LONDONMETRIC PROPERTY PLC
(“LondonMetric” or the “Group” or the “Company”)
FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2023
Strong operational performance drives EPRA earnings and dividend growth

LondonMetric today announces its full year results for the year ended 31 March 2023.

	EPRA[1,2]		IFRS	
Income Statement	FY 2023	FY 2022	FY 2023	FY 2022
Net rental income (£m)	146.8	133.1	144.1	130.0
Earnings/Reported (Loss)/Profit (£m)	101.1	93.5	(506.3)	734.5
Earnings per share (p)	10.33	10.04	(51.8)	78.8
Dividend per share (p)	9.50	9.25	9.50	9.25
	EPRA[1,2]		IFRS	
Balance Sheet	FY 2023	FY 2022	FY 2023	FY 2022
Net tangible assets (NTA)/ Net Assets (£m)	1,956.2	2,559.6	1,995.2	2,569.8
NTA/ Net Assets per share (p)	198.9	261.1	203.7	262.3

LTV (%)	32.8	28.8

1. Including share of joint ventures, excluding non-controlling interest
2. Further details on alternative performance measures can be found in the Financial Review and definitions can be found in the Glossary

Continued focus on reliable, repetitive and growing income drives earnings and dividend growth
- Net rental income increased 10.3% to £146.8m, IFRS basis increased 10.8%
- EPRA earnings up 8.1% to £101.1m, +2.9% on a per share basis
- EPRA cost ratio down 80 bps to 11.7%
- Dividend increased 2.7% to 9.5p, 109% covered by earnings, including Q4 dividend declared today of 2.6p
- Dividend progression to continue, Q1 2024 dividend expected to increase by 4.3%

Portfolio valuation movement reflects deterioration in macro investment backdrop
- Portfolio value of £3.0bn (31 March 2022: £3.6bn)
- Total property return -12.0%, capital return -15.7%
- Yield expansion of 107 bps, ERV growth of 8.4% resulting in revaluation of -£587.5m (31 March 2022: +£632.2m)
- EPRA NTA per share of 198.9p (-23.8%)
- IFRS reported loss of £506.3m (31 March 2022: £734.5m profit)

Occupational market strong, delivering +£7.8m pa contracted income and 5.0% like for like income growth
- Rent reviews +16%, urban logistics reviews +21%
- Lettings signed with WAULT of ten years, regears achieving rental uplift of 21%
- Rent reviews over next two years expected to add £11m pa of contracted income

Activity continues to strengthen portfolio’s income characteristics and quality
- Occupancy remains high at 99.1%, WAULT of 11.9 years and gross to net income ratio of 98.9%
- Contractual rental uplifts on 63% of portfolio, material embedded reversion on urban where ERV is 25% ahead of current
- EPC A-C rating improved to 90% of portfolio, with 31% BREEAM Very Good or Excellent

Distribution weighting at 73.1%, including urban logistics at 43.1%
- £273m of disposals with a WAULT of seven years, sold at 1% premium to prevailing book value
- £120m of acquisitions with a WAULT of 14 years
- Post year end, further £21.6m of sales, including today’s separately announced disposal of a DHL warehouse

Balance sheet well positioned
- LTV of 32.8% with weighted average debt maturity of 6.0 years and cost of debt at 3.4% (93% hedged)
- New facilities of £275m in year with maturity lengthened on £400m. Post year end, £400m of debt extended
- Undrawn facilities of £380m, refinancing risk mitigated until FY 2027

Recommended Offer for CT Property Trust Limited
- LondonMetric has today separately announced a £198.6m recommended offer for CT Property Trust Limited

Andrew Jones, Chief Executive of LondonMetric, commented:

"The last year has seen a weaker economic backdrop, elevated inflation and a significantly higher interest rate environment. Not surprisingly, this has led to a recalibration of real estate values and conditions that have undoubtedly impacted our approach to leverage and interest rate exposure.

"Whilst risks and uncertainty remain, the outlook is improving and some confidence is returning. History teaches us that periods of uncertainty always pass and eventually inflation will be tamed and interest rates will stabilise. What is even clearer is that the strong occupational fundamentals supporting our chosen sectors remain intact. Broadening occupational demand and constrained supply are creating ideal conditions for continued rental growth, particularly for our urban warehouses, which remain our strongest conviction call. This has helped us to again report attractive like-for-like income growth, earnings and dividend growth as well as maintain our strong portfolio metrics.

"Looking forward, we have a strong conviction that our portfolio is firmly positioned on the right side of the long term structural shifts and that it will continue to generate reliable, repetitive and growing income to deliver on our progressive dividend policy."

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

An analysts meeting will be held at 10.00 a.m. today and a live audio webcast will be available at the below web page. An on demand recording will be available from the same page after the meeting: https://www.londonmetric.com/investors/acquisition-ct-property-trust

Notes to editors

LondonMetric is a FTSE 250 REIT that owns one of the UK's leading listed logistics platforms alongside a grocery-led long income portfolio, with 16.5 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.

Neither the content of LondonMetric's website nor any other website accessible by hyperlinks from its website are incorporated in, or form part of this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision to acquire, continue to hold, or dispose of shares in LondonMetric. This announcement may contain certain forward-looking statements with respect to LondonMetric's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to future events and circumstances. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Certain statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of LondonMetric speak only as of the date they are made. LondonMetric does not undertake to update forward-looking statements to reflect any changes in LondonMetric's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Nothing in this announcement should be construed as a profit forecast. Past share price performance cannot be relied on as a guide to future performance.

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

Chair's statement

Once again, it is time to write to you as shareholders of LondonMetric with my thoughts on the past year and our immediate future. Sadly, it is also the last time I will have that privilege.

It has been a highly volatile and difficult year for most asset classes, particularly those that are sensitive to changes in interest rates. The material and sudden upward movement in central bank rates has had a profound impact on the UK real estate sector, with property yields expanding by nearly 100bps on average and share prices falling on average by 34% over our reporting period.

The logistics sector, particularly larger boxes, was hit hard as yields moved out rapidly from the record low levels set in the prior year as investors quickly re-calibrated to the higher rate environment. Despite the effect this has had on values, it has not impacted our excellent portfolio metrics and occupancy levels or our strong earnings position, which is at an all time high.

With our logistics weighting of over 70%, and after our exceptional performance in 2022 which saw us deliver a total accounting return of 42% and a total property return of 28%, it was disappointing to see the Company return -20% and -12% respectively over this year. This was owing to our EPRA NAV decline of 24%.

You will appreciate that we do not run the Company over a 12 month cycle, we look over the longer term. So, despite a disappointing year, we must remember that the Company has still delivered a total accounting return of 32.5% over the last three years. This strong longer term performance reflects the team's successful and continual reshaping of the portfolio that has seen us transact on £3 billion of property over the last five years, equivalent to the current portfolio value. This has allowed continued earnings and dividend growth.

The majority of these transactions reflect our decision to rotate out of large distribution warehousing into urban logistics. For a number of years, we had been nervous about both the low yields and supply potential for mega box warehousing and have consciously reduced our weighting to this sub sector from 27% to 10% over the last five years. Conversely, demonstrating our conviction that urban logistics would deliver superior rental growth and offer greater rewards, we have increased the portfolio's urban logistics exposure from 20% to 43%.

Our transactional activity over the last year has focused on disposals, with sales of £273 million. These were primarily urban and regional logistics assets where, despite the difficult market conditions, our team delivered some excellent sales. These sales were in popular sectors, so were transacted at a premium to the prevailing book value and crucially have allowed us to retain a lower LTV and reduce our exposure to higher interest rate debt.

Despite these sales and higher financing costs, and reflecting the highly resilient occupation dynamics across our sectors, our focus on income growth has again seen our EPRA earnings per share increase by 2.9%, which has given us confidence to increase our dividend per share for the eighth year in a row, up by 2.7% over the year, 109% covered by EPRA earnings. Furthermore, we have indicated that our first quarterly dividend for the next financial year will be 4.3% higher.

Despite the recent market challenges, we maintain that well managed real estate in structurally supported sectors can continue to deliver reliable and growing dividends over the long term. We feel that the Company is well positioned with its carefully selected portfolio, ongoing discipline, inflation protection through rental growth and index linked leases.

We also have managed to retain attractive financing rates following material refinancing activity in the year.

We have a well aligned and high grade executive team with strong occupier and property relationships. I would again like to warmly thank the Board and all of our employees for their hard work in this difficult year. We have also strengthened our Board with the appointment of Suzy Neubert, who I would like to welcome on your behalf. Suzy brings an outstanding depth of experience to our team and joins the Audit Committee with effect from today.

The time has now come after 40 years in the listed property sector for me to retire as Chair and member of the Board. I am handing over to Alistair Elliott, who I am confident will prove an outstanding successor. I wish him well as your new Chair. I would also like to take this opportunity to thank Rosalyn Wilton for her valuable contribution to the Company over the last nine years as she retires from the Board with effect from today. She has provided excellent leadership as Chair of the Audit Committee and is succeeded in that position by Kitty Patmore.

I am pleased to be leaving the Company in a strong position, with a very good portfolio, outstanding management and a strong Board. I am confident they will continue to be excellent stewards of our continued investment. Finally I wish to thank the team who it has been my pleasure to work with for many years.

I am also pleased that we have agreed a £198.6 million recommended offer to acquire CT Property Trust Limited. The all-share offer has compelling strategic and portfolio rationale, providing us with the opportunity to acquire a high quality portfolio in a cost efficient way.

Patrick Vaughan
Chair
24 May 2023

Chief Executive's review

The last year has been volatile and led to a re-calibration of real estate values. However, the fundamentals of our core sectors remain strong and our fully let portfolio is well placed to benefit.

Overview

We have endured a volatile economic and political situation over the last year, which has brought an end to the era of cheap money and low inflation. It has created uncertainty and led to a re-calibration of real estate values.

However, as we look past the near term uncertainty, it is clear that there will be increasing polarisation. Those real estate sectors and geographies that enjoy strong occupational demand and continue to attract long term patient capital will prove more resilient, whilst those facing disruption from technology, increasing environmental obsolescence and changing consumer behaviour will struggle.

Our focus on the macro trends and how they define the winners and losers in real estate has served us well over the years and continues to influence where we invest our capital.

Our core allocation into urban logistics within the strongest geographies of London and the West Midlands is ensuring that we benefit from long term structural shifts and capture elevated levels of rental growth from strong demand/supply dynamics. Historically, we have also consciously allocated capital into grocery and convenience long income that benefits from a growing consumer preference for smaller format grocery spend, convenience over experience and essential spend over discretionary.

Furthermore, our active investment management and abilities to leverage our occupational relationships, give us a 'black edge' that has seen us regularly buy into assets to capture sustainable rental growth and sell assets to benefit from hot money flows.

Whilst there has been a slight improvement of late, the macro environment still remains uncertain. Whilst this has affected real estate values, very little has changed in terms of the drivers supporting our chosen sectors, which is why we know that our fully let portfolio will continue to provide reliable, repetitive and growing income and allow us to not only navigate uncertainty but also to profit from it.

Macro events have significantly increased volatility

We continue to witness significant global economic and geopolitical uncertainty, from the conflict in Ukraine to the tensions in Taiwan and the impact of China's reopening following its zero Covid strategy. These macro issues continue to influence how and where we allocate capital and position our balance sheet.

Our occupiers have had to navigate soaring energy costs, disruption to supply chains, staff shortages, significant cost inflation and consequently material increases in borrowing costs. The good news is that the UK has had a resilient consumer with almost full employment, good wage growth, high savings ratios and a significant proportion of homeowners owning their homes without a mortgage or benefiting from cheaper fixed rate mortgages.

Consequently, and against most commentators' expectations, the UK has continued to avoid a recession, even a technical one. The days of the Truss/Kwarteng mini budget are now behind us and the money markets have been calmed.

Therefore, after 12 increases in interest rates, we expect inflation to fall materially over the remainder of 2023.

However, what is clear is that, after decades of very low interest rates, the period of a 'free carry' in real estate is over. Therefore, investors will be more focused on delivering growth opportunities from both macro shifts and heavy lifting asset management initiatives that can deliver higher levels of income; something that not all sectors or management teams will be able to deliver on.

The property market has seen significant repricing but, outside logistics, liquidity hasn't returned

Interest rates remain the yardstick by which all investments are assessed, and so the material shift in monetary policy has had a profound impact on real estate valuations. Whilst the full impact is continuing to play out, we expect some of the short term reactions to be superseded by longer term trajectories.

Lower yielding and high growth sectors certainly took the brunt of the initial repricing in the latter part of 2022, whilst higher yielding ex-growth sectors remained largely unscathed. This seems largely irrational and we would expect some of these initial movements to unwind, with other movements accelerating as market data becomes more evident and reliable.

For a while now, the logistics sector has been the only property asset class transacting, which helps to explain why valuations in March 2023 are stronger than the market had been expecting at the end of 2022. Whilst liquidity is much improved from the days of the mini budget, it is still likely to remain far from optimum until five year swap rates fall back below 300bps. We still have some way to go as, whilst it is down materially from its highs of 540bps immediately following the mini budget last Autumn, it remains elevated at around 400bps, reflecting stubbornly high inflation.

For those sectors that have not seen material re-pricing, when more liquidity returns, they will surely print at yields materially softer than those currently suggested by valuers' yield sheets. We expect the greatest fallout to be in those troubled sectors facing structural headwinds and a perfect storm of falling rental values, weaker valuations and higher borrowing costs.

When interest rates are low and debt readily available, many of the structural cracks in these asset classes can be papered over. However, we are now in a new paradigm and if the property market won't offer price discovery, then the debt market inevitably will. One of the fallouts from the recent banking crisis in the USA is that debt availability will be more restricted. Whilst many will point to this being a localised issue, it would be naive to think that there will not be implications on debt availability and/or credit margins closer to home.

Troubled sectors including certain parts of retail as well as offices seem the most exposed. Here, debt refinancing will bring some serious pain as owners discover that some of their troubled assets presently yielding a positive carry and attractive cash on cash metrics, will no longer be so productive.

UK listed REITs look best placed

The good news is that the UK listed sector is in a much better position than the private sector or indeed many of the European REITs, where leverage is already higher. Many of the lessons from the Global Financial Crisis were missed, but, in the UK, lower leverage was not one of them and so we do not expect a repeat of 2008/09. Asset quality is also much higher and, either by choice or market forces, very few UK REITs are now owning structurally obsolete shopping centres and ageing regional offices.

The times are truly changing and today's debt and equity markets offer no hiding places. Outdated strategies have been unmasked and sub-scale offerings are out of favour, and this will become more apparent as pockets of the market rerate in response to an improved economic outlook.

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

As volatility subsides and rational thinking returns, we believe that fundamentals will once again come to the fore.

Technological disruption remains a powerful force that continues to affect our daily lives in how we communicate, travel, work and shop. This will continue to have a profound and permanent impact on which real estate sectors win and which ones lose. After all, no matter how clever we are or how hard we work our assets, the macro trends will always outdo the micro initiatives.

After years of above average take up, and despite negative headlines around online sales, demand for UK logistics warehousing is still running at long term average levels. Whilst online sales penetration has fallen back from the peak seen during the pandemic to currently stand at 26%, this is still materially higher than the pre-pandemic level of 19% and remains set to exceed 30% over the next few years as consumers' appreciation of online convenience, price transparency and speed of delivery continues to grow.

Together with further onshoring of operations and a more diverse range of occupiers looking for space, we believe that the structural tailwinds will continue to provide strong support for logistics, particularly in urban locations, where land is a scarce and a reducing commodity. These dynamics underpin current rental levels which saw further strong growth over the last year.

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

The shift in spending over the last decade has resulted in massive value destruction across large parts of retail real estate, with department store and shopping centre values facing the brunt of falling rents, failing tenants, rising obsolescence and muted new demand. Retail landlords are almost always a price taker; not the price setter. Whilst the physical store has a role to play in omni-channel retailing, it is clear that the rents that it can justify are materially lower than history suggests. As one retail CEO commented: retail rents today are way out of kilter with the role that shops now perform.

The adoption of omni-channel models is however affording the retail parks market some stability and we are starting to see rising occupancy, reduced supply and pricing equilibrium. Whilst these conditions are not uniform it is particularly the case around the strongest geographies, where existing space is being lost to other higher value alternatives, like residential. We expect this 'de-retailing' trend to continue.

In the retail grocery sector, online penetration is much lower than compared to general merchandise. As a result, the grocery store retains its important role in essential spending. However, performances across grocery real estate is already polarising as over-sized, over-rented larger format supermarkets face up to the strong competition from the smaller, right rented, fit for purpose convenience and discount stores which consumers now prefer.

After years of rental compounding, the best days for larger format supermarkets look like they are behind them. Shortening leases will inevitably expose their values; much as department stores' valuations did when they were exposed to true market fundamentals and their credits failed.

For the office market, outside of the West End, the sector is starting to attract similar comments to those that were being made about shopping centres seven or eight years ago. Structural disruption to work from home accelerated during the pandemic, and whilst corporates are intensifying their return to work policies, occupiers are materially reducing their office footprint and demanding greater flexibility. They are also conscious that the stick on its own won't work and so they are also intensifying their offer of a carrot through modern environments and better facilities.

This is at a time when offices are having to be retrofitted to meet new sustainability requirements. This will inevitably lead to a polarisation of performances and a large gap between the winners and losers. Some commentators are already referring to some older ‘brown’ offices as being unsaleable, and what started out as murmurs of some banks refusing to lend on certain office buildings is now becoming reality. There is a refinancing tsunami coming, and the smart money is predicting that, as well as 'owning' a number of shopping centres in the UK, the lending banks will increasingly be the 'owners' of regional offices.

The rental outlook across the various real estate sub-sectors has rarely been more polarised. However, we continue to live in a fast changing world that shows no signs of slowing down. It is clear that some sectors will benefit from attractive tailwinds whilst others are facing continued headwinds.

Income and income growth

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

Investors are aware that, even with higher interest rates, the right real estate can offer excellent inflation protection and total returns materially higher than many alternatives with the added security of the intrinsic value of land. After all, five and ten year indexed gilts are trading back close to 0%.

Our portfolio continues to achieve its objective of delivering reliable, repetitive and growing income as part of a total return strategy. Its metrics remain very strong with occupancy at 99%, a WAULT of 12 years and a gross to net income ratio of 99% that reflects our very low income leakage. 63% of our income benefits from contractual rental uplifts, mainly RPI or CPI linked which, together with strong open market reviews on our logistics, is providing certainty of income growth.

These dynamics are providing us with positive earnings trajectory as evidenced by our growth in EPRA Earnings Per Share of 3% over the year and 12% over three years. We expect our ‘all weather’ portfolio will allow us to absorb increased interest rate costs, continue to grow earnings and progress our dividend over the longer term.

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

This approach allows us to avoid owning difficult assets and the stress and valuable thinking time that comes with owning ‘cheap’ assets.

We continue to prioritise asset selection, patience and strong conviction in the structural tailwinds of our preferred sectors. When you choose real estate for its quality and location, you are more likely to be a price setter than a price taker as occupiers will need you more, you can attract quality companies at higher rental levels and be more confident of future rental growth.

Our disciplined and rational approach ensures that we pursue quality returns and not just grow assets under management. This has always tempered our acquisition activity, limited our development exposure and framed our disposal decisions, the latter often characterised by a long period of attractive returns and an expectation that these may flatten or even reverse as the building grows older and the lease gets shorter. After all, one of our jobs is to assess if the market is prepared to pay prices ahead of our expectations.

It is why, over the last three years, we have sold £640 million of property, primarily larger box logistics where we felt supply would temper rental growth and yields were exaggerating the prospects for rental growth; it is no surprise that big box logistics was the worst performing logistics sub-sector in the year.

During the year, we undertook a targeted sales campaign of mature and non core assets which was well executed and included a number of multi-let industrial units acquired through the Mucklow acquisition in 2019. We sold £273 million of assets at an average 1% premium to our prevailing book value, a 45% profit on cost and a NIY of 4.7%. The proceeds from these transactions have helped to reduce our more expensive floating rate debt, thereby enhancing our earnings and better protecting our LTV from adverse valuation movements.

Conversely, our acquisitions were limited at £120 million, most occurring early on in the year and characterised by quality urban buildings, in good geographies (69% located in London and the South East) in sub-sectors where we expect to enjoy income growth over many years.

Our ambition in logistics, particularly urban, remains undiminished

The demand/supply tension in logistics continues to generate strong tailwinds with occupational demand for logistics continuing to hold up well and supply remaining constrained.

