LONDONMETRIC PROPERTY PLC
("LondonMetric" or the "Group" or the "Company")
ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

SECTOR ALIGNMENT AND ASSET SELECTION DELIVER RELIABLE AND GROWING INCOME WITH STRONG PORTFOLIO OUTPERFORMANCE

LondonMetric today announces its annual results for the year ended 31 March 2021.

	EPRA[1,2]		IFRS	
Income Statement	**2021**	**2020**	**2021**	**2020**
Net rental income (£m)	123.3	115.9	119.7	111.1
Earnings/Reported Profit (Loss)(£m)	85.6	74.5	257.3	(5.7)
Earnings per share (p)	9.52	9.26	28.6	(0.7)
Dividend per share (p)	8.65	8.30	8.65	8.30
	EPRA[1,2]		**IFRS**	
Balance Sheet	**2021**	**2020**	**2021**	**2020**
NTA[3] / NAV (£m)	1,731.9	1,437.2	1,731.3	1431.8
NTA[3] / NAV per share (p)	190.3	170.3	191.3	171.0
LTV (%)	32.3	35.9	32.3	35.9

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
3. EPRA net tangible assets (NTA) is a new reporting measure that replaces EPRA net asset value this year. Discussed further in the Financial review and note 8 to the financial statements

Continued focus on reliable, repetitive and growing income increases earnings and dividend
- Net rental income up 6% to £123.3m, on an IFRS basis increased by 8%
- Rent collection strong with less than 1% forgiven or outstanding for the year
- EPRA earnings up 15% to £85.6m, +3% on a per share basis
- IFRS reported profit up 400% to £257.3m, after adjusting prior year for exceptional costs
- Dividend progression of 4.2% to 8.65p, 110% covered, including Q4 dividend declared today of 2.35p
- Continued progression expected with Q1 22 dividend guidance of 2.2p, a 4.8% progression on Q1 21

Sector alignment and asset selection delivering strong portfolio valuation uplift
- Total Property Return of 13.4%, outperforming IPD All Property which delivered 1.2%
- Capital return of 8.0% (IPD All Property: -3.2%), urban logistics assets delivered a capital return of 15.5%
- EPRA NTA per share increased by 11.7% to 190.3p, driven by 19.3p valuation gain, on an IFRS basis increased by 11.9%
- Total Accounting Return of 16.7%

Distribution weighting at 71%, including urban logistics at 39% and grocery/roadside at 11%
- £245m of acquisitions let to strong credits with a WAULT of 17 years and 87% of rent subject to contractual uplifts
- £159m of disposals, largely shorter let urban logistics and long income assets, with a WAULT of nine years
- Post year end, £68m acquired, increasing urban logistics portfolio to £1.1 billion, representing 41% of the portfolio

173 asset management initiatives completed and strong progress on developments
- £5.3m pa income uplift and 3.1% like for like income growth, with open market rent reviews +18%
- Lettings signed with WAULT of 13 years, including a pre-let of 120,000 sq ft to Amazon at Tyseley
- Under offer on 172,000 sq ft at Bedford Link development and in discussions on letting of the last unit

Resilient £2.6bn portfolio focused on operationally light assets with strong income characteristics
- Occupancy of 98.7% with long income portfolio 100% let
- WAULT of 11.4 years with only 8% of income expiring in next three years
- Gross to net income ratio of 98.6% and contractual rental uplifts on 56.8% of income

Balance sheet strengthened
- £120m equity raise in year and £780m of refinancing with green framework post year end
- LTV of 32.3% with weighted average debt maturity increased to 8.2 years (2020: 4.7 years) and cost of debt at 2.5%
- EPRA cost ratio reduced further to 13.6% (-60bps)

Andrew Jones, Chief Executive of LondonMetric, commented:
"Whilst we have all experienced a truly unprecedented last 12 months, in many ways Covid-19 has merely accelerated longer term trends that were already being driven by technological advancement and changing consumer behaviour. Logistics, healthcare and grocery real estate have been significant beneficiaries of this acceleration delivering standout performances and enjoying an ever-wider margin of victory over other real estate sectors.

"The performance of our portfolio during the year reflects our alignment to the winning sectors and increasingly wanting to own the best assets. Our £2.6 billion portfolio has weathered the storm in fine shape evidenced by very strong rent collection, continued earnings growth and significant valuation uplift, all of which are as a result of longer term decisions to align to the winning macro trends. The urban logistics sector in particular, where we have now amassed over £1 billion of assets, has been our main conviction call for a number of years and is enjoying truly exceptional demand/supply dynamics resulting in material jumps in rents.

"Our strong shareholder alignment, disciplined approach and focus on quality assets that deliver a reliable, repetitive and growing income has positioned us well for the future as we progress towards our ambition of becoming a dividend aristocrat. After all, income compounding is the bedrock for attractive returns."

For further information, please contact:

LONDONMETRIC PROPERTY PLC:	+44 (0)20 7484 9000
Andrew Jones (Chief Executive)	
Martin McGann (Finance Director)	
Gareth Price (Investor Relations)	
FTI CONSULTING:	+44 (0)20 3727 1000
Dido Laurimore	Londonmetric@fticonsulting.com
Richard Gotla	
Andrew Davis	

Meeting and audio webcast

A live audio webcast and conference call will be held at 8.30 am today.
The conference call dial-in for the meeting is: +44 (0) 330 336 9434 (Participant Passcode: 5638111).
For the live webcast see:

https://webcasting.brrmedia.co.uk/broadcast/6065d079560fbf10fcc50f21

An on demand recording will be available shortly after the meeting from the same link and from:

https://www.londonmetric.com/investors/report-presentation/year/2021

Notes to editors

LondonMetric is a FTSE 250 REIT that owns one of the UK's leading listed logistics platforms alongside a diversified long income portfolio, with 15 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.

Chair's statement

Due to the pandemic, we have had to work from home for most of the last financial year. Thanks to the incredible efforts of all of the team they have managed that difficulty, and delivered record results in testing conditions. I cannot thank them enough.

When we reported last year, I hoped that the world would be able to recover in the calendar year 2020. The coming of the variants put paid to that hope. Thankfully, the speed and effectiveness of the UK vaccine rollout, alongside extensive Government support schemes have allowed us to start to return to normal. We must offer our heartfelt thanks to the brilliant people who devised, mass produced and delivered vast numbers of high grade vaccines.

There are some parts of our lives that won't return to being as they were before. Covid-19 continues to challenge many long established practices and accelerated existing structural change. There is no doubt that some of the changes, such as routine internet shopping and working from home part time will continue to impact the way we live, work and socialise.

The enormous impact that the pandemic has had on commercial property is clear to see. No amount of economic stimulus and medical brilliance will undo some of the changes that Covid-19 has accelerated. As shopping and working patterns have shifted, a new economic reality has polarised sub-sector performance. Logistics and long income property continue to see highly supportive dynamics. There will be some shift back to physical shopping to animate our high streets and bring fun back to going out, but the shift to online shopping that was underway before Covid-19 has been accelerated by lockdowns and only part of that move will return to traditional shopping. It is unclear yet how office demand will evolve given the now proven ability of many to work successfully from home.

Notwithstanding potential inflationary pressures, Covid-19 has also prolonged the likely time horizon of very low interest rates. Well managed real estate is an asset class which we believe offers an outstanding ability to provide exceptional, compounding returns over the longer term.

The year also saw the finalisation of Brexit. The pandemic has rather taken the spotlight away from this major event, so its effects are still under reported. It will lead to demand for logistics space as firms rely less on 'just in time' and more on 'just in case'. The UK needs to be more self-reliant, which will be a very good thing. On the way to that state, there will be issues to overcome. I believe we are well placed to do so.

Our long term, disciplined approach, aligned to the winning sectors, has delivered a particularly strong performance in the year. Our total property return was 13.4% which significantly outperformed the IPD All Property index by 1,220 bps. Our total accounting return was 16.7%, rent collection levels exceeded 98%, EPRA earnings per share increased by 2.8% and EPRA net tangible assets per share rose by 11.7%. This performance and our confident outlook have allowed us to increase our dividend per share for the sixth year in a row, rising 4.2% and 110% covered by EPRA earnings. I am pleased to know that our team can go forward positively, without being distracted trying to collect unpaid rent.

Over the eight years since our merger, we have delivered a total shareholder return of 196%, significantly outperforming the FTSE 350 Real Estate Super Sector average of 59% as well as increasing our earnings by 144% to 9.52p per share.

During the year, our equity fundraising attracted overwhelming support from shareholders, for which I thank you. It has allowed us to execute on some high quality investment opportunities and enhance our portfolio further. We were also very well supported in the debt market, where post year end we managed to extend our debt maturity by 4.0 years to 8.2 years, which gives durability and diversity to our debt structure, at highly attractive borrowing rates.

Despite the pandemic, we have also maintained our strong stakeholder relationships. We recognise that the success of the Company depends on our people and I would again like to warmly thank the Board and all of our employees for their hard work in very difficult circumstances. We have also strengthened our Board during the year with the appointment of Kitty Patmore, who I would like to welcome on your behalf.

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

Patrick Vaughan
Chair
27 May 2021

Chief Executive’s review

Overview

We continue to live in a world of ongoing disruption and social change
The last year has been truly extraordinary with a global pandemic, a global recession and bold, unprecedented central Government intervention.

Technology and changing consumer behaviour were already having a profound impact, but Covid-19 has accelerated these shifts with trends that were expected to take years, occurring in just months and in some cases weeks. The behavioural changes that surged during lockdown have been well-mapped; working from home, online retailing, gaming, video on demand, online banking etc. These shifts were only possible due to an exponential increase in technological capability.

At long last, society has reopened and lives are returning to near normality. However, whilst humans need real interaction with each other to thrive, the world continues to evolve and digitise at a rapid rate and Covid-19 has added to the seismic shift in the tectonic plates. The scale of these changes can be discussed, but certain conclusions are uncontroversial.

Firstly, online retailing took a quantum and permanent leap. Previously high barriers of entry were toppled in a matter of weeks and consumers quickly realised the convenience, safety and security of online shopping. Consequently, online retail sales grew by over 40% in 2020, accounting for 28% of total sales and peaking at 36% during the start of 2021, a level higher than the first lockdown. The change in online grocery has been most apparent, accounting for over 15% of food shopping at its peak after doubling from pre-pandemic levels.

Secondly, an unusually large number of retailers have failed or are seriously wounded. Many will blame the pandemic, but the truth is that too many failed to embrace change with an excessive physical estate and they failed to pivot. The pandemic has exacerbated their difficulties and accelerated their demise. Supporting business models that work and starving those that do not is how economies adapt and evolve.

Thirdly, Covid-19 has materially changed the way we work and has accelerated ongoing trends towards home working. Each day, it is becoming more apparent that a substantially higher percentage of office workers will spend some of their week working from home. The pandemic has certainly not generated any new demand for offices.

Unsurprisingly, real estate performances have polarised further. Logistics, healthcare and grocery remain the standout performers, enjoying an ever-wider margin of victory. Conversely, the acceleration of secular declines in physical retail has seen downward repricing of high streets and shopping centres to levels that may now start to encourage alternative use or demolition. For offices, less space is needed and this new reality is yet to be reflected in their yields.

After years of denial, many companies are now experiencing the full force of these structural changes. They are realising that it’s not just cyclical, it’s permanent, and they aren’t quite what they were and are now worrying what they might become.

We continue to focus on the mega trends and disciplined investing
Most of our real estate decisions are influenced by trends that originate outside the property sector but that are fundamentally shaping its future. We believe the secular trends affecting the sector are as big a deal today as they were before the vaccines arrived.

Our eyes are wide open to the changing landscape and so, whilst we have had to react to the pandemic, our overriding focus has been to regularly position the portfolio to benefit from the medium and long term drivers of return. After all, mega trends are generally not affected by short term or sporadic shocks, however profound.

At 95%, our portfolio’s alignment to logistics and long income assets puts us on the right side of change and is delivering an incredibly resilient performance as demonstrated by our strong financials in the year.

We continue to pride ourselves on our process, discipline and rationality. Over the year, we acquired £245 million of assets and completed further developments in strong geographies, let to good occupiers on long leases with strong income growth prospects. Whilst we could have acquired much more, our rigorous approach tempered our activity, ensuring that we remain well positioned for the long term. We would prefer to engage in the pursuit of excellent returns than the pursuit of assets under management.

We are obsessive about owning the best assets and have always focused on ‘winning the losers game’ - selling the laggards and running the winners. Whilst this sometimes involves unattractive transaction costs and income interruption, we will always do the right thing for long term performance. In the year, we disposed of nearly £160 million of assets that have made their contribution but are unlikely to excel in the future.

We are well positioned with a structurally supported portfolio that will deliver on our ‘collect, compound and compress’ income approach.

Own desirable real estate

Logistics continues to experience strong tailwinds and benefit from a weight of money

Investment volumes for UK logistics in 2020 totalled £9 billion, reflecting a resilient Covid-19 performance, strong sector dynamics and a rotation of capital out of legacy real estate. The sector has benefitted from significant overseas money, partly driven by an improved outlook for the UK following Brexit and a stronger than expected economy. Therefore, unsurprisingly, yields have compressed further and evidence suggests that prime yields could fall further.

Occupational activity for logistics in 2020 saw another record year, with 43 million sq ft taken up. Whilst a recent report estimated that new warehouse supply could double this year to 40 million sq ft, much of this is pre-let and being immediately absorbed by pent up and new demand, as evidenced by vacancy rates which remain low at just ten months' supply. At the end of March 2021, a record 16 million sq ft of logistics was under offer, representing a 40% uplift on a year ago, and this year is set to be another very strong year. For the first time on record, supply for both second hand and speculatively built units have fallen below 12 months of demand.

It is clear that short term occupier requirements experienced during Covid-19 have turned into longer term needs as online penetration continues its inexorable upward trajectory. Furthermore, 'just in case' logistics infrastructures rather than 'just in time' strategies are adding an extra layer of demand. Whilst Brexit concerns may have eased, supply chains are having to deal with new issues, primarily border related, which are increasing the need for localised inventory. A recent survey suggested that the UK was one of the top European markets for manufacturers looking to expand their occupational space.

With this almost perfect storm, logistics continues to generate attractive rental growth. Whilst pockets of rent affordability concerns have been raised, rents remain largely affordable and still represent a very small proportion of a company's overall operational costs.

Rental growth remains particularly strong in urban logistics and we saw open market rent reviews on our urban assets of 17%. Warehouse demand continues to grow to meet ever rising consumer expectations of quicker and more accurate deliveries in an environment where the supply response is challenged due to competition from higher value alternative uses. A recent survey of online retailers reported that nearly two thirds have expansion in urban locations as a high priority.

The combination of further yield compression and strong rental growth is reflected in our total distribution property returns for the year of 18.3%, with urban assets again delivering another strong performance. Urban is our largest sub sector exposure with c.£1.0 billion of assets and remains our strongest conviction call. Here, our ambitions remain undiminished despite fierce investment competition.

Reflecting this competition, we undertook £67 million of strategic urban disposals in the year which will position the portfolio for better longer term success. These decisions are driven by a belief that, even in logistics, not all assets will outperform.

The sale proceeds were rotated into £124 million of high quality and fairly priced urban investments leveraging our occupier insights and sector contacts. Our experiences have shown that we are more likely to benefit from positive surprises from high quality assets in strong geographies where returns can be levered by time and compounding.

Long income property is benefitting from zero interest rates and negligible bond yields

The long income sector has had a strong year reflecting its defensive, long dated, growing and collateral backed cash flow characteristics. Long income assets with low operational requirements and let to high quality occupiers at yields 400bps higher than Government bonds are an attractive proposition and increasingly sought after in a yield starved world.

Our investment in this sector is a simple one that we take seriously. In contrast to the scoring system used in diving competitions, you are not awarded bonus points in business for 'degree of difficulty'. We believe this 'alternative' sector is and will continue to be less alternative and will be a stronger and larger component of many real estate investors' portfolios.

As proponents of the sector, we were pleased to see our 'all weather' long income assets prove highly resilient to the pandemic, reflecting their essential or non discretionary attributes and a low susceptibility to the migration of spend online. Their focus on grocery and convenience food, roadside services, discount, trade and DIY means that they will continue to benefit from the ongoing changes in the way people work, shop and live.

During the year, our long income properties achieved very high rent collection levels and a total property return of 8.3%.

We acquired £122 million of long income assets let on average for 18 years to strong credits such as Waitrose, BP and Co-op and benefitting from guaranteed rental growth. Growing investor demand and improved liquidity for long income saw us sell £75 million of long income properties where the rental growth outlook was less certain.

Despite the yield compression that this sector has experienced, we believe there is more to come as investors increasingly appreciate the simplicities of collecting rent and compounding returns.

Physical retail continues to reprice but remains largely a value trap

The pandemic has acted as a catalyst for better integration of online and physical shopping and, like many of our customers, we do believe that some stores have a role to play in the retail supply chain as showrooms, click and collect, returns or fulfilment facilities.

However, many of the rents that retailers have committed to pay are completely inappropriate for the role that their shops are now performing. Therefore, we will continue to see retail rents resetting as leases expire, tenants operate break clauses or the premises are relet following the demise of the previous occupier. This is no longer a prediction, it is happening.

Therefore, whilst many will talk of repositioning opportunities or the offer of highly attractive yields, we remain of the opinion that the majority of UK retail is 'over-shopped' and 'under-demolished'. The simple truth is that retail stores remain at a fundamental and irreversible disadvantage to online competition. Savills estimates that 142 million sq ft of retail space in the UK, or 13% of all retail units, currently lie empty and that without intervention, as much as 25% of retail space could be redundant by the end of the decade. Furthermore, 40% of vacant units have been empty for three or more years.

The sector appears to be in a vicious circle as the longer the disruption continues, the less of the underlying cash flows will be reinvested into the assets to make them 'fit for purpose'. We see this creating a ticking capex timebomb as the assets that do survive will need investment and those that fail to invest will see value erosion accelerate.

This disruption has a lot further to go and we are living in a truly unprecedented world which makes it difficult to have a strong conviction on where it all lands. When something is too difficult to assess with a strong conviction, then we prefer to just move on to another opportunity. After all, these assets are often cheap for a reason and the correlation between price and value is far from perfect.

Generate income

The search for income continues to intensify

We believe that income will be the defining characteristic of this decade's investing environment and that income-led total return strategies will continue to outperform.

The pandemic and a temporary recession have lowered interest rates further and ensured that they will inevitably stay lower for longer as governments and central banks are unlikely to take their foot off the quantitative easing accelerator.

A world of zero interest rates, negligible bond rates and lower dividends is intensifying the demand for alternative assets that can deliver a reliable, repetitive and growing income. The wide availability of low cost debt, partially correlated to the 'lower-for-longer' promise, along with the re-emergence of inflationary pressures, continues to push demand towards real assets as capital seeks the combination of recurring cash flow and inflation protection.

Real assets typically benefit from strong collateral backed cash flows and these are highly attractive assets in today's backdrop. Consequently, there has been a migration from low yielding securities towards alternatives, which have become less alternative and are now a larger percentage of money managers' portfolios.

Amidst a bearish treasury market and a volatile equity market, there are green economic shoots taking hold. We believe that real estate will benefit disproportionately given its capacity to tap into both sides of the fixed income and equity spectrum. But smart investing will focus on structurally supported assets, credit strength as well as the reliability, sustainability and trajectory of income.

The strength and resilience of our own strategy is evidenced by our earnings and excellent rent collection. Collecting income is the bedrock of successful long term investing and, whilst many will focus on short term riches with higher risk strategies, we appreciate the true benefit of compounding lower risk and longer term returns. Everything worthwhile in investing comes from compounding and underestimation of persistent growth is a huge benefit to the patient investor.

