LONDONMETRIC PROPERTY PLC

Real estate for reliable income

Annual Report and Accounts 2023

[IMAGE REMOVED]

2023

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LondonMetric

is a FTSE 250 business that owns one of the UK's leading listed logistics platforms alongside a grocery-led long income portfolio. We own £3bn of assets across 16.5m sq ft and generated £147m net rental income in the year.

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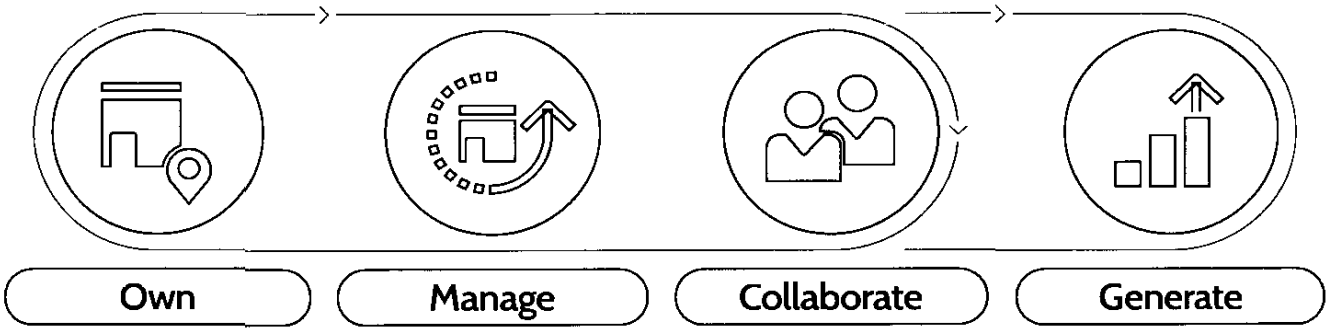
Our purpose

Our purpose is to own and manage desirable real estate that meets occupiers demands, delivers reliable, repetitive and growing income-led returns and outperforms over the long term.



£147m
Net rental income

10.33p
EPRA Earnings per share

9.5p
Dividend for the year, with cover of 109%

-£506.3m
IFRS reported loss

198.9p
EPRA Net Tangible Assets per share

£2.0bn
IFRS net assets

An overview, purpose and strategy

Own

Desirable assets

Own desirable real estate. Our investment strategy is focused on owning quality assets in the winning sectors that are underpinned by strong and growing income.

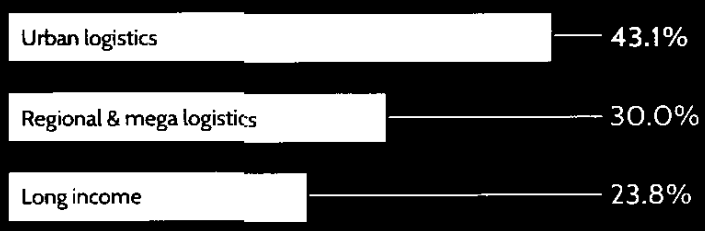
Disciplined investment strategy to ensure portfolio remains fit for purpose

Portfolio aligned to macro trends & structural tail winds

£3.0bn

portfolio of assets, 73% of which is invested in logistics assets, primarily focused on urban logistics

Our focus on distribution and long income



"We are continually upscaling the quality of the portfolio to ensure it remains fit for purpose and can deliver strong income growth.

Valentine Beresford
Investment Director

Own the right assets in the right locations with high residual values

Create enduring occupier appeal

Ensuring our assets are fit for purpose and will deliver income growth

What we're doing

- Aligning portfolio to urban areas
- Selling mature/non core assets where strong income and/or income growth is less certain
- Reacting to bids for our assets where the price offered exceeds our own expectations
- Positioning the Company to be ready to take advantage of future opportunities

[IMAGE REMOVED]

[IMAGE REMOVED]

View all of our properties on our interactive map londonmetric.com/portfolio

Why it's important to us

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.

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.

43%
Urban logistics exposure as a proportion of our portfolio

£273m
Disposals in year

£120m
Acquisitions in the year

An overview, purpose and strategy

Manage

Improving and upgrading

Manage and enhance responsibly. Securing and enhancing our strong income metrics as well as improving the quality and sustainability of our assets.

1.1m sq ft

of lettings and regears signed during the year

[IMAGE TO COME]

10 years

WAULT on lettings and regears in the year

167

Occupier initiatives undertaken in the year delivering 5.0% like for like income growth

What we're doing

- Strengthening our income through extending lease lengths and signing new leases with long WAULTs
- Upgrading the quality and sustainability of assets through development, refurbishment and environmental improvements, often in conjunction with occupiers
- Capturing rental growth embedded in the portfolio

Learn more on page 34

[IMAGE REMOVED]

Our buildings need to meet increasingly higher occupier expectations

Why it's important to us

The period of very low interest rates is over.

Therefore, investors will be more focused on delivering growth opportunities from both the macro and structural shifts but also asset management initiatives that can deliver higher levels of income as well as improve the quality of buildings to generate higher occupier contentment.

Learn more on page 24

+£7.8m

Additional income from lettings and rent reviews in year

+0.7m

Sq ft of BREEAM Very Good developments completed in the year

An overview, purpose and strategy

Collaborate

Collaborative relationships

Maximise our expertise and relationships.
We have a highly talented, motivated and aligned team who collaborate with all stakeholders to build strong relationships and trust.

