.7)	(14.7)	(577.4)
Tenant incentives	5.5	–	5.5	10.2	–	10.2
Property portfolio	3,109.9	8.7	3,118.6	2,905.2	32.6	2,937.8
Head lease and right of use assets	6.8	–	6.8	7.1	–	7.1
	3,116.7	8.7	3,125.4	2,912.3	32.6	2,944.9

1 Properties totalling £16.9 million have been transferred to current assets and separately disclosed as assets held for sale as reflected in note 8b

In line with the Group's accounting policies, the acquisition of CTPT has been treated as an asset purchase rather than a business combination as no processes or workforce were acquired and substantially all of the fair value was represented by investment properties. The acquisition was settled through an all-share issue of 105.6 million new ordinary shares in the Company at a price of 183.3p per share and included property assets valued at £285.2 million. The acquisition is set out in detail in the Financial Review.

Investment properties are held at fair value as at 30 September 2023 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE'), Savills (UK) Limited ('Savills') and Cushman and Wakefield Debenham Tie Leung Limited ('Cushman & Wakefield'). The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2022 on the basis of fair value. There has been no change in the valuation technique in the period. The total fees earned by CBRE, Savills and Cushman & Wakefield 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.

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 £0.8 million (30 September 2022: £1.3 million, 31 March 2023: £2.5 million) have been capitalised in the period, being directly attributable to the development projects in progress.

Long term leasehold values included within investment properties amount to £102.9 million (30 September 2022: £100.0 million, 31 March 2023: £89.3 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 30 September 2023 was £2,609.2 million (30 September 2022: £2,524.6 million, 31 March 2023: £2,448.7 million).

Included within the investment property valuation is £101.5 million (30 September 2022: £91.2 million, 31 March 2023: £96.0 million) in respect of unamortised lease incentives and rent free periods. The movement in the period reflects lease incentives paid of £0.9 million (30 September 2022: £1.0 million, 31 March 2023: £2.6 million) and rent free and amortisation movements of £6.8 million (30 September 2022: £4.8 million, 31 March

2023: £11.7 million), offset by incentives written off on disposal of £2.2 million (30 September 2022: £0.4 million, 31 March 2023: £4.1 million).

Capital commitments have been entered into amounting to £7.0 million (30 September 2022: £46.3 million, 31 March 2023: £20.3 million) which have not been provided for in the financial statements.

At 30 September 2023, investment properties included £6.8 million for the head lease right of use assets in accordance with IFRS 16 (30 September 2022: £4.2 million, 31 March 2023: £7.1 million).

b) Assets held for sale

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Opening balance	19.8	21.2	21.2
Disposals	(19.8)	(15.0)	(21.2)
Property transfers	16.9	67.3	19.8
Closing balance	16.9	73.5	19.8

The valuation of property held for sale at 30 September 2023 was £16.9 million, representing long income and retail park assets which are expected to complete within the next six months.

9. Investment in joint ventures

At 30 September 2023, the following principal property interest, being a jointly-controlled entity, has been equity accounted for in these financial statements:

	Country of Incorporation or Registration	Property Sector	Group Share
Metric Income Plus Partnership ('MIPP')	England	Long income	50.0%

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. The registered address for MIPP is One Curzon Street, London W1J 5HB.

During the period, MIPP repaid its bank loan in full with existing resources and additional funding from its partners of £21.0 million. At 30 September 2023, the freehold and leasehold investment properties were externally valued by CBRE. There were no properties held for sale by joint ventures in the current or comparative periods.

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

	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Audited Year to 31 March 2023 £m
Opening balance	61.5	72.6	72.6
Investment in the period	10.5	—	—
Share of profit/(loss) in the period	1.0	(3.7)	(10.3)
Distributions received	(0.8)	(0.7)	(0.8)
Closing balance	72.2	68.2	61.5

The Group's share of the profit after tax and net assets of Metric Income Plus Partnership is as follows:

	Unaudited Total 30 September 2023 £m	Unaudited Group share 30 September 2023 £m	Unaudited Total 30 September 2022 £m	Unaudited Group share 30 September 2022 £m
Summarised income statement				
Gross rental income	4.3	2.2	4.4	2.2
Property costs	(0.1)	(0.1)	(0.1)	(0.1)
Net rental income	4.2	2.1	4.3	2.1
Management fees	(0.6)	(0.3)	(0.6)	(0.3)
Revaluation	(1.6)	(0.8)	(10.4)	(5.2)
Net finance cost	–	–	(0.7)	(0.4)
Derivative movement	–	–	0.3	0.2
Loss on disposal	–	–	(0.3)	(0.1)
Profit/(loss) after tax	2.0	1.0	(7.4)	(3.7)
Group share of profit/(loss) after tax	1.0		(3.7)	
EPRA adjustments				
Revaluation	1.6	0.8	10.4	5.2
Derivative movement	–	–	(0.3)	(0.2)
Loss on disposal	–	–	0.3	0.1
EPRA earnings	3.6	1.8	3.0	1.4
Group share of EPRA earnings	1.8		1.4	
	Unaudited Total 30 September 2023 £m	Unaudited Group share 30 September 2023 £m	Audited Total 31 March 2023 £m	Audited Group share 31 March 2023 £m
Summarised balance sheet				
Investment properties	140.0	70.0	141.6	70.8
Other current assets	0.2	0.1	0.1	0.1
Cash	6.4	3.2	10.8	5.4
Current liabilities	(2.2)	(1.1)	(2.5)	(1.3)
Bank debt	–	–	(26.9)	(13.5)
Net assets	144.4	72.2	123.1	61.5
Group share of net assets	72.2		61.5	

10. Trade and other receivables

	Unaudited 30 September 2023 £m	Unaudited 30 September 2022 £m	Audited 31 March 2023 £m
Trade receivables	3.9	4.6	2.5
Prepayments and accrued income	1.6	1.7	1.6
Other receivables	1.9	1.0	1.7
	7.4	7.3	5.8

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

11. Cash and cash equivalents

Cash and cash equivalents include £10.5 million (30 September 2022: £8.5 million, 31 March 2023: £8.7 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

12. Trade and other payables

	Unaudited 30 September 2023 £m	Unaudited 30 September 2022 £m	Audited 31 March 2023 £m
Trade payables	13.4	16.1	12.9
Amounts payable on property acquisitions and disposals	3.7	1.1	1.0
Rent received in advance	27.8	26.6	25.3
Accrued interest	2.1	1.2	1.5
Other payables	11.6	7.4	10.9
Other accruals and deferred income	12.2	11.0	14.3
	70.8	63.4	65.9

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

13. Borrowings

	Unaudited 30 September 2023 £m	Unaudited 30 September 2022 £m	Audited 31 March 2023 £m
Secured Bank loans	148.7	62.1	62.0
Unsecured Bank loans	825.0	1,125.0	955.0
	973.7	1,187.1	1,017.0
Unamortised finance costs	(7.2)	(5.8)	(7.2)
	966.5	1,181.3	1,009.8

Certain bank loans at 30 September 2023 are secured by fixed charges over Group investment properties with a carrying value of £428.7 million (30 September 2022: £257.9 million, 31 March 2023: £232.6 million). Borrowings of £40.0 million relating to the 2016 Private Placement are repayable within one year (30 September 2022 and 31 March 2023: £65 million).

As at 30 September 2023 (unaudited)	Total debt facility £m	Floating rate debt drawn £m	Fixed rate debt drawn £m	Unamortised fair value adjustments £m	Total debt drawn £m	Weighted average maturity (years)
Secured bank loans:						
Scottish Widows fixed rate debt	60.0	—	60.0	1.9	61.9	8.2
Canada Life fixed rate debt	90.0	—	90.0	(3.2)	86.8	3.1
Unsecured bank loans:						
Revolving credit facility 2021 (syndicate)	225.0	125.0	—	—	125.0	2.6
Wells Fargo revolving credit facility	175.0	55.0	—	—	55.0	4.6
Revolving credit facility 2022 (syndicate)	275.0	50.0	—	—	50.0	2.1
Private Placement 2016 (syndicate)	65.0	—	65.0	—	65.0	2.5
Private Placement 2018 (syndicate)	150.0	—	150.0	—	150.0	7.3
Private Placement 2021 (syndicate)	380.0	—	380.0	—	380.0	8.7
	1,420.0	230.0	745.0	(1.3)	973.7	6.2

During the period, we repaid borrowings of £65 million relating to the 2016 Private Placement and have extended the maturity by one year on £400 million of our revolving credit facilities. Post period end, we have also extended the maturity on our £275 million revolving credit facility by a further year.