According to CBRE, logistics take up for 2022 was 38 million sq ft, which was 33% above the ten year average. For Q1 2023, demand remained robust and in line with average take up over the past five years at 6.6 million sq ft. Looking forward, Knight Frank estimates that take up for the whole of 2023 will also be in line with the five yearly pre-pandemic average, despite a material reduction in requirements from online retailers who have seen many years of expansion.

The demand hopper for logistics is increasingly being filled by a diverse range of occupiers, including food producers, manufacturing firms, data centres and film studios as well as corporates that need to re-shore activities to ensure compliance with post-Brexit legislation and avoid costly tariffs or disruption. In addition, certain sectors continue to rewire supply chains as they meet sustainability targets and transition away from low-cost labour toward more automated facilities.

Despite demand normalising, CBRE estimates that vacancy rates for logistics as at the end of Q1 2023 remained below 3% with little to suggest that this will rise materially. In response to higher financing, rising build costs and falling land values, new development activity has fallen materially with only ten new development starts in the first quarter compared with 38 in the same period last year.

Our preferred logistics sub sector remains urban logistics, where we believe the demand/supply tension is greatest and where 43% of our portfolio is allocated. Urban warehouse demand has been rising for a number of years, accelerated by rapid growth in online shopping, growing customer delivery expectations and requirements from new industries. Companies have been forced to evolve operationally by locating closer to their end customer to minimise delivery times and increase accuracy of delivery.

We believe that this demand for urban is set to continue and we have focused our recent investment activity on urban assets to broaden and improve the quality of our logistics portfolio, our geographical exposure and income granularity with the addition of exciting occupiers in new, high growth sectors.

Set against this high demand, we continue to see a declining supply of urban warehousing in the strongest cities with London losing 24% of its industrial floorspace over the last 20 years, whilst Manchester and the West Midlands have lost c.20%.

After strong rental growth for logistics in 2022, the sector dynamics should guarantee that rents continue to rise, with Knight Frank estimating 4% rental growth in 2023. Whilst commentators raise concerns on affordability, rent continues to represent a small proportion of the overall cost for occupiers and, with other costs increasing materially, we believe that occupiers will continue to seek warehousing in better locations.

Over the year, our logistics assets saw ERV growth of 11% and rent reviews settled at 16% above previous passing on a five yearly equivalent basis. Urban was the strongest with ERV growth of 12% and rent reviews 21% higher. We again saw strong rental growth in London and the South East, where nearly 60% of our urban logistics is located.

Over the next two years, our attractive pipeline of logistics rent reviews is expected to add a further £9 million of annualised contracted rent as we continue to capture in-built reversions.

Long income assets remain appealing and our opportunistic approach is delivering attractive income returns

It is our long held belief that long income assets with low operational requirements have for a number of years been mispriced by the real estate market and they remain attractive propositions. These are well located assets, let on long leases, to strong operators such as convenience grocers, discounters, home and DIY stores. Most of these operators have resilient business models that offer essential goods and omni channel optionality.

Our long income portfolio accounts for 24% of our total portfolio and continues to be 100% let, offers a topped up NIY of 5.4%, a WAULT of 13 years and 69% of income subject to contractual rental uplifts. This offers a strong income bedrock with inflation protection and attractive compounding qualities.

Our recent investment activity has ensured that grocery and roadside assets (mainly drive-thru and auto repair) now account for a material proportion of our long income portfolio, with key operators such as McDonalds, Starbucks, Costa and Halfords. In the year, we acquired £35 million of long income assets, let on average for 15 years to strong credits and with 70% located in London and the South East.

Acquisitions were more than offset by £59 million of disposals (at share) where sales prices exceeded our expectations. Unsurprisingly, the strong metrics of our long income assets have now become appreciated by real estate investors providing opportunities for us to monetise investments where buyers have a greater appreciation of their future returns than we do.

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

During the year, 167 occupier initiatives added £7.8 million per annum of rent and delivered like for like income growth of 5.0%. Lettings and regears added £5.1 million and were signed on average lease lengths of ten years, with regears achieving rents 21% ahead of our previous passing. Rent reviews delivered £2.7 million of additional rent, representing a 16% uplift on a five yearly equivalent basis.

We continue to embed sustainability and high ESG standards across our activities, driven by our own aspirations as well as those of our customers, occupiers and stakeholders. 90% of our assets now have an EPC rating of between A-C, which compares to 85% last year. We have benefitted from the completion of further developments, asset management initiatives and the disposal of poorer quality industrial warehousing in the year.

The percentage of the portfolio certified BREEAM Very Good or Excellent has risen to 31%, helped by the completion of 0.7 million sq ft of BREEAM Very Good developments in the year. In addition, given the recent concerns on energy security and prices, we have seen a materially higher level of engagement with occupiers on solar PV installations. Over the year, five solar PV installations were added to the portfolio, which increased total installed capacity to 3.6 MWp, with potential to add a further 4.5MWp over the next 12-18 months based on current activity and occupier discussions.

In the year, we maintained our GRESB green star and continue to make good progress in implementing our Net Zero Carbon strategy. Over the next year, we will progress our pathway to Net Zero.

We continue to benefit from our strong team and their relationships

Our team's economic alignment to our success ensures an ownership culture and a strong conviction to make the right property and financial decisions.

We work with all of our stakeholders to deliver longer term benefits to our investors, occupiers, people, local communities and contractors. We maintain a highly rational and disciplined property approach, selling assets that don't meet our strict investment criteria and waiting patiently for attractive new opportunities.

We were pleased to see that our occupier survey again showed high contentment. We scored an average of 8.7 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord. This compares with the 2022 result of 8.5. For our top ten occupiers, the average was higher at 9.2, up from 9.1 in 2022.

Following the £780 million refinancing of debt facilities in the previous year, we have continued to leverage our financing relationships to ensure our debt provides long term certainty with flexibility at an attractive rate. Over the year, we added £225 million of hedging, put in place £275 million of new debt facilities and extended the term on £400 million of existing debt.

This activity, along with our disposals, allowed us to repay shorter dated debt facilities, mitigate refinancing risk, maintain our healthy debt maturity profile and continue to run a conservative LTV. As at the year end, the proportion of our drawn debt hedged increased to 93%, our debt maturity was at 6.0 years, our available undrawn facilities increased to £380 million and LTV was 32.8%.

Our well positioned balance sheet and our proactive approach ensure that we are well protected from rising interest rates and in a strong position to go fishing as the investing waters begin to calm.

Outlook

We are living in a period of uncertainty and have had to navigate a weaker economic backdrop with excessive inflation and 12 increases in interest rates. These conditions have undoubtedly impacted our approach, as we have managed our leverage and exposure to floating rate debt.

This period will, however, pass. Inflation will start to fall and interest rates will stabilise or even fall; we hope for the best, but plan for the worst.

Despite the volatility, we continue to have a high conviction that evolving consumer behaviour can produce a strong tailwind for certain asset classes, in much the same way that it can produce a strong headwind for the wrong types of real estate. Too many investors get wedded to a particular sector and continue to play it, long after the wind has changed direction. Consequently, before we allocate capital, we will always determine what direction the wind is blowing so that we can assess what is a structural opportunity and what is cyclical.

The fundamentals in our core sectors remain strong with broadening occupational demand and constrained supply, particularly around our major cities where the entrepreneurial spirit is seeing the creation of new industries adding new requirements for warehouse accommodation to support the evolving demands of its population. At the same time, our major cities are continually re-zoning existing warehouse space for high value alternative uses, particularly residential, which is adding to the very attractive demand/supply imbalance in the strongest geographies.

We do not expect these fundamentals to change any time soon and will continue to take advantage of the tailwinds as part of our strategy to constantly strengthen our portfolio by selling mature assets and replacing them with quality assets that offer better growth potential. As material shareholders in the business, the management team is fully aligned with shareholders and remains laser focused on ensuring that the portfolio remains fit for the future.

Property review

Investment activity continues to improve the portfolio's quality

During the year, we were significant net disposers of assets, with sales totalling £285.8 million (Group share: £272.5 million) and reflecting a NIY of 4.7% and with a WAULT of seven years.

Over 70% of sales related to mature logistics assets and primarily consisted of a DHL warehouse in Reading and several multi-let industrial assets in Birmingham. The balance comprised a number of long income assets, primarily low yielding grocery and roadside properties, and a 61,000 sq ft retail park in Tonbridge which we sold for £22.0 million at a NIY of 5.2%. Overall, the sales delivered a 45% profit on cost.

Acquisitions in the year totalled £139.4 million (Group share: £120.4 million) and were transacted with a WAULT of 14 years and at a NIY of 4.5%, which is expected to rise to 5.0% over the next five years from anticipated income growth. These purchases were largely focused on urban logistics assets, several grocery/roadside properties and a retail park in London.

Reflecting our focus on income growth and strong geographies, 78% of the income acquired was subject to contractual rental uplifts and 69% of the assets are in London and the South East.

The retail park acquisition on Old Kent Road, South East London, marked our first purchase in this sector for a number of years. Acquired for £38.0 million (Group share: £19.0 million), it reflected a NIY of 5.2%, which is expected to increase to c.7.0% after further management. The asset is let to B&Q, Pets at Home and Halfords and, simultaneous with the acquisition, we materially extended the WAULT to 13.5 years and increased the rent by 54%. This demonstrates the occupiers' need to retain representation in urban locations where retail space is being lost to alternative uses. The site has planning consent for 1,100 new flats.

Post year end, we have sold a further £21.6 million of assets, with a WAULT of six years at a 2% premium to book value.

Aligned to structurally supported sectors and strong geographies

Our distribution portfolio is valued at £2,185 million, representing 73.1% of the total portfolio, with urban logistics remaining our largest sector exposure at 43.1% of the portfolio. Our long income weighting increased slightly to 23.8% of the portfolio, up from 22.5% previously, with grocery and roadside our largest weighting within this sector. The remaining 3.1% of the portfolio is split between five offices and four retail parks.

Our focus on owning assets in strong geographies, particularly around major urban conurbations, is demonstrated by the portfolio's London and South East weighting of 48.2%, with the Midlands accounting for a further 29.4%.

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

The portfolio's WAULT has remained flat over the period at 12 years, continuing to provide good income security with only 9.4% of income expiring within three years.

Occupancy remains high at 99.1% and our gross to net income ratio of 98.9% continues to reflect the portfolio's very low property costs and minimal operational requirements.

Contractual rental uplifts apply to 63% of our income, which provides high certainty of income growth:

- 50% is index linked: 30% is RPI linked, whilst 20% is CPI or CPIH linked; and
- 13% is subject to fixed uplifts, with a weighted average uplift of 2% per annum.

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

- For RPI linked reviews, at 28% inflation over a five year period (equivalent to 5% p.a.), 75% of inflation is captured; and
- For CPI linked reviews, at 22% inflation over a five year period (equivalent to 4% p.a.), 86% of inflation is captured.

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

The remaining 37% of our income that does not benefit from contractual uplifts is subject to market rents and relates mainly to our urban logistics portfolio where we are capturing average rental growth of 4-5% per annum.

During the year, we undertook 167 occupier initiatives adding £7.8 million per annum of rent and delivering like for like income growth of 5.0%.

Leasing activity consisted of 68 new leases and regears, mostly on our urban logistics assets, delivering £5.1 million of increased rent with a WAULT of ten years. Rents achieved on regears were on average 21% higher than previous passing rent.

Rent reviews settled in the year totalled 99 and added £2.7 million of rent at an average of 16% above previous passing on a five yearly equivalent basis:

- Contractual rental uplifts, where 71 fixed and index linked reviews were settled, delivered £1.7 million of increased rent at an average of 16% above previous passing on a five yearly equivalent basis; and
- Open market rent reviews, where 28 reviews were settled, delivered £1.0 million of increased rent at an average of 16% above previous passing. Open market reviews on urban logistics continued to see substantial increases and were settled at 22% above passing.

Strong rental growth helped to partly counterbalance yield expansion

The portfolio saw a total property return of -12.0% over the year with a capital return of -15.7%.

Whilst ERV growth on the portfolio over the year was 8.4%, this was outweighed by a like for like valuation yield expansion of 107bps. The investment portfolio's EPRA topped up net initial yield increased to 4.6% and the equivalent yield increased to 5.4%.

The total property return for distribution was -14.7%, ranging from -23.6% for mega logistics to -11.6% for urban logistics. Long income was highly resilient with a total property return of -3.8%, reflecting our alignment to grocery and roadside assets which delivered a -3.1% return.

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

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

We have a diverse occupier base by type of activity:

- Business Services & Trade accounts for 38% of income, spread across a broad range of sectors;
- Retail Logistics accounts for 24%;
- Third Party & Parcel Logistics accounts for 12%;
- Grocery & Roadside accounts for 10%;
- Electrical, Home & Discount Stores account for 10%; and
- Leisure and other sectors account for 6%.

Our top ten occupiers account for 28% of contracted income which is down from 51% in 2019 and 36% in 2021.

Contracted rent increased over the year from £143.3 million to £145.2 million.

Our latest occupier survey again demonstrated strong contentment

Our annual occupier survey was carried out in March 2023 and we continue to receive very good feedback.

Occupiers representing 88% of our income were contacted and responses were received from 71 occupiers representing 46% of our income.

We scored an average of 8.7 out of 10.0 for whether occupiers would recommend us as a landlord, which is up from 8.5 in the previous year. For our top ten occupiers, this score was higher at 9.2, which is also up from the 9.1 score in the previous year.

Encouragingly, wider sentiment from our occupiers was upbeat, with 35% saying that they are looking to increase their UK property footprint. A further 58% said that they expect their footprint to stay the same, whilst those looking to reduce space was only 7%.

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

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

As part of our drive to upgrade the quality of our assets and progress our Net Zero Carbon ambition, we continue to invest in high quality buildings as well as progress energy efficiency and clean energy initiatives in conjunction with our occupiers. These include solar PV, LED lighting upgrades, roof improvements and electric vehicle charging.

We see ourselves as strong stewards of underinvested or poorer quality assets with the necessary expertise and appetite to materially improve our buildings.

Following on from the prior year's climate-related risk assessment, in which we identified our key physical and transition risks over the short, medium and long term, we have continued to review our approach to climate resilience and how we can better understand the climate related risks on our portfolio.

Over the year, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey and also achieved:

- An 'A' rating by MSCI;
- A Gold Award by EPRA sBPR; and

- Continued inclusion in the FTSE4Good Index.

We have set three specific NZC ambitions, as part of our longer term target of becoming NZC, and continue to work towards progressing all three targets:

1. Operations will be NZC by end 2023

Operationally, we continue to make good progress and have achieved a 92% reduction in our absolute landlord energy consumption since 2015. In the year, consumption fell by 10% to 752 MWh with a like for like reduction of 3%.

We continue to reduce our own emissions where possible and ensure that our energy supplies are from renewable sources, aligned to industry procurement best practice. From the end of 2023, we have committed to offset any residual carbon to ensure our operations are NZC.

2. Developments will be NZC by 2030

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

Whilst our development activity has reduced materially, we continue to focus on building highly efficient buildings. 97% of our completed developments in the year, totalling 0.7 million sq ft, were certified BREEAM Very Good and we have added a further 125,000 sq ft of BREEAM Very Good asset post year end.

As part of our efforts to reduce carbon on developments, we continue to challenge our supply chains to minimise waste, select low carbon materials and improve biodiversity. We monitor embodied carbon on our main developments and put in place on site carbon reduction measures and amend material specification where possible.

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

3. Buildings will be NZC by 2035

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

We see the potential to upgrade the quality of our urban assets through relatively straightforward initiatives which can materially improve energy efficiency, value, income and occupier appeal, particularly as we continue to focus on providing fit for purpose and NZC ready buildings.

Our activity in the year has further improved the proportion of our assets with an EPC 'A'–'C' rating from 85% to 90%. In the year, we undertook a substantial number of EPC reviews along with c.30 more in-depth energy reviews.

As part of progressing our NZC targets, we continue to focus on understanding how we can ensure that our buildings are able to achieve NZC and undertook further NZC assessments on several assets. In addition, as part of understanding the NZC challenge and measuring emissions from our occupiers, we increased occupier energy data coverage from 59% last year to 68% in 2023.

We continue to engage with occupiers on adding further solar installations to our portfolio. In the year, five solar PV installations were added to the portfolio, taking our total solar PV capacity to 3.6 MWp. A number of discussions are ongoing, and there is the potential to add 4.5 MWp of additional solar PVs over the next 12-18 months based on current activity and occupier discussions.

In addition, whilst BREEAM ‘in construction’ certification is not a specific target for us, we have increased the proportion of our assets built to a BREEAM Very Good or Excellent standard from 26% at the start of the year to 31%.

Over the next financial year, we will progress our pathway to NZC.

Distribution review

Overview

Our distribution assets are spread across the urban, regional and mega sub-sectors.

Including developments, the value of these assets was £2,185 million, accounting for 73.1% of our portfolio. The WAULT on these assets is 12 years and occupancy is high at 98.9%, with our mega and regional assets fully let. Our urban logistics occupancy increased over the year from 96.9% to 98.1% and remaining vacancies relate mainly to assets where we are undertaking improvement works.

Urban logistics has been our strongest conviction call for several years and our urban logistics portfolio is now valued at £1,288 million, located across 125 locations and accounting for 59% of our distribution assets.

Our distribution assets delivered a total property return over the year of -14.7%, with urban and regional at -11.6% and -17.0% respectively, whilst mega was -23.6%.

Over the year, we saw an outward yield expansion of 127 bps across our logistics portfolio. However, our actions and strong market rental growth, as reflected in the portfolio's ERV growth of 11.2%, helped to mitigate c.40% of the outward yield shift, resulting in an overall fall in the capital value of 18.2%.

As at 31 March 2023	**Urban**	**Regional**	**Mega**
Typical warehouse size	Up to 100,000 sq ft	100,000 to 500,000 sq ft	In excess of 500,000 sq ft
Value[1]	£1,287.6m	£586.1m	£311.5m
WAULT	8.7 yrs	15.3 yrs	16.8 yrs
Average rent (psf)	£8.30	£6.80	£5.90
ERV (psf)	£10.40	£8.50	£7.70
Topped up NIY	4.3%	4.4%	4.3%
Contractual uplifts	41%	88%	100%
Total property return	**-11.6%**	**-17.0%**	**-23.6%**

1 Including developments

Strong rental growth potential

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

In urban logistics, rental growth remains the strongest, driven by severely restricted supply and strong and broadening occupier demand. Whilst the WAULT on our urban assets of nine years is lower than for mega or regional, these assets benefit from significant rental reversion, with average ERVs 25% above average rents. Furthermore, with 58% of our urban portfolio located in London and the South East and a further 28% in the Midlands, we expect these locations to experience further ERV growth.

Our regional assets also have high reversionary potential with ERVs 24% above average passing rents and, over the next two years, 43% of our regional rental income totalling £11.8 million is subject to rent reviews, all of which are contractual uplifts.

Across our distribution assets, based on just rent reviews that are due to be settled over the next two years, we expect to capture an additional £9.2 million of annualised contracted rent, which represents an uplift of 20% against previous passing and a 10% growth in total distribution rent.

Selective investment activity

We recognised that, following material yield compression in the prior year, the market was pricing assets at levels that were unjustifiable and decided that we would take advantage of the strong market to sell down some more mature assets. Post the summer, however, it became evident that the investment market was re-pricing rapidly and this materially impacted liquidity. However, over the year, we were able to transact on £191.1 million of distribution sales, reflecting a NIY of 4.7% and sold with a WAULT of 4.3 years.

Unsurprisingly, our distribution acquisitions were limited in the year. All of our acquisitions were urban logistics assets and totalled £66.5 million, acquired with a WAULT of 13.7 years and a NIY of 4.3%, which is expected to rise to 4.9% after five years from expected income growth.

Post year end, we sold a 142,000 sq ft DHL warehouse in Solihull for £20.5 million, reflecting a NIY of 4.2% and a 2% premium to book value.