Manage and enhance

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

As I have said previously, each quarter of 2020/21 has felt like a year. As the pandemic ensued, we focused on ensuring that our balance sheet and cash flow were robust, maintaining our strong portfolio metrics and conservatively progressing developments.

Our assets have performed in line with or ahead of expectations. Rent collection was strong at 98% and this performance reflects the portfolio's resilience, the reliability of our income and the strength of our occupier relationships. Recognising the impact that the pandemic had on a few occupiers, we did offer rent free concessions in exchange for value enhancing asset management initiatives on 1% of our rent and forgave a further 0.4%. We also agreed some short term rental deferrals, all of which continue to be honoured.

Occupancy remains high at 98.7%, our gross to net income ratio of 98.6% continues to reflect our low operational costs and we continue to benefit from a high degree of contractual rental uplifts. During the year, we concluded 173 occupier initiatives, adding £5.3 million per annum of rent and delivering like for like income growth of 3.1%. Lettings were signed with a WAULT of 13.2 years, helping to increase the portfolio's WAULT from 11.2 years to 11.4 years.

We are pleased with progress at our developments. At Bedford, after successfully letting and completing phase one, we commenced the speculative build out of another 0.5 million sq ft and are in legals on letting 172,000 sq ft and in discussions on letting the last unit. At Tyseley, we also pre-let 120,000 sq ft to Amazon which will provide a state of the art last mile facility when it completes in the summer.

We continue to embed sustainability and high ESG standards across our activities driven by our own aspirations as well as those of our customers and occupiers. We maintained our GRESB green star over the year, formalised our Net Zero Carbon approach, installed further solar capacity at our properties and increased the proportion of the portfolio that is built to a BREEAM Very Good or Excellent standard.

Expertise and relationships

We continue to benefit from our strong team and their relationships

Our team's strong economic alignment to shareholders ensures a strong conviction to make the right property and financial decisions.

We maintain a highly rational and disciplined property approach, selling assets that don't meet our strict investment criteria and waiting patiently for attractive opportunities, even where this causes a short term disruption to our income. As a result, we continue to benefit from our decisions, as well as from some excellent execution and hard work across our investment and asset management teams.

Similarly, our finance team has performed strongly, delivering on our equity and debt strategy, as well as working closely with the property teams. £120 million of equity was raised through a significantly oversubscribed placing which enabled us to tap new and attractive investments that would seldom otherwise be available in a normalised market. Furthermore, we significantly refinanced £780 million of debt facilities which extended the maturity of our debt at attractive margins, further diversified our lending base and added a green financing framework to our borrowings.

Our response to the Covid-19 pandemic has focused on keeping our people safe and working closely with our occupiers and stakeholders. Our experienced team of 31 successfully and seamlessly transitioned to remote working and operated highly effectively in an intense period. It has been an amazing effort by all and reflects the strength of our team. Our recent employee survey again demonstrated our high levels of staff satisfaction, with all employees agreeing that they enjoy working at LondonMetric.

It was also pleasing to see that, despite the pandemic, we scored highly in our recent occupier survey, with an average score of 9.0 out of 10.0 for whether occupiers would recommend LondonMetric as a landlord. We will continue to put our occupiers at the forefront of our decision making.

Outlook

Despite a truly unprecedented year, lingering uncertainty and a fast changing environment, we believe that the macro backdrop is ideal for real estate, underpinned by almost zero interest rates, negligible bond yields and an ageing population.

It is clear that structural trends that have been accelerated by the pandemic are having a profound impact on future values across the sector with strategies that assume the world returns to its previous equilibrium severely disrupted. Therefore, in our view, continued access to reliable, repetitive and growing income requires investing in the winning sectors and the best credits.

This appreciation continues to frame our thoughts. Our pivot over the last eight years to logistics and long income has put us on the right side of change and getting the 'big' decisions right is fundamental to our strategy. But, in order to achieve sector leading returns, we are also conscious of making smart asset decisions and so, whilst many are motivated by 'fee driven' buying, we pride ourselves on process, discipline and rationality, opting to pass on supposedly 'unique' opportunities and instead focusing on quality.

Today, our £2.6 billion portfolio comprises a collection of excellent assets that offer reliable, predictable and growing income streams. Despite the recent strength in our capital values, we believe this is for all the right reasons; high occupancy, resilient cash flows and future rental growth.

For the time being, we think that pricing has further to travel and therefore, together with its strong income characteristics, we are optimistic about the portfolio's future performance. After all, when you own quality, time creates wealth.

We believe that a focus on quality, a strong personal alignment and an intense belief in the power of compounding will allow us to generate the best possible returns for the longest period of time and achieve our ambition to becoming a 'dividend aristocrat'.

Property Review

Overview

We invest in real estate that can deliver repetitive, reliable and growing income returns. Our actions aim to continuously improve the portfolio's quality, sustainability and income.

Delivering strong total property returns, driven by distribution

Over the year, the portfolio delivered a strong total property return of 13.4%, significantly outperforming the IPD All Property index of 1.2%:

- Distribution delivered 18.3% with urban and regional seeing the strongest performance;
- Long income delivered 8.3%; and
- Offices delivered 0.3% and retail parks delivered 3.8%.

Outperformance was driven by both management actions and through capturing rental reversion which helped to deliver strong capital growth of 8.0%:

- Distribution delivered a 13.7% capital return; and
- Long income delivered a 2.6% capital return.

The investment portfolio's EPRA topped up net initial yield is 4.6% and the equivalent yield is 5.1% with a like for like valuation yield compression of 27 bps over the year.

ERV growth of 1.6% for the portfolio was driven by distribution which saw a 3.2% increase; urban logistics and regional distribution saw growth of 3.5% and 5.0% respectively, whilst mega was flat.

Very strong rent collection despite Covid-19

Despite the uncertainty caused by the Covid-19 pandemic, our assets have performed in line with or ahead of expectations which reflects their alignment to structurally supported sectors.

Our rent collection during the year was strong, with 98.1% of rent demanded in the year collected. We did, however, recognise the negative impact that the pandemic has had on a few of our occupiers and offered rent free concessions in exchange for value enhancing asset management initiatives on 1.1% of our rent. In addition, we forgave a further 0.4% leaving just 0.4% of rent unpaid.

Our collection rates for the first quarter of the new financial year are equally strong and we have collected 99% of March quarterly and monthly rents due.

Most of the rent that remains unpaid relates to companies in administration, some of which is associated with a property where we are obtaining vacant possession for a new letting to Lidl.

Of the total rent demanded in the year, £1.5 million is subject to deferred payment arrangements, all of which are being honoured.

Our portfolio metrics continue to reflect our focus on income

The portfolio's WAULT increased from 11.2 years to 11.4 years, continuing to provide good income security with only 8.4% of income expiring within three years.

Occupancy remains high at 98.7% and our gross to net income ratio of 98.6% continues to reflect the portfolio's very low operational requirements.

In the year, we undertook 173 occupier initiatives adding £5.3 million per annum of rent and helping to deliver like for like income growth of 3.1%. These consisted of:

- Contractual rental uplifts which apply to 57% of our income, where 46 fixed and RPI linked reviews were settled delivering £0.5 million of increased rent at an average of 8% above passing on a five yearly equivalent basis;
- Open market rent reviews, where 26 reviews were settled delivering £1.0 million of increased rent at an average of 18% above passing on a five yearly equivalent basis; and
- Leasing activity, where we signed 101 new leases and regears, mostly on urban logistics, delivering £3.8 million of increased rent with a WAULT of 13.2 years.

Post year end, we are in legals and discussions on lettings which represent an additional £4.4 million per annum of rent, mainly relating to our Bedford Link development.

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

In the year, we acquired £245 million of assets. Over half were urban logistics with the remainder primarily grocery-led convenience and roadside properties.

These properties are let to strong credits for an average of 17.1 years and acquired at a NIY of 4.6% and a reversionary yield of 5.1%, with 87% of income subject to contractual rental uplifts. Reflecting our geographical focus, 53% of acquisitions were in London and the South East and a further 21% were in the Midlands.

Post year end, we have acquired a further £68 million of urban warehousing and long income properties.

Disposals in the year totalled £159 million and were at a NIY of 5.7%. The assets had a WAULT of nine years and offered less certainty of income and rental growth.

Long income assets accounted for just under half of total disposals, whilst urban logistics accounted for c.40% of total disposals. Whilst we continue to build our urban portfolio, we are prepared to sell where the market's future return expectation exceeds ours.

The balance of our disposals related to non core assets and consisted of:

- Two offices in Bristol and Birmingham let to Regus and Highways England which were let for a further nine years;
- Two retail assets in Kings Heath, Birmingham and the Isle of Man; and
- Four residential flats.

Post year end, we have sold a further £22 million of properties consisting of:

- Two long income assets for £12 million; and
- An office for £10 million let to Beiersdorf in Birmingham which completes in September.

We have now sold 12 former Mucklow assets for £62 million, including nearly half of the Mucklow office portfolio. These properties delivered a total annualised return of 10.6% since acquisition.

Acquisitions in the year[1]

Urban Logistics	£123.5m
Long Income – Grocery & Roadside	£107.6m
Long Income – Other	£14.2m

Disposals in the year[2]

Urban Logistics	£66.6m
Long Income – Grocery & Roadside	£19.5m
Long Income – Other	£55.0m
Office & Residential	£12.4m
Retail Parks	£5.4m

1 Includes £35.7 million of acquisitions, predominantly urban, that exchanged in the year but that complete post year end

2 Excludes £64.4 million of disposals, predominantly larger box distribution, that exchanged in the previous year but completed in the year. Includes £15.2 million of disposals that exchanged in the year but completed post year end

Continued alignment to structurally supported distribution and long income

Assisted by a strong capital performance and further net investment into the sector, our distribution platform increased in value to £1,829 million, representing 70.8% of the portfolio and up from 69.8% last year.

The urban logistics sector is our key conviction call and is our largest weighting, representing 38.5% of the portfolio. Over the year, our weighting to mega distribution fell further to 13.6%, due to the completion of a mega warehouse sale that exchanged in the prior year.

Long income increased slightly to represent 24.5% of the portfolio, following the significant net investment into grocery and roadside assets, with this sub-sector now dominating our long income exposure.

The remaining 4.7% of the portfolio is deemed non core and split between eight offices, five retail parks and four London residential flats.

Urban Logistics	38.5%
Regional Distribution	18.7%
Mega Distribution	13.6%
Long Income	24.5%
Retail Parks	2.9%
Offices & Residential	1.8%

Including post year end activity, distribution now represents 72% of the portfolio, long income represents 24% and the remaining non core assets account for 4%.

We continue to 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 not only investing in structurally supported sectors but also by improving our income's diversification, granularity and security. We are very mindful of the credit strength of our occupiers and this focus has been reflected in our strong rent collection.

We have a diverse occupier base by type of activity:

- Third Party & Retail Logistics accounts for 37% of income;
- Business Services & Trade accounts for 32%, spread across a broad range of sectors;
- Grocery & Roadside accounts for 12%;
- Electrical, Home & Discount Stores account for 12%; and
- Leisure & Other sectors account for 3% and 4% respectively.

Our top ten occupiers represent 36% of contracted income, compared to 36% in 2020 and 51% in 2019. In the year, we significantly increased our exposure to Amazon and Waitrose who are two of our ten largest occupiers.

Contracted rent increased over the year from £123.3 million to £124.3 million which, together with post year end investment activity, rises to £126.5 million.

Our occupier survey was carried out in March 2021 and we received very good feedback despite the difficult economic backdrop.

Our top occupiers numbering 89 and representing over 80% by income were contacted and responses were received from occupiers representing 55% of income.

We scored an average of 9.0 out of 10.0 in terms of whether occupiers would recommend us as a landlord, with our top 15 occupiers scoring us higher at 9.3.

In terms of how well our properties meet our occupiers' needs, we scored 8.3 out of 10.0 which shows an increase on our 2019 and 2018 survey scores.

Distribution review

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

Overview
Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, we increased our exposure to distribution over the year from £1,638 million to £1,829 million. As at 31 March 2021, this sector accounted for 70.8% of our overall portfolio with urban logistics the largest sub-sector weighting.

The average WAULT on these assets is 11 years, which is unchanged over the year. Occupancy remains high at 98.1%, also unchanged from the previous year, with all of our regional and mega assets now fully let and just 3.3% vacancy on our urban assets.

Our distribution assets performed well over the year, delivering a total property return of 18.3% and driven by strong yield compression, rental growth and further gains on development activity.

Urban and regional delivered strong returns of 20.1% and 17.3% respectively, whilst mega distribution delivered a return of 14.8%.

With stronger organic rental growth in urban logistics, we continue to prefer inflation linked/fixed rental uplifts on our larger box assets and open market rent review on our urban assets.

Increased alignment to urban logistics
In urban logistics, rental growth remains strongest, driven by severely restricted supply and strong occupier demand. Urban logistics has been our strongest conviction call and one that prompted our acquisition of Mucklow in 2019, which materially increased our urban platform.

Over the year, the value of our urban assets increased from £831 million to £994 million, accounting for 54% of distribution assets and totalling c.100 properties. At eight years, the WAULT on our urban assets is significantly lower than mega or regional, but these assets benefit from higher alternative use values and better income growth prospects, with average ERVs 9% higher than average passing rents of £6.90 psf.

All of our distribution investment activity in the year related to urban warehousing. Whilst strong investor appetite continues to reduce the number of compelling investment opportunities, we did acquire £124 million of long-let assets. Strong market pricing did, however, prompt us to sell £67 million of shorter let buildings in poorer geographies.

Including post year end activity, over 50% of our urban portfolio is now located in London and the South East with a further 34% in the Midlands.

Distribution Portfolio

As at 31 March 2021	**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]	£993.7m	£483.5m	£351.9m
WAULT	7.9 yrs	13.1 yrs	15.2 yrs
Average rent (psf)	£6.90	£6.40	£5.70
ERV (psf)	£7.50	£7.30	£5.60
Topped up NIY	4.4%	4.0%	3.8%
Contractual uplifts	37%	76%	100%
Total property return in 2021	**20.1%**	**17.3%**	**14.8%**

1 including developments

Distribution investment activity

Acquisitions
£124 million of urban logistics was acquired across 12 assets with a WAULT of 16 years:

- 137,000 sq ft new urban warehouse acquired for £20.5 million and let for 15 years to LSE Group Holdings, the UK's largest pure online retailer of home lighting. It has a low site density and is well located in Irlam, Manchester, between the M60 and M6. Built to a BREEAM Very Good standard;
- 122,000 sq ft new urban warehouse acquired for £18.1 million and let for 15 years to ERIKS, with whom LondonMetric has a strong existing relationship. It is well located in Oldbury close to J2 of the M5. Built to a BREEAM Very Good standard;
- 73,000 sq ft of warehousing acquired for £10.4 million and let mainly to IKEA for 6 years in Warrington;

- 66,000 sq ft warehouse acquired for £23.9 million and let to TalkTalk for 26 years in Milton Keynes, near the city centre;
- 46,000 sq ft new warehouse acquired for £5.5 million and let to Heartbeat Manufacturing for 16 years in Redditch; built to BREEAM Very Good standard;
- 42,000 sq ft warehouse acquired for £7.3 million and let to Speedy Hire for 10 years in Milton Keynes;
- 37,000 sq ft of vacant warehousing acquired for £13.5 million in Streatham and Brent Cross, London, with c.75% pre-let for 20 years to Jacuna Kitchens, a dark kitchens operator;
- 32,000 sq ft warehouse acquired for £10.9 million and let at a rent of £13.40 psf to Ocado for 8 years in Walthamstow;
- 20,000 sq ft warehouse acquired for £7.7 million and let to Ford for 15 years in Alperton, London near Park Royal;
- 14,000 sq ft highly reversionary warehouse acquired for £3.2 million and let to Royal Mail in Epsom for 5 years; and
- 7,000 sq ft highly reversionary warehouse acquired for £2.5 million and let for 15 years in Colliers Wood, London.

Post year end £53.1 million of urban logistics was acquired, including:

- 115,000 sq ft for £43.8 million, let to Reynolds for 23 years in Waltham Cross;
- 28,000 sq ft for £5.3 million, let to HTC Group for four years in Croydon; and
- 19,000 sq ft for £3.0 million, let to Deralam Laminates for four years in Dunstable.

Disposals
£67m of urban logistics was disposed across nine shorter let assets with a WAULT of 8 years:

- 500,000 sq ft portfolio disposal of six distribution warehouses sold for £57.3 million in various locations including Worcester, Leamington Spa, Royston, and Huyton. The assets are let to Hamleys, CEVA, ITAB, Transmec and Grupo Antolin (an automotive supplier to JLR), and have a WAULT to first break of 7.5 years;
- 25,000 sq ft warehouse sold for £3.4 million in Edinburgh with three years left to break;
- 21,000 sq ft warehouse sold for £3.5 million let to Fenton Packaging in Hemel Hempstead with a WAULT of less than a year, and
- 12,000 sq ft warehouse sold for £2.4 million in Birmingham with a WAULT of less than a year.

Distribution asset management activity

Distribution lettings and regears
Distribution lettings and regears in the year were signed on 1.1 million sq ft. These deals added £4.2 million per annum of income, with a WAULT of 9.8 years and incentives equivalent to four months' rent free.

New lettings were signed on 0.5 million sq ft adding £4.0 million per annum of rent with a WAULT of 9.6 years. All deals apart from one were on urban warehouses and included:

- 141,000 sq ft to Pets at Home at our previously vacant regional warehouse in Stoke;
- 120,000 sq ft to Amazon at our Tyseley development where they have signed a 15 year pre-let;
- 38,000 sq ft to Network Rail at Star Gate in Birmingham;
- 34,000 sq ft to online pharmacy Echo at a recently refurbished property in Greenford;
- 30,000 sq ft to National Grid at Nexus Point in Birmingham, where we have relet a vacant and recently refurbished warehouse on a ten year lease; and
- 16,000 sq ft to Nicoman at our completed development at Tyseley.

Regears were signed across 0.6 million sq ft generating additional income of £0.2 million per annum and increasing the WAULT from six years to ten years. These regears included:

- 78,000 sq ft in Thorne;
- 70,000 sq ft in Barton;
- 51,000 sq ft in Ashby-de-la Zouch;
- 49,000 sq ft at Star Gate in Birmingham;
- 48,000 sq ft in Fareham, where we also settled a rent review;
- 41,000 sq ft in Milton Keynes; and

- 35,000 sq ft in Wednesbury.

Distribution rent reviews
Distribution rent reviews in the year were settled across 3.0 million sq ft, adding £1.2 million per annum of income at 12% above previous passing rent*. These consisted of:

- 23 urban reviews settled at 15% above passing rent*, with open market reviews achieving 17% uplifts on average;
- Three regional reviews settled at 19% above passing rent*, with two open market reviews settled with DHL and Royal Mail achieving 27% uplifts; and
- Two mega reviews, both contractual uplifts, settled at 8% above passing rent*.

Unsurprisingly, open market rent review increases in urban logistics were strongest in London and the South East at an average uplift of 28% and as high as 39%.

* on a five yearly equivalent basis

Long income review

Our long income assets offer long dated income with income growth aligned to grocery, roadside, trade and essential/discount shopping.

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

The value of our long income assets is £635 million, representing 24.5% of our portfolio. They are 100% let to strong occupiers with a WAULT of 14.2 years, average rents of £15.60 psf and a topped up NIY of 5.4%. Average asset size is c.£5 million with 63% of income subject to contractual rental uplifts.