	Total debt facility £m	Floating rate debt drawn £m	Fixed rate debt drawn £m	Unamortised fair value adjustments £m	Total debt drawn £m	Weighted average maturity (years)
As at 31 March 2023 (audited)						
Secured bank loans:						
Scottish Widows fixed rate debt	60.0	–	60.0	2.0	62.0	8.7
Unsecured bank loans:						
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
	1,395.0	295.0	720.0	2.0	1,017.0	6.1

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

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
As at 30 September 2023 (unaudited)					
Bank loans	78.7	37.6	549.5	509.2	1,175.0
Derivative financial instruments	(6.0)	(6.0)	(9.5)	–	(21.5)
	72.7	31.6	540.0	509.2	1,153.5

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
As at 31 March 2023 (audited)					
Bank loans	102.6	76.2	356.4	676.6	1,211.8
Derivative financial instruments	(3.7)	(3.7)	(7.8)	–	(15.2)
	98.9	72.5	348.6	676.6	1,196.6

The Group is exposed to interest rate risk from the use of debt financing at a variable rate. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group uses interest rate derivatives and fixed rates to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. At 30 September 2023, 99.5% of the Group's (including share of JV) debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps (30 September 2022: 76.9%, 31 March 2023: 93.2%).

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

	Average rate		Notional amount		Fair value	
	Unaudited 30 September 2023 %	Audited 31 March 2023 %	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m	Unaudited 30 September 2023 £m	Audited 31 March 2023 £m
Interest rate swaps – expiry						
Two to five years	2.5	2.5	225.0	225.0	16.0	11.1

All derivative financial instruments are non current interest rate derivatives and are carried at fair value following a valuation by Chatham Financial. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments, this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement. The valuation therefore does not reflect the cost or gain to the Group of cancelling its interest rate protection at the balance sheet date, which is generally a marginally higher cost (or smaller gain) than a market valuation.

14. Share capital

	Unaudited 30 September 2023 Number	Unaudited 30 September 2023 £m	Audited 31 March 2023 Number	Audited 31 March 2023 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	1,089,187,736	108.9	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
Share capital issued, called up and fully paid			
At 1 April 2022	978,607,507	97.9	386.8
Issued under scrip share scheme	4,038,754	0.4	8.7
At 31 March 2023 (audited)	982,646,261	98.3	395.5
Issued on acquisition	105,619,395	10.5	183.1
Issued under scrip share scheme	922,080	0.1	1.6
At 30 September 2023 (unaudited)	1,089,187,736	108.9	580.2

The Company issued 0.9 million ordinary shares under the terms of its Scrip Dividend Scheme during the period. Post period end in October, the Company issued a further 0.4 million ordinary shares under the terms of its Scrip Dividend Scheme.

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

	Ordinary shares Number	Ordinary shares £m
Shares held by the Employee Benefit Trust		
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 (audited)	2,942,592	0.3
Shares issued under employee share schemes	(1,791,027)	(0.2)
Shares acquired by the Employee Benefit Trust	1,300,000	0.1
At 30 September 2023 (unaudited)	2,451,565	0.2

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 30 September 2023, the Company's Employee Benefit Trust held 2,451,565 shares in the Company to satisfy awards under the Company's Long Term Incentive and Deferred Bonus Plans.

15. Reserves

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

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

	Merger reserve £m	Employee Benefit Trust shares £m	Unaudited 30 September 2023 Total other reserves £m	Merger reserve £m	Employee Benefit Trust shares £m	Audited 31 March 2023 Total other reserves £m
Opening balance	497.4	(7.1)	490.3	497.4	(6.3)	491.1
Employee share schemes:						
Purchase of shares	–	(2.2)	(2.2)	–	(5.6)	(5.6)
Vesting of shares	–	4.0	4.0	–	4.8	4.8
Closing balance	497.4	(5.3)	492.1	497.4	(7.1)	490.3