Disposals in year

- 445,000 sq ft of multi-let urban warehousing in Birmingham across three properties comprising 145 units sold for £46.0 million. The properties have a WAULT of three years to first break and had been acquired as part of the Mucklow acquisition in 2019. They have delivered an ungeared IRR of 19% over the hold period
- 235,000 sq ft of multi-let urban warehousing across three locations in Birmingham, comprising 53 units, sold for £21.6 million. The properties have a WAULT of three years and had been acquired as part of the Mucklow acquisition in 2019. They have delivered an ungeared IRR of 20% over the hold period
- 229,000 sq ft regional warehouse let to DHL for a further three years, sold for £60.6 million. The property had been acquired in 2015 and has delivered an ungeared IRR of 15% over the hold period
- 198,000 sq ft of urban warehousing in Coventry, Redfern, Warrington and Birmingham sold for £25.5 million. The properties had a WAULT of 4 years and have delivered an ungeared IRR of 10% over the hold periods
- 132,000 sq ft of urban warehousing in Speke sold for £15.3 million and let to GEFCO for nine years with a break option in four years. The property had been acquired in 2017 and has delivered an ungeared IRR of 13% over the hold period
- 90,000 sq ft of urban warehousing in Coventry sold for £9.3 million and let to DHL for a further nine years and is held on a long leasehold interest. The property had been acquired in 2017 and has delivered an ungeared IRR of 12% over the hold period
- 53,000 sq ft of urban warehousing in Salford, sold for £6.6 million and let to Restore Scan for a further seven years
- 30,000 sq ft of urban warehousing in Digbeth, Birmingham, sold for £6.2 million and let at a hold over rent

Acquisitions in year

- 125,000 sq ft forward funding development in Leicester acquired for £19.6 million. The development is fully pre-let to EM Pharma on a new 15 year lease
- 49,000 sq ft in Newhaven acquired for £6.1 million, let to an LED lighting company with a WAULT of seven years
- 33,000 sq ft in Ipswich acquired for £5.3 million, let to Jewson with a WAULT of ten years
- 29,000 sq ft in Canvey Island acquired for £5.4 million, let to a hygiene supplies company on a new 15 year lease
- 24,000 sq ft in Dulwich acquired for £5.0 million, partly let to a coffee distributor with a WAULT of nine years and where we have let the remainder to Jacuna, a dark kitchen operator, subject to planning
- 16,000 sq ft in Cranleigh acquired for £6.2 million, let to Jewson with a WAULT of ten years
- 12,000 sq ft acquired in Kings Langley for £4.1 million, where refurbishment works were undertaken upon vacant possession and the building was subsequently let on a 15 year lease
- 11,000 sq ft urban warehouse in Stratford acquired for £6.0 million, with vacant possession and subsequently let on a 11 year lease to a roastery and coffee house
- 11,000 sq ft urban warehouse redevelopment in Colliers Wood acquired for £4.1 million
- 11,000 sq ft of urban warehousing acquired in Hackney across two sites for £4.7 million. One site is let to Jacuna and the other is undergoing refurbishment

Distribution asset management

57 distribution lettings and regears in the year were signed on 1.1 million sq ft, adding £4.0 million per annum of income, with a WAULT of ten years. Regears contributed £1.3 million of additional rent, representing an uplift of 26% against previous passing.

The largest lettings and regears comprised:

- 290,000 sq ft regional logistics regear with M&S in Sheffield, where the WAULT was extended to ten years and the rent increased by £0.8 million, a 50% uplift;
- 90,000 sq ft urban logistics regear with DHL in Coventry, where the WAULT increased to ten years;
- 62,000 sq ft urban logistics letting to Skate Hut at Amber Way in Birmingham with a WAULT of 15 years. The letting facilitated the occupier's move from several smaller units and, as part of our upgrade work, new LED lighting was installed, refurbishment was undertaken of the office and warehouse and EV charging was installed. The EPC has improved from an 'E' rating to 'B' with further improvements identified;
- 55,000 sq ft urban logistics letting to Air Link Systems in Birmingham with a WAULT of ten years;
- 46,000 sq ft urban logistics regear with International Logistics Group in Crawley where the WAULT was extended to five years and the rent increased by £0.2 million, a 35% uplift;

- 50,000 sq ft of urban logistics lettings across four recently acquired and now fully let assets in London comprising Tottenham, Stratford, Kings Langley and Norbury with a WAULT of 11 years. All of these assets achieved significant environmental improvements through adding LED lighting, replacing gas with electric heaters and boilers, and building refurbishment. EPCs were improved materially to an average rating of ‘B’ with further improvements identified;
- 35,000 sq ft urban logistics letting to EM Pharma in Leicester with a WAULT of 15 years;
- 35,000 sq ft urban logistics regear with City Plumbing in Birmingham where the WAULT was extended to ten years and the rent increased by £0.1 million, a 36% uplift;
- 30,000 sq ft of lettings and regears in Oldbury with occupiers including Toolstation and City Plumbing with a WAULT of eight years; and
- 26,000 sq ft urban logistics letting of a vacant unit in Crawley with a WAULT of ten years, adding £0.3 million of rent, a 19% uplift against the previous passing rent.

Distribution rent reviews in the year were settled across 3.3 million sq ft, adding £1.7 million per annum of income at 16% above previous passing rent, on a five yearly equivalent basis.

27 urban reviews were settled at 21% above passing rent on a five yearly equivalent basis, most of which were open market reviews.

One fixed mega review was settled at 8% above passing rent on a five yearly equivalent basis. Four index-linked regional reviews were settled at 17% above previous passing on a five yearly equivalent basis.

Long income review

Our long income assets are typically single tenant assets with low operational requirements that are benefiting from the changes in the way people live and shop.

They are insulated from structural dislocation, continue to offer long leases and are predominantly focused on grocery, wholesale, roadside services, discount and essential retail, trade and DIY.

The value of our long income assets decreased from £809 million at the start of the year to £713 million, representing 23.8% of our total portfolio. They are 100% let to strong occupiers with a WAULT of 13.1 years, average rents of £16.20 psf and a topped up NIY of 5.4% with 69% of income subject to contractual rental uplifts. Nearly half of the assets are located in London & South East.

Long income delivered a total property return of -3.8% with ERV growth of 0.7% offset by a 58bps equivalent yield outward movement, with our largest long income sub-sector, grocery and roadside, delivering -3.1%.

As at 31 March 2023	**Grocery & Roadside**	**NNN Retail**	**Trade, DIY & Other**	**Leisure[2]**
Value[1]	£295m	£227m	£117m	£74m
WAULT	14.7 years	9.7 years	13.9 years	17.0 years
Average rent (psf)	£19.50	£18.80	£8.40	£20.20
Topped up NIY	4.8%	6.1%	4.7%	6.6%
Contractual uplifts	88%	38%	73%	93%
Total property return in 2023	**-3.1%**	**-3.7%**	**-8.6%**	**0.2%**

1 Including developments

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

Acquisitions

£34.9 million of long income assets were purchased with a WAULT of 15 years and at a NIY of 4.3%. The purchases were mainly in the first half of the year and the majority were grocery and roadside assets with c.70% in London and the South East and 83% have contractual uplifts. Rental uplifts are expected to increase the acquisition yield to nearly 5.0% over five years.

They comprised:

- A £16.0 million asset let to Booker in Sidcup with a WAULT of five years;
- A £6.7 million purchase of two data centres in Hayes and New Malden, London, with a WAULT of 38 years;
- A £4.5 million asset let to Sainsbury’s in Spilsby with a WAULT of seven years;
- A £3.6 million asset let to a restaurant operator in Leeds with a WAULT of ten years;

- A £2.3 million asset in Peterborough with a WAULT of 20 years; and
- A £1.8 million EV charging station and Starbucks drive thru in Uttoxeter with a WAULT of 31 years.

Disposals

£72.8 million (Group share: £59.4 million) of assets were sold at a NIY of 4.8% and with a WAULT of 14 years.

They comprised:

- A grocery store in Ashford for £18.0 million (Group share: £9.0 million), let to Lidl;
- A NNN Retail asset in Cardiff for £8.9 million;
- A hotel in Ringwood for £8.7 million (Group share: £4.3 million);
- A grocery store in Kendal let to M&S for £7.5 million;
- A grocery store in Weymouth let to Aldi for £6.8 million;
- Two petrol filling stations in Rushden and Stamford Hill, London, for £6.5 million;
- A trade and DIY asset in Oldbury for £5.7 million;
- A pub in Greenwich for £4.6 million, previously acquired as part of the Savills IM portfolio;
- A trade and DIY asset in Littlehampton for £4.0 million; and
- Two IMO car wash assets for £2.1 million.

Asset management

Ten lettings and regears were signed with a WAULT of 14 years adding £1.0 million per annum of rent. The main transactions included:

- a 40,000 sq ft retail regear in Evesham let to the Range where the WAULT doubled to 16 years and the rent remained unchanged;
- a 21,000 sq ft leisure letting to Jaegos House on an asset that is being refurbished in Fulham. The letting adds £0.9 million of rent and has a WAULT of 15 years;
- a 20,000 sq ft retail regear in Birmingham let to Currys where the WAULT increased from one year to ten years and the rent was reduced by 13%;
- a 3,000 sq ft roadside letting in Wisbech to Euro Garages;
- a 2,000 sq ft letting to Costa in Glasgow with a WAULT of 15 years; and
- a letting to Instavolt at two sites to install ultra rapid EV chargers, with a WAULT of 20 years. These lettings are part of a wider partnership with Instavolt and are in addition to our EV partnership with Motor Fuel Group ('MFG').

Rent reviews were settled on 62 assets in the period generating an uplift of £1.0 million per annum at 17% above previous passing on a five yearly equivalent basis.

The two largest reviews were on a NNN retail asset let to Currys in London, where a five yearly RPI review increased the rent by 19%, and a trade asset let to Jewsons in Exeter where the rent increased by 36%. Most of the remaining reviews were inflation linked or fixed uplifts, and mostly related to grocery, roadside and leisure assets.

Developments

In the year, 0.7 million sq ft of developments and redevelopments were completed, adding £5.5 million of rent per annum. 97% of these developments were certified BREEAM Very Good. A further 0.2 million sq ft was under development or planned at the year end, which is expected to generate £3.1 million of additional rent per annum.

Completed in year	Area sq ft ’000	Income £m	Yield on cost %
Huntingdon[1]	300	2.0	3.7
Ipswich	296	1.8	4.6
Weymouth	51	0.9	6.4
Preston[1]	43	0.3	3.9
Tottenham	23	0.5	5.2
Total	**713**	**5.5**	**4.4**

Under construction or planned (at year end)			
Leicester[1]	125	0.9	4.5
Uckfield[1]	41	0.8	5.5
London redevelopments (x3)[2]	36	1.4	4.8
Total	**202**	**3.1**	**4.8**

1 Forward fundings

2 Anticipated yield on cost and rents

Huntingdon
Development of a 300,000 sq ft regional warehouse, let for 25 years, completed in the year. The building is BREEAM Very Good and is expected to benefit from solar PV.

Ipswich
Development of a 296,000 sq ft distribution warehouse, let to an ecommerce company for 20 years, completed in the year. The building is BREEAM Very Good and benefits from solar PV.

Weymouth
At our long income development, construction of 51,000 sq ft completed in the year. The BREEAM Very Good buildings are fully let to McDonalds, Dunelm, B&M and Costa with a WAULT of 16 years. Solar PV was installed on two of the buildings.

Preston
Development of a 43,000 sq ft distribution warehouse, let to Sainsbury's for 15 years, completed in the year. The building is BREEAM Very Good.

Tottenham
23,000 sq ft refurbishment of a vacant logistics warehouse in Tottenham completed in the year and has been let.

Leicester
Development of a 125,000 sq ft distribution warehouse completed post year end. The building is fully let to EM Pharma for 15 years and is BREEAM Very Good.

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

London
- 21,000 sq ft in Fulham, which we acquired vacant and have subsequently let. A comprehensive refurbishment is underway.
- 11,000 sq ft in Colliers Wood and 4,000 sq ft in Stockwell, where we are awaiting planning approval and a pre-let.

Financial Review

Against a backdrop of volatile capital markets, rising costs and interest rates, and the profound impact this has had to real estate valuations this year, we have continued to deliver against our strategy of income growth and dividend progression. Our trading performance has been strong, and we have grown EPRA earnings by 8.1% to £101.1 million or by 2.9% on a per share basis to 10.33p per share. We have maintained dividend cover of 109% and have increased our dividend for the year by 2.7% to 9.5p per share. This was driven by a 10.3% increase in net rental income and continued exceptional rent collection rates, with 99.8% of rent due in the year received.

However, we have not been immune from the impact of sharp increases in interest rates to our cost of financing and property portfolio valuation, which has been impacted by a significant outward yield shift and consequent valuation decline. We are therefore reporting an IFRS loss of £506.3 million this year, largely due to the adverse movement of £587.5 million or 60.0p per share in the value of our property portfolio. This has also reduced IFRS net assets by 22.4% to £1,995.2 million. Similarly, EPRA net tangible assets ('NTA') per share decreased 23.8% over the year to 198.9p (2022: 261.1p).

Our strong balance sheet and structurally supported sector choices have helped us navigate the macroeconomic challenges and focus on what is in our control. Despite the deterioration in debt markets over the year, we have utilised our strong banking relationships to agree the first one year extension to our two revolving credit facilities totalling £400 million and complete a new £275 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility. This refinancing, along with our disposals, allowed us to repay a shorter dated debt facility and mitigate refinancing risk in the next three financial years. Post year end, we have agreed the second one year extension on two of our RCFs.

We have also mitigated our exposure to rising interest rates on our floating rate debt by purchasing £225 million interest rate swaps at a total cost of £15.1 million. We secured an average rate of 2.52% and have increased the proportion of our drawn debt hedged to 93% at the year end, up from 71% last year.

We have prioritised net divestment of mature or non core assets in order to reduce our floating rate debt and protect our loan to value from adverse valuation movements. At the year end, our loan to value remained modest at 32.8% (2022: 28.8%), providing flexibility to execute transactions whilst maintaining ample headroom under our banking covenants. Alongside this, we continue to have significant headroom from available debt facilities and cash of £416.5 million (2022: £299.3 million) providing optionality for further investment when markets stabilise and opportunities arise.

Presentation of financial information

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

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

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

These are adopted throughout this report and are key business metrics supporting the level of dividend payments.

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

Income statement

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

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2023 £m**	100% owned £m	JV £m	NCI £m	Total 2022 £m
Gross rental income	**145.6**	**4.3**	**(1.5)**	**148.4**	131.5	4.5	(1.3)	134.7
Property costs	**(1.5)**	**(0.1)**	**–**	**(1.6)**	(1.5)	(0.1)	–	(1.6)
Net rental income	**144.1**	**4.2**	**(1.5)**	**146.8**	130.0	4.4	(1.3)	133.1
Management fees	**1.1**	**(0.5)**	**0.1**	**0.7**	1.3	(0.5)	–	0.8
Other income	**–**	**–**	**–**	**–**	0.4	–	–	0.4
Administrative costs	**(16.4)**	**(0.1)**	**–**	**(16.5)**	(16.0)	(0.1)	–	(16.1)
Net finance costs	**(29.5)**	**(0.6)**	**0.2**	**(29.9)**	(23.9)	(1.0)	0.2	(24.7)
Tax	**(0.1)**	**–**	**0.1**	**–**	(0.1)	–	0.1	–
EPRA earnings	**99.2**	**3.0**	**(1.1)**	**101.1**	91.7	2.8	(1.0)	93.5

Net rental income

Earnings and dividend progression for our shareholders remains a key focus and at the heart of our corporate strategy, particularly given the volatility in capital markets this year. Sustained growth in our net rental income underpins dividend progression and we are pleased to report a 10.3% increase in net rental income this year to £146.8 million. This reflected strong performance across our existing portfolio through rent reviews and asset management initiatives alongside new incremental income from net acquisitions and completed developments in previous periods as reflected in the table below.

During the year, we undertook 167 occupier initiatives adding £7.8 million per annum to contracted rent, which increased to £145.2 million. This will deliver 5.0% like for like rental growth and is not yet fully reflected in the income statement. Further detail is provided in the Property review.

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

	£m	**£m**
Net rental income in the year to 31 March 2022		**133.1**
Additional rent from existing properties		**3.6**
Additional rent from developments		**4.7**
Movement in surrender premium income		**(1.6)**
Additional rent from acquisitions	**16.4**	
Rent lost through disposals	**(9.4)**	
Additional rent from net acquisitions		**7.0**
Net rental income in the year to 31 March 2023		**146.8**

Property costs are unchanged from last year at £1.6 million and our cost leakage ratio has fallen marginally to 1.1% (2022: 1.2%).

Rent collection

Our rent collection rates continue to be exceptionally strong, reflecting the quality of our covenants and the importance we place on credit control. We have collected 99.8% of rent due in the year and £0.1 million remains unpaid.

Administrative costs and EPRA cost ratio

Despite inflationary cost pressures this year, careful management of our cost base has restricted the increase in our administrative costs to £0.4 million or 2.5%, taking the total for the year to £16.5 million. These costs are stated after capitalising staff costs of £2.5 million (2022: £2.5 million) in respect of time spent on development projects in the year.

Notwithstanding this increase, our EPRA cost ratio, which is used to monitor and manage our operational cost levels, has once again fallen 80bps to 11.7% and remains one of the lowest in the sector.

For the year to 31 March	**2023 %**	2022 %
EPRA cost ratio including direct vacancy costs	**11.7**	12.5
EPRA cost ratio excluding direct vacancy costs	**11.3**	11.8

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

Net finance costs

We have seen our average debt cost increase to 3.4%, from 2.6% a year ago due to the effects of central bank interest rate increases on our floating rate debt. Net finance costs, excluding fair value movements in derivatives and financing break costs, have increased by £5.2 million to £29.9 million. Despite our gross debt falling by £23.2 million over the full year, our average debt balance was £187 million higher and further contributed to the increase in interest costs.

To mitigate the impact of interest rate increases on our floating rate debt, we purchased £225 million interest rate swaps in the year at an average rate of 2.52%, which helped to increase the proportion of drawn debt hedged at the year end to 93% (2022: 71%).

The increase in bank interest payable and associated costs of £10.2 million was offset by interest received under derivative swap arrangements of £0.7 million, increased bank interest receivable and interest from forward funded investments of £1.7 million and increased interest capitalised on developments of £2.6 million.

Share of joint ventures

Our MIPP joint venture contributed £3.0 million to EPRA earnings this year, an increase of £0.2 million over last year due to the completion of a development in Orpington.

Post year end, the bank debt facility was repaid in full, utilising proceeds of sales and additional equity funding from partners.

The Group received net management fees of £0.7 million for acting as property advisor to each of its joint ventures, which have fallen by £0.1 million due to additional disposal fees received 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 2022 ahead of the 12 month deadline and has already paid a large part of its expected PID for the year to 31 March 2023. The balance is expected to be paid in July 2023 as part of the fourth quarterly dividend payment.

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

IFRS reported profit

The Group's reported loss for the year was £506.3 million compared with a profit of £734.5 million in 2022. A reconciliation between EPRA earnings and the IFRS reported loss is given in note 8(a) to the accounts and is summarised in the table below.

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2023 £m**	100% owned £m	JV £m	NCI £m	Total 2022 £m
EPRA earnings	**99.2**	**3.0**	**(1.1)**	**101.1**	91.7	2.8	(1.0)	93.5
Revaluation of property	**(577.4)**	**(12.5)**	**2.4**	**(587.5)**	615.2	19.7	(2.7)	632.2
Fair value of derivatives	**(4.0)**	**(0.1)**	**–**	**(4.1)**	–	0.7	–	0.7
(Loss)/profit on disposal	**(14.7)**	**(0.7)**	**–**	**(15.4)**	8.0	0.2	–	8.2
Debt/hedging costs	**(0.4)**	**–**	**–**	**(0.4)**	–	(0.1)	–	(0.1)
IFRS reported (loss)/profit	**(497.3)**	**(10.3)**	**1.3**	**(506.3)**	714.9	23.3	(3.7)	734.5

The principal driver of the IFRS loss this year was the revaluation deficit of £587.5 million. Whilst disposals generated a 1% premium over prevailing book value, against the March 2022 valuation and after deducting costs, the loss on disposals in the year was £15.4 million. The total profit on cost of sales in the year was 35% (net of sales costs).

The £225 million interest rate swaps acquired for £15.1 million reduced in value by £4.0 million to £11.1 million.