Long Income portfolio breakdown

As at 31 March 2021	Grocery & Roadside	NNN Retail	Trade, DIY & Other	Leisure[2]
Value[1]	£285.4m	£175.7m	£122.0m	£52.1m
WAULT	16.5 years	9.8 years	14.1 years	20.8 years
Average Rent (psf)	£18.40	£20.70	£8.50	£17.10
Topped up NIY	4.7%	6.5%	5.0%	6.2%
Contractual uplifts	89%	29%	52%	100%
Total property return in 2021	**7.9%**	**10.0%**	**14.1%**	**-13.8%**

1 Including developments

2 Leisure consists of five out of town cinemas let to Odeon and one Premier Inn hotel

Grocery & Roadside

Grocery-led convenience forms c.70% of this segment with the remainder made up of convenience stores with attached petrol filling stations, drive through coffee outlets and automated car washes, all located in high density urban areas. We have been significant net acquirers in this segment.

Key occupiers	
Aldi	Euro Garages
BP	Lidl
Co-op	M&S
Costco	Waitrose

NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 49% 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	
B&M	Halfords
Currys PC World	Home Bargains
DFS	Pets at Home
Dunelm	The Range

Trade, DIY & Other

A significant proportion of this segment consists of assets that are trade/DIY focused. A recent addition to this sub-sector has been prominent roadside service centres concentrated around the South East, let at low rents to Kwik Fit, with high alternative use values.

Key occupiers	
Howdens	Safestore
Jewson	Selco

Kwik Fit	Topps Tiles
MKM	Wickes

Long Income investment activity

Acquisitions

£121.8 million of long income assets were purchased at a NIY of 4.9% and a reversionary yield of 5.3%. They were mainly grocery and roadside assets, had a WAULT of 18.3 years and mostly benefitted from contractual rental uplifts. They have strong residual value supported by alternative use, principally residential and, in some cases, the vacant possession value is above the purchase price.

Grocery acquisitions consisted of:

- £62.0 million sale and leaseback portfolio let to Waitrose in Keynsham, Malmesbury, Paddock Wood, Towcester and Yateley. The assets are also used for online fulfilment; and
- £5.9 million M&S Food Hall development in Derby.

Convenience service station acquisitions consisted of:

- £12.5 million portfolio of four Co-op assets in Basingstoke, Dagenham and South Wales;
- £10.8 million portfolio of BP/M&S assets in Brentwood, Pevensey and Lewes;
- £5.4 million sale and leaseback of two London assets let to TG Convenience;
- £5.0 million Co-op asset in Lymington;
- £4.0 million asset let to MFG in Worcester; and
- £2.0 million asset in Rushden let to Euro Garages with a drive through Starbucks.

Other acquisitions included:

- £9.6 million sale and leaseback portfolio of five London service centres let to Kwik Fit; and
- £4.6 million Wickes store in Wigston.

Disposals

£74.5 million was sold at a NIY of 5.6% and with a WAULT of 10.9 years, consisting of:

- An asset in Leicester predominantly let to B&Q, sold for £26.3 million;
- M&S food stores in Haslemere and Ferndown, sold for £14.7 million at a NIY of 4.0%;
- 13 Kwik Fit service centres, sold for £10.8 million at yields c.100bps better than paid at purchase;
- Two Wickes stores in Derby and Halesowen, sold for £9.9 million;
- A NNN retail asset in Llanelli, sold for £9.2 million (LondonMetric share: £4.6 million);
- An Aldi store in Hull, sold for £4.1 million;
- A Matalan unit in Leicester, sold for £3.4 million; and
- An IMO car wash, sold for £0.7 million.

The properties in Leicester, Halesowen and Hull, along with three of the Kwik Fits were sold as a £40.9 million portfolio to Realty Income. Combined, they delivered an ungeared IRR of 8% pa and were sold at a 7% premium to book value.

Post year end, £14.9 million of assets were acquired at a NIY of 6.0% and with a WAULT of 11 years. They consist of a Range store in Truro for £6.6 million, a portfolio of Halfords Autocentres for £5.8 million and a trade park in Bognor Regis for £2.5 million. We have also disposed of £12.2 million with a WAULT of 9 years, consisting of an M&S Foodhall in Derby and a NNN Retail asset in North Shields.

Long income asset management activity

In the year, we signed 11 deals with an overall WAULT of 21.1 years.

Ten of the deals were regears where leases were extended by five years to 21 years:

- On our five Odeon cinemas, in response to the pandemic, we agreed to extend leases by four years in return for a rent free period;

- On our NNN retail portfolio, we signed ten year lease extensions on three of our six DFS stores in exchange for a rebase of the rent. These assets were historically over rented and the new 19 year term certain significantly extends our security of income; and
- On two Co-op stores, we signed a nine year lease extension which lengthens the leases on those properties to 20 years.

We signed one new lease with Lidl for 25 years at our repositioned asset in Orpington.

Rent reviews were settled on 39 assets in the year generating an uplift of £0.3 million at 9% above previous passing on a five yearly equivalent basis. Nearly all of these reviews were RPI or fixed uplifts, mostly relating to our Grocery and Roadside assets.

Development review

In the year, we completed 445,000 sq ft of developments representing £3.2 million of additional rent per annum at a yield on cost of 5.9%. A further 470,000 sq ft is under development that is expected to generate £4.1 million of additional rent per annum, reflecting a yield on cost of 7.3%.

Completed in the year	**Area sq ft ’000**	**Income £m**	**Yield on cost %**
Croda, Goole (funding)	232	1.3	5.2
Bedford (Unit 2)[1]	172	1.3	7.3
Wallingford (funding)	22	0.3	5.0
Weymouth (Aldi)	19	0.3	5.7
Total	**445**	**3.2**	**5.9**
Under construction at year end			
Bedford (Unit 1)[1]	350	2.5	8.5
Tyseley (Phase 2)	120	1.6	6.0
Total	**470**	**4.1**	**7.3**

1 Anticipated yield on cost and rents

Croda funding
Completed development in the year of a 232,000 sq ft distribution warehouse pre-let to Croda for 20 years which was forward funded. The building is BREEAM Very Good.

Bedford - Unit 1
We are in discussions on a pre-let of the unit. The building is expected to complete in Q4 2021 and be BREEAM Excellent, with a 500kW solar PV scheme envisaged.

Bedford - Unit 2
Construction completed of a 172,000 sq ft distribution warehouse. We are under offer on a pre-let with an ecommerce packaging company on a long lease. The building is BREEAM Excellent, with a 250kW solar PV scheme envisaged.

Tyseley
Construction underway of a 120,000 sq ft distribution warehouse. The warehouse has been pre-let to Amazon on a new 15 year lease with inflation linked rent reviews. The building is expected to be BREEAM Excellent and a solar PV scheme is envisaged. Completion of the building is expected in summer 2021. The warehouse has a low site cover of 24% and forms part of a wider scheme which extends to over 250,000 sq ft.

Weymouth
A 19,000 sq ft convenience store let to Aldi completed in July 2020. The building is BREEAM Very Good and a 11kW solar PV system was installed. There is further development potential at the site of up to 70,000 sq ft.

Wallingford funding
We completed the forward funding development of a 22,000 sq ft trade counter in Wallingford let to MKM and Howdens with a WAULT of 18 years. The building is BREEAM Good.

Other smaller redevelopment opportunities
Many of our long income assets are well located in suburban locations with strong alternative use, such as residential, and have the potential to be repurposed over time. We continually look to upgrade existing long income assets and exploit potential opportunities.

Near term developments include reconfiguration of:

- A 51,000 sq ft long income NNN retail asset in New Malden, London, which is predominantly let to Dixons and where planning has been received to accommodate an additional convenience food store;
- A 48,000 sq ft asset in Orpington, London, previously let to Carpetright, where we have agreed a new 25 year lease with Lidl to accommodate them alongside a smaller Carpetright unit. Planning has been received and works have commenced; and
- A 32,000 sq ft long income trade asset in Ashford, Surrey, where we are securing vacant possession and where planning is in progress to accommodate an additional store let to Lidl on a 25 year lease.

ESG

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

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

- Extended ESG related personal objectives for all employees;
- Established a Net Zero Carbon framework; and
- Put in place £450 million of debt facilities with a green financing framework that specifically targets building improvements.

Over the year, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey. Our score of 65% continues to compare favourably against the peer score of 61% and is significantly up from the 34% achieved in 2014.

We also maintained our:

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

Our Net Zero Carbon ('NZC') framework
We set three specific NZC ambitions as part of our longer term target of becoming NZC well before the UK's target date of 2050. These ambitions will be refined regularly to meet latest industry guidance:

1. Our operations will be net zero by 2023
Operationally, we continue to make good progress and have achieved an 88% reduction in our absolute landlord energy consumption since 2015 with significant like for like energy reductions also achieved.

We will continue to implement further reductions where possible and ensure that our energy supplies are all from renewable sources, aligned to industry procurement best practice. Furthermore, by 2023, we have committed to offset residual carbon to ensure our operations are NZC.

2. We will continue to reduce emissions from development activity and new developments will be NZC by 2030
Our development activity continues to focus on building highly efficient buildings. All of our large completed developments in the year were certified as BREEAM Very Good or Excellent and our major developments on site at Bedford Link and Tyseley are also expected to be BREEAM Excellent.

As part of our efforts to reduce carbon on developments, we are measuring embodied carbon and challenging our supply chains to minimise waste and select low carbon materials.

At Bedford Link, we have reduced embodied carbon over the different phases of development. We have looked to learn from the build out of phase one and this learning is expected to generate a c.25% reduction in embodied carbon from on site carbon reduction measures and amendments to material specification. 750 kW of solar PV capacity is envisaged under tenant incentive arrangements.

From 2022, we will introduce shadow carbon pricing on select flagship developments such that carbon is either offset or an equivalent value is reinvested into green initiatives.

3. We will assist occupiers to help them meet their NZC targets and, from 2035, we will offset any of their residual carbon
As part of our drive to upgrade the quality of our assets, we continue to explore and progress energy efficiency initiatives including solar PV, LED lighting upgrades, roof works and electric vehicle charging.

In our recent occupier survey, 73% of occupiers have now upgraded LED lighting installed. This level is higher than our own data suggested and reflects the quick payback achievable from LEDs, where in some cases energy consumption has been reduced by up to 40%.

Our activity in the year has increased the proportion of assets built to a BREEAM Very Good or Excellent standard from 20% to 26%. We have also increased the proportion of our assets with an EPC 'A – C' rating from 71% to 74%. Furthermore, 1.5 MW of solar PV was added with further solar opportunities identified.

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings we own. An important part of this focus is measuring emissions from all occupiers and, in the year, we increased occupier energy data coverage to over 40%.

From 2035, we will aim to offset any occupier residual carbon at our buildings.

Financial review

The Covid-19 pandemic has dominated every aspect of our business and personal lives this past year. Our employees, tenants and other stakeholders have all faced unprecedented challenges with enforced lockdown restrictions impacting the way we live and work. Despite this backdrop, we are reporting another very strong set of results reflecting both earnings and NAV progression, which is testament to our resilient portfolio, considered investment decisions and proactive asset management actions. We were delighted with the support of investors, as both our £120 million equity placing and £380 million private placement were significantly oversubscribed. Our banking relationships have helped us agree new debt facilities and refinance existing short dated unsecured loans.

EPRA earnings per share increased by 2.8% to 9.52p, driven by a 6.4% increase in net rental income and a 13.8% reduction in net finance costs. Earnings growth includes a full year's contribution from the A&J Mucklow Group, which we acquired in June 2019.

Rent collection has been a key priority and our collection rates have been exceptionally good, with 98.1% of rent due in the year collected. We have continued to pay a dividend throughout the pandemic and to grow the total dividend. Our dividend for the year of 8.65p is 1.1 times covered by EPRA earnings and represents a 4.2% increase over last year.

IFRS reported profit is £257.3 million compared to a loss of £5.7 million last year and is predicated on a very strong portfolio performance and revaluation uplift of £173.7 million. The reported loss last year included one-off costs relating to the Mucklow acquisition of £57.2 million and a revaluation loss of £12.0 million. IFRS net assets have increased by 20.9% to £1,731.3 million. Our portfolio continues to be well positioned to weather any ongoing disruption, with 95.3% of our assets in the structurally supported logistics and long income sectors.

EPRA has introduced new reporting metrics for net asset value this year and we have adopted EPRA net tangible assets ('NTA') as our primary measure and key performance indicator to replace EPRA net asset value. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly. EPRA NTA per share increased 11.7% this year to 190.3p (2020: 170.3p per share).

Our financial position was strengthened by the £120 million equity placing in May 2020, which alongside asset disposals and the portfolio revaluation gain, has helped to reduce LTV to 32.3% (2020: 35.9%). This level of gearing provides flexibility to take advantage of investment opportunities whilst maintaining significant headroom under banking covenants.

Post year end in April, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. The placement, which was upsized from an initial £150 million due to demand, has a blended maturity of 11.1 years, coupon of 2.27% and a £50 million tranche that is subject to a green use of proceeds framework. Also in April, we entered into two new revolving credit facilities with three and five year terms for £225 million and £175 million respectively, both of which incorporate a green framework.

Taken together with the placement, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity. Our debt maturity has lengthened from 4.2 years at the year end to 8.2 years and our hedging has increased from 45% at year end to 83%. Following the refinancing, we have substantial headroom of £338 million (2020: £220 million) and our average debt cost is low at 2.6% (2020: 2.9%).

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

EPRA has introduced three new measures of net asset value as disclosed in note 8 to the financial statements. EPRA NTA is considered to be the most relevant measure for the Group and replaces EPRA NAV as the primary measure of net asset value. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

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

Income statement

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

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**2021 £m**	100% owned £m	JV £m	NCI £m	2020 £m
Gross rental income	121.3	5.3	(1.5)	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	(1.6)	(0.2)	–	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	119.7	5.1	(1.5)	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	0.9	(0.4)	–	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	(15.8)	–	–	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs	(21.5)	(1.2)	0.2	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other	(0.1)	–	0.2	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

Net rental income

Growing our earnings and delivering dividend progression for our shareholders continues to be a strategic priority. Supporting this is the growth in underlying net rental income which increased 6.4% to £123.3 million this year, largely due to the Mucklow portfolio contributing fully and delivering gross rental income of £26.2 million compared with £20.5 million for nine months last year. Other movements in net rental income are reflected in the table below.

	£m	**£m**
Net rental income 2020		115.9
Additional rent from existing properties[1]		1.4
Additional rent from developments[1]		1.9
Additional rent from acquisitions[1]	13.4	
Rent lost through disposals[1]	(8.1)	
Additional rent from net acquisitions		5.3
Increase in rent provision[2]		(0.8)
Increase in property costs		(0.4)
Net rental income 2021		**123.3**

1 Properties held, developments completed and acquisitions and disposals since 1 April 2019

2 Represents increases in provisions against Group trade debtors of £0.5 million (as reflected in note 11 to the financial statements) and against MIPP JV rent debtors of £0.3 million

Additional income from lettings, rent reviews and regears of existing properties and developments generated additional rent of £3.3 million this year, which included £1.2 million additional surrender premium receipts. Income from net acquisitions of £5.3 million included the additional Mucklow contribution of £5.7 million and the impact of other net disposals which reduced income by £0.4 million compared to the previous year.

Property costs have increased by £0.4 million reflecting additional transactional charges for rent reviews and lettings compared to last year. However, our property cost leakage remains low at 1.4% (2020: 1.2%).

Rent collection

Quarter commencing	March 2020 %	June 2020 %	September 2020 %	December 2020 %	**Total for 2021 %**	March 2021 %
Rent received	94.0	99.3	99.3	99.6	**98.1**	99.0
Asset management initiatives	4.7	–	–	–	**1.1**	–
Rent forgiven (rent free)	0.9	0.4	0.3	–	**0.4**	–
Outstanding arrears	0.4	0.3	0.4	0.4	**0.4**	1.0
Total	100.0	100.0	100.0	100.0	**100.0**	100.0

Rent collection levels across the real estate sector have been significantly impacted by the Covid-19 pandemic. Our collection rates have been exceptionally strong and reflect the tireless efforts of our dedicated team who have worked closely with customers to proactively support those who have been most affected by lockdown restrictions implemented in the year.

We have agreed deferred payment plans and initiatives on a case by case basis, which offer short term rental concessions in exchange for value enhancing asset management initiatives and have permitted monthly rental payments for some tenants.

The table above shows our rent collection statistics by quarter. In respect of the full year to March 2021, we have collected 98.1% of rents due and just 0.8% remains unpaid or has been forgiven, some of which relates to a property where we are securing vacant possession for a new letting to Lidl. The remaining 1.1% has been subject to asset management initiatives. Of the total rent demanded in the year, £1.5 million is subject to deferred payment arrangements, all of which are being honoured.

However, we have assessed the recoverability of our year end trade debtor and lease incentive balances in accordance with IFRS 9 and have increased our rent provision by £0.8 million to £1.4 million. This reflects a Group provision against trade debtors at 31 March 2021 of £0.9 million, comprising an allowance for specific trade debtors of £0.1 million and an expected credit loss charge of £0.8 million, and also a provision of £0.5 million against joint venture debtors. This level of provisioning takes into account the ongoing disruption and challenges our tenants face as lockdown restrictions ease and the continued uncertainty caused by the global pandemic anticipated over the next 12 months.

Administrative costs

Administrative costs have reduced marginally by £0.1 million to £15.8 million this year and are stated after capitalising staff costs of £2.2 million (2020: £2.1 million) in respect of time spent on development projects.

EPRA cost ratio

We continue to use the EPRA cost ratio to measure our effective management of operational costs. Having fallen 60 bps over the year to 13.6%, it remains one of the lowest in our sector.

	2021 %	2020 %
EPRA cost ratio including direct vacancy costs	**13.6**	14.2
EPRA cost ratio excluding direct vacancy costs	**13.0**	13.3

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

Net finance costs, excluding the costs associated with repaying debt and terminating hedging arrangements on sales and refinancing in the year were £22.5 million, a decrease of £3.6 million over last year. This reflected lower interest charges as the average interest rate payable over the year was lower than in the previous year, due primarily to the cancellation in April 2020 of £350 million interest rate swaps that hedged our unsecured facilities at a cost of £4.9 million. This reduced the proportion of our drawn debt hedged and our average cost of debt, which at the year end were 45% (2020: 77%) and 2.5% (2020: 2.9%) respectively. Further detail is provided in notes 5 and 10 to the financial statements.

Share of joint ventures

EPRA earnings from joint venture investments were £3.5 million, a decrease of £0.5 million over the comparative period as reflected in the table below.

For the year to 31 March	**2021 £m**	2020 £m
Metric Income Plus Partnership (MIPP)	**3.6**	4.0
LMP Retail Warehouse JV (DFS)	**–**	0.1
LSP London Residential Investments (Moore House)	**(0.1)**	(0.1)
EPRA earnings	**3.5**	4.0

As reported last year, our interest in DFS is now consolidated in the Group accounts and our partner's 18% share reflected as a non-controlling interest.

Income from our MIPP joint venture fell by £0.4 million due to an increase in the rent provision for one property where we are securing vacant possession for a new letting to Lidl, and the development of a property in Orpington, where we have agreed a new 25 year lease with Lidl alongside a smaller Carpetright unit.

The Group received net management fees of £0.5 million for acting as property advisor to each of its joint ventures, which have fallen by £0.1 million as a result of movements in property valuations and sales.