16. Analysis of movement in net debt

	1 April 2023 £m	Financing cash flows £m	Other cash flows ¹ £m	Acquisition of subsidiary £m	Impact of issue and arrangement costs £m	Non cash movements Fair value movements and early close out costs £m	Interest charge and unwinding of discount £m	Unaudited 30 September 2023 £m
Bank loans and derivatives	1,017.0	(130.0)	–	86.6	–	–	0.1	973.7
Derivative financial instruments	(11.1)	–	–	–	–	(4.9)	–	(16.0)
Unamortised finance costs	(7.2)	(0.6)	–	(0.4)	1.0	–	–	(7.2)
Other finance costs	–	(1.2)	–	–	1.2	–	–	–
Interest payable	1.5	(18.3)	–	0.2	–	–	18.7	2.1
Lease liabilities	7.1	(0.4)	–	–	–	–	0.1	6.8
Total liabilities from financing activities	1,007.3	(150.5)	–	86.4	2.2	(4.9)	18.9	959.4
Cash and cash equivalents	(32.6)	–	6.4	–	–	–	–	(26.2)
Net debt	974.7	(150.5)	6.4	86.4	2.2	(4.9)	18.9	933.2

1 Other cash flows include cash acquired from the acquisition of subsidiaries of £31.4 million less transaction costs of £5.4 million

	1 April 2022 £m	Financing cash flows £m	Other cash flows £m	Non cash movements			Audited 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 and derivatives	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)
Net debt	975.7	(63.7)	18.7	3.2	7.6	33.2	974.7

17. Related party transactions

a) Joint arrangements

Management fees and distributions receivable from the Group's joint arrangements during the period are summarised in the table below.

	Group interest	Management fees		Distributions	
		Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m	Unaudited Six months to 30 September 2023 £m	Unaudited Six months to 30 September 2022 £m
LMP Retail Warehouse JV Holdings Limited	69%	—	0.1	1.9	1.8
Metric Income Plus Partnership	50%	0.6	0.6	0.8	0.7
		0.6	0.7	2.7	2.5

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 period end, LMP Retail Warehouse JV Holdings Limited owed £28.8 million to the Company, which has been eliminated on consolidation.

As at the period end, the NCI's share of profits and net assets was £0.9 million and £28.0 million respectively. A distribution of £0.8 million was paid to the NCI during the period.

18. Post balance sheet events

Post period end, we have exchanged or completed asset sales for £35.1 million, of which £9.8 million had exchanged in the period. We have also extended the maturity on our £275 million revolving credit facility by a further year.

Directors' Responsibility Statement

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

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

By order of the Board

Andrew Jones

Chief Executive

Martin McGann

Finance Director

23 November 2023

Independent Review Report to LondonMetric Property Plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2023 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusion Relating to Going Concern

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

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

Responsibilities of the Directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Deloitte LLP

Statutory Auditor

London, United Kingdom

23 November 2023

Supplementary information

i EPRA Summary table

	30 September 2023	30 September 2022	31 March 2023
EPRA earnings per share	5.25p	5.14p	10.33p
EPRA net tangible assets per share	199.6p	229.3p	198.9p
EPRA net disposal value per share	208.5p	237.4p	206.1p
EPRA net reinstatement value per share	219.2p	253.2p	219.6p
EPRA vacancy rate	1.3%	1.3%	0.9%
EPRA cost ratio (including vacant property costs)	11.5%	12.3%	11.7%
EPRA cost ratio (excluding vacant property costs)	11.0%	11.9%	11.3%
EPRA net initial yield	4.3%	3.8%	4.1%
EPRA 'topped up' net initial yield	4.8%	4.1%	4.6%

ii EPRA proportionally consolidated income statement

For the six months to 30 September	100% owned £m	JV £m	NCI £m	Total 2023 £m	100% owned £m	JV £m	NCI £m	Total 2022 £m
Gross rental income	76.6	2.2	(1.2)	77.6	71.2	2.2	(0.5)	72.9
Property costs	(0.6)	(0.1)	–	(0.7)	(0.7)	(0.1)	–	(0.8)
Net rental income	76.0	2.1	(1.2)	76.9	70.5	2.1	(0.5)	72.1
Management fees	0.6	(0.3)	–	0.3	0.7	(0.3)	–	0.4
Administrative costs	(8.6)	–	–	(8.6)	(8.6)	–	–	(8.6)
Net finance costs	(16.3)	–	0.3	(16.0)	(13.3)	(0.4)	0.1	(13.6)
Other	0.3	–	0.2	0.5	(0.2)	–	0.1	(0.1)
EPRA earnings	52.0	1.8	(0.7)	53.1	49.1	1.4	(0.3)	50.2