Balance sheet

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

As at 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2023 £m**	100% owned £m	JV £m	NCI £m	Total 2022 £m
Investment property	**2,944.9**	**70.8**	**(35.7)**	**2,980.0**	3,494.6	96.6	(15.1)	3,576.1
Assets held for sale	**19.8**	**–**	**–**	**19.8**	21.2	–	–	21.2
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	2,965.8	**70.8**	**(35.7)**	**3,000.9**	3,516.9	96.6	(15.1)	3,598.4
Gross debt	**(1,017.0)**	**(13.5)**	**–**	**(1,030.5)**	(1,027.2)	(26.5)	–	(1,053.7)
Cash	**32.6**	**5.4**	**(1.5)**	**36.5**	51.3	3.6	(0.6)	54.3
Other net liabilities	**(58.8)**	**(1.2)**	**9.3**	**(50.7)**	(43.8)	(1.2)	5.6	(39.4)
EPRA NTA	**1,922.6**	**61.5**	**(27.9)**	**1,956.2**	2,497.2	72.5	(10.1)	2,559.6
Derivatives	**11.1**	**–**	**–**	**11.1**	–	0.1	–	0.1
IFRS equity shareholders' funds	**1,933.7**	**61.5**	**(27.9)**	**1,967.3**	2,497.2	72.6	(10.1)	2,559.7
IFRS net assets	**1,933.7**	**61.5**	**–**	**1,995.2**	2,497.2	72.6	–	2,569.8

IFRS reported net assets have decreased 22.4% over the year to £2.0 billion. EPRA NTA excludes the derivative financial instruments asset of £11.1 million and has decreased by 23.8% on a per share basis to 198.9p. The movement in EPRA NTA and EPRA NTA per share in the year is reflected in the table below.

	EPRA NTA £m	EPRA NTA p/share
EPRA NTA at 1 April 2022	**2,559.6**	**261.1**
EPRA earnings	**101.1**	**10.3**
Dividends[2]	**(92.4)**	**(9.4)**
Property revaluation	**(587.5)**	**(60.0)**
Derivatives purchased	**(15.1)**	**(1.5)**
Other movements[1]	**(9.5)**	**(1.6)**
EPRA NTA at 31 March 2023	**1,956.2**	**198.9**

1 Other movements include loss on sales (£15.4 million), share based awards (£2.8 million) and debt break costs (£0.4 million), offset by scrip share issue savings (£9.1 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 9.45p as reflected in note 7 to the financial statements

The decrease in EPRA NTA per share was principally due to the property revaluation loss of 60.0p per share, as dividends paid in the year were covered by EPRA earnings, adding 0.9p to EPRA NTA per share. The cost of interest rate swaps acquired to hedge our floating rate unsecured credit facilities reduced EPRA NTA by a further 1.5p per share.

The movement in EPRA NTA per share, together with the dividend paid in the year, results in a total accounting return of -20.2%. Over the three year LTIP period our total accounting return was 32.5%. The full calculation can be found in Supplementary note viii.

Dividend

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

In the year to 31 March 2023, the Company paid the third and fourth quarterly dividends for the year to 31 March 2022 and the first two quarterly dividends for the year to 31 March 2023, at a total cost of £92.4 million or 9.45p per share as reflected in note 7 to the financial statements. The Company issued 4.0 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.1 million to £83.3 million.

The first two quarterly payments for the current year of 4.6p per share were paid as Property Income Distributions ('PID's) in the year. The third quarterly dividend of 2.3p per share was paid as a PID in April 2023 and the Company has approved a fourth quarterly payment of 2.6p per share to be paid in July 2023, of which 1.5p will be a PID. The total dividend payable for 2023 of 9.5p represents an increase of 2.7% 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 2023; and
- The outlook for 2024.

At the year end, the Company had distributable reserves of £1,270.6 million (2022: £1,136.7 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 its distributable reserves.

Portfolio valuation

Our property portfolio including share of joint ventures fell by £600.1 million over the year to £2,993.8 million as reflected in the table below. The portfolio closing valuation includes the value of assets held for sale and trading properties that are reflected separately in the balance sheet.

As at 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**Total 2023 £m**	Total 2022 £m
Opening valuation	**3,512.4**	**96.6**	**(15.1)**	**3,593.9**	2,583.6
Acquisitions[1]	**187.4**	**–**	**(22.8)**	**164.6**	457.5
Developments[2]	**87.4**	**–**	**–**	**87.4**	88.9
Capital expenditure[3]	**17.9**	**0.4**	**(0.2)**	**18.1**	16.1
Disposals	**(269.0)**	**(13.7)**	**–**	**(282.7)**	(184.4)
Revaluation	**(577.4)**	**(12.5)**	**2.4**	**(587.5)**	632.2
Property portfolio value	**2,958.7**	**70.8**	**(35.7)**	**2,993.8**	3,593.9
Head lease and right of use assets	**7.1**	**–**	**–**	**7.1**	4.5
Closing valuation	**2,965.8**	**70.8**	**(35.7)**	**3,000.9**	3,598.4

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

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

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

We have continued to invest in the property portfolio, with acquisitions of £164.6 million (including £72.4 million that exchanged last year) and project expenditure of £105.5 million in the year. Property disposal proceeds of £271.7 million at share (including £21.2 million that exchanged last year) have allowed us to maintain a modest level of gearing despite the significant outward yield shift in property valuations this year. Property values have decreased by £587.5 million as a result of the outward yield shift of 107bps outweighing the portfolio ERV growth of 8.4%.

Disposals reduced the book value of property by £287.1 million (including the cost of lease incentives written off for the Group of £4.1 million and its share of joint ventures of £0.3 million). We also exchanged to sell two assets totalling £19.1 million and to acquire one asset for £2.3 million in the year. These transactions will be accounted for on completion next year. A full reconciliation between transactions exchanged and completed in the year is set out in Supplementary note xix.

Our Retail Warehouse joint venture acquired a retail park in London for £38 million in the year and the NCI increased its investment in the JV to 31%.

Our forward funded and pre-let developments in Preston and Huntingdon completed in the year and our development exposure at the year end fell to 1.1% of the portfolio.

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

As at 31 March	**2023 £m**	**2023 %**	2022 £m	2022 %
Mega distribution	**311.5**	**10.4**	425.2	11.8
Regional distribution	**586.1**	**19.6**	665.3	18.5
Urban logistics	**1,262.3**	**42.2**	1,551.5	43.2
Distribution	**2,159.9**	**72.2**	2,642.0	73.5
Long income	**707.4**	**23.7**	785.3	21.8
Retail Parks	**70.2**	**2.3**	70.6	2.0
Offices	**21.7**	**0.7**	27.3	0.8
Investment portfolio	**2,959.2**	**98.9**	3,525.2	98.1
Development[1]	**33.7**	**1.1**	67.8	1.9
Residential	**0.9**	**–**	0.9	–
Property portfolio value	**2,993.8**	**100.0**	3,593.9	100.0
Head lease and right of use assets	**7.1**		4.5	
	3,000.9		3,598.4	

1 Represents urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), office and other land £2.8 million (0.1%) at 31 March 2023. Split of prior year comparatives was regional distribution £15.9 million (0.4%), urban logistics £25.8 million (0.7%), long income £23.2 million (0.7%), office and other land £2.9 million (0.1%)

Investment in our preferred sectors of distribution and long income has been maintained at 97% of the total portfolio. At the year end, the Group had contractual capital commitments of £20.3 million as reported in note 9 to the financial statements, relating primarily to the remaining costs for our forward funded developments in Huntingdon, Leicester and Uckfield. Further details 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	**2023 £m**	2022 £m
Gross debt	**1,030.5**	1,053.7
Cash	**36.5**	54.3
Net debt	**994.0**	999.4
Loan to value[1]	**32.8%**	28.8%
Cost of debt[2]	**3.4%**	2.6%
Interest cover[3] (times)	**4.7**	5.2
Undrawn facilities	**380.0**	245.0
Average debt maturity	**6.0 years**	6.5 years
Hedging[4]	**93%**	71%

1 LTV at 31 March 2023 includes the impact of sales and acquisitions that have exchanged and will complete next year of £19.8 million and £2.3 million respectively (2022: £21.2 million and £72.4 million respectively), and excludes the fair value debt adjustment of £2.0 million (2022: £2.2 million)

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

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

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

Net debt is broadly in line with last year at £994.0 million. Loan to value has increased to 32.8% (2022: 28.8%) due to the sharp reduction in asset values, however remains at a comfortable level, due to our focus on disposals in the year, which have also been marginally earnings accretive.

Financing activity in the year

Despite the deterioration in debt markets over the last year and rapid interest rate increases in response to rising inflation, we managed to secure the first one year extension on our two revolving credit facilities ('RCF's) totalling £400 million and complete a new £275 million RCF this year. The new RCF is with our banking group on similar terms and pricing as our existing £225 million facility and is sustainability-linked, with two one year extension options. In such difficult markets, this is testament to the strength of our banking relationships and quality of our underlying portfolio. Post year end, we have agreed the second one year extension on two of our RCFs and have repaid our MIPP facility in full.

This refinancing, along with our disposals, allowed us to repay a shorter dated debt facility in the year and mitigate refinancing risk in the next three financial years.

The third tranche of our private placement loan notes totalling £380 million includes a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. In addition, our three £675 million RCFs are sustainability-linked loans with preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. All targets for the first two RCFs were achieved in the year and a margin saving of 0.02% was added to funds allocated for charitable giving.

Hedging

The Group's policy is to limit our exposure to volatility in interest rates by entering into hedging and fixed rate arrangements. In response to rising interest rates, we acquired £225 million interest rate swaps to hedge our floating rate unsecured credit facilities, securing an average rate of 2.52% and at a cost of £15.1 million. Alongside this, we repaid floating rate debt following sales, and increased the proportion of our drawn debt hedged to 93% at the year end, up from 71% last year.

Based on the year end SONIA rate, the interest rate swaps generate a total saving of £3.7 million per annum.

Based on debt drawn as at the date of this report, a 0.25% increase in interest rates would reduce our annual EPRA earnings by £0.2 million. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

Financial position at 31 March 2023

At the year end, we had total debt facilities of £1.4 billion and gross debt drawn of £1,030.5 million. Our headroom available from undrawn facilities and cash balances remained significant at £416.5 million (2022: £299.3 million), providing ample cover for contracted capital commitments of just £20.3 million and optionality for further investment opportunities.

Our debt maturity was 6.0 years (2022: 6.5 years) and our average debt cost was 3.4% (2022: 2.6%).

Financial loan covenants

The Group has comfortably complied throughout the period with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom within these. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facilities and private placement loan notes, which together account for 93% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2023, the Group's gearing ratio as defined within these funding arrangements was 51% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.7 times, comfortably higher than the minimum level of 1.5 times.

Property values would have to fall by 38% to reach the banking gearing threshold. A 38% fall in property values would equate to an LTV ratio of 53%. Similarly, rents would have to fall by 62% or interest costs rise by 180% before the banking interest covenant is breached.

Cash flow

During the year, the Group's cash balances decreased by £18.7 million as reflected in the table below.

For the year to 31 March	**2023 £m**	2022 £m
Net cash from operating activities	**133.0**	119.5
Net cash used in investing activities	**(17.4)**	(367.2)
Net cash (used in)/from financing activities	**(134.3)**	247.6
Net decrease in cash and cash equivalents	**(18.7)**	(0.1)

The net cash inflow from operating activities of £133.0 million is £13.5 million higher this year, reflecting the increases in net rental income and also changes in working capital.

The Group spent £258.0 million acquiring and developing property in the year and received net cash proceeds of £258.6 million from property disposals. Distributions from joint ventures and interest received added cash receipts of £1.6 million. Capital expenditure on asset management, developments and other investments cost the Group £19.6 million.

Cash outflows from financing activities reflect net borrowings repaid of £10.0 million, dividend payments of £83.3 million, financing costs of £53.7 million and share purchases and awards of £6.4 million. These outflows were offset by net investment received from our non-controlling interest of £19.1 million.

Further detail is provided in the Group Cash Flow Statement.

Risk management and internal controls

Our risk management processes enable us to be flexible and responsive to the negative impact of risk on the business and remain critical to our strategy of investing in real estate that provides reliable, repetitive and growing income-led total returns and long term outperformance.

How we manage risk

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

Our Board

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

At each Board meeting, the Chief Executive provides an informative market overview covering overarching or longer term themes and evolving trends within the sector, the wider economy and the risk environment, in conjunction with the Finance Director as required. This provides context and acts as the primary stimulus for debate around risk, essential for strategic decision making. A high-level risk dashboard is also used to monitor material issues, identify new and emerging risks and further promote regular discussion. Detailed papers on matters reserved for the Board's attention highlight areas of risk and where similar papers are circulated outside of the Board's regular forum, Directors are provided with an opportunity to discuss the proposals with senior management prior to approval and later ratification by the Board as a whole. Pertinent discussions between individual Directors outside of scheduled meetings are also brought to the Board's attention.

Risk Categories

	Corporate **Relating to the entire Group**	**Property** **Focusing on our core business**	**Financing** **Focusing on business funding.**
Risk considerations	Culture, strategy, the market, political, economic, employees, responsible business practices, wider stakeholders, security, systems, regulation.	Portfolio composition and management, developments, valuation, occupiers.	Capital markets, investors, joint ventures, debt, cash management.
Key Actions	Appointment of new Chair in response to stakeholder sentiment.	Net divestment including earnings accretive sales to reduce floating rate debt and protect loan to value from adverse valuation movements. Limited development exposure in response to a deterioration in market conditions and elevated inflation.	New £275 million revolving credit facility to lock into similar terms and pricing as our existing £225 million facility due to the risk of tightening credit and increased spreads and to reduce refinancing risk for the next three years. £225 million of swaps purchased to mitigate exposure to rapidly rising interest rates.

Risk management update

Principal risks

Our principal risks and uncertainties refer to those risks with the potential to cause material harm to operations and stakeholders and could affect the Company's ability to execute its strategic priorities or exceed the Board's risk appetite. Our principal risks remain unchanged from last year.

Risk assessment update

This year has been dominated by a rapidly changing economic and political environment with geopolitical factors that have brought an end to the era of low inflation and interest rates creating material uncertainty and leading to volatility and repricing across the real estate sector.

No new emerging risks have been identified but several principal risks have increased as a result of these and other factors. The Board has modified its risk appetite where appropriate and acted to mitigate heightened risk to the extent possible.

Strategy, investment and valuation

Real estate as an asset class is particularly sensitive to changes in interest rates and the material shift in monetary policy that saw the Bank of England's base rate increase from 0.75% to 4.5% over the year to date has had a profound impact on real estate values and liquidity. This led the Board to shift and evolve its strategic objectives for the year as it progressed.

Unsurprisingly, lower yielding, high growth sectors took the brunt of the initial repricing in the latter part of 2022. Our portfolio suffered a negative revaluation movement of £587.5 million over the year and this was the main contributor of our EPRA net tangible assets ('NTA') decline of 23.8% per share to 198.9p. This should be taken in the context of the £632.2 million valuation gain that we announced only a year ago that helped move our 31 March 2021 EPRA NTA from 190.3p per share to 261.1p and illustrates why our portfolio is not run over a 12 month investment period.

This year acquisitions have been limited at £120 million, with most occurring before the summer. These were characterised by quality urban buildings, in good geographies (69% located in London and the South East) in sub-sectors where we expect to enjoy income growth over many years. From the summer, however, the changes in monetary policy started to bite and it became evident that the investment market was recalibrating pricing rapidly with a material impact on liquidity. Such conditions make it difficult to establish fair value and consequently led the Board to pivot away from net investment and development funding.

Prior to the summer we also recognised that following the material yield compression in the prior year, the market was pricing certain assets at levels that were unjustifiable. We decided therefore that we would take advantage of the strong market to sell down some more mature and non core assets where their income strength and/or growth was less certain and where the prices offered exceeded our own expectations. This sales window closed rapidly.

We recognised that in a deteriorating market we needed a margin of safety so commenced a targeted sales campaign of further mature and non core assets at the start of 2023 when sentiment improved slightly driven by the perception that political and economic conditions were becoming more stable and equally that the long term fundamentals underpinning our preferred sectors remain compelling. This sales campaign was well executed and included a number of multi-let industrial units acquired through the Mucklow acquisition in 2019.

Our opportunistic sales were £273 million for the year overall at a 1% premium to our prevailing book value, crystallising a 45% profit on cost, an attractive NIY of 4.7% and demonstrating that, despite the macro challenges, liquidity remains for well located assets in structurally supported sectors. By reducing floating rate debt, sales have been marginally earnings accretive and have helped to protect loan to value from adverse valuation movements. The lack of net investment has however directly impacted our EPRA earnings ambitions for the year.

Operationally, the Company continues to perform strongly with the portfolio continuing to achieve its objective of delivering reliable, repetitive and growing income as part of a total return strategy. This reflects the fundamentals of the Company's 'all weather' portfolio which is supported by long term structural tailwinds.

Major event

We introduced this principal risk category last year. It captures risks associated with external factors outside the Company's control such as major political or economic events and 'black swan' or unexpected global, regional and major national events or series of events such as a financial crisis, pandemic, acts of terrorism or conflict.

This risk remains high due to heightened geopolitical tensions including an increased risk of escalation and a prolonged war in Ukraine further impacting the economy and leading to potentially higher for longer inflation. The recent demise of several mid-tier US banks and Credit Suisse's required rescue has also impacted financial markets. This has further increased the risk of higher credit spreads and more conservative lending among lenders already responding to falling property values and rising debt costs before the banking turmoil hit. The Board continues to monitor these events and focuses on what is in its control.

Capital and finance risk

To mitigate our concerns over rising credit spreads and a more conservative lending environment we completed a new £275 million revolving credit facility during the year to lock into similar terms and pricing as our existing syndicated £225 million facility. This three year facility with two one year extension options enabled a short dated facility to be repaid and mitigates further refinancing risk for the next three years. It also provides optionality for investment opportunities coupled with the proceeds of sales.

During the year, the Board also reduced its appetite for the level of floating rate debt and subsequent exposure to rising interest rates by purchasing £225 million of swaps at a cost of £15.1 million. At the year end, 93% of drawn debt carried a fixed rate of interest.

Responsible business and sustainability

Stakeholder focus on responsible business practices continues to increase with particular attention on climate change from an environmental perspective. A failure to keep pace could have a profound negative impact on our reputation, earnings, asset and share liquidity.

Our approach to environmental matters is granular, on an asset by asset basis, and embedded across all of our corporate, investment, asset management and development activities.

Looking ahead

We continue to live in a period of uncertainty and current market conditions will undoubtedly impact our approach over the next 12 months.

Despite this uncertainty we continue to have a high conviction that evolving consumer behaviour can produce strong tailwinds for certain asset classes. The fundamentals of our core sectors remain strong with broadening occupational demand and constrained supply, particularly around our major cities where land is a scarce and reducing commodity. These dynamics underpin our current rental levels which saw further strong growth over the last year and will come to the fore as volatility subsides and rational thinking returns.

We do not expect these fundamentals to change any time soon and we will continue to take advantage of the tailwinds as part of our strategy to constantly strengthen our portfolio by selling mature assets and replacing them with quality assets that offer better growth potential. This strategy, together with capturing the embedded reversion through active asset management, will continue to deliver rental growth to offset the full impact of the increased cost of finance and provide earnings and dividend progression.

Over the next year we expect the recent market volatility to offer up more opportunities from motivated vendors, refinancings and poorly structured portfolios. We believe the logistics sector has seen the most liquidity over the last few months which is why logistics valuations in March 2023 are stronger than the market had been expecting at the end of 2022.

Higher yielding ex-growth sectors have remained largely unscathed from the large re-pricing movements that we saw in our asset classes during the year which seems irrational. While we expect some of our initial movements to unwind, the decline in those sectors is expected to accelerate as greater liquidity returns and market data becomes more evident and reliable. We believe the greatest fallout is likely to be in those sectors which face structural headwinds and disruption from technology, increasing environmental obsolescence and changing consumer behaviour.