IFRS reported profit/(loss)

For the year to 31 March	100% owned £m	JV £m	NCI £m	2021 £m	100% owned £m	JV £m	NCI £m	2020 £m
EPRA earnings	83.2	3.5	(1.1)	**85.6**	71.3	4.0	(0.8)	74.5
Revaluation of property	169.9	3.4	0.4	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Fair value of derivatives	4.7	0.1	–	**4.8**	(3.2)	(0.4)	–	(3.6)
Profit/(loss) on disposal	0.8	(0.1)	–	**0.7**	(4.9)	(2.3)	–	(7.2)
Debt/hedging break costs	(7.5)	–	–	**(7.5)**	(0.2)	–	–	(0.2)
IFRS reported profit before exceptional costs	251.1	6.9	(0.7)	**257.3**	59.2	(8.9)	1.2	51.5
Impairment of goodwill	–	–	–	**–**	(48.3)	–	–	(48.3)
Acquisition costs	–	–	–	**–**	(8.9)	–	–	(8.9)
IFRS reported profit/(loss)	**251.1**	**6.9**	**(0.7)**	**257.3**	2.0	(8.9)	1.2	(5.7)

A full reconciliation between EPRA earnings and IFRS reported profit is provided in the table above and also in note 8(a) to the financial statements.

The Group's reported profit for the year was £257.3 million compared with £51.5 million in the previous year before exceptional goodwill and acquisition costs. The £205.8 million increase was primarily due to the property revaluation being £185.7 million higher, profit on disposals being £7.9 million higher and increased EPRA earnings of £11.1 million.

Property sales in the year generated a £0.7 million profit over book value compared with a loss of £7.2 million last year. The total profit over original cost was £29.3 million, representing a return of 16.4%. Disposals are discussed in detail in the Property review.

The favourable movement in the fair value of derivatives of £4.8 million is offset by the swap break cost of £4.9 million and prepaid finance costs written off of £2.6 million, resulting in a charge of £2.7 million in the year compared to a total charge of £3.8 million last year.

Taxation

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

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

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained. The Group paid the required PID for the year to 31 March 2020 ahead of the deadline of 31 March 2021 and has already paid a large part of its expected PID for the year to 31 March 2021. The balance is expected to be paid in July 2021 as part of the fourth quarterly dividend. In accordance with REIT regulations, £6.7 million was withheld from distributions and paid directly to HMRC in the year.

Our tax strategy was updated and approved by the Board in the year and can be found on our website at www.londonmetric.com.

Dividend

The Company has continued to declare quarterly dividends and has offered shareholders a scrip alternative to cash payments.

In the year to 31 March 2021, the Company paid the third and fourth quarterly dividends for 2020 and the first two quarterly dividends for 2021 at a total cost of £75.6 million or 8.5p per share as reflected in note 7 to the financial statements.

The Company issued 1.5 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £3.2 million to £72.4 million. The first two quarterly payments for the current year of 2.1p per share were paid as Property Income Distributions ('PIDs') in the year. The third quarterly dividend was paid as a PID in April 2021 and the Company has approved a fourth quarterly payment of 2.35p in July 2021, of which 2.25p will be a PID. The total dividend payable for 2021 of 8.65p represents a 0.35p or 4.2% increase over the previous year.

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

- Its REIT obligations to distribute 90% of property rental business profits;

- Its desire to pay a sustainable, covered and progressive return to shareholders;
- Its EPRA earnings for 2021; and
- The outlook for 2022.

At the year end the Company had distributable reserves of £1,006.7 million, providing substantial cover for the dividend payable for the year. When required and at least six monthly, the Company receives dividends from its subsidiaries which increase distributable reserves.

Balance sheet

As at 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**2021 £m**	100% owned £m	JV £m	NCI £m	2020 £m
Investment property	2,504.6	94.4	(11.4)	**2,587.6**	2,273.6	92.4	(14.9)	2,351.1
Trading property	1.1	–	–	**1.1**	1.1	–	–	1.1
	2,505.7	94.4	(11.4)	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2
Gross debt	(839.5)	(37.5)	–	**(877.0)**	(932.7)	(42.1)	–	(974.8)
Cash	51.4	3.4	(0.2)	**54.6**	81.8	5.1	(0.8)	86.1
Other net liabilities	(39.1)	(0.5)	5.2	**(34.4)**	(34.3)	(0.6)	8.6	(26.3)
EPRA NTA	**1,678.5**	**59.8**	**(6.4)**	**1,731.9**	1,389.5	54.8	(7.1)	1,437.2
Derivatives	–	(0.6)	–	**(0.6)**	(4.7)	(0.7)	–	(5.4)
IFRS net assets	**1,678.5**	**59.2**	**(6.4)**	**1,731.3**	1,384.8	54.1	(7.1)	1,431.8

EPRA net tangible assets ('NTA') replaces EPRA net assets this year as a key performance indicator that reflects both income and capital returns. It excludes the fair valuation of derivative instruments that are reported in IFRS net assets. A reconciliation between IFRS and EPRA NTA is detailed in the table above and in note 8(c) to the financial statements. EPRA NTA per share is on a fully diluted basis and prior year comparatives have been presented for the new measure accordingly.

IFRS reported net assets have increased 20.9% in the year to £1,731.3 million, largely as a result of the revaluation gain of £173.7 million and equity raise proceeds of £116.6 million.

Both IFRS NAV per share and EPRA NTA per share have increased by 11.9% and 11.7% in the year to 191.3p and 190.3p per share respectively. The movement in EPRA NTA and EPRA NTA per share is reflected in the table below.

	EPRA NTA £m	**EPRA NTA per share p**
EPRA NTA at 1 April 2020	1,437.2	170.3
EPRA earnings	85.6	9.5
Dividends[2]	(75.6)	(8.4)
Property revaluation	173.7	19.3
Equity raise	116.6	–
Other movements[1]	(5.6)	(0.4)
At 31 March 2021	**1,731.9**	**190.3**

1 Other movements include debt break costs (£7.5 million) and share based awards (£2.0 million), offset by scrip share issue savings (£3.2 million) and profit on sales (£0.7 million)

2 Dividend per share is based on the weighted average number of shares in the year. The actual dividend paid in the year was 8.5p as reflected in note 7 to the financial statements

The increase in EPRA NTA per share was principally due to the property revaluation gain of 19.3p per share, as EPRA earnings per share covered the dividend paid in the year. The movement in EPRA NTA per share, together with the dividend paid in the period, results in a total accounting return of 28.5p per share or 16.7%.

Total accounting return is a key performance indicator and component of the variable element of Directors' remuneration arrangements. The strong growth this year is significantly ahead of last year and over a three year period places us in the top quartile of the FTSE 350 Real Estate Super Sector. The full calculation can be found in supplementary note viii.

Equity raise

In May 2020, we successfully raised gross proceeds of £120 million through an equity placing that was substantially oversubscribed. A total of 66.7 million new ordinary shares were issued at a price of 180.0p per share, representing a discount of 1.5% to the previous day's closing share price. The net proceeds after issue costs of £116.6 million were used to acquire income producing assets as set out in the Property review.

Group cash flow

During the year, the Group's cash balances decreased by £30.4 million as reflected in the table below.

For the year to 31 March	**2021 £m**	2020 £m
Net cash from operating activities	**99.6**	63.2
Net cash used in investing activities	**(46.4)**	(193.7)
Net cash (used in)/from financing activities	**(83.6)**	191.7
Net (decrease)/increase in cash and cash equivalents	**(30.4)**	61.2

The net cash inflow from operating activities of £99.6 million reflects an increase of £20.8 million compared to last year, after adjusting for exceptional acquisition costs paid last year of £15.6 million. This was primarily due to changes in working capital of £18.6 million.

The Group spent £229.0 million acquiring property in the year and received net cash proceeds of £210.2 million from property disposals and joint ventures. Capital expenditure on asset management and development activities cost the Group £27.7 million and interest received was £0.1 million.

Cash outflows from financing activities reflect net loan repayments of £93.0 million, dividend and distribution payments of £73.8 million, financing costs of £27.6 million and share purchases and awards of £5.8 million, offset by the net proceeds from the equity raise of £116.6 million. Further detail is provided in the Group cash flow statement.

Portfolio valuation

Our property portfolio including share of joint ventures grew by £237.1 million or 10.1% in the year to £2.58 billion as reflected in the table below. The Group invested £212.4 million in the year in our preferred sectors, acquiring £94.6 million distribution and £117.8 million long income assets.

Portfolio movement in the year

	100% owned £m	**JV £m**	**NCI £m**	**2021 £m**	2020 £m
Opening valuation	2,269.0	92.4	(14.9)	**2,346.5**	1,846.2
Acquisitions[1]	212.4	–	–	**212.4**	577.1
Developments[2]	37.9	–	–	**37.9**	43.1
Capital expenditure[3]	4.9	0.3	(0.1)	**5.1**	10.3
Disposals	(200.8)	(1.8)	3.3	**(199.3)**	(128.2)
Revaluation	169.9	3.4	0.4	**173.7**	(12.0)
Lease incentives[4]	7.3	0.1	(0.1)	**7.3**	10.0
Property portfolio value	2,500.6	94.4	(11.4)	**2,583.6**	2,346.5
Head lease and ROU assets	5.1	–	–	**5.1**	5.7
Closing valuation	**2,505.7**	**94.4**	**(11.4)**	**2,588.7**	2,352.2

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

2 Group developments include acquisitions and capital expenditure on properties under development as reflected in note 9 to the financial statements

3 Capital expenditure on completed properties

4 Comprises incentives and rent frees of £13.4 million (2020: £15.4 million) less amounts written off on disposal of £6.1 million (2020: £5.4 million)

We completed 35 commercial property disposals and four residential flat sales generating net proceeds of £206.1 million at share and reducing the book value of property by £205.4 million (including the cost of lease incentives written off of £6.1 million). During the year, we also exchanged to sell four assets for £15.2 million and to acquire three assets for £35.7 million, all of which will be accounted for on completion next year. Further information is provided in the Property review.

Property values have increased by £173.7 million in the year, driven by both management actions and through capturing rental reversion, representing 43% and 57% of the uplift respectively. The portfolio has delivered a strong total property return of 13.4%, significantly outperforming the IPD All Property Index of 1.2%, with distribution assets delivering the largest increase of 18.3%. A breakdown of the property portfolio by sector is reflected in the table below.

Property portfolio by sector

As at 31 March	**2021 £m**	**2021 %**	2020 £m	2020 %
Distribution	**1,777.3**	**68.8**	1,593.7	67.9
Long income	**629.4**	**24.3**	552.5	23.5
Retail Parks	**73.9**	**2.9**	83.3	3.6
Offices	**41.1**	**1.6**	55.1	2.4
Investment portfolio	**2,521.7**	**97.6**	2,284.6	97.4
Development[1]	**59.8**	**2.3**	57.0	2.4
Residential	**2.1**	**0.1**	4.9	0.2
Property portfolio value	**2,583.6**	**100.0**	2,346.5	100.0
Head lease and right of use assets	**5.1**		5.7	
	2,588.7		2,352.2	

1 Represents urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%) at 31 March 2021. Split of prior year comparatives was regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office and other land £2.2 million.

Investment in our preferred sectors of distribution and long income has increased to 95.3%, from 93.8% in March 2020. Our development exposure remains modest at 2.3% of the portfolio and includes the last remaining 350,000 sq ft unit at Bedford and our 120,000 sq ft Tyseley development site acquired as part of the Mucklow portfolio.

Our forward funded pre-let developments in Goole and Wallingford, our convenience store in Weymouth pre-let to Aldi and one of our distribution units in Bedford completed in the year and have been transferred to investment properties.

The Group had capital commitments of £93.3 million as reported in note 9 to the financial statements, relating primarily to remaining expenditure at Bedford and Tyseley. Further detail on property acquisitions, sales, asset management and development can be found in the Property review.

Financing

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

As at 31 March	**Proforma post refinancing £m**	**2021 £m**	**2020 £m**
Gross debt	**877.0**	**877.0**	974.8
Cash	**54.6**	**54.6**	86.1
Net debt	**822.4**	**822.4**	888.7
Loan to value[1]	**32.3%**	**32.3%**	35.9%
Cost of debt[2]	**2.6%**	**2.5%**	2.9%
Undrawn facilities	**283.0**	**170.5**	133.8
Average debt maturity	**8.2 years**	**4.2 years**	4.7 years
Hedging[3]	**83%**	**45%**	77%

1 LTV at 31 March 2021 includes the impact of sales and acquisitions that exchanged in the year of £15.2 million and £35.7 million respectively (2020: sales of £64.4 million), and excludes the fair value debt adjustment of £2.5 million (2020: £2.7 million)

2 Cost of debt is based on gross debt and includes amortised costs but excludes commitment fees

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

Net debt has decreased by £66.3 million in the year, as proceeds from disposals and the equity raise exceeded property acquisitions in the year. Loan to value has fallen to 32.3% (2020: 35.9%) and our average debt cost at the year end remained low at 2.5% (2020: 2.9%).

Post year end, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. The placement, which was upsized from an initial £150 million due to demand, has a blended maturity of 11.1 years, coupon of 2.27% and a £50 million tranche that is subject to a green use of proceeds framework.

The additional funds raised will be used to repay our £130 million secured facility with Helaba, extending the maturity by eight years on an unsecured basis and at a lower all in cost of debt. Alongside this, we entered into two new revolving credit facilities for £400 million, which also incorporates a green framework.

Taken together with the placement, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity. These new facilities demonstrate the strength of our banking relationships and have lengthened our debt maturity from 4.2 years at the year end to 8.2 years and increased our hedging from 45% to 83%. Following this refinancing, we have substantial headroom of £338 million (2020: £220 million), providing operational optionality and flexibility and ample cover for our contracted capital commitments of £93.3 million, and our average debt cost remains low at 2.6%. The new facilities have the same financial covenants as existing unsecured and private placement loans.

As at the date of this report, we have total debt facilities of £1.2 billion, including 35% or £0.4 billion unsecured revolving credit facilities, providing operational flexibility at low average costs.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facilities and private placement loan notes together account for 92% of our total debt facilities as at the date of this report and following the refinancing, and contain gearing and interest cover financial covenants. At 31 March 2021, the Group's gearing ratio as defined within these funding arrangements was 46% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 5.5 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 43% and rents by 65% before banking covenants are breached.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging and fixed rate arrangements. However, in April this year we took advantage of the low interest environment and cancelled £350 million interest rate swaps that hedged our unsecured facilities and were due to expire in 2022. This reduced the proportion of our drawn debt hedged to 45% at the year end, mainly through our fixed coupon private placement and Scottish Widows' debt and has contributed to interest cost savings in the year and a lower average cost of debt of 2.5% at the year end. Following the refinancing post year end, the proportion of debt hedged by fixed coupon private placement facilities and existing fixed rate debt has increased to 83%. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

Risk management

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

The Board's risk management responsibility

The Board has overall responsibility for establishing and maintaining a risk management framework critical to its decision making process and key to the long term success of the business. This framework gives the Board confidence that risks inherent in running the business are successfully being identified and mitigated to the extent possible to safeguard stakeholders' interests and achievement of the Company's strategic goals. The Board has a low risk appetite in respect of these objectives but acknowledges that no system can entirely eliminate risk.

The Board considers risk in all the decisions it makes and uses a high-level dashboard at each of its meetings to monitor material issues and new and emerging risks. The Board also receives an informative market overview from the Chief Executive at its meetings, which highlights overarching or longer term themes and evolving trends within the sector, wider economy and the risk environment that provide context for responsive strategic decision making.

The Audit Committee's oversight role

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

At its March 2021 meeting, the Committee scrutinised the risk register, which had recently been comprehensively updated, and an internal controls evaluation report from the Finance Director.

The Committee also received updated reports and presentations on the ESG agenda, corporate governance, cyber security and tenant covenant monitoring at that meeting. Based on its review and assessment, the Audit Committee is satisfied that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings were reported to the Board.

The Senior Leadership Team, identifies, implements and monitors

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

Our risk register

The risk register is reviewed and updated at least annually by the Company Secretary assisted by members of the Senior Leadership Team. Within the risk register, specific risks are identified and their probability rated by management as having either a high, medium or low impact. A greater weighting is applied the higher the significance and probability of a risk. These weightings are then mathematically combined to produce an overall gross risk rating which is colour coded using a traffic light system. Risk specific safeguards are identified, detailed in the register and rated as strong, medium or weak. The stronger the safeguard, the greater the weighting applied. The gross risk rating and strength of the safeguards against that risk are then combined to produce a resultant overall net risk. Consideration is given to the implementation of further action to reduce risk where necessary. Finally, every risk is allocated an owner and details of how the safeguards are evidenced are noted. Owners and timelines are included for any action points arising out of the register's review.

Principal risks

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

Identifying emerging risk

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

From a property perspective, strong occupier relationships inform management and help us to understand our tenant needs and contentment and gain insights into their businesses. These relationships are one of the key tools used to assist us, not only in sourcing potential off market opportunities but also in identifying emerging risks and trends which has been particularly useful throughout the Covid-19 pandemic when many businesses have undergone some form of restructuring.

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

No new or emerging principal risks have been identified this year, but the pandemic has heightened the likelihood of some risks occurring.

Changes in risk factors

Covid-19

Last year we introduced Covid-19 as a new and emerging principal risk. We recognised that the disruption and risk of a prolonged and severe economic downturn would present unprecedented challenges to the business and its stakeholders, but also potentially opportunities. As identified then, Covid-19 has accelerated a number of structural changes that are having a profound and permanent impact on real estate. Combined with a continuation of a lower for longer interest rate environment, negligible bond rates and suppressed corporate dividends, it has intensified demand for the right real estate that can deliver reliable, repetitive and growing income and endorses our strategy to position the portfolio on the right side of these structural trends. As reported in the Chief Executive's review, logistics and long income, which comprise 95% of our portfolio, have been clear beneficiaries of the pandemic as businesses have sought to future proof their operations in response to the rise of ecommerce and respond to changes in the way we live and shop. Furthermore, sustained logistics demand is expected from Brexit uncertainties as 'just in time' strategies are replaced with 'just in case' as companies adapt to how the UK operates under its new arrangements with the EU and other trading partners raising new border related issues, which are increasing the need for more localised inventory.

We expect a period of prolonged uncertainty and continuing disruption as a result of Covid-19, notwithstanding the efficacy of the vaccine roll out. With strong performing assets, closely aligned to the structural tailwinds, we remain well placed, though not immune, to weather this disruption and navigate these uncertain times and believe our risk has reduced since this time last year. We continue to focus on improving the quality of our portfolio, keeping our people safe, working closely with occupiers, suppliers and other stakeholders, maintaining a strong financial position and helping local communities.

This year we have incorporated the risk posed by Covid-19 within other principal risk categories where they are inextricably interlinked.

Investment opportunities

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

Responsible Business practices and climate change

Stakeholder focus on responsible business practices has continued to increase with particular attention on climate change and the Net Zero Carbon agenda from an environmental perspective. If we fail to keep pace, this could have a profound negative impact on our earnings, asset and share liquidity. More information can be found on our Responsible Business objectives, initiatives undertaken and progress against targets in our Responsible Business and ESG review.

Financial position

In May last year we successfully raised gross proceeds of £120 million through a substantially oversubscribed equity placing in order to take advantage of high quality investment opportunities we were seeing early on in the pandemic. Just before the year end we then priced a £380 million debt placement with a number of institutional investors in North America and the UK. This placement was upsized due to exceptional demand and has a blended maturity of 11.1 years and a blended coupon of 2.27%. The placement completed at the end of April. Alongside this, we refinanced existing revolving credit facilities with a three year syndicated facility of £225 million and a five year facility of £175 million. Both facilities are unsecured, revolving and have two, one year extension options. More information on the equity placing, debt placement and the refinancing, which have improved our financial position, can be found in the Financial review.