iii EPRA proportionally consolidated balance sheet

As at	100% owned £m	JV £m	NCI £m	30 September 2023 £m	100% owned £m	JV £m	NCI £m	31 March 2023 £m
Investment property	3,125.4	70.0	(36.4)	3,159.0	2,944.9	70.8	(35.7)	2,980.0
Assets held for sale	16.9	–	–	16.9	19.8	–	–	19.8
Trading property	1.1	–	–	1.1	1.1	–	–	1.1
	3,143.4	70.0	(36.4)	3,177.0	2,965.8	70.8	(35.7)	3,000.9
Gross debt	(973.7)	–	–	(973.7)	(1,017.0)	(13.5)	–	(1,030.5)
Cash	26.2	3.2	(1.2)	28.2	32.6	5.4	(1.5)	36.5
Other net liabilities	(61.6)	(1.0)	9.6	(53.0)	(58.8)	(1.2)	9.3	(50.7)
EPRA NTA	2,134.3	72.2	(28.0)	2,178.5	1,922.6	61.5	(27.9)	1,956.2
Derivatives	16.0	–	–	16.0	11.1	–	–	11.1
IFRS equity								
shareholders' funds	2,150.3	72.2	(28.0)	2,194.5	1,933.7	61.5	(27.9)	1,967.3
IFRS net assets	2,150.3	72.2	–	2,222.5	1,933.7	61.5	–	1,995.2
Loan to value	29.5%	–	–	29.5%	32.8%	11.4%	–	32.8%
Cost of debt	3.3%	–	–	3.3%	3.4%	3.6%	–	3.4%
Undrawn facilities	445.0	–	–	445.0	380.0	–	–	380.0

iv EPRA cost ratio

	2023 £m	2022 £m
For the six months to 30 September		
Property operating expenses	0.6	0.7
Administrative costs	8.6	8.6
Share of joint venture property costs, administrative costs and management fees	0.4	0.4
Less:		
Joint venture property management fee income	(0.6)	(0.7)
Ground rents	(0.1)	–
Total costs including vacant property costs (A)	8.9	9.0
Group vacant property costs	(0.4)	(0.3)
Total costs excluding vacant property costs (B)	8.5	8.7
Gross rental income	76.6	71.2
Share of joint venture gross rental income	2.2	2.2
Share of non-controlling interest gross rental income	(1.2)	(0.5)
	77.6	72.9
Less: Ground rents	(0.1)	–
Total gross rental income (C)	77.5	72.9
Total EPRA cost ratio (including vacant property costs) (A)/(C)	11.5%	12.3%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	11.0%	11.9%

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

	30 September 2023 £m	31 March 2023 £m
As at		
Investment property – wholly owned ¹	3,135.5	2,957.6
Investment property – share of joint ventures	70.0	70.8
Trading property	1.1	1.1
Less development properties	(9.8)	(33.7)
Less residential properties	(0.9)	(0.9)
Less non-controlling interest	(36.4)	(35.7)
Completed property portfolio	3,159.5	2,959.2
Allowance for:		
Estimated purchasers’ costs	214.8	201.2
Estimated costs to complete and rent frees	13.0	10.4
EPRA property portfolio valuation (A)	3,387.3	3,170.8
Annualised passing rental income	143.0	128.2
Share of joint ventures	4.3	4.2
Less development properties	–	(1.8)
Annualised net rents (B)	147.3	130.6
Contractual rental increase across the portfolio	14.4	15.9
‘Topped up’ net annualised rent (C)	161.7	146.5
EPRA net initial yield (B/A)	4.3%	4.1%
EPRA ‘topped up’ net initial yield (C/A)	4.8%	4.6%