A review of our principal risks

Corporate risks

1.	Impact	Mitigation	Commentary	Appetite	Change in the year
Strategy and its execution **Risk:** • Strategic objectives may be: • Inappropriate for the current economic climate or market cycle • Not achieved due to external	• 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 and adapted to changing market conditions and trends • Strong occupier relationships and experience within our sectors shape portfolio decisions • Research assists our strategic decision making • We have a UK based, predominantly logistics portfolio in a world leading ecommerce market	• We continually upscale the quality of our portfolio to ensure it remains fit for purpose and can deliver strong income growth choosing real estate for its quality and location where we are more likely to be a price setter than taker and attract quality companies at higher rental levels • Our £120 million of acquisitions were characterised by quality urban buildings, in good geographies (69% in London and the South East) where	The Board continue to view the Company's strategic priorities as fundamental to the business and events over the last year have not altered our long term objectives. Our focus on the macro trends and how they define the winners and losers in real	**Increased risk** The last 12 months have experienced a period of dislocation and we needed to shift and evolve our strategic objectives for the year as it progressed. We pivoted away from net investment and development funding, prioritising the divestment of mature and non core assets in a market where it has been difficult to

factors or poor implementation		• We continuously review and monitor our portfolio taking into consideration sector weightings, tenant and geographical concentrations, perceived threats and market changes, the balance of income to non income producing assets and asset management opportunities • Our three year forecast is regularly flexed and reported to the Board • The SLT comprises departmental heads from all key business functions with diverse skills and experience • Our relatively flat organisational structure makes it easier to identify market changes, emerging risks and monitor operations • High share ownership amongst the management team aligns their interests with shareholders on all major decisions • We remain alert to potentially disruptive technological advancement	we expect to enjoy income growth over many years • We reacted to bids for assets with £273 million of sales of mature/non core assets where strong income and/or income growth is less certain and where the price offered exceeded our own expectations • Despite the market challenges and recalibration of real estate values our portfolio metrics including occupancy and rent collection remain strong reflecting our asset selection. Even with net sales and higher financing costs we have been able to grow our EPRA earnings by 2.9% to 10.33p per share and our dividend by 2.7% to 9.5p per share while maintaining dividend cover at 109%	estate has served us well over the years and continues to influence where we invest our capital. The Board's appetite for this risk is low.	establish fair value. This strategy protected loan to value and the balance sheet but lowered our EPRA EPS and dividend growth expectations for the year. We remain agile and our disposals and financing activity put us in a strong position to take advantage of the opportunities that we expect to see across our preferred sectors where we can leverage our asset management capabilities that will enable us to continue to grow returns.

2.	**Impact**	**Mitigation**	**Commentary**	**Appetite**	**Change in the year**
Major event **Risk:** A market downturn, specific sector turbulence or business disruption resulting from: • A political or economic event or series of events • A 'black swan' unexpected global, regional or major national event or series of events such as a financial crisis, pandemic, acts of terrorism or conflict	• Impaired revenue • Occupier demand may decrease • Asset liquidity and value may reduce • Debt markets may be adversely impacted • Workforce resilience may be impacted	• We remain focused on what we can control within the business. This includes maintaining a high WAULT and low vacancy on a portfolio of well located, UK only assets in structurally supported sectors and a broad tenant base • Our strong occupier relationships provide market intelligence and help us better understand our tenants' businesses, their covenants, needs, emerging trends and risks • We limit development exposure • We have flexible funding arrangements from a diverse pool of lenders with significant covenant headroom and we regularly review financing strategy • We nurture relationships with new and existing debt and equity providers • We reforecast on a regular basis • We test our business continuity plan and seek to ensure the integrity of our IT systems and cyber security through third party specialists and training	• We are monitoring the uncertainty and impact resulting from the war in Ukraine on our economy, financial systems and tenants' businesses and remain alert to a heightened risk of cyber attacks targeting our utilities, transport, communications and financial systems in retaliation for sanctions imposed on Russia and military support for Ukraine • We are also monitoring the impact of the recent Credit Suisse and US banking failures on debt availability and credit margins in the UK • Our transactional activity continues to ensure that our portfolio remains modern, fit for purpose and positioned to outperform. 96.9% of our portfolio is weighted towards structurally supported sectors with 73.1% in distribution and 23.8% in grocery led long income which is operationally light and let off low and sustainable rents to operators with resilient business models. We will continue to broaden and improve the quality of our	The Board monitors the impact of such events which are outside of its control and flex operations accordingly. Focus remains on maintaining a robust, 'all weather' portfolio to withstand such shocks to the maximum extent possible.	**Increased risk** This year has been dominated by heightened geopolitical tensions including an increased risk of escalation and a prolonged war in Ukraine. Recent months have also seen the demise of several mid-tier US banks and Credit Suisse's rescue. Our strong balance sheet and structurally supported sector choices have helped us navigate the macroeconomic challenges caused by such events and focus on what is in our control. We anticipate that we will continue to experience significant economic and geopolitical uncertainty over the next 12 months. These macro issues continue to influence how and

		• Our property assets are safeguarded by appropriate insurance cover	portfolio, our geographical exposure and income granularity		where we allocate capital and position our balance sheet.

3.	**Impact**	**Mitigation**	**Commentary**	**Appetite**	**Change in the year**
Human resources **Risk:** There may be an inability to attract, motivate and retain high calibre employees in the small team.	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 unvested share awards in the Company which incentivise long term performance and retention and provide stability in the management structure • Annual appraisals identify training requirements and assess performance • Specialist support is contracted as appropriate • Staff satisfaction surveys are undertaken and staff turnover levels are low • There is a phased Non Executive Director refreshment plan • Key man insurance is in place for the Chief Executive	• The SLT promotes talent development below Board level • Alistair Elliott, former Senior Partner and Group Chair of Knight Frank, has been appointed as Board and Nomination Committee Chair on Patrick Vaughan's retirement • Kitty Patmore, serving Chief Financial Officer of Harworth Group plc, has been appointed Audit Committee chair on Rosalyn Wilton's retirement • The appointment of Suzy Neubert, brings extensive capital markets and financial services experience to the Board • The staff survey responses continue to be extremely positive with respondents proud and happy to be working for LondonMetric and highly confident in the decisions made by senior management • Our designated workforce Non Executive Director hosts round table meetings with a cross section of employees annually to hear their views and concerns • Staff turnover remains low at only 6% over the last ten years • 63% of employees participated in the 2023 LTIP	The Board believes it is vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change. Its appetite for this risk is therefore low.	**No significant change** There has been no significant change in perceived risk. We anticipate no significant change in this risk over the next 12 months.

4.	**Impact**	**Mitigation**	**Commentary**	**Appetite**	**Change in the year**
Systems, processes and financial management **Risk** 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 external specialists • Our business continuity plan is regularly updated • 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 financial reporting systems • We maintain appropriate segregation of duties with	• We continue to take an active but pragmatic approach towards cyber security, monitoring and building on our technical solutions alongside raising staff awareness of emerging issues and practices • During the year we enhanced our IT infrastructure to improve security, data storage, resilience and the speed at which servers could be fully restored in a disaster recovery situation. We also tested our resilience to cyber attacks through penetration testing to ensure they continue to provide a strong level of protection	The Board's appetite for such risk is low and management continually strives to monitor and improve processes to ensure they are fit for purpose.	**No significant change** There has been no significant change in perceived risk. Cyber security remains an ever present risk. We anticipate no significant change in this risk over the next 12 months.

		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			

5.	**Impact**	**Mitigation**	**Commentary**	**Appetite**	**Change in the year**
Responsible business and sustainability **Risk:** 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 sustainability, environmental matters and our societal impact supported by specialist consultants, and 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 SLT 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 comply with current and future Minimum Energy Efficiency Standards (‘MEES’) that could impact the quality and desirability of our assets leading to higher voids, reduced income and liquidity • We consider environmental and climate change risk relating to our assets and commission studies and reports • We work with occupiers to improve the resilience of our assets and their business models 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	• We held meetings with c.240 investors and potential investors over the year • We continue to score well in ESG benchmarks • 31% of our portfolio by area is rated BREEAM Very Good or better, including 97% of developments completed this year • 90% of our portfolio has an EPC rating of A-C. We are targeting a minimum C rating on all assets by 2027 and have introduced EPC rating as a new KPI this year • Our Net Zero Carbon framework sets out our ambitions to become a zero carbon business. We have undertaken Net Zero Carbon studies on various assets along with reviewing our approach to carbon offsets • Revolving credit facilities totalling £675 million incorporate sustainability linked targets which have all been met in the year • We continue to score highly in stakeholder surveys with a landlord recommendation score of 8.7/10.00 in our latest occupier survey • Our Communities and Charity Committee has spent £104,000 in the year • In response to the cost of living crisis we made one-off payments to some of our employees	The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment 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.

6. Regulatory framework	Impact	Mitigation	Commentary	Appetite	Change in the year
Risk: Non-compliance with legal or regulatory obligations.	• Reputational damage • Increased costs • Reduced access to debt and capital markets • Fines, penalties, sanctions	• 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 SLT • 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 compliance is monitored	• No significant new regulatory changes have impacted the business this year • We continued to undertake health and safety site audits on our developments assisted by external specialists. This year this included our developments at Weymouth and Hackney. Feedback has been positive and no significant issues were identified	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 has been no significant change in perceived risk. New regulations and evolving best practice will continue to impact the business. We anticipate no significant change in this risk over the next 12 months.

Property risks

7. Investment risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Risk: We may be unable to source rationally priced investment opportunities.	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.	• Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities • We have a dedicated Investment Committee led by SLT members which meets regularly • Management have a proven track record of executing transactions, making good sector choices and growing income even through periods of uncertainty and volatility	• As future interest rate expectations moderate some confidence is returning and we are moving away from price discovery towards greater equilibrium in our preferred sectors. A current lack of stock 'on the market' and sellers in short supply has even resulted in some recent competitive bidding • We remain keen to seek further investment opportunities at a fair price but will continue to be patient, prioritising resilient returns from high quality assets in strong locations within our preferred structurally supported sectors. This approach, coupled with strong investor alignment, has always tempered our acquisition activity, limited our development exposure and framed our disposal decisions • We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these	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** Our opportunistic sales of mature and non core assets have been at attractive yields and a narrow surplus to prevailing book values crystallising attractive returns and demonstrating that, despite the macro challenges, liquidity remains for well located assets in structurally supported sectors.

8. Development Risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Risk • Excessive capital may be allocated to activities with development risk • Developments may fail to deliver expected returns due to inconsistent timing with the economic or market cycle, adverse letting conditions, increased costs, planning or construction delays resulting from contractor failure or supply chain interruption	• 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 development 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 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	• Having completed forward funding developments at Huntington and Preston during the year, our current development exposure accounts for only 1.1% of the portfolio by value and largely comprises of two further pre-let fundings • The volatile economic and political environment that has dominated events over the past 12 months has created material uncertainty and escalating inflation and borrowing costs. Development risk has increased and we don't feel now is the time to have significant development exposure • Land values have fallen considerably which, as a well funded and experienced developer, may create attractive opportunities for future developments. Our funding structure and track record also enables us to source and enter into accretive forward funding opportunities where development risk is mitigated	The Board takes on limited speculative development, although its overall tolerance for this risk is low. The Board made a decision to keep new development and forward funding activity low during the year in response to the economic and market conditions, particularly increasing inflation and finance costs and falling real estate values	**No significant change** Our development exposure remains limited, meaning there has been no significant change in perceived risk during the year. We anticipate our development exposure will remain limited over the next 12 months.

9. Valuation risk	Impact	Mitigation	Commentary	Appetite	Change in the year
Risk: Investments may fall in value.	Pressure on net asset value and potentially loan to value debt covenants.	• Our portfolio is predominantly in structurally supported sectors with few non core assets remaining • Our focus remains on sustainable income and lettings to high quality tenants within a diversified portfolio of well located assets. We aim to maintain a high portfolio WAULT and low vacancy rate. These metrics provide resilience and reduce the negative impact of a market downturn • Trends and the property cycle are continually monitored with investment and divestment decisions made strategically in anticipation of changing conditions • 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	• The UK logistics occupational market remains robust despite demand moderating towards more normalised levels. Vacancy continues near an all-time low and a reduction in new development underpins rental growth, particularly for urban where there is competing demand from a diverse range of occupiers and land uses • 48% of our portfolio is in the high growth regions of London and the South East of England where nearly 60% of our urban logistics is located • The ERV on our logistics portfolio grew 11% last year. Our urban logistics rent reviews were settled at 21% higher than previous passing rents driving like for like income growth of 5%. Over the next two years, our pipeline of rent reviews alone is expected to add a further £11 million of annualised contracted rent as we capture in-built reversions	There is no certainty that property values will be realised. This is an inherent risk in the industry. The Board aims to keep this risk to a minimum through its asset selection and active management initiatives.	**Increased risk** We were not immune to the changes in monetary policy that caused the cost of capital to exceed the low yields of our high growth sectors and which caused a recalibration of values across the real estate sector. We believe the quick repricing of the logistics sector reflects a higher level of pricing evidence that contrasts with other sectors where there has been far less transactional evidence and more limited pricing adjustments. A recent uptick in confidence provides evidence of some yield hardening for prime industrial and distribution investments.

		• We stay close to our tenants to understand their occupational requirements to mitigate vacancy risk • We monitor tenant covenants and trading performance • We maintain a low loan to value, materially below maximum loan covenant thresholds	• We continue to have high occupancy at 99%, a strong WAULT of 12 years and a gross to net income ratio of 99%. 63% of income has contracted rental uplifts, 50% indexed linked with caps typically at 4%, materially below current inflation. These, coupled with strong open market reviews on the remainder of the portfolio, provide positive earnings trajectory, inflation protection and total returns materially higher than many alternatives with the added security of the intrinsic land value		Further softening feels more likely for secondary, poorly located assets and asset classes that face structural head winds. Our portfolio remains strategically aligned to structurally supported sectors where investor demand is high and the prospects for value preservation and growth are significant.

	Impact	Mitigation	Commentary	Appetite	Change in the year
10. **Transaction and tenant risk** **Risk:** • Acquisitions and asset management initiatives may be inconsistent with strategy • Due diligence may be flawed • Tenant failure risk	Pressure on net asset value, earnings and potentially debt covenants.	• Thorough due diligence is undertaken on all acquisitions 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	During the year, 167 occupier initiatives added £7.8 million per annum of rent and like for like income growth of 5.0%. Lettings and regears added £5.1 million on average lease lengths of ten years, with regears achieving rents 21% ahead of our previous passing. Rent reviews delivered £2.7 million of additional rent, representing a 16% uplift on a five yearly equivalent basis Rent collection has remained high at 99.8% Through our strong tenant relationships we are monitoring the impact on our top occupiers of high inflation • Dependency on our top ten occupiers is only 28%. No one tenant accounts for more than 4.1% of income	The Board has no appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.	**No significant change** Portfolio resilience has been demonstrated through our high occupancy and rent collection statistics. We anticipate no significant change in this risk over the next 12 months but will continue to monitor the effects of the challenging economic backdrop and high inflationary pressures on tenant businesses.

Financing risks

	Impact	Mitigation	Commentary	Appetite	Change in the year
11. **Capital and finance risk**	Strategy implementation is at risk.	• We maintain a disciplined investment approach with competition for capital. Assets are considered for sale when they have	• Due to concerns over rising credit spreads and a more conservative lending environment we completed a new £275 million revolving credit facility during the year	The Board has no appetite for imprudently low levels of available headroom in its	**Decreased risk** Our refinancing activity has extended debt maturity and mitigates further

Risk: The Company has insufficient funds and available credit.	achieved target returns and strategic asset plans • Cash flow forecasts are closely monitored • Relationships with a diversified range of lenders are nurtured • 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	to lock into similar terms and pricing as our existing syndicated £225 million facility. This three year facility with two one year extension options enabled a short dated facility to be repaid • £225 million of swaps were purchased at a cost of £15.1 million to mitigate exposure to rapidly rising interest rates. Sales have reduced floating rate debt further. At the year end, 93% of our drawn debt carried a fixed rate of interest up from 71% last year. Our cost of debt now sits at 3.4% compared to 2.6% a year ago • During the year, we secured our first one year extension over the £400 million in our two older revolving credit facilities. Post year end, we also agreed the second one year extension on these • Following the year end, the bank facility on our MIPP joint venture matured and was repaid from the proceeds of sales and additional equity funding from partners • We have substantial headroom under our loan covenants and our modest loan to value of 32.8% provides flexibility to execute transactions whilst continuing to maintain ample headroom under our covenants • As at the year end, our debt maturity was at six years with available undrawn facilities up to £380 million	reserves or credit lines. The Board has some appetite for interest rate risk and loans are not fully hedged as they are not fully drawn all the time. In response to the rapidly rising interest rate environment, the Board reduced its appetite to the level of unhedged debt and mitigating action was taken.	refinancing risk for the next three years. We continue to live in a period of uncertainty which will undoubtedly impact our approach over the next 12 months but feel we are approaching the point where interest rates will start to stabilise or even fall.

Going concern and viability

Based on the results of their assessment which is detailed below, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 March 2026.

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

- Short term – a period of 12 months from the date of this report as required by the 'Going Concern' provision; and
- Longer term – a period of three years to 31 March 2026 as required by the 'Viability Statement' provision.

Short term assessment

The Directors' going concern assessment, as required under provision 30 of the Code, included consideration of the following:

- Principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in the Risk management and internal controls section of this report;
- The business strategy and outlook as discussed throughout the Strategic report;
- The impact of higher inflation and a shift in monetary policy to increase interest rates, on the property market, our occupiers, valuations and earnings;
- The financial position and liquidity including available cash and undrawn facilities, timing of debt repayments and headroom under financial loan covenants;
- The Group's short term cash flow forecast which is reviewed regularly by the Senior Leadership Team ('SLT'); and
- Rent collection rates, which are circulated weekly to the Executive Directors and senior managers.

The Directors' took into account the following key financial metrics to support their assessment:

- The Group's financial position was strengthened in the year by a new £275 million revolving credit facility and extended maturity on £400 million of debt;
- Post year end, we agreed the second one year extension on two of our revolving credit facilities and the MIPP debt facility was repaid in full;
- As at the date of this report, the Group has mitigated refinancing risk in the next three financial years;
- The purchase of £225 million interest rate swap derivatives at an average rate of 2.52%, and the repayment of floating rate debt following disposals, increased the proportion of debt hedged to 93% at the year end;
- Loan to value remains modest at 32.8% and at the Group had available cash and undrawn facilities of £416.5 million at the year end and significant headroom under financial loan covenants;
- At 31 March 2023, the Group's gearing ratio as defined within its unsecured facilities and private placement loan notes, which together account for 93% of debt drawn, was 51% (maximum 125%) and interest cover was 4.7 times (minimum 1.5 times); and
- Rent collection rates continue to be very strong, with 99.8% of rent due in the year collected. Occupancy remains exceptionally high at 99.1%.

Going Concern Statement

On the basis of this review, together with available market information and the Directors' experience and knowledge of the portfolio, they have a reasonable expectation that the Company and the Group can meet its liabilities as they fall due and has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements for the year to 31 March 2023.

Longer term assessment

The Board reviews and challenges the period over which to assess viability on an annual basis and have determined that the three year period to 31 March 2026 remains an appropriate period over which to assess the Group's viability, as in previous years, for the following reasons:

- The Group's financial business plan and detailed budgets cover a rolling three year period;
- It is a reasonable approximation of the time it takes from obtaining planning permission for a development project to practical completion of the property;
- The average length of the Group's developments that completed in the year was less than one year;
- The weighted average debt maturity at 31 March 2023 was 6.0 years; and

- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

Assessment of viability

The Board conducted this review taking account of the Group's business strategy, principal and emerging risks, financial position and outlook as discussed throughout the Strategic review and as already considered as part of the assessment of going concern above.

The Group's strategy is reviewed by the Board at each meeting to ensure it remains appropriate given changing macroeconomic conditions and shareholder expectations. Strategy was also discussed at three off site lunches in the year that were also attended by the Investment, Asset and Strategy Directors. As the Group's hybrid model of logistics and long income continues to generate strong and sustainable returns for shareholders, no changes were made to the business model which focuses on income progression through asset management and on its financing strategy to manage interest rate and refinancing risk.

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

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

- Income certainty, with 63% of the Group's rental income benefiting from contractual uplifts;
- Income diversity, with 28% of rent due from our top ten occupiers;
- Strong relationships with debt providers, evidenced by the new £275 million facility completed in the year and one year extensions on two RCFs;
- Substantial liquidity, with undrawn debt facilities and cash of £416.5 million at the year end, mitigating refinancing risk in the next three years;
- The Group's proven track record of executing transactions, making good sector choices and growing income even through periods of significant uncertainty and volatility; and
- The Group's ability to be flexible and react to changes in the macroeconomic and property markets, including over the past year where the strategic pivot to disposals has helped to manage LTV as property values have fallen and reduce exposure to floating rate debt.