Viability Statement

Based on the results of their assessment which is detailed below, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 March 2024.

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a period longer than the 12 months required by the ‘Going Concern’ provision. The Directors conducted this review taking account of the Group’s financial position, business strategy, principal risks and outlook.

Assessment of viability review period

The Board review and challenge the period over which to assess viability on an annual basis and have determined that the three year period to 31 March 2024 remains an appropriate period over which to assess the Group’s viability, as in previous years, for the following reasons:

- The Group’s financial business plan and detailed budgets cover a rolling three year period;
- It is a reasonable approximation of the typical time it takes from obtaining planning permission for a development project to practical completion of the property. The average length of the Group’s developments that completed in the year at Goole, Wallingford, Weymouth and Bedford was 14 months; and
- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

Although the Board’s review focused on the three year viability assessment period, it also considered a number of other factors when assessing the Group’s longer term assessment, including:

- The weighted average unexpired lease length of 11.4 years;
- The weighted average debt maturity after completion of the refinancing in April 2021 of 8.2 years; and
- The longer term investment horizon and nature of the property cycle.

Assessment of prospects

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

The Senior Leadership Team provides regular strategic input to the financial forecasts covering investment, divestment and development plans and capital allocation. They also consider the impact to earnings and liquidity when assessing potential investment and development proposals.

Forecasts are reviewed against actual performance and reported quarterly to the Board. Short term cash flow forecasts and rent collection rates are closely monitored by the Senior Leadership Team on a weekly basis.

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

- Income certainty, with 57% of the Group’s rental income benefitting from contractual uplifts, and diversity, with 36% of rent due from our top ten occupiers;
- A proven track record of executing transactions, making good sector choices and growing income;
- Strong rent collection rates throughout the Covid-19 pandemic with 98% of rents due in the year collected;
- Strong relationships with debt providers, evidenced by the new £780 million debt arrangements; and
- Substantial liquidity with undrawn debt facilities and cash of £338 million after the refinancing.

Assessment of viability

The business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including:

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

In response to the pandemic, our scenario testing considered the longer term impact of the disruption caused to our occupiers, including potential rent defaults, increased vacancy costs and letting voids. Key assumptions included reducing rent and property values by 15%, removing uncommitted capital expenditure and increasing interest rates by 1%. Throughout the scenario testing, the Group had sufficient reserves to continue in operation and remain compliant with its banking covenants.

Reverse stress testing was also undertaken. Property values would need to fall by approximately 43% and rental income fall by 65% to breach the gearing and interest cover covenants under the Group's unsecured and private placement debt facilities, that together account for 92% of the Group's borrowing including its share of joint ventures as at the date of this report.

This scenario testing, when combined with the Group's strong financial position, rent collection evidence, and mitigation actions available including deferring non committed capital expenditure and selling assets, supports the Group's ability to weather unexpected and adverse economic and property market conditions including the Covid-19 pandemic over the longer term viability period.

Principal risks

Corporate risks

1. Strategy

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Strategic objectives may be: • Inappropriate for the current economic climate or market cycle • Not achieved due to Covid-19 or Brexit related disruption or poor implementation	• Suboptimal returns for shareholders • Missed opportunities • Ineffective threat management • Wrong balance of skills and resources for ongoing success	• Strategy and objectives are regularly reviewed by the Board to adapt to an ever-changing market and trends • Deep occupier relationships and experience within our sectors shape portfolio decisions • Commissioned research assists our strategic decision making • We have a UK based, predominantly logistics portfolio in a world leading ecommerce market • Regular and rigorous portfolio reviews take into consideration sector weightings, tenant and geographical concentrations, perceived threats and market changes, the balance of income to non income producing assets and asset management opportunities • The three year forecast is regularly flexed and reported • The Senior Leadership Team comprises departmental heads from all key business functions with diverse skills and experience • Our organisational structure is relatively flat making it easier to identify market changes and monitor operations • The Board and senior management team's strong economic alignment to shareholders ensures a strong conviction to make the right property and financial decisions	• Investor demand for distribution assets has increased, attracted by limited new supply and growing occupier demand fuelling rental growth • Investor demand for income has also intensified in a zero interest rate economy. Our long income assets have defensive and income growth characteristics • During the year we deployed £231 million across logistics, grocery and roadside and increased our urban logistic weighting where supply is restricted and rental growth strongest, to 38.5% and long-let grocery and roadside exposure with high quality counterparties to 11.0% • £159 million of disposals were predominantly of shorter let and poorer located logistics assets and non core office retail and residential assets. Receipts on the majority of sales were deferred to allow time to reinvest proceeds • Our dividend has increased and cover is strong at 1.1 times EPRA earnings • Our property cost leakage at 1.4% is low within the sector as assets are operationally light	The Board continues to view the Company's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is low.	**Decreased risk** We have focused investment and asset management activity on improving the quality of our 'all weather' portfolio which provides reliable, repetitive and growing income whilst providing strong intrinsic value and capital protection. We anticipate no significant change in this risk over the next 12 months.

2. Economic and political factors

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Market downturn or specific sector turbulence resulting from: • The severe adverse economic impact from Covid-19 • New trade arrangements with the EU and other economies following Brexit • Other economic and political factors	• Suboptimal returns for shareholders • Occupier demand and solvency may be impacted • Asset liquidity may reduce • Debt markets may be impacted	• We remain focused on what we can control within the business and the medium and long term drivers of returns • We commission economic and market research to better understand the potential impact of economic factors on our tenants and preferred asset classes • Our strong occupier relationships provide market intelligence and help us better understand our tenants needs and emerging trends • We regularly monitor tenant and contractor covenant strength • We limit development, particularly speculative development exposure and letting risk • We maintain a high WAULT reducing reletting risk • We have a low vacancy rate • Income granularity reduces the impact of single tenant risk • We have flexible funding arrangements with significant headroom in covenant levels	• Our fit for purpose distribution (70.8% portfolio weighting) has benefitted from accelerated demand as a result of Covid-19 and Brexit as businesses seek to future proof their operations in response to the rise of ecommerce and how the UK operates with its trading partners • The majority of our long income assets (24.5% portfolio weighting) are considered non discretionary, less susceptible to the migration of spend online and are benefitting from changes in how we live and shop. Most were open for trade prior to the last Covid-19 lockdown measures lifting with strong underlying trading performance as reflected in our high rent collection rates • 2% of our portfolio is exposed to out-of-town leisure and hotels in good geographies which trade strongly in more normal times. Adversely impacted by the severity of lockdowns, these have delivered a property return of -13.8% in the year	The Board monitors the impact of the pandemic and political and economic developments which are outside of its control. Focus remains on maintaining a robust 'all weather' portfolio, and keeping this risk to a minimum.	**Decreased risk** The majority of our assets are in structurally supported sectors and performing in line with or ahead of expectations. We remain alert to the few underperforming in the extreme conditions. We anticipate no significant change in this risk over the next 12 months.

3. Human resources

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
• There may be an inability to attract, motivate and retain high calibre employees • Covid-19 may be detrimental to the long term health of key individuals	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.	• Our staffing plan focuses on experience and expertise necessary to deliver strategy • Our organisational structure has clear responsibilities and reporting lines • Executive Directors and senior managers are incentivised in a similar manner. Both have significant	• An external Board evaluation was undertaken, its findings extremely positive • The Senior Leadership Team introduced last year promotes talent development below Board level • The appointment of Kitty Patmore to the Board and Audit	The Board believes it is vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change. Its appetite for this risk is low.	**No significant change** There was no significant change in perceived risk during the year. We anticipate no significant change in this risk over the next 12 months.

		unvested share awards in the Company. These incentivise long term performance and retention, providing stability in the management structure • Annual appraisals identify training requirements and assess performance • Specialist support is contracted where appropriate • Staff satisfaction surveys are undertaken and staff turnover levels are low • There is a phased Non Executive refreshment plan • Key man insurance is in place for the Chief Executive	Committee brings significant property and capital markets experience to enhance the existing skill set of the Board and supports succession planning for Non Executive Directors which remains high on the Board's agenda • Staff survey responses were highly positive with 100% of respondents proud and happy to be working for LondonMetric and confident in the decisions made by senior management • Our workforce engagement Non Executive Director hosted a call with a cross section of employees in the year to hear their views and concerns • No staff were furloughed and turnover is low at 6% on average since merger • 68% of employees participate in the LTIP		

4. Systems, processes and financial management

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Controls for safeguarding assets and supporting strategy may be weak.	• Compromised asset security • Suboptimal returns for shareholders • Decisions made on inaccurate information	• The Company has a strong controls culture • We have IT security systems in place with back up supported and tested by a specialist advisor • Our business continuity plan is regularly updated • Our property assets are safeguarded by appropriate insurance • We have safety and security arrangements in place on our developments, multi-let and vacant properties • Appropriate data capture procedures ensure the accuracy of the property database and	• Our IT systems have allowed us to remain fully operational over the Covid-19 lockdowns • During the year we upgraded our operating system and completed the integration of Mucklow onto the LondonMetric IT platform and systems • Further improvements were made to our integrated sales ledger invoicing and reporting system to enable more billing to be brought in-house and away from managing agents and to improve the quality of credit control reports	The Board's appetite for such risk is low and management continually strive to monitor and improve processes.	**No significant change** There was no significant change in perceived risk during the year. We anticipate no significant change in this risk over the next 12 months.

		financial reporting systems • We maintain appropriate segregation of duties with controls over financial systems • Management receive timely financial information for approval and decision making • Cost control procedures ensure expenditure is valid, properly authorised and monitored	• Increased remote working as a consequence of lockdowns has exposed the Company to a range of cyber attacks. The Company's cyber security measures have provided a strong level of protection		

5. Responsible Business approach

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Non-compliance with Responsible Business practices.	• Reputational damage • Suboptimal returns for shareholders • Asset liquidity may be impacted • Reduced access to debt and capital markets • Poor relationships with stakeholders	• We monitor changes in law, stakeholder sentiment and best practice in relation to Responsible Business practices such as sustainability, environmental matters and our societal impact and receive advice and support from specialist consultants • We consider the impact of changes on strategy • We give proper consideration to the needs of our occupiers and shareholders by maintaining a high degree of engagement. We also consider our impact on the environment and local communities • Responsibility for specific obligations is allocated to Senior Leadership Team members • A Responsible Business Working Group meets at least three times a year and reports to the Board • Staff training is provided • EPC rating benchmarks are set to ensure compliance with Minimum Energy Efficiency Standards	• We continue to hold meetings with large numbers of shareholders, analysts and potential investors, meeting 173 in the year • We continue to score well in ESG benchmarks • 26% of our portfolio by area is rated BREEAM Very Good or Excellent, an increase from 20% in 2020 • c.74% of our portfolio has an EPC rating of A-C and we are targeting a minimum C rating on all assets • Our Net Zero Carbon framework published in May sets out our ambitions to become a zero carbon business • Our new revolving credit facilities incorporate a green framework • We issued a £50 million green private placement tranche, the first UK REIT to do so • We have scored highly in stakeholder surveys, with 9.0 out of 10.0 occupiers recommending us as a landlord in our latest occupier survey, despite the challenging Covid-19 backdrop • Our Communities and Charity Committee, created in response to the pandemic, has spent or committed most of the £127,000 funded mainly through	The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment towards the Company and asset liquidity.	**Increased risk** ESG significance continues to increase for stakeholders, particularly in relation to climate change. We anticipate this risk will continue to increase over the next 12 months.

		('MEES') that could otherwise impact the quality and desirability of our assets leading to higher voids, lost income and reduced liquidity • We consider environmental and climate change risk relating to our assets and commission reports • We work with our occupiers to improve the resilience of our assets to climate change and a low carbon economy • Sustainability targets are set, monitored and reported • Contractors are required to conform to our responsible development requirements	the Board and senior managers waiving 20% of their salary and fees for three months. • ESG targets have been introduced into the wider staff performance criteria		

6. Regulatory framework

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Non-compliance with legal or regulatory obligations.	• Compromised asset security • Suboptimal returns for shareholders • Decisions made on inaccurate information	• We monitor regulatory changes that impact our business assisted by specialist support providers • We consider the impact of legislative changes on strategy • We have allocated responsibility for specific obligations to individuals within the Senior Leadership Team • Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance • Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk and community • Staff training is provided on wide ranging issues • External tax specialists provide advice and REIT	• There have been no new significant regulatory changes which impact the Company this year • We continued to undertake health and safety site audits on our developments through an external specialist consultancy. These included our smaller development at Carlisle this year and Tyseley post year end. Feedback has been positive and no significant issues were identified • Health and Safety Policy updated in the year	The Board has no appetite where non-compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	**No significant change** There was no significant change in perceived risk during the year. New regulations and evolving best practice will continue to impact the business. We anticipate no significant change in this risk over the next 12 months.

compliance is monitored

Property risks

7. Investment

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
We may be unable to source affordable investment opportunities.	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.	• Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities	• We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these • We acquired £245 million of investment property over the year, remaining disciplined and selective. This included sourcing a number of opportunistic deals of high quality assets as a result of Covid-19 which wouldn't ordinarily be available in a normalised market • Post year end, we have acquired a further £68 million of urban warehousing and long income properties.	The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise. The Board's aim is to minimise this risk to the extent possible.	**Increased risk** Increased investor demand and tightening yields in the Company's favoured sectors make further investment difficult whilst tightening yields on non core or weaker assets encourage sales where the redeployment of proceeds is difficult. We anticipate no significant change in this risk over the next 12 months.

8. Development

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
• Excessive capital may be allocated to activities with development risk • Developments may fail to deliver expected returns due to inconsistent timing with the economic and market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption	• Poorer than expected performance • Reputational damage	• As an income focused REIT, development exposure as a percentage of our total portfolio is limited, typically well below 5% • We only undertake short cycle and relatively uncomplicated developments on a pre-let basis or where there is high occupier demand • Development sites are acquired with planning consent whenever possible • Management have significant experience of complex development • We use standardised appraisals and cost budgets and monitor	• Our current development exposure is 2.3% of the portfolio. • Our 120,000 sq ft urban logistics development at Tyseley is pre-let to Amazon • We are under offer on the letting of the completed Unit 2 at Bedford Link (172,000 sq ft) and in discussions on a pre-let of Unit 1 • We work with a limited number of contractors which helps us to stay close to their operations. All are managing their cash flows and Covid-19 risks well • We have not experienced any material construction	The Board takes on limited speculative development, although its overall tolerance for this risk is low.	**No significant change** There was no significant change in perceived risk during the year. Supply chain disruption may increase as a result of demand, Covid-19 and Brexit over the next 12 months. Our development exposure remains limited.

		expenditure against budget to highlight potential overruns early • External project managers are appointed • Our procurement process includes tendering and the use of highly regarded firms with proven track records • We review and monitor contractor covenant strength	delays as a result of the pandemic and reopened sites as soon as it was possible and safe to do so • The average length of the Group’s developments that completed in the year from obtaining planning permission to practical completion was 14 months		

9. Valuation

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Investments may fall in value.	Pressure on NAV growth and potentially loan covenants.	• Our portfolio is predominantly in structurally supported sectors • Our focus is on sustainable income with lettings to high quality tenants within a diversified portfolio of well located assets with a high weighted average unexpired lease term. This reduces the risk of negative movements in a downturn • The property cycle is continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions • Property portfolio performance is regularly reviewed and benchmarked on an asset by asset basis • The majority of our assets are single let and operationally light with little or no cost leakage and defensive capital expenditure • We monitor tenant covenants and trading performance	• The resilience of our portfolio is demonstrated by the £173.7 million valuation increase in the year, with distribution providing the strongest valuation contribution • 57% of our income has contractual uplifts, 39% of which are inflation linked • Our portfolio metrics continue to be strong: WAULT 11.4 years, with only 8.4% of rent expiring within 3 years • Portfolio occupancy 98.7% • 173 occupier initiatives added £5.3 million to contracted rent with an average WAULT on new lettings of 13.2 years • We are repurposing a number of historic triple net assets into convenience led grocery	There is no certainty that property values will be realised. This is an inherent risk in the industry. The Board’s aim is to keep this risk to a minimum through its asset selection and management initiatives.	**Decreased risk** The majority of our portfolio remains strategically aligned to structurally supported sectors where the prospects for value preservation and growth are significant and investor demand high. We anticipate no significant change in this risk over the next 12 months.

10. Transactions and tenants

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
• Property purchases and asset management initiatives may be	Pressure on NAV, earnings and potentially loan	• Thorough due diligence is undertaken on all acquisitions	• For the year to March 2021, 98.1% of the rent demanded has been	The Board has no appetite for risk arising out of poor due diligence processes on	**Decreased risk** Portfolio resilience has been demonstrated

inconsistent with strategy • Due diligence may be flawed • Tenant failure risk	covenants.	including legal and property, tenant covenant strength and trading performance • We screen all prospective tenants and undertake regular reviews thereafter • Portfolio tenant concentration is considered for all acquisitions and leasing transactions • We have a diversified tenant base and limited exposure to occupiers in bespoke properties • Asset management initiatives undergo cost benefit analysis prior to implementation • External advisors benchmark lease transactions and advise on acquisition due diligence • Our experienced asset management team work closely with tenants to offer them real estate solutions that meet their business objectives. This proactive management approach helps to reduce vacancy risk • We monitor rent collection closely to identify potential issues	or is being collected with deferred payment arrangements over £1.5 million. 1.1% of rent has been subject to asset management initiatives and 0.4% forgiven. Only 0.4% remains unpaid, some of which relates to a property where we are obtaining vacant possession for a new letting to Lidl • The Company has limited exposure to poorly capitalised tenants most adversely impacted by pandemic disruption • Dependency on our top ten occupiers is 36% and no single tenant accounts for more than 8.2% of income.	acquisitions, disposals and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.	through our rent collection statistics. We anticipate no significant change in this risk over the next 12 months although further, extended Covid-19 lockdowns may change this.

Financing risks

11. Capital and finance risk

Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
The Company has insufficient funds and available credit.	Strategy implementation is at risk.	• We maintain a disciplined investment approach with competition for capital. Assets are considered for sale when they have achieved target returns and strategic asset plans • Cash flow forecasts are closely monitored • Relationships with a diversified range of lenders are nurtured	• We raised £120 million through an equity placing last May to fund a pipeline of investment opportunities • We priced a £380 million private placement in March, upsized following significant demand, which diversified our existing investor base. The additional amount raised will enable us to repay	The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. The Board has some appetite for interest rate risk. Loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.	**Decreased risk** Our significant refinancing activity has extended debt maturity whilst maintaining a broadly similar cost of debt. We anticipate no significant change in this risk over the next 12 months.