1 Wholly owned investment property includes assets held for sale of £16.9 million (31 March 2023: £19.8 million)

vi EPRA vacancy rate

	30 September 2023 £m	31 March 2023 £m
As at		
Annualised estimated rental value of vacant premises	2.4	1.5
Portfolio estimated rental value ¹	186.0	168.6
EPRA vacancy rate	1.3%	0.9%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at	100% owned ⁵ £m	JV £m	NCI £m	30 September 2023 £m	100% owned £m	JV £m	NCI £m	31 March 2023 £m
Opening valuation	2,965.8	70.8	(35.7)	3,000.9	3,516.9	96.6	(15.1)	3,598.4
Acquisitions¹								
Acquisition of CTPT at valuation	285.2	–	–	285.2	–	–	–	–
Price discount on acquisition	(23.3)	–	–	(23.3)	–	–	–	–
	261.9	–	–	261.9	–	–	–	–
Other acquisitions	–	–	–	–	187.4	–	(22.8)	164.6
Developments ^{2,4}	13.6	–	–	13.6	83.7	–	–	83.7
Investment properties								
- Incremental lettable space ³	1.1	–	(0.3)	0.8	0.1	–	–	0.1
- No incremental lettable space ³	0.6	–	–	0.6	7.3	0.2	–	7.5
- Tenant incentives	5.5	–	(0.2)	5.3	10.2	0.2	(0.2)	10.2
Capitalised interest ⁴	1.3	–	–	1.3	4.0	–	–	4.0
Total EPRA capex	284.0	–	(0.5)	283.5	292.7	0.4	(23.0)	270.1
Disposals ⁶	(133.7)	–	–	(133.7)	(269.0)	(13.7)	–	(282.7)
Revaluation	27.6	(0.8)	(0.2)	26.6	(577.4)	(12.5)	2.4	(587.5)
ROU asset	(0.3)	–	–	(0.3)	2.6	–	–	2.6
Closing valuation	3,143.4	70.0	(36.4)	3,177.0	2,965.8	70.8	(35.7)	3,000.9

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

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

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

4 Capitalised interest on investment properties of £nil (31 March 2023: £0.3 million) and development properties of £1.3 million (31 March 2023: £3.7 million)

5 Including trading property of £1.1 million (31 March 2023: £1.1 million) and assets held for sale of £16.9 million (31 March 2023: £19.8 million)

6 Group disposals include assets held for sale

viii Total accounting return

	30 September 2023 p/share	30 September 2022 p/share	31 March 2023 p/share
EPRA net tangible asset value per share			
- at end of period	199.6	229.3	198.9
- at start of period	198.9	261.1	261.1
Increase/(decrease) in the period	0.7	(31.8)	(62.2)
Dividend paid	4.9	4.9	9.5
Total increase/(decrease)	5.6	(26.9)	(52.7)
Total accounting return	2.8%	-10.3%	-20.2%

ix Portfolio split and valuation

As at	30 September 2023		31 March 2023	
	£m	%	£m	%
Mega distribution	314.0	9.9	311.5	10.4
Regional distribution	590.5	18.6	586.1	19.6
Urban logistics	1,362.5	43.0	1,262.3	42.2
Distribution	2,267.0	71.5	2,159.9	72.2
Long income	742.8	23.5	707.4	23.7
Retail parks	83.4	2.6	70.2	2.3
Offices	66.3	2.1	21.7	0.7
Investment portfolio	3,159.5	99.7	2,959.2	98.9
Development ¹	9.8	0.3	33.7	1.1
Residential	0.9	–	0.9	–
Total portfolio	3,170.2	100.0	2,993.8	100.0
Head lease and right of use assets	6.8		7.1	
	3,177.0		3,000.9	

¹ Represents urban logistics £6.1 million (0.2%), long income £1.4 million (0.0%), office and other land £2.3 million (0.1%) at 30 September 2023. Split of prior year comparatives was urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), office and other land £2.8 million (0.1%)

x Investment portfolio yields

As at	30 September 2023			31 March 2023		
	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	4.0	4.4	5.3	3.8	4.3	5.3
Long income	5.2	5.6	5.9	4.9	5.4	5.6
Retail parks	4.8	5.9	6.1	4.5	5.4	5.4
Offices	7.0	7.3	8.2	6.8	7.1	7.5
Investment portfolio	4.3	4.8	5.6	4.1	4.6	5.4

xi Investment portfolio – Key statistics

As at 30 September 2023	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	13,534	11.4	10.3	99.3	7.80
Long income	3,033	12.1	10.8	99.7	16.20
Retail parks	329	6.8	6.7	98.1	17.00
Offices	411	7.8	7.6	81.0	14.40
Investment portfolio	17,307	11.3	10.2	98.7	9.40