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

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

Reverse stress testing was undertaken, which considered the following scenarios:

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

Under the Group's unsecured and private placement debt facilities, that together account for 93% of the Group's borrowing including its share of joint ventures, property values would need to fall by 38% before the banking gearing threshold was reached and this would equate to a loan to value ratio of 53%.

Similarly, rental income would need to fall by 62% or interest payable rise by 180% to breach the interest cover covenant.

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

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

Although the Board's review focused on the three year viability assessment period, it also considered the Company's longer term success as noted in the Governance report.

Viability Statement

Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year viability period to 31 March 2026.

Directors' Responsibilities Statement

The Directors' Responsibilities Statement below has been prepared in connection with the full Annual Report and Accounts for the year ended 31 March 2023. Certain parts of the Annual Report and Accounts have not been included in this announcement as set out in Note 1 to the condensed financial information.

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Andrew Jones
Chief Executive
24 May 2023

Martin McGann
Finance Director
24 May 2023

Group income statement

For the year ended 31 March

	Note	**2023 £m**	2022 £m
Revenue	3	**146.7**	133.2
Cost of sales		**(1.5)**	(1.5)
Net income		**145.2**	131.7
Administrative costs	4	**(16.4)**	(16.0)
(Loss)/profit on revaluation of investment properties	9	**(577.4)**	615.2
(Loss)/profit on sale of investment properties		**(14.7)**	8.0
Share of (losses)/profits of joint ventures	10	**(10.3)**	23.3
Operating (loss)/profit		**(473.6)**	762.2
Finance income	5	**2.9**	0.5
Finance costs	5	**(36.8)**	(24.4)
(Loss)/profit before tax		**(507.5)**	738.3
Taxation	6	**(0.1)**	(0.1)
(Loss)/profit for the year and total comprehensive (expense)/income		**(507.6)**	738.2
Attributable to:			
Equity shareholders		**(506.3)**	734.5
Non-controlling interest	19	**(1.3)**	3.7
Earnings per share			
Basic	8	**(51.8)p**	78.8p
Diluted	8	**(51.8)p**	78.4p

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

Group balance statement

As at 31 March

	Note	**2023 £m**	2022 £m
Non current assets			
Investment properties	9	**2,944.9**	3,494.6
Investment in equity accounted joint ventures	10	**61.5**	72.6
Other investments and tangible assets		**1.2**	1.3
Derivative financial instruments	14	**11.1**	–
		3,018.7	3,568.5
Current assets			
Assets held for sale	9	**19.8**	21.2
Trading properties		**1.1**	1.1
Trade and other receivables	11	**5.8**	13.1
Cash and cash equivalents	12	**32.6**	51.3
		59.3	86.7
Total assets		**3,078.0**	3,655.2
Current liabilities			
Trade and other payables	13	**65.9**	59.4
Borrowings	14	**65.0**	–
Non current liabilities			
Borrowings	14	**944.8**	1,021.4
Lease liabilities	15	**7.1**	4.6
		951.9	1,026.0
Total liabilities		**1,082.8**	1,085.4
Net assets		**1,995.2**	2,569.8
Equity			
Called up share capital	16,17	**98.3**	97.9
Share premium	16,17	**395.5**	386.8
Capital redemption reserve	17	**9.6**	9.6
Other reserve	17	**490.3**	491.1
Retained earnings	17	**973.6**	1,574.3
Equity shareholders' funds		**1,967.3**	2,559.7
Non-controlling interest	19	**27.9**	10.1
Total equity		**1,995.2**	2,569.8
IFRS net asset value per share	8	**203.7p**	262.3p

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2023 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 2022		**97.9**	**386.8**	**9.6**	**491.1**	**1,574.3**	**2,559.7**	**10.1**	**2,569.8**
Loss for the year and total comprehensive expense		**–**	**–**	**–**	**–**	**(506.3)**	**(506.3)**	**(1.3)**	**(507.6)**
Purchase of shares held in Employee Benefit Trust		**–**	**–**	**–**	**(5.6)**	**–**	**(5.6)**	**–**	**(5.6)**
Vesting of shares held in Employee Benefit Trust	19b	**–**	**–**	**–**	**4.8**	**(5.6)**	**(0.8)**	**–**	**(0.8)**
Investment from non-controlling interest	19b	**–**	**–**	**–**	**–**	**–**	**–**	**19.5**	**19.5**
Distribution to non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Share based awards		**–**	**–**	**–**	**–**	**3.6**	**3.6**	**–**	**3.6**
Dividends	7	**0.4**	**8.7**	**–**	**–**	**(92.4)**	**(83.3)**	**–**	**(83.3)**
At 31 March 2023		**98.3**	**395.5**	**9.6**	**490.3**	**973.6**	**1,967.3**	**27.9**	**1,995.2**

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

Group cash flow statement

For the year ended 31 March

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(507.5)**	738.3
Adjustments for non cash items:			
Loss/(profit) on revaluation of investment properties		**577.4**	(615.2)
Loss/(profit) on sale of investment properties		**14.7**	(8.0)
Share of post-tax loss/(profit) of joint ventures		**10.3**	(23.3)
Movement in lease incentives		**(11.7)**	(8.9)
Share based payment		**3.6**	3.5
Net finance costs		**33.9**	23.9
Cash flows from operations before changes in working capital		**120.7**	110.3
Change in trade and other receivables		**8.1**	(2.6)
Change in trade and other payables		**4.5**	11.5
Cash flows from operations		**133.3**	119.2
Tax (paid)/received		**(0.3)**	0.3
Cash flows from operating activities		**133.0**	119.5
Investing activities			
Purchase of investment properties		**(258.0)**	(500.6)
Capital expenditure on investment properties		**(16.9)**	(51.0)
Purchase of investments		**(0.1)**	(1.1)
Lease incentives paid		**(2.6)**	(4.2)
Sale of investment properties		**258.6**	179.8
Distributions from joint ventures		**0.8**	9.9
Interest received		**0.8**	–
Net cash used in investing activities		**(17.4)**	(367.2)
Financing activities			
Dividends paid		**(83.3)**	(77.5)
Investment from non-controlling interest	19b	**19.5**	–
Distribution to non-controlling interest	19b	**(0.4)**	–
Proceeds from issue of ordinary shares		**–**	170.2
Purchase of shares held in Employee Benefit Trust		**(5.6)**	(1.5)
Vesting of shares held in Employee Benefit Trust		**(0.8)**	(0.8)
New borrowings and amounts drawn down	18	**440.0**	1,059.0
Repayment of loan facilities	18	**(450.0)**	(871.0)
Purchase of derivative financial instruments		**(15.1)**	–
Financial arrangement fees and break costs		**(5.0)**	(6.6)
Lease liabilities paid		**(0.8)**	(0.7)
Interest paid		**(32.8)**	(23.5)
Net cash (used in)/from financing activities		**(134.3)**	247.6

Net decrease in cash and cash equivalents	18	**(18.7)**	(0.1)
Opening cash and cash equivalents		**51.3**	51.4
Closing cash and cash equivalents		**32.6**	51.3

Notes forming part of the Group financial statements

1 Significant accounting policies

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 31 March 2022 but is derived from those accounts. Statutory accounts for the years ended 31 March 2023 and 31 March 2022 have been reported on by the independent auditor. The independent auditor's reports on the Annual Report and financial statements for 2023 and 2022 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 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2023 will be delivered to the Registrar following the Company's Annual General Meeting. The financial information set out in this results announcement has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations issued by the IASB. The accounting policies adopted in this results announcement are consistent with those used in preparing the financial statements for the year ended 31 March 2023, which are the same as those used in the financial statements for the year ended 31 March 2022.

a) General information

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

b) Statement of compliance

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

c) Going concern

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

d) Basis of preparation

The financial statements are prepared on a going concern basis, as explained above. The functional and presentational currency of the Group is sterling. The financial statements are prepared on the historical cost basis except that investment and development properties and derivative financial instruments are stated at fair value. The accounting policies have been applied consistently in all material respects except for the adoption of new and revised standards as noted below.

i) Significant accounting estimates and judgements

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

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

Significant areas of estimation uncertainty
Property valuations

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

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

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

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

Significant areas of judgement
Significant transactions

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

Management applied judgement to a corporate acquisition made during the year to 31 March 2023 and determined that it was an asset acquisition rather than a business combination, as minimal assets were acquired other than the property portfolio, and there were no employees or corporate debt balances.

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

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

Name	Description
Amendments to IFRS 3	References to the conceptual framework
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Annual improvements to IFRSs: 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

iii) Standards and interpretations in issue not yet adopted

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

Name	Description
IFRS 17	Insurance contracts
Amendments IFRS 17	Initial application of IFRS 17 and IFRS 9 – Comparative Information
Amendments IFRS 16	Covid-related rent concessions beyond 30 June 2021 Lease liability in a sale and leaseback
Amendments IAS 1	Classification of Liabilities as Current or Non Current – Deferral of Effective Date Disclosure of Accounting Policies Non current liabilities with covenants
Amendments IAS 8	Definition of accounting estimates
Amendments IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9

e) Basis of consolidation
i) Subsidiaries

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

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

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition. Where a business acquisition reflects an integrated set of activities and assets capable of being conducted and managed for the purpose of providing goods or services to customers, the acquisition accounting method is used. Under the acquisition accounting method, the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration.

ii) Joint ventures

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

iii) Non-controlling interest

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

iv) Alternative performance measures

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

v) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets and liabilities acquired and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are recognised in the income statement as incurred. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill. This is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement.

f) Property portfolio

i) Investment properties

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

Investment property is recognised as an asset when:

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

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

ii) Assets held for sale

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

iii) Tenant leases

Leases – the Group as a lessor

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

Leases – the Group as lessee

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

iv) Net rental income

Rental income from investment property leased out under an operating lease is recognised in the profit or loss on a straight line basis over the lease term. Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. The uplift from rent reviews is recognised when such reviews have been agreed with tenants. Surrender premiums receivable are recognised on completion of the surrender. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date. Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

v) Profit and loss on sale of investment properties

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

g) Financial assets and financial liabilities

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

Financial instruments under IFRS 9

i) Trade receivables

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

ii) Cash and cash equivalents

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

iii) Trade and other payables

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

iv) Borrowings

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

v) Derivative financial instruments

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

h) Finance costs and income

Net finance costs include interest payable on borrowings, net of interest capitalised and finance costs amortised. Interest is capitalised if it is directly attributable to the acquisition, construction or redevelopment of development properties from the start of the development work until practical completion of the property. Capitalised interest is calculated with reference to the actual interest rate payable on specific borrowings for the purposes of development or, for that part of the borrowings financed out of general funds, with reference to the Group's cost of borrowings. Finance income includes interest receivable on funds invested at the effective rate and notional interest receivable on forward funded developments at the contractual rate. Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively.

i) Tax

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

j) Share based payments

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

k) Shares held in Trust

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

l) Dividends

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

2 Segmental information

As at 31 March

Property value	100% owned[1] £m	Share of JV £m	NCI £m	2023 Total £m	100% owned £m	Share of JV £m	NCI £m	2022 Total £m
Distribution	**2,159.9**	**–**	**–**	**2,159.9**	2,642.0	–	–	2,642.0
Long income	**659.8**	**70.8**	**(23.2)**	**707.4**	703.8	96.6	(15.1)	785.3
Retail parks	**82.7**	**–**	**(12.5)**	**70.2**	70.6	–	–	70.6
Office	**21.7**	**–**	**–**	**21.7**	27.3	–	–	27.3
Residential	**0.9**	**–**	**–**	**0.9**	0.9	–	–	0.9
Development	**33.7**	**–**	**–**	**33.7**	67.8	–	–	67.8
	2,958.7	**70.8**	**(35.7)**	**2,993.8**	3,512.4	96.6	(15.1)	3,593.9
Head lease and right of use assets				**7.1**				4.5
				3,000.9				3,598.4

1 Includes trading property of £1.1 million (2022: £1.1 million) and assets held for sale of £19.8 million (2022: £21.2 million)

For the year to 31 March

Gross rental income	100% owned £m	Share of JV £m	NCI £m	2023 Total £m	100% owned £m	Share of JV £m	NCI £m	2022 Total £m
Distribution	**100.5**	**–**	**–**	**100.5**	88.7	–	–	88.7
Long income	**39.4**	**4.3**	**(1.3)**	**42.4**	35.9	4.5	(1.3)	39.1
Retail parks	**3.9**	**–**	**(0.2)**	**3.7**	4.4	–	–	4.4
Office	**1.7**	**–**	**–**	**1.7**	2.3	–	–	2.3
Residential	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Development	**–**	**–**	**–**	**–**	0.1	–	–	0.1
	145.6	**4.3**	**(1.5)**	**148.4**	131.5	4.5	(1.3)	134.7

For the year to 31 March

Net rental income	100% owned £m	Share of JV £m	NCI £m	2023 Total £m	100% owned £m	Share of JV £m	NCI £m	2022 Total £m
Distribution	**99.5**	**–**	**–**	**99.5**	87.5	–	–	87.5
Long income	**39.2**	**4.2**	**(1.3)**	**42.1**	35.8	4.4	(1.3)	38.9
Retail parks	**3.8**	**–**	**(0.2)**	**3.6**	4.5	–	–	4.5
Office	**1.5**	**–**	**–**	**1.5**	2.0	–	–	2.0
Residential	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Development	**–**	**–**	**–**	**–**	0.1	–	–	0.1
	144.1	**4.2**	**(1.5)**	**146.8**	130.0	4.4	(1.3)	133.1

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

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

3 Revenue

For the year to 31 March	**2023 £m**	2022 £m
Gross rental income	**145.6**	131.5
Property management fee income	**1.1**	1.3
Other income	**–**	0.4
Revenue	**146.7**	133.2

For the year to 31 March	**2023 £m**	2022 £m
Gross rental income	**145.6**	131.5
Cost of sales – property operating expenses	**(1.5)**	(1.5)
Net rental income	**144.1**	130.0

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	**2023 £m**	2022 £m
Staff costs	**12.5**	12.5
Auditor's remuneration	**0.3**	0.3
Depreciation	**0.6**	0.6
Other administrative costs	**3.0**	2.6
	16.4	16.0

b) Staff costs

For the year to 31 March	**2023 £m**	2022 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**10.3**	10.5
Less staff costs capitalised in respect of development projects	**(2.5)**	(2.5)
	7.8	8.0
Social security costs	**0.9**	0.8
Pension costs	**0.2**	0.2
Share based payment	**3.6**	3.5
	12.5	12.5

The long term share incentive plan ('LTIP') allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £3.6 million (2022: £3.5 million). The cost of acquiring the shares expected to vest under the LTIP of £5.6 million has been charged to reserves this year (2022: £1.5 million).

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

For the year to 31 March	**2023 £m**	2022 £m
Remuneration for management services	**2.9**	2.9
Entitlement to pension scheme contributions	**0.1**	0.1
	3.0	3.0

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

For the year to 31 March	**2023 £m**	2022 £m
Short term employee benefits	**7.2**	9.0
Share based payments	**2.4**	1.8
	9.6	10.8

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:

	2023 Number	2022 Number
Property and administration	**34**	32

d) Auditor's remuneration

For the year to 31 March	**2023 £000**	2022 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**252**	225
Other fees:		
Audit related assurance services	**42**	38
Total fees for audit and other services	**294**	263

In addition to the above audit fees, £29,700 (2022: £27,000) 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 £42,000 (2022: £38,000).

5 Finance income and costs

a) Finance income

For the year to 31 March	**2023 £m**	2022 £m
Interest received on bank deposits	**0.1**	–
Interest receivable from interest rate derivatives	**0.7**	–
Interest receivable from forward funded developments	**2.1**	0.5
Total finance income	**2.9**	0.5

b) Finance costs

For the year to 31 March	**2023 £m**	2022 £m
Interest payable on bank loans and related derivatives	**33.3**	23.1
Unwinding of discount on fixed rate debt acquired	**(0.2)**	(0.2)
Debt and hedging early close out costs	**0.4**	–
Amortisation of loan issue costs	**1.6**	1.2
Interest on lease liabilities	**0.1**	0.1
Commitment fees and other finance costs	**1.6**	1.6
Total borrowing costs	**36.8**	25.8
Less amounts capitalised on developments	**(4.0)**	(1.4)
Net borrowing costs	**32.8**	24.4
Fair value loss on derivative financial instruments	**4.0**	–
Total finance costs	**36.8**	24.4

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value loss on derivative financial instruments of £4.0 million (2022: nil) and early close out costs of £0.4 million (2022: nil).

6 Taxation

For the year to 31 March	**2023 £m**	2022 £m
Current tax		
UK tax charge on profit	**0.1**	0.1

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

For the year to 31 March	**2023 £m**	2022 £m
(Loss)/profit before tax	**(507.5)**	738.3
Tax charge at the standard rate of corporation tax in the UK of 19% (2022: 19%)	**(96.4)**	140.3
Effect of items not deductible/(taxable)	**94.5**	(135.8)
Effect of share of post tax losses/(profits) of joint ventures	**2.0**	(4.4)
UK tax charge on profit	**0.1**	0.1

The current tax charge relates to tax arising on income attributable to the Group's non-controlling interest. The UK corporation tax rate has remained at 19% since April 2020. The increase of the UK corporation rate to 25% was substantively enacted in May 2021 (effective from 1 April 2023). As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences and so there is no impact on the accounts.

7 Dividends

For the year to 31 March			**2023 £m**	2022 £m
Ordinary dividends paid				
2021	Third quarterly interim dividend	2.1p per share	**–**	19.0
2021	Fourth quarterly interim dividend	2.35p per share	**–**	21.3
2022	First quarterly interim dividend	2.2p per share	**–**	20.0
2022	Second quarterly interim dividend	2.2p per share	**–**	21.4
2022	Third quarterly interim dividend	2.2p per share	**21.5**	–
2022	Fourth quarterly interim dividend	2.65p per share	**25.9**	–
2023	First quarterly interim dividend	2.3p per share	**22.5**	–
2023	Second quarterly interim dividend	2.3p per share	**22.5**	–
			92.4	81.7

Ordinary dividend payable

2023 Third quarterly interim dividend: 2.3p per share	**22.5**
2023 Fourth quarterly interim dividend: 2.6p per share	**25.5**

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2023 of 2.3p per share, wholly as a Property Income Distribution ('PID'), on 12 April 2023 to ordinary shareholders on the register at the close of business on 10 March 2023. The fourth quarterly interim dividend for 2023 of 2.6p per share, of which 1.5p is payable as a PID, will be payable on 12 July 2023 to shareholders on the register at the close of business on 2 June 2023. 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 2024. During the year, the Company issued 4.0 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.1 million to £83.3 million.

8 Earnings and net assets per share

Adjusted earnings and net assets per share are calculated in accordance with the Best Practice Recommendations ('BPR') of the European Public Real Estate Association ('EPRA'). The EPRA earnings measure highlights the underlying performance of the property rental business. The basic earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year. The basic net asset per share calculation uses the number of shares in issue at the year end and excludes the actual number of shares held by the Employee Benefit Trust at the year end. The fully diluted calculations assume that new shares are issued in connection with the expected vesting of the Group's long term incentive plan. Further EPRA performance measures are reflected in the Supplementary notes.

a) EPRA earnings

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

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**2023 £m**	100% owned £m	JV £m	NCI £m	2022 £m
Gross rental income	**145.6**	**4.3**	**(1.5)**	**148.4**	131.5	4.5	(1.3)	134.7
Property costs	**(1.5)**	**(0.1)**	–	**(1.6)**	(1.5)	(0.1)	–	(1.6)
Net rental income	**144.1**	**4.2**	**(1.5)**	**146.8**	130.0	4.4	(1.3)	133.1
Management fees	**1.1**	**(0.5)**	**0.1**	**0.7**	1.3	(0.5)	–	0.8
Other income	–	–	–	–	0.4	–	–	0.4
Administrative costs	**(16.4)**	**(0.1)**	–	**(16.5)**	(16.0)	(0.1)	–	(16.1)
Net finance costs[1]	**(29.5)**	**(0.6)**	**0.2**	**(29.9)**	(23.9)	(1.0)	0.2	(24.7)
Tax	**(0.1)**	–	**0.1**	–	(0.1)	–	0.1	–
EPRA earnings	**99.2**	**3.0**	**(1.1)**	**101.1**	91.7	2.8	(1.0)	93.5

1 Group net finance costs reflect net borrowing costs of £32.8 million (2022: £24.4 million) (note 5b) less early close out costs of £0.4 million (2022: nil) and finance income of £2.9 million (2022: £0.5 million) (note 5a)

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

For the year to 31 March	**100% owned £m**	**JV £m**	**NCI £m**	**2023 £m**	100% owned £m	JV £m	NCI £m	2022 £m
EPRA earnings	**99.2**	**3.0**	**(1.1)**	**101.1**	91.7	2.8	(1.0)	93.5
Revaluation of property	**(577.4)**	**(12.5)**	**2.4**	**(587.5)**	615.2	19.7	(2.7)	632.2
Fair value of derivatives	**(4.0)**	**(0.1)**	–	**(4.1)**	–	0.7	–	0.7
(Loss)/profit on disposal	**(14.7)**	**(0.7)**	–	**(15.4)**	8.0	0.2	–	8.2
Debt/hedging costs	**(0.4)**	–	–	**(0.4)**	–	(0.1)	–	(0.1)
IFRS reported (loss)/profit	**(497.3)**	**(10.3)**	**1.3**	**(506.3)**	714.9	23.3	(3.7)	734.5

b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	**2023 £m**	2022 £m
Basic and diluted earnings	**(506.3)**	734.5
EPRA adjustments above	**607.4**	(641.0)
EPRA earnings	**101.1**	93.5

For the year to 31 March	**2023 Number of shares (millions)**	2022 Number of shares (millions)
Ordinary share capital	**981.3**	934.2
Shares held in the Employee Benefit Trust	**(2.8)**	(2.7)
Weighted average number of ordinary shares – basic	**978.5**	931.5
Employee share schemes	**4.1**	4.8
Weighted average number of ordinary shares – fully diluted	**982.6**	936.3
Earnings per share		
Basic	**(51.75)p**	78.84p
Diluted	**(51.75)p**	78.44p
EPRA earnings per share		
Basic	**10.33p**	10.04p
Diluted	**10.28p**	9.99p

c) Net assets per share attributable to equity shareholders

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

EPRA NTA is considered to be the most relevant measure for the Group 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.