- The availability of debt and the terms on which it is available is considered as part of the Company's long term strategy
- Loan facilities incorporate covenant headroom, appropriate cure provisions and flexibility
- Headroom and non financial covenants are monitored
- A modest level of gearing is maintained
- The impact of disposals on secured loan facilities covering multiple assets is considered as part of the decision making process
- Interest rate derivatives are used to fix or cap exposure to rising rates as deemed prudent following specialist hedging advice

our secured Helaba facility, eliminating future refinancing risk and extending maturity on the £130 million by eight years

- Post year end we completed the refinancing of revolving credit facilities with a three year syndicated facility of £225 million and a five year facility of £175 million. Both have two one year extension options
- We have substantial headroom under our loan covenants. Loan to value is 32.3%. Interest cover on unsecured facilities is 5.5 times

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRSs') as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 ('FRS101') 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable FRS101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Responsibility statement
We confirm that to the best of our knowledge:

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

By order of the Board

Martin McGann
Finance Director

27 May 2021

Andrew Jones
Chief Executive

27 May 2021

Group income statement

For the year ended 31 March

	Note	**2021 £m**	2020 £m
Revenue	3	**122.2**	113.4
Cost of sales		**(1.6)**	(1.2)
Net income		**120.6**	112.2
Administrative costs	4	**(15.8)**	(15.8)
Impairment of goodwill on acquisition of subsidiaries		**–**	(48.3)
Acquisition costs		**–**	(8.9)
Profit/(loss) on revaluation of investment properties	9	**169.9**	(3.8)
Profit/(loss) on sale of investment properties		**0.8**	(4.9)
Share of profits/(losses) of joint ventures	10	**6.9**	(8.9)
Operating profit		**282.4**	21.6
Finance income		**0.6**	0.7
Finance costs	5	**(24.9)**	(29.0)
Profit/(loss) before tax		**258.1**	(6.7)
Taxation	6	**(0.1)**	(0.2)
Profit/(loss) for the year and total comprehensive income		**258.0**	(6.9)
Attributable to:			
Equity shareholders		**257.3**	(5.7)
Non-controlling interest	19	**0.7**	(1.2)

Earnings per share			
Basic	8	**28.6p**	(0.7)p
Diluted	8	**28.5p**	(0.7)p

All amounts relate to continuing activities.

Group balance sheet

As at 31 March

	Note	**2021 £m**	2020 £m
Non current assets			
Investment properties	9	**2,504.6**	2,273.6
Investment in equity accounted joint ventures	10	**59.2**	54.1
Other tangible assets		**0.3**	0.4
		2,564.1	2,328.1
Current assets			
Trading properties		**1.1**	1.1
Trade and other receivables	11	**9.8**	7.8
Cash and cash equivalents	12	**51.4**	81.8
		62.3	90.7
Total assets		**2,626.4**	2,418.8
Current liabilities			
Trade and other payables	13	**46.0**	42.6
Non current liabilities			
Borrowings	14	**837.5**	926.7
Derivative financial instruments	14	**–**	4.7
Lease liabilities	15	**5.2**	5.9
		842.7	937.3
Total liabilities		**888.7**	979.9
Net assets		**1,737.7**	1,438.9
Equity			
Called up share capital	16	**91.0**	84.2
Share premium	17	**219.3**	106.3
Capital redemption reserve	17	**9.6**	9.6
Other reserve	17	**487.7**	488.4
Retained earnings	17	**923.7**	743.3
Equity shareholders' funds		**1,731.3**	1,431.8
Non-controlling interest		**6.4**	7.1
Total equity		**1,737.7**	1,438.9
IFRS net asset value per share	8	**191.3p**	171.0p

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2021 and were signed on its behalf by:

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

Group statement of changes in equity

For the year ended 31 March

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

	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 2019		70.0	100.8	9.6	221.7	814.7	1,216.8	–	1,216.8
Loss for the year and total comprehensive income		–	–	–	–	(5.7)	(5.7)	(1.2)	(6.9)
Share issue on acquisition		13.9	–	–	269.5	–	283.4	–	283.4
Purchase of shares held in Employee Benefit Trust		–	–	–	(7.2)	–	(7.2)	–	(7.2)
Vesting of shares held in Employee Benefit Trust		–	–	–	4.4	(4.4)	–	–	–
Share based awards		–	–	–	–	2.9	2.9	–	2.9
Investment from non-controlling interest		–	–	–	–	–	–	8.7	8.7
Distribution to non-controlling interest		–	–	–	–	–	–	(0.4)	(0.4)
Dividends	7	0.3	5.5	–	–	(64.2)	(58.4)	–	(58.4)
At 31 March 2020		84.2	106.3	9.6	488.4	743.3	1,431.8	7.1	1,438.9

Group cash flow statement

For the year ended 31 March

	Note	**2021 £m**	2020 £m
Cash flows from operating activities			
Profit/(loss) before tax		**258.1**	(6.7)
Adjustments for non cash items:			
(Profit)/loss on revaluation of investment properties		**(169.9)**	3.8
(Profit)/loss on sale of investment properties		**(0.8)**	4.9
Share of post tax (profit)/loss of joint ventures		**(6.9)**	8.9
Movement in lease incentives		**(11.3)**	(11.0)
Impairment of goodwill on acquisition		**–**	48.3
Share based payment		**3.8**	2.9
Net finance costs		**24.3**	28.3
Cash flows from operations before changes in working capital		**97.3**	79.4
Change in trade and other receivables		**(1.9)**	(3.0)
Change in trade and other payables		**4.5**	(13.0)
Cash flows from operations		**99.9**	63.4
Tax paid		**(0.3)**	(0.2)
Cash flows from operating activities		**99.6**	63.2
Investing activities			
Purchase of subsidiary undertakings		**–**	(119.6)
Purchase of investment properties		**(229.0)**	(185.2)
Capital expenditure on investment properties		**(25.6)**	(18.1)
Lease incentives paid		**(2.1)**	(3.9)
Sale of investment properties		**208.4**	117.5
Investments in joint ventures		**(4.7)**	(0.3)
Distributions from joint ventures		**6.5**	15.7
Interest received		**0.1**	0.2
Net cash used in investing activities		**(46.4)**	(193.7)
Financing activities			
Dividends paid		**(72.4)**	(58.4)
Distribution to non-controlling interest		**(1.4)**	(0.4)
Proceeds from issue of ordinary shares		**116.6**	–
Purchase of shares held in Employee Benefit Trust		**(5.5)**	(7.2)
Vesting of shares held in Employee Benefit Trust		**(0.3)**	–
New borrowings and amounts drawn down	18	**316.0**	304.9
Repayment of loan facilities	18	**(409.0)**	(21.1)
Financial arrangement fees and break costs		**(7.5)**	(2.1)
Interest paid		**(20.1)**	(24.0)
Net cash (used in)/from financing activities		**(83.6)**	191.7
Net (decrease)/increase in cash and cash equivalents	18	**(30.4)**	61.2
Opening cash and cash equivalents		**81.8**	20.6
Closing cash and cash equivalents		**51.4**	81.8

Notes forming part of the Group financial statements

For the year ended 31 March 2021

1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2021 or 31 March 2020 but is derived from those accounts. Statutory accounts for the years ended 31 March 2021 and 31 March 2020 have been reported on by the independent auditor. The independent auditor's reports on the Annual Report and financial statements for 2021 and 2020 were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2021 will be delivered to the Registrar following the Company's Annual General Meeting. The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The accounting policies adopted in this results announcement are consistent with those used in preparing the financial statements for the year ended 31 March 2021, which are the same as those used in the financial statements for the year ended 31 March 2020.

a) General information

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is One Curzon Street, London, W1J 5HB. The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic report.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

c) Going concern

Given the backdrop of the Covid-19 pandemic and lockdown restrictions under which the Group is operating, 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, including those arising from the pandemic and are discussed in detail in the Strategic report. A key consideration is the Group's financial position, cash flows and liquidity, including its continued access to debt facilities and its headroom under financial loan covenants.

As reported in the Financial review, the Group refinanced its unsecured debt facilities in April 2021 and entered into two new revolving credit facilities and a new Private Placement totalling £780 million. These new facilities contain the same gearing and interest cover covenants as the existing unsecured and private placement loans.

The Group's unsecured revolving credit facilities and private placement loan notes, which together represent 92% of the Group's total borrowing as at the date of this report, contain gearing and interest cover covenants. At 31 March 2021, the Group had substantial headroom within these covenants. Gearing was 46%, substantially lower than the maximum limit of 125% and its interest cover ratio was 5.5 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 43% and rents by 65% before banking covenants are breached. Group borrowings, undrawn facilities and hedging are described in note 14 and in the Financial review.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance including the impact of Covid-19. 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.

In response to the pandemic, scenario testing considered the potential longer term impact of the disruption caused to occupiers, including rent defaults, increased vacancy costs and letting voids. Key assumptions included in the scenario testing were as follows:

- Rents decline by 15% across the portfolio
- Property values fall by 15% across the portfolio
- There are no new developments or uncommitted capital expenditure
- Interest rates increase by 1% on all floating rate loans

Throughout the scenario testing, the Group had sufficient reserves to continue in operation and remain compliant with its banking covenants.

On the basis of this review, together with available market information and the Directors' experience and knowledge of the portfolio, they have a reasonable expectation that the Company and the Group can meet its liabilities as they fall due and has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2021.

d) Basis of preparation

The financial statements are prepared on a going concern basis, as explained above. The functional and presentational currency of the Group is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value.

The directors have changed the way in which the Group's performance is presented on the face of the income statement. The underlying results have not been amended and this modified presentation has had no effect on operating profit or profit for the year.

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

i) Significant accounting estimates and judgements

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

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

Significant areas of estimation uncertainty

Property valuations

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

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

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

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

The Covid-19 pandemic has led to a heightened degree of uncertainty surrounding property valuations and some real estate markets have experienced lower transactional activity. In March 2020, our three external valuers included material uncertainty clauses in their valuation reports. However, at the valuation date of 31 March 2021, all of our valuers consider that there is adequate market evidence upon which to base opinions of value and have not included material uncertainty clauses in their valuation reports.

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 those property acquisitions made during the year to 31 March 2021 and determined that they were asset acquisitions rather than business combinations as disclosed in note 9 to the financial statements.

ii) Adoption of new and revised standards

Standards and interpretations effective in the current period

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

Name	Description
IFRS 3 (amendments)	Definition of a Business
IAS 1 and IAS 8 (amendments)	Definition of Material
IFRS 7, IFRS 9 and IAS 39 (amendments)	Interest Rate Benchmark Reform
Amendments to references to the Conceptual Framework in IFRS Standards	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32

iii) Standards and interpretations in issue not yet adopted

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that are mandatory for later accounting periods and which have not been adopted early.

Name	Description
IFRS 17	Insurance contracts
IFRS 16	Covid-related rent concessions
IFRS 3	References to the conceptual framework
IAS 16	Property, plant and equipment - proceeds before intended use
IAS 37	Onerous contracts
IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 (amendments)	Interest Rate Benchmark Reform - phase 2
IAS 1 (amendments)	Classification of Liabilities as Current or Non Current Disclosure of Accounting Policies
IAS 8	Definition of accounting estimates
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IFRS 4	Applying IFRS 9 ‘Financial Instruments’ with IFRS 4 ‘Insurance Contracts’ Extension of the Temporary Exemption from Applying IFRS 9
Annual improvements to IFRSs: 2018 -2020 cycle	Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

e) Basis of consolidation

i) Subsidiaries

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

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

In the consolidated balance sheet, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date.

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition and in other cases the acquisition accounting method is used.

Under the acquisition accounting method, the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

ii) Joint ventures
Joint ventures are those entities over whose activities the Group has joint control. Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and the consolidated income statement incorporates the Group's share of joint venture profits after tax. The Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements.

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

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

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

iv) Alternative performance measures
Our portfolio is a combination of properties that are wholly owned by the Group and part owned through joint venture arrangements or where a third party holds a non-controlling interest. Management reviews the performance of the Group's proportionate share of assets and returns, and considers the presentation of information on this basis helpful to stakeholders as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the financial statements.

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

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

f) Property portfolio

i) Investment properties
Investment properties are properties owned or leased by the Group which are held for long term rental income and for capital appreciation. Investment property includes property that is being constructed, developed or redeveloped for future use as an investment property. Investment property is initially recognised at cost, including related transaction costs. It is subsequently carried at each published balance sheet date at fair value on an open market basis as determined by professionally qualified independent external valuers. Changes in fair value are included in the income statement. Where a property held for investment is appropriated to development property, it is transferred at fair value. A property ceases to be treated as a development property on practical completion. In accordance with IAS 40 Investment Properties, no depreciation is provided in respect of investment properties.

Investment property is recognised as an asset when:

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

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

ii) Non current assets held for sale
An asset is classified as held for sale if its carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for sale in its present condition and management are committed to the sale and expect it to complete within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and the fair value less costs to sell.

iii) Tenant leases

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

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

iv) Net rental income
Rental income from investment property leased out under an operating lease is recognised in the profit or loss on a straight line basis over the lease term.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Surrender premiums receivable are recognised on completion of the surrender.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

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

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

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

Financial instruments under IFRS 9

i) Trade receivables
Trade receivables are initially recognised at their transaction price and subsequently measured at amortised cost as the Group's business model is to collect the contractual cash flows due from tenants. An impairment provision is created based on lifetime expected credit losses, which reflect the Group's historical credit loss experience and an assessment of current and forecast economic conditions at the reporting date. The impact of Covid-19 has given rise to higher estimated probabilities of default for some occupiers.

ii) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, measured at amortised cost.

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

iv) Borrowings

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

v) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks. Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement.

The Group does not apply hedge accounting under IFRS 9.

h) Finance costs and income

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

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

Finance income includes interest receivable on funds invested at the effective rate and notional interest receivable on forward funded developments at the contractual rate.

Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively. For consistency, the prior year comparative presentation of these balances, together with the comparative presentation of movements in lease incentives, was amended within the cash flow statement.

i) Tax

Tax is included in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences. The Group must comply with the UK REIT regulation to benefit from the favourable tax regime.

j) Share based payments

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

k) Shares held in Trust

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

l) Dividends

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

2 Segmental information

As at 31 March				2021				2020
Property value	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**1,777.3**	**–**	**–**	**1,777.3**	1,597.0	–	(3.3)	1,593.7
Long income	**547.6**	**93.2**	**(11.4)**	**629.4**	475.2	88.9	(11.6)	552.5
Retail parks	**73.9**	**–**	**–**	**73.9**	83.3	–	–	83.3
Office	**41.1**	**–**	**–**	**41.1**	55.1	–	–	55.1
Residential	**0.9**	**1.2**	**–**	**2.1**	1.4	3.5	–	4.9
Development[1]	**59.8**	**–**	**–**	**59.8**	57.0	–	–	57.0
	2,500.6	**94.4**	**(11.4)**	**2,583.6**	2,269.0	92.4	(14.9)	2,346.5
Head lease and right of use assets				**5.1**				5.7
				2,588.7				2,352.2

1 Includes trading property of £1.1 million

For the year to 31 March				2021				2020
Gross rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**78.1**	**–**	**(0.1)**	**78.0**	76.3	–	(0.2)	76.1
Long income	**34.7**	**5.3**	**(1.4)**	**38.6**	25.7	6.1	(1.1)	30.7
Retail parks	**4.7**	**–**	**–**	**4.7**	7.1	–	–	7.1
Office	**3.5**	**–**	**–**	**3.5**	3.2	–	–	3.2
Residential	**0.1**	**–**	**–**	**0.1**	–	0.2	–	0.2
Development	**0.2**	**–**	**–**	**0.2**	–	–	–	–
	121.3	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3

For the year to 31 March				2021				2020
Net rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**77.2**	**–**	**(0.1)**	**77.1**	75.5	–	(0.2)	75.3
Long income	**34.5**	**5.2**	**(1.4)**	**38.3**	25.7	6.1	(1.1)	30.7
Retail parks	**4.3**	**–**	**–**	**4.3**	6.7	–	–	6.7
Office	**3.4**	**–**	**–**	**3.4**	3.2	–	–	3.2
Residential	**0.1**	**(0.1)**	**–**	**–**	–	–	–	–
Development	**0.2**	**–**	**–**	**0.2**	–	–	–	–
	119.7	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9

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

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

3 Revenue

For the year to 31 March	**2021 £m**	2020 £m
Gross rental income	**121.3**	112.3
Property advisory fee income	**0.9**	1.1
	122.2	113.4

For the year to 31 March	**2021 £m**	2020 £m
Gross rental income	**121.3**	112.3
Cost of sales – property operating expenses	**(1.6)**	(1.2)
Net rental income	**119.7**	111.1

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

4 Administrative costs

a) Total administrative costs

For the year to 31 March	**2021 £m**	2020 £m
Staff costs	**12.4**	12.1
Auditor’s remuneration	**0.2**	0.2
Depreciation	**0.7**	0.7
Other administrative costs	**2.5**	2.8
	15.8	15.8

b) Staff costs

For the year to 31 March	**2021 £m**	2020 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**9.8**	10.3
Less staff costs capitalised in respect of development projects	**(2.2)**	(2.1)
	7.6	8.2
Social security costs	**0.8**	0.8
Pension costs	**0.2**	0.2
Share based payment	**3.8**	2.9
	12.4	12.1

The long term share incentive plan (‘LTIP’) that was created in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £3.8 million (2020: £2.9 million). The cost of acquiring the shares expected to vest under the LTIP of £5.5 million has been charged to reserves this year (2020: £7.2 million).

Directors’ emoluments are reflected in the table below. Details of the Directors’ remuneration awards under the LTIP are given in the Remuneration Committee report.

	2021 £m	2020 £m
Remuneration for management services	**2.8**	2.9
Entitlement to pension scheme contributions	**0.1**	0.1
	2.9	3.0

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

	2021 £m	2020 £m
Short term employee benefits	**8.7**	7.8
Share based payments	**2.5**	2.3
	11.2	10.1

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

c) Staff numbers

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

	2021 Number	2020 Number
Property and administration	**32**	34

d) Auditor's remuneration

For the year to 31 March	2021 £000	2020 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**201**	179
Audit of subsidiary financial statements, pursuant to legislation	**–**	5
Other fees:		
Audit related assurance services	**35**	30
Total fees for audit and other services	**236**	214

In addition to the above audit fees, £24,200 (2020: £35,600) was due to the Group's auditor in respect of its joint venture operations. BDO LLP is responsible for the audit of other subsidiary entities at a cost to the Group of £36,500 (2020: £10,400).

5 Finance costs

For the year to 31 March	2021 £m	2020 £m
Interest payable on bank loans and related derivatives	**19.4**	22.8
Debt and hedging early close out costs	**7.5**	0.2
Amortisation of loan issue costs	**1.8**	1.5
Interest on lease liabilities	**0.1**	0.1
Commitment fees and other finance costs	**1.9**	2.1
Total borrowing costs	**30.7**	26.7
Less amounts capitalised on developments	**(1.1)**	(0.9)
Net borrowing costs	**29.6**	25.8
Fair value (gain)/loss on derivative financial instruments	**(4.7)**	3.2
Total finance costs	**24.9**	29.0

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value gain on derivative financial instruments of £4.7 million (2020: loss of £3.2 million) and early close out costs of £7.5 million (2020: £0.2 million), and include interest receivable of £0.6 million (2020: £0.7 million) as reflected in the income statement.

6 Taxation

For the year to 31 March	**2021 £m**	2020 £m
Current tax		
UK tax charge on profit	**0.1**	0.2

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

For the year to 31 March	**2021 £m**	2020 £m
Profit/(loss) before tax	**258.0**	(6.7)
Tax charge/(credit) at the standard rate of corporation tax in the UK of 19% (2020: 19%)	**49.0**	(1.3)
Effects of:		
Tax effect of income not subject to tax	**(47.6)**	(0.2)
Share of post tax (profits)/losses of joint ventures	**(1.3)**	1.7
UK tax charge on profit	**0.1**	0.2

The current tax charge relates to tax arising on income attributable to the Group's non-controlling interest and other income that does not qualify as property income within the REIT regulations. As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

7 Dividends

For the year to 31 March	**2021 £m**	2020 £m
Ordinary dividends paid		
2019 Third quarterly interim dividend: 1.9p per share	**–**	13.3
2019 Fourth quarterly interim dividend: 2.5p per share	**–**	17.4
2020 First quarterly interim dividend: 2.0p per share	**–**	16.7
2020 Second quarterly interim dividend: 2.0p per share	**–**	16.8
2020 Third quarterly interim dividend: 2.0p per share	**16.7**	–
2020 Fourth quarterly interim dividend: 2.3p per share	**20.8**	–
2021 First quarterly interim dividend: 2.1p per share	**19.0**	–
2021 Second quarterly interim dividend: 2.1p per share	**19.1**	–
	75.6	64.2
Quarterly dividend payable		
2021 Third quarterly interim dividend: 2.1p per share	**19.0**	
2021 Fourth quarterly interim dividend: 2.35p per share	**21.3**	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2021 of 2.1p per share, wholly as a Property Income Distribution ('PID'), on 15 April 2021 to ordinary shareholders on the register at the close of business on 12 March 2021.