xii Total property returns

	All property 30 September 2023 %	All property 30 September 2022 %	All property 31 March 2023 %
Capital return	0.7	2.0	-15.7
Income return	2.4	-8.1	4.4
Total return	3.2	-6.3	-12.0

xiii Contracted rental income

As at	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Distribution	105.0	100.2	97.8
Long income	43.7	40.9	39.8
Retail parks	5.2	3.8	4.1
Offices	5.1	1.7	1.7
Investment portfolio	159.0	146.6	143.4
Development – distribution	–	3.0	1.0
Development – long income	–	0.9	0.8
Total portfolio	159.0	150.5	145.2

xiv Rent subject to expiry

As at 30 September 2023	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	9.8	20.5	45.9	73.0	88.7	100.0
Long income	6.7	12.3	38.9	67.5	94.1	100.0
Retail parks	26.1	47.5	69.8	100.0	100.0	100.0
Offices	52.5	56.8	81.5	92.6	92.6	100.0
Investment portfolio	10.9	20.3	45.9	73.0	90.7	100.0

xv Contracted rent subject to inflationary or fixed uplifts

As at	30 September 2023 £m	30 September 2023 %	31 March 2023 £m	31 March 2023 %
Distribution	64.0	61.0	61.4	62.8
Long income	28.1	64.3	27.3	68.7
Retail parks	1.6	30.2	1.6	38.5
Investment portfolio	93.7	59.0	90.3	63.0

xvi Top ten assets (by value)

As at 30 September 2023	Area '000 sq ft	Contracted Rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	1,062	6.0	100.0	17.0	17.0
Eddie Stobart, Dagenham	454	4.1	100.0	20.0	20.0
Argos, Bedford	658	4.1	100.0	10.5	10.5
THG, Warrington	686	4.1	100.0	21.2	21.2
Tesco, Croydon	191	3.0	100.0	14.6	14.6
Movianto, Bedford	356	2.8	100.0	23.2	23.2
Amazon, Warrington	357	2.4	100.0	8.2	8.2
Oak Furniture, Swindon	357	2.2	100.0	12.1	12.1
AM Fresh, Huntingdon	303	2.0	100.0	24.5	24.5
Clipper, Ollerton	364	2.2	100.0	14.0	14.0

xvii Top ten occupiers

As at 30 September 2023	Contracted rental income £m	Contracted rental income %
Primark	6.0	3.8%
Amazon	4.9	3.1%
Argos	4.2	2.7%
THG	4.1	2.6%
Eddie Stobart	4.1	2.6%
Currys	3.8	2.4%
Odeon	3.8	2.4%
DFS	3.4	2.1%
Tesco	3.0	1.9%
Movianto	2.8	1.8%
Top 10	40.1	25.4%

xviii Loan to value

As at	100% owned £m	JV £m	NCI £m	30 September 2023 £m	31 March 2023 £m
Gross debt	973.7	–	–	973.7	1,030.5
less: Fair value adjustments	1.3	–	–	1.3	(2.0)
less: Cash balances	(26.2)	(3.2)	1.2	(28.2)	(36.5)
Net debt	948.8	(3.2)	1.2	946.8	992.0
Acquisitions exchanged	2.3	–	–	2.3	2.3
Disposals exchanged	(16.9)	–	–	(16.9)	(19.1)
Adjusted net debt (A)	934.2	(3.2)	1.2	932.2	975.2
Exclude:					
Acquisitions exchanged	(2.3)	–	–	(2.3)	(2.3)
Disposals exchanged	16.9	–	–	16.9	19.1
Include:					
Net payables	70.2	1.0	(0.7)	70.5	60.9
EPRA net debt (B)	1,019.0	(2.2)	0.5	1,017.3	1,052.9
Investment properties at fair value	3,118.6	70.0	(36.4)	3,152.2	2,972.9
Properties held for sale	16.9	–	–	16.9	19.8
Trading properties	1.1	–	–	1.1	1.1
Total property portfolio	3,136.6	70.0	(36.4)	3,170.2	2,993.8
Acquisitions exchanged	2.3	–	–	2.3	2.3
Disposals exchanged	(16.9)	–	–	(16.9)	(19.8)
Adjusted property portfolio (C)	3,122.0	70.0	(36.4)	3,155.6	2,976.3
Exclude:					
Acquisitions exchanged	(2.3)	–	–	(2.3)	(2.3)
Disposals exchanged	16.9	–	–	16.9	19.8
Include:					
Financial assets	8.9	–	–	8.9	5.2
EPRA property portfolio (D)	3,145.5	70.0	(36.4)	3,179.1	2,999.0
Loan to value (A)/(C)				29.5%	32.8%
EPRA Loan to value (B)/(D)				32.0%	35.1%