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

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

As at 31 March 2022	EPRA net tangible assets £m	EPRA net disposal value £m	EPRA net reinstatement value £m
Equity shareholders' funds	2,559.7	2,559.7	2,559.7
Fair value of joint ventures' derivatives	(0.1)	–	(0.1)
Mark to market of fixed rate debt	–	11.3	–
Purchasers' costs	–	–	244.7
EPRA net asset value	2,559.6	2,571.0	2,804.3

As at 31 March	**2023 Number of shares (millions)**	2022 Number of shares (millions)
Ordinary share capital	**982.6**	978.6
Shares held in Employee Benefit Trust	**(2.9)**	(2.7)
Number of ordinary shares – basic	**979.7**	975.9
Employee share schemes	**3.9**	4.5
Number of ordinary shares – fully diluted	**983.6**	980.4

IFRS net asset value per share	**203.7p**	262.3p
EPRA net tangible assets per share	**198.9p**	261.1p
EPRA net disposal value per share	**206.1p**	262.2p
EPRA net reinstatement value per share	**219.6p**	286.0p

9 Investment properties

a) Investment properties

As at 31 March	**Completed £m**	**Under development £m**	**2023 Total £m**	Completed £m	Under development £m	2022 Total £m
Opening balance	**3,423.4**	**66.7**	**3,490.1**	2,440.8	58.7	2,499.5
Acquisitions	**187.4**	**70.4**	**257.8**	457.5	43.5	501.0
Capital expenditure	**7.7**	**17.0**	**24.7**	10.4	44.6	55.0
Disposals	**(247.8)**	**–**	**(247.8)**	(60.4)	(3.4)	(63.8)
Property transfers[1]	**87.0**	**(106.8)**	**(19.8)**	(28.9)	(94.3)	(123.2)
Revaluation movement	**(562.7)**	**(14.7)**	**(577.4)**	598.4	16.8	615.2
Movement in tenant incentives and rent free uplifts	**10.2**	**–**	**10.2**	5.6	0.8	6.4
Property portfolio	**2,905.2**	**32.6**	**2,937.8**	3,423.4	66.7	3,490.1
Head lease and right of use assets	**7.1**	**–**	**7.1**	4.5	–	4.5
	2,912.3	**32.6**	**2,944.9**	3,427.9	66.7	3,494.6

1 Properties totalling £19.8 million (2022: £21.2 million) have been transferred to current assets and separately disclosed as assets held for sale as reflected in note 9b

Investment properties are stated at fair value as at 31 March 2023 based on external valuations performed by professionally qualified and independent valuers CBRE Limited ('CBRE') and Savills (UK) Limited ('Savills'). The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2022 on the basis of fair value as set out in note 1. There has been no change in the valuation technique in the year. The total fees earned by CBRE and Savills from the Company represent less than 5% of their total UK revenues. CBRE and Savills have continuously been the signatory of valuations for the Company since October 2007 and September 2010 respectively.

Completed properties include buildings that are occupied or are available for occupation. Properties under development include land under development and investment property under construction. Internal staff costs of the development team of £2.5 million (2022: £2.5 million) have been capitalised, being directly attributable to the development projects in progress.

Long term leasehold values included within investment properties amount to £89.3 million (2022: £169.7 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2023 was £2,448.7 million (2022: £2,358.4 million).

Included within the investment property valuation is £96.0 million (2022: £85.8 million) in respect of unamortised lease incentives and rent free periods. The movement in the year reflects lease incentives paid of £2.6 million (2022: £4.2 million) and rent free and amortisation movements of £11.7 million (2022: £8.9 million), offset by incentives written off on disposal of £4.1 million (2022: £6.7 million).

Capital commitments have been entered into amounting to £20.3 million (2022: £127.4 million) which have not been provided for in the financial statements. At 31 March 2023, investment properties included £7.1 million for the head lease right of use assets in accordance with IFRS 16 (2022: £4.5 million).

b) Assets held for sale

	2023 £m	2022 £m
Opening balance	**21.2**	–
Disposals	**(21.2)**	(102.0)
Property transfers	**19.8**	123.2
Closing balance	**19.8**	21.2

The valuation of freehold property held for sale at 31 March 2023 was £19.8 million (2022: £21.2 million), representing £16.0 million distribution and £3.8 million long income assets which are expected to complete within the next six months. Assets held for sale at 1 April 2021 of £22.4 million were not separately disclosed on the face of the balance sheet and were classified within investment properties.

c) Valuation technique and quantitative information

			ERV		Net initial yield		Reversionary yield	
Asset type	**Fair value 2023[1] £m**	**Valuation technique**	**Weighted average (£ per sq ft)**	**Range (£ per sq ft)**	**Weighted average %**	**Range %**	**Weighted average %**	**Range %**
Distribution	**2,159.9**	**Yield capitalisation**	**9.32**	**5.60-32.30**	**4.2**	**2.7-12.1**	**5.4**	**2.8-11.8**
Long income	**659.8**	**Yield capitalisation**	**14.20**	**3.20-173.70**	**4.9**	**3.2-12.2**	**4.9**	**2.9-25.8**
Retail parks	**82.7**	**Yield capitalisation**	**15.39**	**4.20-31.20**	**5.4**	**4.8-16.3**	**5.0**	**4.8-9.2**
Office	**21.7**	**Yield capitalisation**	**16.59**	**10.00-43.00**	**7.0**	**3.3-12.0**	**7.9**	**6.9-9.8**
Development	**32.6**	**Residual**	**10.71**	**7.64-20.07**	**4.6**	**3.3-6.7**	**5.7**	**5.0-6.7**
Residential	**0.9**	**Comparison**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

1 As reflected in note 2 and including assets held for sale of £19.8 million but excluding trading properties classified as development of £1.1 million

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

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 2023. The fair value at 31 March 2023 represents the highest and best use of the properties. When considering the highest and best use, the valuers will look at its existing and potential uses which are viable.

i) Technique

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

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

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

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 £93.0 million or £92.3 million respectively.

An increase or decrease of 25bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £127.9 million or £153.4 million respectively. An increase or decrease of 50bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £266.7 million or £324.6 million respectively.

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

iii) Process

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

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

10 Investment in joint ventures

At 31 March 2023, 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.

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold two properties in the year for £26.7 million (Group share: £13.3 million). Post period end, it has repaid bank debt of £26.9 million in full with existing cash resources and additional funding from its partners of £21.0 million.

At 31 March 2023, the investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers, CBRE. There were no properties held for sale by joint ventures at 31 March 2023 (2022: nil). The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	**2023 £m**	2022 £m
Opening balance	**72.6**	59.2
Share of (loss)/profit in the year	**(10.3)**	23.3
Distributions received	**(0.8)**	(9.9)
	61.5	72.6

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

Summarised income statement	**Metric Income Plus Partnership £m**	**LSP London Residential Investments £m**	**Total 2023 £m**	**Group share 2023 £m**
Gross rental income	**8.6**	**–**	**8.6**	**4.3**
Property costs	**(0.1)**	**–**	**(0.1)**	**(0.1)**
Net rental income	**8.5**	**–**	**8.5**	**4.2**
Administrative costs	**(0.1)**	**–**	**(0.1)**	**(0.1)**
Management fees	**(1.0)**	**–**	**(1.0)**	**(0.5)**
Revaluation	**(24.9)**	**–**	**(24.9)**	**(12.5)**
Net finance cost	**(1.3)**	**–**	**(1.3)**	**(0.6)**
Derivative movement	**(0.2)**	**–**	**(0.2)**	**(0.1)**
Loss on disposal	**(1.6)**	**–**	**(1.6)**	**(0.7)**
Loss after tax	**(20.6)**	**–**	**(20.6)**	**(10.3)**
Group share of loss after tax	**(10.3)**	**–**	**(10.3)**	
EPRA adjustments:				
Revaluation	**24.9**	**–**	**24.9**	**12.5**
Derivative movement	**0.2**	**–**	**0.2**	**0.1**
Loss on disposal	**1.6**	**–**	**1.6**	**0.7**
EPRA earnings	**6.1**	**–**	**6.1**	**3.0**
Group share of EPRA earnings	**3.0**	**–**	**3.0**	
Summarised balance sheet				
Investment properties	**141.6**	**–**	**141.6**	**70.8**
Other current assets	**0.1**	**–**	**0.1**	**0.1**
Cash	**10.6**	**0.2**	**10.8**	**5.4**
Current liabilities	**(2.5)**	**–**	**(2.5)**	**(1.3)**
Bank debt	**(26.9)**	**–**	**(26.9)**	**(13.5)**
Net assets	**122.9**	**0.2**	**123.1**	**61.5**
Group share of net assets	**61.4**	**0.1**	**61.5**	

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

11 Trade and other receivables

As at 31 March	**2023 £m**	2022 £m
Trade receivables	**2.5**	5.7
Prepayments and accrued income	**1.6**	6.2
Other receivables	**1.7**	1.2
	5.8	13.1

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

12 Cash and cash equivalents

Cash and cash equivalents include £8.7 million (2022: £7.4 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	**2023 £m**	2022 £m
Trade payables	**12.9**	12.2
Amounts payable on property acquisitions and disposals	**1.0**	1.0
Rent received in advance	**25.3**	24.6
Accrued interest	**1.5**	1.0
Other payables	**10.9**	7.1
Other accruals and deferred income	**14.3**	13.5
	65.9	59.4

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

14 Borrowings and financial instruments

a) Borrowings

As at 31 March	**2023 £m**	2022 £m
Secured bank loans	**62.0**	62.2
Unsecured bank loans	**955.0**	965.0
	1,017.0	1,027.2
Unamortised finance costs	**(7.2)**	(5.8)
	1,009.8	1,021.4

Certain bank loans at 31 March 2023 are secured by fixed charges over Group investment properties with a carrying value of £232.6 million (2022: £284.7 million). Borrowings of £65 million relating to the 2016 Private Placement are repayable within one year.

As at 31 March 2023	**Total facility £m**	**Floating rate £m**	**Fixed rate £m**	**Total debt £m**	**Weighted average maturity (years)**
Secured bank loans:					
Scottish Widows fixed rate debt	**60.0**	**–**	**62.0**	**62.0**	**8.7**
Unsecured bank loans:					
Revolving credit facility 2021 (syndicate)	**225.0**	**135.0**	**–**	**135.0**	**2.1**
Wells Fargo revolving credit facility	**175.0**	**30.0**	**–**	**30.0**	**4.1**
Revolving credit facility 2022 (syndicate)	**275.0**	**130.0**	**–**	**130.0**	**2.6**
Private Placement 2016 (syndicate)	**130.0**	**–**	**130.0**	**130.0**	**1.7**
Private Placement 2018 (syndicate)	**150.0**	**–**	**150.0**	**150.0**	**7.8**
Private Placement 2021(syndicate)	**380.0**	**–**	**380.0**	**380.0**	**9.2**
	1,395.0	**295.0**	**722.0**	**1,017.0**	**6.1**

During the year, we completed a new £275 million revolving credit facility with our banking group on similar terms and pricing as our existing £225 million facility and extended the term by one year on our other two revolving credit facilities totalling £400 million.

As at 31 March 2022	Total facility £m	Floating rate £m	Fixed rate £m	Total debt £m	Weighted average maturity (years)
Secured bank loans:					
Scottish Widows fixed rate debt	60.0	–	62.2	62.2	9.7
Unsecured bank loans:					
Revolving credit facility (syndicate)	225.0	100.0	–	100.0	2.1
Wells Fargo revolving credit facility	175.0	55.0	–	55.0	4.1
Barclays credit facility	150.0	150.0	–	150.0	1.3
Private Placement 2016 (syndicate)	130.0	–	130.0	130.0	2.7
Private Placement 2018 (syndicate)	150.0	–	150.0	150.0	8.8
Private Placement 2021 (syndicate)	380.0	–	380.0	380.0	10.2
	1,270.0	305.0	722.2	1,027.2	6.6

The third tranche of our private placement loan notes totalling £380 million includes a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. The three revolving credit facilities totalling £675 million are sustainability-linked loans and incorporate preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. Margin savings have been added to funds allocated for charitable giving in the year.

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 £32.6 million (2022: £51.3 million) and available and undrawn bank loan facilities at 31 March 2023 of £380.0 million (2022: £245.0 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 2023	**Less than one year £m**	**One to two years £m**	**Two to five years £m**	**More than five years £m**	**Total £m**
Bank loans	**102.6**	**76.2**	**356.4**	**676.6**	**1,211.8**
Derivative financial instruments	**(3.7)**	**(3.7)**	**(7.8)**	**–**	**(15.2)**
	98.9	**72.5**	**348.6**	**676.6**	**1,196.6**

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

iii) Market risk – interest rate risk

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

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

At 31 March 2023, 93% of the Group's (including share of joint ventures) debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps. The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2023 including the cost of amortising finance arrangement fees, was 3.4% (2022: 2.6%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £3.0 million or £2.5 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	**2023 £m**	2022 £m
Net debt	**974.7**	975.7
Shareholders' equity	**1,967.3**	2,559.7
	2,942.0	3,535.4

c) Financial instruments

i) Categories of financial instruments

As at 31 March	Measured at amortised cost 2023 £m	Measured at amortised cost 2022 £m	Measured at fair value 2023 £m	Measured at fair value 2022 £m
Non current assets				
Derivative financial instruments (see 14c (iii))	**–**	–	**11.1**	–
Current assets				
Cash and cash equivalents (note 12)	**32.6**	51.3	**–**	–
Trade receivables (note 11)	**2.5**	5.7	**–**	–
Other receivables (note 11)	**1.7**	1.2	**–**	–
	36.8	58.2	**11.1**	–
Non current liabilities				
Borrowings (note 14a)	**944.8**	1,021.4	**–**	–
Lease liabilities (note 15)	**7.1**	4.6	**–**	–
Current liabilities				
Borrowings (note 14a)	**65.0**	–	–	–
Trade payables (note 13)	**12.9**	12.2	**–**	–
Accrued interest (note 13)	**1.5**	1.0	**–**	–
	1,031.3	1,039.2	**–**	–

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 2023.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2023 are provided below:

As at 31 March	Average rate		Notional amount		Fair value	
Interest rate swaps – expiry	**2023 %**	2022 %	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Two to five years	**2.5**	–	**225.0**	–	**11.1**	–

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

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

During the year, the Group acquired £225 million interest rate swaps at a cost of £15.1 million and at an average rate of 2.52%.

15 Leases

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

As at 31 March	**2023 £m**	2022 £m
Less than one year	**135.1**	135.0
Between one and five years	**492.4**	485.2
Between six and ten years	**477.6**	465.6
Between 11 and 15 years	**327.2**	334.7
Between 16 and 20 years	**180.3**	192.8
Over 20 years	**48.2**	68.6
	1,660.8	1,681.9

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	**Undiscounted minimum lease payments £m**	**Interest £m**	**Present value of minimum lease payments 2023 £m**	Present value of minimum lease payments 2022 £m
Less than one year	**0.5**	**(0.2)**	**0.3**	0.6
Between one and two years	**0.9**	**(0.2)**	**0.7**	0.2
Between three and five years	**2.6**	**(0.4)**	**2.2**	0.1
Over five years	**7.4**	**(3.5)**	**3.9**	3.7
	11.4	**(4.3)**	**7.1**	4.6

16 Share capital

As at 31 March	**2023 Number**	**2023 £m**	2022 Number	2022 £m
Issued, called up and fully paid				
Ordinary shares of 10p each	**982,646,261**	**98.3**	978,607,507	97.9

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

Share capital issued, called up and fully paid	Ordinary shares Number	Ordinary shares £m	Share premium £m
At 31 March 2021	909,643,040	91.0	219.3
Issued under equity placing	67,307,693	6.7	163.5
Issued under scrip share scheme	1,656,774	0.2	4.0
At 31 March 2022	978,607,507	97.9	386.8
Issued under scrip share scheme	4,038,754	0.4	8.7
At 31 March 2023	**982,646,261**	**98.3**	**395.5**

The Company issued 4,038,754 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 322,203 ordinary shares under the terms of its Scrip Dividend Scheme.

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

Shares held by the Employee Benefit Trust	Ordinary shares Number	Ordinary shares £m
At 31 March 2021	4,390,195	0.4
Shares issued under employee share schemes	(2,339,267)	(0.2)
Shares acquired by the Employee Benefit Trust	611,693	0.1
At 31 March 2022	2,662,621	0.3
Shares issued under employee share schemes	(2,092,512)	(0.2)
Shares acquired by the Employee Benefit Trust	2,372,483	0.2
At 31 March 2023	**2,942,592**	**0.3**

In June 2022, the Company granted options over 1,853,585 ordinary shares under its Long Term Incentive Plan. In addition, 2,092,512 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2018 vested. The average share price on vesting was 235.9p.

As at 31 March 2023, the Company's Employee Benefit Trust held 2,942,592 shares in the Company to satisfy awards under the Company's Long Term Incentive Plan.

17 Reserves

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

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

As at 31 March	**Merger reserve £m**	**Employee Benefit Trust shares £m**	**2023 Total other reserves £m**	Merger reserve £m	Employee Benefit Trust shares £m	2022 Total other reserves £m
Opening balance	**497.4**	**(6.3)**	**491.1**	497.4	(9.7)	487.7
Employee share schemes:						
Purchase of shares	**–**	**(5.6)**	**(5.6)**	–	(1.5)	(1.5)
Vesting of shares	**–**	**4.8**	**4.8**	–	4.9	4.9
Closing balance	**497.4**	**(7.1)**	**490.3**	497.4	(6.3)	491.1

18 Analysis of movement in net debt

				Non cash movements			
	1 April 2022 £m	Financing cash flows £m	Other cash flows £m	Impact of issue and arrangement costs £m	Fair value movements and early close out costs £m	Interest charge and unwinding of discount £m	**31 March 2023 £m**
Bank loans	**1,027.2**	**(10.0)**	**–**	**–**	**–**	**(0.2)**	**1.017.0**
Derivative financial instruments	**–**	**(15.1)**	**–**	**–**	**4.0**	**–**	**(11.1)**
Unamortised finance costs	**(5.8)**	**(3.4)**	**–**	**1.6**	**0.4**	**–**	**(7.2)**
Other finance costs	**–**	**(1.6)**	**–**	**1.6**	**–**	**–**	**–**
Interest payable and fees	**1.0**	**(32.8)**	**–**	**–**	**–**	**33.3**	**1.5**
Lease liabilities	**4.6**	**(0.8)**	**–**	**–**	**3.2**	**0.1**	**7.1**
Total liabilities from financing activities	**1,027.0**	**(63.7)**	**–**	**3.2**	**7.6**	**33.2**	**1,007.3**
Cash and cash equivalents	**(51.3)**	**–**	**18.7**	**–**	**–**	**–**	**(32.6)**
Net debt	**975.7**	**(63.7)**	**18.7**	**3.2**	**7.6**	**33.2**	**974.7**

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

19 Related party transactions

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

		Management fees		**Distributions**	
For the year to 31 March	Group interest	**2023 £m**	2022 £m	**2023 £m**	2022 £m
LSP London Residential Investments	40%	**–**	–	**–**	2.0
LMP Retail Warehouse JV Holdings Limited	69%	**0.3**	0.1	**–**	–
Metric Income Plus Partnership	50%	**1.1**	1.2	**0.8**	7.9
		1.4	1.3	**0.8**	9.9

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

b) Non-controlling interest
The Group's non-controlling interest ('NCI') represents a 31% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of retail assets. The Group's interest in LMP Retail Warehouse JV Holdings Limited is 69%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet. As at the year end, LMP Retail Warehouse JV Holdings Limited owed £28.8 million to the Company, which has been eliminated on consolidation.