The fourth quarterly interim dividend for 2021 of 2.35p per share, of which 2.25p is payable as a PID, will be payable on 13 July 2021 to shareholders on the register at the close of business on 11 June 2021. A scrip dividend alternative will be offered to shareholders as it was for the first three quarterly dividend payments.

Neither dividend has been included as a liability in these accounts. Both dividends will be recognised as an appropriation of retained earnings in the year to 31 March 2022.

During the year the Company issued 1.5 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £3.2 million to £72.4 million.

8 Earnings and net assets per share

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

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

a) EPRA earnings

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

For the year to 31 March	**Group £m**	**JV £m**	**NCI £m**	**2021 £m**	Group £m	JV £m	NCI £m	2020 £m
Gross rental income	**121.3**	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	**(1.6)**	**(0.2)**	**–**	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	**119.7**	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	**0.9**	**(0.4)**	**–**	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	**(15.8)**	**–**	**–**	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs[1]	**(21.5)**	**(1.2)**	**0.2**	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other[1]	**(0.1)**	**–**	**0.2**	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

1 Group net finance costs reflect net borrowing costs of £29.6 million (note 5) less early close out costs of £7.5 million (note 5) and finance income of £0.6 million

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

For the year to 31 March	**Group £m**	**JV £m**	**NCI £m**	**2021 £m**	Group £m	JV £m	NCI £m	2020 £m
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5
Revaluation of property	**169.9**	**3.4**	**0.4**	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Fair value of derivatives	**4.7**	**0.1**	**–**	**4.8**	(3.2)	(0.4)	–	(3.6)
Profit/(loss) on disposal	**0.8**	**(0.1)**	**–**	**0.7**	(4.9)	(2.3)	–	(7.2)
Debt and hedging early close out costs	**(7.5)**	**–**	**–**	**(7.5)**	(0.2)	–	–	(0.2)
Impairment of goodwill	**–**	**–**	**–**	**–**	(48.3)	–	–	(48.3)
Acquisition costs	**–**	**–**	**–**	**–**	(8.9)	–	–	(8.9)
IFRS reported profit/(loss)	**251.1**	**6.9**	**(0.7)**	**257.3**	2.0	(8.9)	1.2	(5.7)

b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	**2021 £m**	2020 £m
Basic and diluted earnings	**257.3**	(5.7)
EPRA adjustments above	**(171.7)**	80.2
EPRA earnings	**85.6**	74.5

For the year to 31 March	**2021 Number of shares (millions)**	2020 Number of shares (millions)
Ordinary share capital	**901.9**	806.7
Shares held in the Employee Benefit Trust	**(2.8)**	(2.5)
Weighted average number of ordinary shares – basic	**899.1**	804.2
Employee share schemes	**4.8**	6.0
Weighted average number of ordinary shares – fully diluted	**903.9**	810.2
Earnings per share		
Basic	**28.61p**	(0.70)p
Diluted	**28.46p**	(0.70)p
EPRA earnings per share		
Basic	**9.52p**	9.26p
Diluted	**9.47p**	9.19p

c) Net assets per share attributable to equity shareholders

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

These recommendations became effective for accounting periods commencing on 1 January 2020 and have been adopted by the Group in the year. The three new measures have replaced the previously reported metrics of EPRA net asset value ('NAV') and EPRA triple net asset value ('NNNAV').

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

A reconciliation between the three new EPRA NAV metrics to IFRS NAV and the previously reported EPRA NAV is shown in the table below. For the Group, EPRA NDV is equivalent to EPRA NNNAV on a fully diluted basis and therefore no reconciliation is presented.

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

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

As at 31 March 2020	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
Equity shareholders' funds	1,431.8	1,431.8	1,431.8
Fair value of group derivatives	4.7	4.7	4.7
Fair value of joint ventures' derivatives	0.7	0.7	0.7
EPRA net asset value (as previously reported)	1,437.2	1,437.2	1,437.2
Fair value of derivatives	–	(5.4)	–
Mark to market of fixed rate debt	–	1.7	–
Purchasers' costs	–	–	159.9
EPRA net asset value (new measures)	1,437.2	1,433.5	1,597.1

As at 31 March	**2021 Number of shares (millions)**	2020 Number of shares (millions)
Ordinary share capital	**909.6**	841.5
Shares held in Employee Benefit Trust	**(4.4)**	(4.3)
Number of ordinary shares - basic	**905.2**	837.2
Employee share schemes	**4.7**	6.5
Number of ordinary shares – fully diluted	**909.9**	843.7

IFRS net asset value per share	**191.3p**	171.0p
EPRA net tangible assets per share	**190.3p**	170.3p
EPRA net disposal value per share	**189.7p**	169.9p
EPRA net reinstatement value per share	**209.7p**	189.3p

9 Investment properties

a) Investment properties

As at 31 March	**Completed £m**	**Under development £m**	**2021 Total £m**	Completed £m	Under development £m	2020 Total £m
Opening balance	**2,212.0**	**55.9**	**2,267.9**	1,628.2	59.8	1,688.0
Acquisitions	**212.4**	**16.8**	**229.2**	634.2	31.9	666.1
Capital expenditure	**4.9**	**21.1**	**26.0**	10.2	11.2	21.4
Disposals	**(200.8)**	**–**	**(200.8)**	(113.1)	(0.3)	(113.4)
Property transfers	**55.5**	**(55.5)**	**–**	50.3	(50.3)	–
Revaluation movement	**149.7**	**20.2**	**169.9**	(7.3)	3.5	(3.8)
Movement in tenant incentives and rent free uplifts	**7.1**	**0.2**	**7.3**	9.5	0.1	9.6
Property portfolio	**2,440.8**	**58.7**	**2,499.5**	2,212.0	55.9	2,267.9
Head lease and right of use assets	**5.1**	**–**	**5.1**	5.7	–	5.7
	2,445.9	**58.7**	**2,504.6**	2,217.7	55.9	2,273.6

Investment properties are held at fair value as at 31 March 2021 based on external valuations performed by professionally qualified valuers CBRE Limited ('CBRE'), Savills (UK) Limited ('Savills') and Cushman & Wakefield Debenham Tie Leung Limited

(‘Cushman & Wakefield’). The valuation of property held for sale at 31 March 2021 was £22.4 million (2020: £67.8 million), representing £2.3 million distribution, £10.5 million long income and £9.6 million office assets.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014 on the basis of fair value as set out in note 1. There has been no change in the valuation technique in the year. The total fees earned by CBRE, 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.

Long term leasehold values included within investment properties amount to £148.7 million (2020: £176.9 million). All other properties are freehold. The historical cost of all of the Group’s investment properties at 31 March 2021 was £1,948.2 million (2020: £1,884.0 million).

Included within the investment property valuation is £79.4 million (2020: £72.1 million) in respect of unamortised lease incentives and rent free periods.

Capital commitments have been entered into amounting to £93.3 million (2020: £28.9 million) which have not been provided for in the financial statements.

Internal staff costs of the development team of £2.2 million (2020: £2.1 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £15.5 million (2020: £9.9 million) have been classified within investment property as acquisitions.

At 31 March 2021, investment properties included £5.1 million for the head lease right of use assets in accordance with IFRS 16 (2020: £5.7 million).

b) Valuation technique and quantitative information

			ERV		Net initial yield		Reversionary yield	
Asset type	**Fair value 2021 £m**	**Valuation technique**	**Weighted average (£ per sq ft)**	**Range (£ per sq ft)**	**Weighted average %**	**Range %**	**Weighted average %**	**Range %**
Distribution	**1,777.3**	Yield capitalisation	7.06	4.00-21.40	4.1	1.4-7.1	4.5	2.4-7.4
Long income	**547.6**	Yield capitalisation	14.00	3.00-155.70	4.9	3.4-11.8	4.7	2.4-13.4
Retail parks	**73.9**	Yield capitalisation	14.03	6.00-18.70	7.5	6.2-12.4	6.7	6.0-9.4
Office	**41.1**	Yield capitalisation	17.38	11.50-33.90	6.0	5.0-7.4	6.5	5.6-9.3
Development	**58.7**	Residual	10.21	8.35-25.00	4.2	3.9-5.7	3.9	3.7-5.7
Residential	**0.9**	Comparison	n/a	n/a	n/a	n/a	n/a	n/a

All of the Group’s properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 fair value measurement. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2021. The fair value at 31 March 2021 represents the highest and best use.

i) Technique

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

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

Residual – for certain investment properties under development, the fair value of the property is calculated by estimating the fair value of the completed property using the yield capitalisation technique less estimated costs to completion and a risk premium.

Comparison – for residential properties the fair value is calculated by using data from recent market transactions.

ii) Sensitivity

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group’s investment properties by £75.7 million or £73.8 million respectively.

An increase or decrease of 25 bps to the equivalent yield would decrease or increase the fair value of the Group’s investment properties by £136.0 million or £152.0 million respectively.

There are interrelationships between the unobservable inputs as they are determined by market conditions; an increase in more than one input could magnify or mitigate the impact on the valuation.

iii) Process

The valuation reports produced by CBRE, Savills and Cushman & Wakefield are based on:

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

10 Investment in joint ventures

At 31 March 2021, the following principal property interests, being jointly controlled entities, have been equity accounted for in these financial statements:

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

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

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

LSP London Residential Investments Limited disposed of four residential flats at Moore House for £4.5 million (Group share: £1.8 million) in the year, reducing the number held to four.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold two properties post year end for £21.1 million (Group share: £10.6 million).

At 31 March 2021, the freehold and leasehold investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers of CBRE and Savills. The valuation of property held for sale by joint ventures at 31 March 2021 was £21.1 million (Group share: £10.6 million), (2020: £3.9 million and Group share £1.5 million).

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

As at 31 March	**2021 £m**	2020 £m
Opening balance	**54.1**	98.9
Additions at cost	**4.7**	0.3
Share of profit/(loss) in the year	**6.9**	(8.9)
Disposals	**–**	(20.5)
Distributions received	**(6.5)**	(15.7)
	59.2	54.1

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

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

	Metric Income Plus Partnership £m	LMP Retail Warehouse JV PUT £m	LSP London Residential Investments £m	Total 2020 £m	Group share 2020 £m
Summarised income statement					
Gross rental income	11.8	0.5	0.3	12.6	6.3
Property costs	(0.2)	–	(0.2)	(0.4)	(0.2)
Net rental income	11.6	0.5	0.1	12.2	6.1
Administrative costs	(0.1)	–	–	(0.1)	(0.1)
Management fees	(0.9)	–	(0.2)	(1.1)	(0.5)
Revaluation	(20.3)	–	(0.3)	(20.6)	(10.2)
Net finance cost	(2.7)	(0.2)	–	(2.9)	(1.5)
Derivative movement	(0.7)	–	–	(0.7)	(0.4)
Profit/(loss) on disposal	0.2	–	(6.1)	(5.9)	(2.3)
(Loss)/profit after tax	(12.9)	0.3	(6.5)	(19.1)	(8.9)
Group share of (loss)/profit after tax	(6.4)	0.1	(2.6)	(8.9)	
EPRA adjustments:					
Revaluation	20.3	–	0.3	20.6	10.2
Derivative movement	0.7	–	–	0.7	0.4
(Profit)/loss on disposal	(0.2)	–	6.1	5.9	2.3
EPRA earnings	7.9	0.3	(0.1)	8.1	4.0
Group share of EPRA earnings	4.0	0.1	(0.1)	4.0	
Summarised balance sheet					
Investment properties	177.7	–	8.9	186.6	92.4
Other current assets	0.9	–	0.1	1.0	0.5
Cash	5.6	–	5.7	11.3	5.1
Current liabilities	(2.9)	–	(0.1)	(3.0)	(1.5)
Bank debt	(84.3)	–	–	(84.3)	(42.1)
Unamortised finance costs	0.9	–	–	0.9	0.4
Derivative financial instruments	(1.3)	–	–	(1.3)	(0.7)
Net assets	96.6	–	14.6	111.2	54.1
Group share of net assets	48.3	–	5.8	54.1	

11 Trade and other receivables

As at 31 March	**2021 £m**	2020 £m
Trade receivables	**4.8**	5.8
Prepayments and accrued income	**3.5**	1.1
Other receivables	**1.5**	0.9
	9.8	7.8

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment days with no credit period. At 31 March 2021, trade receivables of £159,200 were overdue and considered at risk (2020: £69,800). Based on the IFRS 9 expected credit loss model, an impairment provision of £760,000 (2020: £340,000) has also been made against trade receivables.

12 Cash and cash equivalents

Cash and cash equivalents include £10.7 million (2020: £5.4 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

13 Trade and other payables

As at 31 March	**2021 £m**	2020 £m
Trade payables	**4.6**	4.2
Amounts payable on property acquisitions and disposals	**1.3**	0.4
Rent received in advance	**22.6**	19.8
Accrued interest	**1.3**	1.9
Other payables	**5.3**	4.1
Other accruals and deferred income	**10.9**	12.2
	46.0	42.6

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

14 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	**2021 £m**	2020 £m
Secured bank loans	**192.5**	192.7
Unsecured bank loans	**647.0**	740.0
	839.5	932.7
Unamortised finance costs	**(2.0)**	(6.0)
	837.5	926.7

Certain bank loans at 31 March 2021 are secured by fixed charges over Group investment properties with a carrying value of £584.9 million (2020: £529.7 million).

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

1 Interest rate caps of £19.6 million were used to hedge the Group’s exposure to interest rate risk

As at 31 March 2020	Floating rate[1] £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
Secured bank loans:				
Helaba term loan	130.0	–	130.0	4.3
Scottish Widows fixed rate debt	–	62.7	62.7	11.7
Unsecured bank loans:				
Revolving credit facility (syndicate)	410.0	–	410.0	1.8
Wells Fargo revolving credit facility	50.0	–	50.0	5.3
Private Placement 2016 (syndicate)	–	130.0	130.0	4.7
Private Placement 2018 (syndicate)	–	150.0	150.0	10.8
	590.0	342.7	932.7	4.8

1 Interest rate caps of £19.6 million and swaps of £350 million were used to hedge the Group's exposure to interest rate risk

b) Financial risk management

Financial risk factors

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

The principal financial risks to the Group and the policies it has in place to manage these risks are summarised below.

i) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's principal financial assets are cash balances and deposits and trade and other receivables. The Group's credit risk is primarily attributable to its cash deposits and trade receivables.

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

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

ii) Liquidity risk

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

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

The Group had cash reserves of £51.4 million (2020: £81.8 million) and available and undrawn bank loan facilities at 31 March 2021 of £170.5 million (2020: £133.8 million).

The following table shows the contractual maturity profile of the Group's bank loans, interest payments on bank loans and derivative financial instruments on an undiscounted cash flow basis and assuming settlement on the earliest repayment date. Other financial liabilities as disclosed in note 14c(i) include trade payables and accrued interest and are repayable within one year. The contractual maturity profile of lease liabilities disclosed in the balance sheet is reflected in note 15.

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

As at 31 March 2020	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Bank loans	24.4	120.5	588.0	332.8	1,065.7
Derivative financial instruments	1.6	1.6	–	–	3.2
	26.0	122.1	588.0	332.8	1,068.9

iii) Market risk – interest rate risk

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

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

In April 2020, the Group cancelled £350 million interest rate swaps that hedged its unsecured facilities and were due to expire in 2022. At 31 March 2021, 43% of the Group's debt drawn was hedged (45% including share of joint ventures), mainly through fixed coupon debt arrangements. Post year end in April, we entered into new private placement and revolving credit facilities of £780 million, replacing the existing revolving credit facilities and other existing debt as described in the Financial review. This increased the percentage of Group and share of joint venture debt hedged to 83%.

The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2021 including the cost of amortising finance arrangement fees, was 2.5% (2020: 2.9%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £5.1 million or £0.7 million respectively.

iv) Capital risk management

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

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

As at 31 March	**2021 £m**	2020 £m
Net debt	**792.6**	857.4
Shareholders' equity	**1,731.3**	1,431.8
	2,523.9	2,289.2

c) Financial instruments

i) Categories of financial instruments

	Measured at amortised cost		Measured at fair value	
As at 31 March	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Current assets				
Cash and cash equivalents (note 12)	**51.4**	81.8	**–**	–
Trade receivables (note 11)	**4.8**	5.8	**–**	–
Other receivables (note 11)	**1.5**	0.9	**–**	–
	57.7	88.5	**–**	–
Non current liabilities				
Derivative financial instruments (see 14c (iii))	**–**	–	**–**	4.7
Borrowings (note 14a)	**837.5**	926.7	**–**	–
Lease liabilities (note 15)	**5.2**	5.9	**–**	**–**
Current liabilities				
Trade payables (note 13)	**4.6**	4.2	**–**	–
Accrued interest (note 13)	**1.3**	1.9	**–**	–
	848.6	938.7	**–**	4.7

ii) Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, the Directors are of the opinion that book value approximates to fair value at 31 March 2021.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2021 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate caps – expiry	**2021 %**	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Less than one year	**2.0**	–	**19.6**	–	**–**	–
One to two years	**–**	2.0	**–**	19.6	**–**	–
	2.0	2.0	**19.6**	19.6	**–**	–

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2021 %**	2020 %	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Two to five years	**–**	1.1	**–**	350.0	**–**	(4.7)
Total fair value					**–**	(4.7)

All derivative financial instruments are non current interest rate derivatives, and are carried at fair value following a valuation as at 31 March 2021 by Chatham Financial. In accordance with accounting standards, fair value is estimated by calculating the present value of future cash flows, using appropriate market discount rates. For all derivative financial instruments this equates to a Level 2 fair value measurement as defined by IFRS 13 Fair Value Measurement.

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

15 Leases

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

As at 31 March	**2021 £m**	2020 £m
Less than one year	**114.2**	113.6
Between one and five years	**416.8**	421.6
Between six and ten years	**392.6**	399.6
Between 11 and 15 years	**265.8**	240.7
Between 16 and 20 years	**129.4**	121.5
Over 20 years	**25.3**	32.5
	1,344.1	1,329.5

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

As at 31 March	**Minimum lease payments £m**	**Interest £m**	**Present value of minimum lease payments 2021 £m**	Present value of minimum lease payments 2020 £m
Less than one year	**0.7**	**(0.1)**	**0.6**	0.6
Between one and two years	**0.7**	**(0.1)**	**0.6**	0.6
Between two and five years	**0.5**	**(0.2)**	**0.3**	1.0
Over five years	**7.3**	**(3.6)**	**3.7**	3.7
	9.2	**(4.0)**	**5.2**	5.9

16 Share capital

As at 31 March	**2021 Number**	**2021 £m**	2020 Number	2020 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	**909,643,040**	**91.0**	841,498,022	84.2

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

Share capital issued, called up and fully paid	**Ordinary shares Number**	**Ordinary shares £m**	**Share premium £m**
At 1 April 2019	699,991,840	70.0	100.8
Share issue on acquisition	138,615,684	13.9	–
Issued under scrip share scheme	2,890,498	0.3	5.5
At 1 April 2020	841,498,022	84.2	106.3
Issued under equity placing	66,666,666	6.6	110.0
Issued under scrip share scheme	1,478,352	0.2	3.0
At 31 March 2021	**909,643,040**	**91.0**	**219.3**

On 7 May 2020, the Company issued 66,666,666 new ordinary shares in connection with an equity placing that raised gross proceeds of £120 million at an issue price of 180.0p per share. In addition, the Company issued 1,478,352 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 118,874 ordinary shares under the terms of its Scrip Dividend Scheme.