xix Acquisitions and disposals

As at	100% owned £m	JV £m	NCI £m	30 September 2023 £m	31 March 2023 £m
Acquisition costs					
Completed in the period:					
- Acquisition of CTPT at valuation	285.2	–	–	285.2	–
- Price discount on acquisition	(23.3)	–	–	(23.3)	–
	261.9	–	–	261.9	–
Other acquisitions	–	–	–	–	164.6
	261.9	–	–	261.9	164.6
Exchanged in the previous period	–	–	–	–	(72.4)
Exchanged but not completed in the period	–	–	–	–	2.3
Forward funded investments classified as developments	–	–	–	–	32.1
Transaction costs and other	–	–	–	–	(6.2)
Exchanged in the period	261.9	–	–	261.9	120.4
Disposal proceeds					
Completed in the period	132.3	–	–	132.3	271.7
Exchanged in the previous period	(19.6)	–	–	(19.6)	(21.2)
Exchanged but not completed in the period	17.1	–	–	17.1	19.1
Transaction costs and other	1.7	–	–	1.7	2.9
Exchanged in the period	131.5	–	–	131.5	272.5

Building Research Establishment Environmental Assessment Methodology (BREEAM)

A set of assessment methods and tools designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build.

Capital Return

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

Chief Operating Decision Makers (CODMs)

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

Contracted Rent

The annualised rent excluding rent free periods.

Cost of Debt

Weighted average interest rate payable.

Debt Maturity

Weighted average period to expiry of debt drawn.

Distribution

The activity of delivering a product for consumption by the end user.

Energy Performance Certificate (EPC)

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

EPRA Cost Ratio

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

EPRA Earnings per share (EPS)

Underlying earnings from the Group's property rental business divided by the average number of shares in issue over the period.

EPRA Loan to Value (LTV)

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

EPRA NAV per share

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

EPRA Net Disposal Value per share

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

EPRA Net Reinstatement Value per share

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

EPRA Net Tangible Asset Value per share

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

EPRA Net Initial Yield

Annualised rental income based on cash rents passing at the balance sheet date, less non recoverable property operating expenses, expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs.

EPRA Topped Up Net Initial Yield

EPRA net initial yield adjusted for expiration of rent free periods or other lease incentives such as discounted rent periods and stepped rents.

EPRA Vacancy

The Estimated Rental Value (ERV) of immediately available vacant space as a percentage of the total ERV of the Investment Portfolio.

Equivalent Yield

The weighted average income return expressed as a percentage of the market value of the property, after inclusion of estimated purchaser's costs.

Estimated Rental Value (ERV)

The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

European Public Real Estate Association (EPRA)

EPRA is the industry body for European Real Estate Investment Trusts (REITs).

Gross Rental Income

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

Group

LondonMetric Property Plc and its subsidiaries.

IFRS

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

IFRS Net Assets

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

IFRS Net Assets per share

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

Income Return

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

Investment Portfolio

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

Investment Property Databank (IPD)

IPD is a wholly owned subsidiary of MSCI producing an independent benchmark of property returns and the Group's portfolio returns.

Like for Like Income Growth

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

Loan to Value (LTV)

Net debt expressed as a percentage of the total property portfolio value at the period end, adjusted for deferred completions on sales and acquisitions that exchanged in the period.

Logistics

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

Net Debt

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

Net Rental Income

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

NNN Retail

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

Occupancy Rate

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

Passing Rent

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

Property Income Distribution (PID)

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

Real Estate Investment Trust (REIT)

A listed property company which qualifies for and has elected into a tax regime which is exempt from corporation tax on profits from property rental income and UK capital gains on the sale of investment properties.

Total Accounting Return (TAR)

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

Total Property Return (TPR)

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

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.