During the year, LMP Retail Warehouse JV Holdings Limited acquired a retail park in London for £38 million, funded by way of a share issue to the partners which reduced the Group's interest from 82% to 69%. The NCI invested £19.5 million into the company and received distributions of £0.4 million. As at the year end, the NCI's share of losses and net assets was £1.3 million and £27.9 million respectively.

20 Post balance sheet events

Post year end we have exchanged or completed asset sales for £36.9 million, of which £15.3 million had exchanged in the year. Property sales are discussed in detail in the Property review.

As reported in the Chair's statement, we have today separately announced the terms of a recommended offer to acquire the entire issued share capital of CT Property Trust Limited by way of a Court-sanctioned scheme of arrangement for £198.6 million, based on the LondonMetric share price on 23 May 2023 of 188.0p per share.

Supplementary information (not audited)

i EPRA summary table

	2023	2022
EPRA earnings per share	**10.33p**	10.04p
EPRA net tangible assets per share	**198.9p**	261.1p
EPRA net disposal value per share	**206.1p**	262.2p
EPRA net reinstatement value per share	**219.6p**	281.7p
EPRA vacancy rate	**0.9%**	1.3%
EPRA cost ratio (including vacant property costs)	**11.7%**	12.5%
EPRA cost ratio (excluding vacant property costs)	**11.3%**	11.8%
EPRA net initial yield	**4.1%**	3.4%
EPRA 'topped up' net initial yield	**4.6%**	3.7%

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 2023 £m**	100% owned £m	JV £m	NCI £m	Total 2022 £m
Gross rental income	**145.6**	**4.3**	**(1.5)**	**148.4**	131.5	4.5	(1.3)	134.7
Property costs	**(1.5)**	**(0.1)**	–	**(1.6)**	(1.5)	(0.1)	–	(1.6)
Net rental income	**144.1**	**4.2**	**(1.5)**	**146.8**	130.0	4.4	(1.3)	133.1
Management fees	**1.1**	**(0.5)**	**0.1**	**0.7**	1.3	(0.5)	–	0.8
Other income	–	–	–	–	0.4	–	–	0.4
Administrative costs	**(16.4)**	**(0.1)**	–	**(16.5)**	(16.0)	(0.1)	–	(16.1)
Net finance costs	**(29.5)**	**(0.6)**	**0.2**	**(29.9)**	(23.9)	(1.0)	0.2	(24.7)
Tax	**(0.1)**	–	**0.1**	–	(0.1)	–	0.1	–
EPRA earnings	**99.2**	**3.0**	**(1.1)**	**101.1**	91.7	2.8	(1.0)	93.5

iii EPRA proportionally consolidated balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2023 £m	100% owned £m	JV £m	NCI £m	Total 2022 £m
Investment property	**2,944.9**	**70.8**	**(35.7)**	**2,980.0**	3,494.6	96.6	(15.1)	3,576.1
Assets held for sale	**19.8**	–	–	**19.8**	21.2	–	–	21.2
Trading property	**1.1**	–	–	**1.1**	1.1	–	–	1.1
	2,965.8	**70.8**	**(35.7)**	**3,000.9**	3,516.9	96.6	(15.1)	3,598.4
Gross debt	**(1,017.0)**	**(13.5)**	–	**(1,030.5)**	(1,027.2)	(26.5)	–	(1,053.7)
Cash	**32.6**	**5.4**	**(1.5)**	**36.5**	51.3	3.6	(0.6)	54.3
Other net liabilities	**(58.8)**	**(1.2)**	**9.3**	**(50.7)**	(43.8)	(1.2)	5.6	(39.4)
EPRA net tangible assets	**1,922.6**	**61.5**	**(27.9)**	**1,956.2**	2,497.2	72.5	(10.1)	2,559.6
Derivatives	**11.1**	–	–	**11.1**	–	0.1	–	0.1
IFRS equity shareholders' funds	**1,933.7**	**61.5**	**(27.9)**	**1,967.3**	2,497.2	72.6	(10.1)	2,559.7
IFRS net assets	**1,933.7**	**61.5**	**–**	**1,995.2**	2,497.2	72.6	–	2,569.8
Loan to value	**32.8%**	**11.4%**	**–**	**32.8%**	28.9%	24.3%	–	28.8%
Cost of debt	**3.4%**	**3.6%**	**–**	**3.4%**	2.6%	3.4%	–	2.6%
Undrawn facilities	**380.0**	**–**	**–**	**380.0**	245.0	–	–	245.0

iv EPRA cost ratio

For the year to 31 March	2023 £m	2022 £m
Property operating expenses	**1.5**	1.5
Administrative costs	**16.4**	16.0
Share of joint venture property costs, administrative costs and management fees	**0.7**	0.7
Less:		
Joint venture property management fee income	**(1.1)**	(1.3)
Ground rents	**(0.1)**	(0.1)
Total costs including vacant property costs (A)	**17.4**	16.8
Group vacant property costs	**(0.7)**	(0.9)
Total costs excluding vacant property costs (B)	**16.7**	15.9
Gross rental income	**145.6**	131.5
Share of joint venture gross rental income	**4.3**	4.5
Share of non-controlling interest gross rental income	**(1.5)**	(1.3)
	148.4	134.7
Less:		
Ground rents	**(0.1)**	(0.1)
Total gross rental income (C)	**148.3**	134.6
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**11.7%**	12.5%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**11.3%**	11.8%

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

As at 31 March	**2023 £m**	2022 £m
Investment property – wholly owned[1]	**2,957.6**	3,511.3
Investment property – share of joint ventures	**70.8**	96.6
Trading property	**1.1**	1.1
Less development properties	**(33.7)**	(67.8)
Less residential properties	**(0.9)**	(0.9)
Less non-controlling interest	**(35.7)**	(15.1)
Completed property portfolio	**2,959.2**	3,525.2
Allowance for:		
Estimated purchasers’ costs	**201.2**	239.7
Estimated costs to complete	**10.4**	33.7
EPRA property portfolio valuation (A)	**3,170.8**	3,798.6
Annualised passing rental income	**128.2**	129.4
Share of joint ventures	**4.2**	4.5
Less development properties	**(1.8)**	(3.3)
Annualised net rents (B)	**130.6**	130.6
Contractual rental increase across the portfolio	**15.9**	11.5
‘Topped up’ net annualised rent (C)	**146.5**	142.1
EPRA net initial yield (B/A)	**4.1%**	3.4%
EPRA ‘topped up’ net initial yield (C/A)	**4.6%**	3.7%

1 Wholly owned investment property includes assets held for sale of £19.8 million (2022: £21.2 million)

vi EPRA vacancy rate

As at 31 March	**2023 £m**	2022 £m
Annualised estimated rental value of vacant premises	**1.5**	2.1
Portfolio estimated rental value[1]	**168.6**	157.1
EPRA vacancy rate	**0.9%**	1.3%

1 Excludes residential and development properties

vii EPRA capital expenditure analysis

As at 31 March	**100% owned[5] £m**	**JV £m**	**NCI £m**	**Total 2023 £m**	100% owned £m	JV £m	NCI £m	Total 2022 £m
Opening valuation	**3,516.9**	**96.6**	**(15.1)**	**3,598.4**	2,505.7	94.4	(11.4)	2,588.7
Acquisitions[1]	**187.4**	**–**	**(22.8)**	**164.6**	457.5	–	–	457.5
Developments[2]	**83.7**	**–**	**–**	**83.7**	87.8	–	–	87.8
Investment properties								
– incremental lettable space[3]	**0.1**	**–**	**–**	**0.1**	4.5	–	(0.7)	3.8
– no incremental lettable space[3]	**7.3**	**0.2**	**–**	**7.5**	5.6	1.6	–	7.2
– tenant incentives	**10.2**	**0.2**	**(0.2)**	**10.2**	5.6	(0.5)	(0.3)	4.8
Capitalised interest[4]	**4.0**	**–**	**–**	**4.0**	1.4	–	–	1.4
Total EPRA capex	**292.7**	**0.4**	**(23.0)**	**270.1**	562.4	1.1	(1.0)	562.5
Disposals[6]	**(269.0)**	**(13.7)**	**–**	**(282.7)**	(165.8)	(18.6)	–	(184.4)
Revaluation	**(577.4)**	**(12.5)**	**2.4**	**(587.5)**	615.2	19.7	(2.7)	632.2
ROU asset	**2.6**	**–**	**–**	**2.6**	(0.6)	–	–	(0.6)
Closing valuation	**2,965.8**	**70.8**	**(35.7)**	**3,000.9**	3,516.9	96.6	(15.1)	3,598.4

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

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

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

4 Capitalised interest on investment properties of £0.3 million (2022: £0.3 million) and development properties of £3.7 million (2022: £1.1 million)

5 Including trading property of £1.1 million and assets held for sale of £19.8 million

6 Group disposals include disposals of assets held for sale

viii Total accounting return

For the year to 31 March	**2023 pence per share**	2022 pence per share
EPRA net tangible assets per share		
– at end of year	**198.9**	261.1
– at start of year	**261.1**	190.3
(Decrease)/increase	**(62.2)**	70.8
Dividend paid	**9.5**	8.9
Total (decrease)/increase	**(52.7)**	79.7
Total accounting return	**-20.2%**	41.9%

ix Portfolio split and valuation

As at 31 March	**2023 £m**	**2023 %**	2022 £m	2022 %
Mega distribution	**311.5**	**10.4**	425.2	11.8
Regional distribution	**586.1**	**19.6**	665.3	18.5
Urban logistics	**1,262.3**	**42.2**	1,551.5	43.2
Distribution	**2,159.9**	**72.2**	2,642.0	73.5
Long income	**707.4**	**23.7**	785.3	21.8
Retail parks	**70.2**	**2.3**	70.6	2.0
Offices	**21.7**	**0.7**	27.3	0.8
Investment portfolio	**2,959.2**	**98.9**	3,525.2	98.1
Development[1]	**33.7**	**1.1**	67.8	1.9
Residential	**0.9**	**–**	0.9	–
Total portfolio	**2,993.8**	**100.0**	3,593.9	100.0
Head lease and right of use assets	**7.1**		4.5	
	3,000.9		3,598.4	

1 Represents urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), office and other land £2.8 million (0.1%) at 31 March 2023. Split of prior year comparatives was regional distribution £15.9 million (0.4%), urban logistics £25.8 million (0.7%), long income £23.2 million (0.7%), office and other land £2.9 million (0.1%)

x Investment portfolio yields

		2023			2022	
As at 31 March	**EPRA NIY %**	**EPRA topped up NIY %**	**Equivalent yield %**	EPRA NIY %	EPRA topped up NIY %	Equivalent yield %
Distribution	**3.8**	**4.3**	**5.3**	3.0	3.4	4.1
Long income	**4.9**	**5.4**	**5.6**	4.6	4.7	5.1
Retail parks	**4.5**	**5.4**	**5.4**	4.5	4.9	4.8
Offices	**6.8**	**7.1**	**7.5**	6.4	6.4	6.5
Investment portfolio	**4.1**	**4.6**	**5.4**	3.4	3.7	4.4

xi Investment portfolio – Key statistics

As at 31 March 2023	**Area ’000 sq ft**	**WAULT to expiry years**	**WAULT to first break years**	**Occupancy %**	**Average rent £ per sq ft**
Distribution	**13,303**	**11.7**	**10.5**	**98.9**	**7.40**
Long income	**2,776**	**13.1**	**11.7**	**100.0**	**16.20**
Retail parks	**266**	**8.2**	**8.2**	**100.0**	**16.50**
Offices	**118**	**3.0**	**2.8**	**82.6**	**16.40**
Investment portfolio	**16,463**	**11.9**	**10.7**	**99.1**	**8.90**

xii Total property returns

For the year to 31 March	**All property 2023 %**	All property 2022 %
Capital return	**-15.7**	22.9
Income return	**4.4**	4.4
Total return	**-12.0**	28.2

xiii Contracted rental income

As at 31 March	**2023 £m**	2022 £m
Distribution	**97.8**	95.6
Long income	**39.8**	38.9
Retail parks	**4.1**	3.6
Offices	**1.7**	1.9
Investment portfolio	**143.4**	140.0
Development – distribution	**1.0**	2.4
Development – long income	**0.8**	0.9
Total portfolio	**145.2**	143.3

xiv Rent subject to expiry

As at 31 March 2023	**Within 3 years %**	**Within 5 years %**	**Within 10 years %**	**Within 15 years %**	**Within 20 years %**	**Over 20 years %**
Distribution	**9.2**	**16.0**	**46.7**	**70.7**	**83.8**	**100.0**
Offices	**74.2**	**78.9**	**100.0**	**100.0**	**100.0**	**100.0**
Long income	**5.8**	**9.3**	**33.1**	**61.0**	**93.6**	**100.0**
Retail parks	**21.1**	**37.1**	**61.5**	**100.0**	**100.0**	**100.0**
Investment portfolio	**9.4**	**15.5**	**44.0**	**69.2**	**87.1**	**100.0**

xv Contracted rent subject to inflationary or fixed uplifts

As at 31 March	**2023 £m**	**2023 %**	2022 £m	2022 %
Distribution	**61.4**	**62.8**	60.0	61.2
Long income	**27.3**	**68.7**	27.0	67.7
Retail parks	**1.6**	**38.5**	0.3	9.2
Investment portfolio	**90.3**	**63.0**	87.3	60.9

xvi Top ten assets (by value)

As at 31 March 2023	**Area ’000 sq ft**	**Contracted rent £m**	**Occupancy %**	**WAULT to expiry years**	**WAULT to first break years**
Eddie Stobart, Dagenham	**454**	**4.1**	**100.0**	**20.4**	**20.4**
Primark, T2, Islip	**1,062**	**5.9**	**100.0**	**17.4**	**17.4**
Argos, Bedford	**658**	**4.1**	**100.0**	**10.9**	**10.9**
THG, Warrington	**686**	**4.1**	**100.0**	**21.6**	**21.6**
Tesco, Croydon	**191**	**1.9**	**100.0**	**5.0**	**5.0**
Movianto, Bedford	**356**	**2.8**	**100.0**	**23.6**	**23.6**
Amazon, Warrington	**357**	**2.4**	**100.0**	**8.7**	**8.7**
Oak Furniture, Swindon	**357**	**2.2**	**100.0**	**12.6**	**12.6**
Costco, Coventry	**129**	**1.8**	**100.0**	**13.8**	**13.8**
Clipper, Ollerton	**364**	**2.2**	**100.0**	**14.4**	**14.4**

xvii Top ten occupiers

As at 31 March 2023	Contracted rental income £m	Contracted rental income %
Primark	**5.9**	**4.1**
Amazon	**4.9**	**3.4**
Argos	**4.2**	**2.9**
THG	**4.1**	**2.9**
Eddie Stobart	**4.1**	**2.8**
Currys	**3.9**	**2.7**
Odeon	**3.6**	**2.5**
DFS	**3.4**	**2.3**
Waitrose	**3.3**	**2.3**
Movianto	**2.8**	**2.0**
Top ten	**40.2**	**27.9**

xviii Loan to value

As at 31 March	100% owned £m	JV £m	NCI £m	**2023 £m**	2022 £m
Gross debt	1,017.0	13.5	–	**1,030.5**	1,053.7
less: Fair value adjustments	(2.0)	–	–	**(2.0)**	(2.2)
less: Cash balances	(32.6)	(5.4)	1.5	**(36.5)**	(54.3)
Net debt	982.4	8.1	1.5	**992.0**	997.2
Acquisitions exchanged in the period	2.3	–	–	**2.3**	72.4
Disposals exchanged in the period	(19.1)	–	–	**(19.1)**	(21.2)
Adjusted net debt (A)	965.6	8.1	1.5	**975.2**	1,048.4
Exclude:					
Acquisitions exchanged in the period	(2.3)	–	–	**(2.3)**	(72.4)
Disposals exchanged in the period	19.1	–	–	**19.1**	21.2
Include:					
Net payables	60.1	1.2	(0.4)	**60.9**	47.2
EPRA net debt (B)	1,042.5	9.3	1.1	**1,052.9**	1,044.4
Investment properties at fair value	2,937.8	70.8	(35.7)	**2,972.9**	3,571.6
Properties held for sale	19.8	–	–	**19.8**	21.2
Trading properties	1.1	–	–	**1.1**	1.1
Total property portfolio	2,958.7	70.8	(35.7)	**2,993.8**	3,593.9
Acquisitions exchanged in the period	2.3	–	–	**2.3**	72.4
Disposals exchanged in the period	(19.8)	–	–	**(19.8)**	(21.2)
Adjusted property portfolio (C)	2,941.2	70.8	(35.7)	**2,976.3**	3,645.1
Exclude:					
Acquisitions exchanged in the period	(2.3)	–	–	**(2.3)**	(72.4)
Disposals exchanged in the period	19.8	–	–	**19.8**	21.2
Include:					
Financial assets	5.2	–	–	**5.2**	5.2
EPRA property portfolio (D)	2,963.9	70.8	(35.7)	**2,999.0**	3,599.1
Loan to value (A)/(C)	32.8%			**32.8%**	28.8%
EPRA Loan to value (B)/(D)	35.2%			**35.1%**	29.0%

xix Acquisitions and disposals

As at 31 March	100% owned £m	JV £m	NCI £m	**2023 £m**	2022 £m
Acquisition costs					
Completed in the year	187.4	–	(22.8)	**164.6**	457.5
Exchanged in the previous year	(72.4)	–	–	**(72.4)**	(35.7)
Exchanged but not completed in the year	2.3	–	–	**2.3**	72.4
Forward funded investments classified as developments	32.1	–	–	**32.1**	97.0
Transaction costs and other	(10.0)	–	3.8	**(6.2)**	(15.9)
Exchanged in the year	139.4	–	(19.0)	**120.4**	575.3
Disposal proceeds					
Completed in the year	258.4	13.3	–	**271.7**	199.8
Exchanged in the previous year	(21.2)	–	–	**(21.2)**	(15.2)
Exchanged but not completed in the year	19.1	–	–	**19.1**	21.2
Transaction costs and other	2.7	0.2	–	**2.9**	1.8
Exchanged in the year	259.0	13.5	–	**272.5**	207.6

Glossary

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

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

Chief Operating Decision Makers (‘CODMs’)
The Executive Directors, Senior Leadership Team members and other senior managers.

Contracted Rent
The annualised rent excluding rent free periods.

Cost of Debt
Weighted average interest rate payable.

Debt Maturity
Weighted average period to expiry of debt drawn.

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

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

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

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

EPRA Loan to Value (‘LTV’)
Net debt and net current payables if applicable, divided by the total property portfolio value including net current receivables if applicable and financial assets due from the NCI.

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

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

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

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

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

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

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

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

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

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

European Single Electronic Format ('ESEF')
ESEF is the electronic reporting format required from 1 January 2021 to facilitate access, analysis and comparison of annual financial reports.

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

Group
LondonMetric Property Plc and its subsidiaries.

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

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

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

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

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

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

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

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

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

Net Debt
The Group’s bank loans net of cash balances at the period end.

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

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

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

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

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

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

Task Force on Climate-Related Financial Disclosures (‘TCFD’)
Created in 2015 to develop a framework for consistent climate-related financial risk disclosure.

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

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

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

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

Weighted Average Unexpired Lease Term (‘WAULT’)
Average unexpired lease term across the investment portfolio weighted by Contracted Rent.