The movement in the shares held by the Employee Benefit Trust in the year is summarised in the table below.

Shares held by the Employee Benefit Trust	Ordinary shares Number	Ordinary shares £m
At 1 April 2020	4,330,731	0.4
Shares issued under employee share schemes	(2,404,362)	(0.2)
Shares acquired by the Employee Benefit Trust	2,463,826	0.2
At 31 March 2021	**4,390,195**	**0.4**

In June 2020, the Company granted options over 1,914,457 ordinary shares under its Long Term Incentive Plan. In addition, 2,151,447 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2017 vested along with 252,915 ordinary shares in the Director's Deferred Bonus Plan. The average share price on vesting was 225.3p. As at 31 March 2021, the Company's Employee Benefit Trust held 4,390,195 shares in the Company to satisfy awards under the Company's Long Term Incentive and Deferred Bonus Plans.

17 Reserves

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

Share capital	The nominal value of shares issued.
Share premium	The premium paid for new ordinary shares issued above the nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued ordinary shares.
Other reserve	A reserve relating to the application of merger relief in the acquisition of LondonMetric Management Limited, 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.

As at 31 March	**Merger reserve £m**	**Employee Benefit Trust shares £m**	**2021 Total other reserves £m**	Merger reserve £m	Employee Benefit Trust shares £m	2020 Total other reserves £m
Opening balance	**497.4**	**(9.0)**	**488.4**	227.9	(6.2)	221.7
Employee share schemes:						
Purchase of shares	**–**	**(5.5)**	**(5.5)**	–	(7.2)	(7.2)
Vesting of shares	**–**	**4.8**	**4.8**	–	4.4	4.4
Acquisition of A&J Mucklow	**–**	**–**	**–**	269.5	–	269.5
Closing balance	**497.4**	**(9.7)**	**487.7**	497.4	(9.0)	488.4

18 Analysis of movement in net debt

				Non cash movements				
	1 April 2020 £m	**Financing cash flows £m**	**Other cash flows £m**	**Impact of issue and arrangement costs £m**	**Early close out costs £m**	**Fair value adjustments £m**	**Interest charge and unwinding of discount £m**	**31 March 2021 £m**
Bank loans and derivatives	**931.4**	**(97.9)**	**–**	**1.4**	**2.6**	**–**	**–**	**837.5**
Interest payable and fees	**1.9**	**(22.7)**	**–**	**2.7**	**–**	**–**	**19.4**	**1.3**
Lease liabilities	**5.9**	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**5.2**
Total liabilities from financing activities	**939.2**	**(120.6)**	**–**	**4.1**	**2.6**	**–**	**18.7**	**844.0**
Cash and cash equivalents	**(81.8)**	**–**	**30.4**	**–**	**–**	**–**	**–**	**(51.4)**
Net debt	**857.4**	**(120.6)**	**30.4**	**4.1**	**2.6**	**–**	**18.7**	**792.6**

	1 April 2019 £m	Financing cash flows £m	Other cash flows £m	Non cash movements: Impact of issue and arrangement costs £m	Acquisitions £m	Fair value adjustments £m	Interest charge and unwinding of discount £m	31 March 2020 £m
Bank loans and derivatives	560.5	283.8	–	–	84.0	3.1	–	931.4
Interest payable and fees	0.9	(26.1)	–	3.5	0.8	–	22.8	1.9
Lease liabilities	–	–	–	–	6.0	–	(0.1)	5.9
Total liabilities from financing activities	561.4	257.7	–	3.5	90.8	3.1	22.7	939.2
Cash and cash equivalents	(20.6)	–	(61.2)	–	–	–	–	(81.8)
Net debt	540.8	257.7	(61.2)	3.5	90.8	3.1	22.7	857.4

19 Related party transactions

a) Joint ventures
Management fees and profit distributions receivable from the Group's joint venture arrangements in which it had an equity interest during the year were as follows:

		Management fees		Profit distributions	
For the year to 31 March	Group interest	**2021 £m**	2020 £m	**2021 £m**	2020 £m
LSP London Residential Investments	40.0%	**0.1**	0.2	**2.8**	8.3
Metric Income Plus Partnership	50.0%	**0.8**	0.9	**3.7**	4.0
		0.9	1.1	**6.5**	12.3

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

b) Non-controlling interest
The Group's non-controlling interest ('NCI') represents an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets. The Group's interest in LMP Retail Warehouse JV Holdings Limited is 82%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet.

As at the year end, the non-controlling interest share of profits and net assets was £0.7 million and £6.4 million respectively, with distributions of £1.4 million paid during the year.

20 Post balance sheet events

Since the year end, we have completed acquisitions totalling £78.8 million, of which £11.8 million had exchanged in the year, and have exchanged on a further £1.0 million. We also exchanged to acquire an asset in Milton Keynes for £23.9 million which is expected to complete in the next financial year.

In addition, we exchanged in the year to sell assets totalling £10.6 million, of which £2.4 million completed post year end, and we have also exchanged to sell a further £15.8 million of assets.

In April, we entered into a new £380 million private debt placement with a number of institutional investors in North America and the UK. We also entered into two new revolving credit facilities with three and five year terms for £225 million and £175 million respectively. Taken together, we have completed £780 million of new debt, replacing the existing revolving credit facilities and other existing debt facilities that are approaching maturity.

Supplementary information (not audited)

i EPRA summary table

	2021	2020
EPRA earnings per share	**9.52p**	9.26p
EPRA net tangible assets per share	**190.3p**	170.3p
EPRA net disposal value per share	**189.7p**	169.9p
EPRA net reinstatement value per share	**209.7p**	189.3p
EPRA vacancy rate	**1.3%**	1.4%
EPRA cost ratio (including vacant property costs)	**13.6%**	14.2%
EPRA cost ratio (excluding vacant property costs)	**13.0%**	13.3%
EPRA net initial yield	**4.3%**	4.3%
EPRA 'topped up' net initial yield	**4.6%**	5.0%

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

ii EPRA proportionally consolidated income statement

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2021 £m**	100% owned £m	JV £m	NCI £m	Total 2020 £m
Gross rental income	**121.3**	**5.3**	**(1.5)**	**125.1**	112.3	6.3	(1.3)	117.3
Property costs	**(1.6)**	**(0.2)**	**–**	**(1.8)**	(1.2)	(0.2)	–	(1.4)
Net rental income	**119.7**	**5.1**	**(1.5)**	**123.3**	111.1	6.1	(1.3)	115.9
Management fees	**0.9**	**(0.4)**	**–**	**0.5**	1.1	(0.5)	–	0.6
Administrative costs	**(15.8)**	**–**	**–**	**(15.8)**	(15.8)	(0.1)	–	(15.9)
Net finance costs	**(21.5)**	**(1.2)**	**0.2**	**(22.5)**	(24.9)	(1.5)	0.3	(26.1)
Other	**(0.1)**	**–**	**0.2**	**0.1**	(0.2)	–	0.2	–
EPRA earnings	**83.2**	**3.5**	**(1.1)**	**85.6**	71.3	4.0	(0.8)	74.5

iii EPRA proportionally consolidated balance sheet

As at 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2021 £m**	100% owned £m	JV £m	NCI £m	Total 2020 £m
Investment property	**2,504.6**	**94.4**	**(11.4)**	**2,587.6**	2,273.6	92.4	(14.9)	2,351.1
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	2,505.7	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2
Gross debt	**(839.5)**	**(37.5)**	**–**	**(877.0)**	(932.7)	(42.1)	–	(974.8)
Cash	**51.4**	**3.4**	**(0.2)**	**54.6**	81.8	5.1	(0.8)	86.1
Other net liabilities	**(39.1)**	**(0.5)**	**5.2**	**(34.4)**	(34.3)	(0.6)	8.6	(26.3)
EPRA net tangible assets	**1,678.5**	**59.8**	**(6.4)**	**1,731.9**	1,389.5	54.8	(7.1)	1,437.2
Derivatives	**–**	**(0.6)**	**–**	**(0.6)**	(4.7)	(0.7)	–	(5.4)
IFRS net assets	**1,678.5**	**59.2**	**(6.4)**	**1,731.3**	1,384.8	54.1	(7.1)	1,431.8
Loan to value	**32.2%**	**32.8%**	**–**	**32.3%**	35.7%	40.0%	–	35.9%
Cost of debt	**2.5%**	**3.0%**	**–**	**2.5%**	2.9%	3.1%	–	2.9%
Undrawn facilities	**170.5**	**–**	**–**	**170.5**	133.8	–	–	133.8

iv EPRA cost ratio

For the year to 31 March	2021 £m	2020 £m
Property operating expenses	**1.6**	1.2
Administrative costs	**15.8**	15.8
Share of joint venture property costs, administrative costs and management fees	**0.6**	0.8
Less:		
Joint venture property management fee income	**(0.9)**	(1.1)
Ground rents	**(0.1)**	(0.1)
Total costs including vacant property costs (A)	**17.0**	16.6
Group vacant property costs	**(0.7)**	(0.9)
Share of joint venture vacant property costs	**–**	(0.1)
Total costs excluding vacant property costs (B)	**16.3**	15.6
Gross rental income	**121.3**	112.3
Share of joint venture gross rental income	**5.3**	6.3
Share of non-controlling interest gross rental income	**(1.5)**	(1.3)
	125.1	117.3
Less:		
Ground rents	**(0.1)**	(0.1)
Total gross rental income (C)	**125.0**	117.2
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**13.6%**	14.2%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**13.0%**	13.3%

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

As at 31 March	2021 £m	2020 £m
Investment property – wholly owned	**2,499.5**	2,267.9
Investment property – share of joint ventures	**94.4**	92.4
Trading property	**1.1**	1.1
Less development properties	**(59.8)**	(57.0)
Less residential properties	**(2.1)**	(4.9)
Less non-controlling interest	**(11.4)**	(14.9)
Completed property portfolio	**2,521.7**	2,284.6
Allowance for:		
Estimated purchasers’ costs	**171.5**	155.4
Estimated costs to complete	**14.7**	18.7
EPRA property portfolio valuation (A)	**2,707.9**	2,458.7
Annualised passing rental income	**112.6**	102.1
Share of joint ventures	**6.2**	6.0
Less development properties	**(2.3)**	(1.9)
Annualised net rents (B)	**116.5**	106.2
Contractual rental increase across the portfolio	**7.7**	16.0
‘Topped up’ net annualised rent (C)	**124.2**	122.2
EPRA net initial yield (B/A)	**4.3%**	4.3%
EPRA ‘topped up’ net initial yield (C/A)	**4.6%**	5.0%

vi EPRA vacancy rate

As at 31 March	**2021 £m**	2020 £m
Annualised estimated rental value of vacant premises	**1.7**	1.7
Portfolio estimated rental value[1]	**127.7**	124.4
EPRA vacancy rate	**1.3%**	1.4%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2021 £m**	100% owned £m	JV £m	NCI £m	Total 2020 £m
Opening valuation	**2,274.7**	**92.4**	**(14.9)**	**2,352.2**	1,688.0	158.2	–	1,846.2
Acquisitions[1]	**212.4**	**–**	**–**	**212.4**	635.3	(41.2)	(17.0)	577.1
Developments[2,4]	**37.9**	**–**	**–**	**37.9**	43.1	–	–	43.1
Capital expenditure[3]	**4.9**	**0.3**	**(0.1)**	**5.1**	10.2	0.3	(0.2)	10.3
Disposals	**(200.8)**	**(1.8)**	**3.3**	**(199.3)**	(113.4)	(15.1)	0.3	(128.2)
Revaluation	**169.9**	**3.4**	**0.4**	**173.7**	(3.8)	(10.2)	2.0	(12.0)
Lease incentives	**7.3**	**0.1**	**(0.1)**	**7.3**	9.6	0.4	–	10.0
Head lease ROU asset	**(0.6)**	**–**	**–**	**(0.6)**	5.7	–	–	5.7
Closing valuation	**2,505.7**	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2

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

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

3 Capital expenditure on completed properties, of which £0.6 million created additional lettable space

4 Includes capitalised interest of £1.1 million (2020: £0.9 million)

viii Total accounting return

For the year to 31 March	**2021 pence per share**	2020 pence per share
EPRA net tangible assets per share		
– at end of year	**190.3**	170.3
– at start of year	**170.3**	173.7
Increase/(decrease)	**20.0**	(3.4)
Dividend paid	**8.5**	8.4
Net increase	**28.5**	5.0
Total accounting return	**16.7%**	2.9%

ix Portfolio split and valuation

As at 31 March	2021 £m	2021 %	2020 £m	2020 %
Mega distribution	**351.9**	**13.6**	349.6	14.9
Regional distribution	**483.5**	**18.7**	419.5	17.9
Urban logistics	**941.9**	**36.5**	824.6	35.1
Distribution	**1,777.3**	**68.8**	1,593.7	67.9
Long income	**629.4**	**24.3**	552.5	23.5
Retail parks	**73.9**	**2.9**	83.3	3.6
Offices	**41.1**	**1.6**	55.1	2.4
Investment portfolio	**2,521.7**	**97.6**	2,284.6	97.4
Development[1]	**59.8**	**2.3**	57.0	2.4
Residential	**2.1**	**0.1**	4.9	0.2
Total portfolio	**2,583.6**	**100.0**	2,346.5	100.0
Head lease and right of use assets	**5.1**		5.7	
	2,588.7		2,352.2	

1 Represents urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%) at 31 March 2021. Split of prior year comparatives was regional distribution £38.1 million (1.6%), urban logistics £6.2 million (0.3%), long income £10.5 million (0.5%), office and other land £2.2 million.

x Investment portfolio yields

	2021			2020		
As at 31 March	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	**3.8**	**4.1**	**4.7**	3.9	4.6	5.1
Long income	**5.2**	**5.4**	**5.7**	5.0	5.6	5.9
Retail parks	**7.1**	**7.6**	**7.1**	6.7	7.5	7.3
Offices	**4.9**	**6.0**	**6.5**	5.8	5.8	6.5
Investment portfolio	**4.3**	**4.6**	**5.1**	4.3	5.0	5.5

xi Investment portfolio – Key statistics

As at 31 March 2021	Area ’000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	**12,150**	**10.6**	**9.5**	**98.1**	**6.50**
Long income	**2,719**	**14.2**	**13.1**	**100.0**	**15.60**
Retail parks	**379**	**8.6**	**7.5**	**100.0**	**15.80**
Offices	**164**	**5.4**	**5.1**	**91.8**	**17.50**
Investment portfolio	**15,412**	**11.4**	**10.3**	**98.7**	**8.30**

xii Total property returns

For the year to 31 March	All property 2021 %	All property 2020 %
Capital return	**8.0**	–
Income return	**5.1**	5.1
Total return	**13.4**	5.1

xiii Contracted rental income

As at 31 March	**2021 £m**	2020 £m
Distribution	**77.6**	77.3
Long income	**35.8**	33.9
Retail parks	**6.0**	6.8
Offices	**2.6**	3.4
Investment portfolio	**122.0**	121.4
Development – distribution	**1.7**	1.3
Development – long income	**0.6**	0.6
Total portfolio	**124.3**	123.3

xiv Rent subject to expiry

As at 31 March 2021	**Within 3 years %**	**Within 5 years %**	**Within 10 years %**	**Within 15 years %**	**Within 20 years %**	**Over 20 years %**
Distribution	**11.6**	**22.5**	**45.9**	**75.3**	**94.0**	**100.0**
Offices	**11.6**	**50.1**	**100.0**	**100.0**	**100.0**	**100.0**
Long income	**1.8**	**5.9**	**27.1**	**52.0**	**82.6**	**100.0**
Retail parks	**4.7**	**19.7**	**74.6**	**85.6**	**100.0**	**100.0**
Total portfolio	**8.4**	**18.1**	**42.9**	**69.5**	**91.1**	**100.0**

xv Contracted rent subject to RPI or fixed uplifts

As at 31 March	**2021 £m**	**2021 %**	2020 £m	2020 %
Distribution	**46.2**	**58.2**	46.1	58.7
Long income	**22.9**	**63.1**	19.7	57.2
Retail parks	**0.8**	**14.0**	1.1	15.7
Offices	**0.6**	**22.5**	0.3	8.5
Total portfolio	**70.5**	**56.8**	67.2	54.5

xvi Top ten assets (by value)

As at 31 March 2021	**Area ’000 sq ft**	**Contracted rent £m**	**Occupancy %**	**WAULT to expiry years**	**WAULT to first break years**
Primark, T2, Islip	**1,062**	**5.8**	**100**	**19.5**	**19.5**
Eddie Stobart, Dagenham	**454**	**4.1**	**100**	**22.5**	**22.5**
Argos, Bedford	**658**	**4.1**	**100**	**13.0**	**13.0**
Primark, Thrapston	**785**	**4.3**	**100**	**11.5**	**11.5**
Tesco, Croydon	**191**	**1.9**	**100**	**7.1**	**7.1**
Amazon, Warrington	**357**	**2.1**	**100**	**10.7**	**10.7**
DHL, Reading	**230**	**2.3**	**100**	**4.3**	**4.3**
Ollerton, Clipper	**364**	**2.0**	**100**	**16.5**	**16.5**
Oak Furniture, Swindon	**357**	**1.9**	**100**	**14.6**	**14.6**
New Malden	**51**	**1.9**	**100**	**10.6**	**6.0**

xvii Top ten occupiers

As at 31 March 2021	Contracted rental income £m	Contracted rental income %
Primark	**10.1**	**8.2**
DFS	**4.3**	**3.5**
Amazon	**4.2**	**3.4**
Argos	**4.2**	**3.4**
Eddie Stobart	**4.1**	**3.3**
M&S[1]	**3.9**	**3.2**
DHL	**3.6**	**2.9**
Odeon	**3.3**	**2.7**
Waitrose	**3.3**	**2.7**
DSG	**3.3**	**2.6**
Top ten	**44.3**	**35.9**

1 Excludes income from post year end sales

Glossary

A&J Mucklow Group or A&J Mucklow or Mucklow
A&J Mucklow Group Plc acquired on 27 June 2019 and re-registered as A&J Mucklow Group Limited on 24 September 2019.

Building Research Establishment Environmental Assessment Methodology (‘BREEAM’)
A set of assessment methods and tools designed to help construction professionals understand and mitigate the environmental impacts of the developments they design and build.

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

Chief operating decision makers (‘CODMs’)
The Executive Directors, Senior Leadership Team members and other senior managers.

Contracted rent
The annualised rent excluding rent free periods.

Cost of debt
Weighted average interest rate payable.

Debt maturity
Weighted average period to expiry of debt drawn.

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

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

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

EPRA Earnings Per Share (‘EPS’)
Underlying earnings from the Group’s property rental business divided by the average number of shares in issue over the period.

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

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

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

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

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

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

EPRA vacancy
The Estimated Rental Value (‘ERV’) of immediately available vacant space as a percentage of the total ERV of the investment portfolio.

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

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

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

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

Group
LondonMetric Property Plc and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total Accounting Return ('TAR')
The movement in EPRA Net Tangible Assets per share plus the dividend paid during the period expressed as a percentage of the EPRA net tangible assets per share at the beginning of the period.

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

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

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

Weighted Average Unexpired Lease Term ('WAULT')
Average unexpired lease term across the investment portfolio weighted by contracted rent.