[IMA

> "We are proud of our employees who we recognise are vital to the continued success of the Company.
>
> **Andrew Livingston**
> Designated workforce
> Non Executive Director

[IMAGE REMOVED]

94%
of staff feel proud to work for the Company

8.7/10
Average score in occupier survey for whether our occupiers would recommend LondonMetric

GE REMOVED]

Why it's important to us

Leveraging our highly talented, motivated and aligned team to make the right decisions will help to deliver long term outperformance.

By working with a wide range of stakeholders, we gather a greater depth of understanding to deliver a culture of excellence. This allows us to rely on strong shareholder support, the best property intelligence, reliable contractors and access to attractive and diverse debt financing.

Learn more on pages 66 to 69

[IMAGE REMOVED]

99.1%

Portfolio occupancy

£675m

of debt financing either through lengthening of maturity or new facilities agreed

What we're doing

- Empowering our talented employees with a combination of strong market insight, deep fundamental analysis and market leading relationships
- Adopting a 'partner of choice' approach, collaborating with all stakeholders
- Considerate of local communities and how we approach society as a whole

Learn more on pages 20 to 21

[IMAGE REMOVED]

Find out more about our partners
londonmetric.com/partners

An overview, purpose and strategy

Generate

Reliable, repetitive and growing returns

Generate reliable, repetitive and growing income-led total returns.

We believe that income growth is fundamental to successful investing and to pay a progressive dividend.

10%

Growth in net rental income in the year

Why it's important for us

Bringing all our actions together to deliver strong, durable cash flows underpinning highly attractive total returns.

We expect that our 'all weather' portfolio will allow us to absorb increased interest rate costs, continue to grow our earnings and progress our covered dividend over the longer term.

Learn more on page 24

[IMAGE REMOVED]

AGE REMOVED]

£147m
Net rental income

8%
Growth in EPRA Earnings

3%
Growth in dividend per share

21%
Growth in urban logistics rent reviews

11.7%
EPRA cost ratio

What we're doing

- Maintaining our very strong portfolio metrics with occupancy at 99%, a WAULT of 12 years and a gross to net income ratio of 99%
- Allocate capital to assets that can deliver rental growth either through contractual rental uplifts or where we can achieve strong open market reviews
- Minimise debt costs
- Maintain a low cost base and EPRA cost ratio

Learn more on page 15

An overview, purpose and strategy

Performance highlights

IFRS reported loss

-£506.3m ↓169%

EPRA EPS

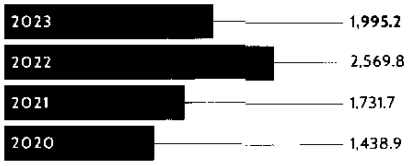
10.33p ↑2.9%

Dividend per share

9.5p ↑2.7%

IFRS net assets

£1,995.2m ↓22.4%



EPRA net tangible assets per share

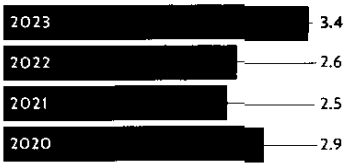
198.9p ↓23.8%

EPRA cost ratio

11.7% ↓80bps

Cost of debt

3.4% ↑80bps

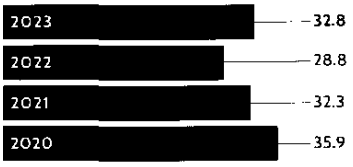


Average debt maturity

6.0 yrs ↓0.5 years

Loan to value ratio

32.8% ↑400bps

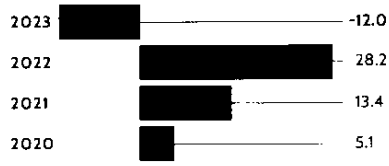


WAULT

11.9 yrs

Total property return

-12.0%



Alternative performance measures

The Group financial statements are prepared in accordance with IFRS. Management reviews the performance of the business principally on a proportionately consolidated basis which includes the Group's share of joint ventures and excludes any non-controlling interest.

Alternative performance measures are financial measures 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.

Therefore, unless specifically stated, the performance metrics and financial results reflected in the Strategic report and on this page, reflect the proportionately consolidated results of the Group and the EPRA BPR reporting framework. Further details can be found on page 47 of the Financial review and definitions are set out in the Glossary on page 222.

An overview, purpose and strategy

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.

[IMAGE REMOVED]

+2.7%
Dividend increase per share

+32.5%
Total accounting return over three years

Patrick Vaughan
Chair

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 recalibrated 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 she also 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 of 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

An overview, purpose and strategy

At a glance

Our portfolio is located in the UK and has grown from £1.2 billion in 2013 to £3.0 billion today. It has shifted significantly away from multi-let retail parks, offices and residential into logistics and grocery-led long income assets.

[IMAGE REMOVED]

Mark Stirling
Asset Director

Our focus on logistics and long income[1]

[CHART REMOVED]

1 Urban logistics
43%

2 Mega & Regional logistics
30%

3 Long Income
24%

4 Retail Parks & Offices
3%

1 Includes development

Our property portfolio continues to deliver long and strong income with high rental growth.

Learn more on page 34

Our portfolio

Property value
£3.0bn

WAULT
11.9 yrs

London & South East weighting
48.2%

[IMAGE REMOVED]

Urban Logistics

Smaller logistics units strategically located in or close to dense areas of population to meet increasing consumer demands for next and same day delivery.

Our exposure to this sector has increased substantially and is our main conviction call.

125 assets

6.8m sq ft

Property value[1]

£1,288m

WAULT

8.7 yrs

Read more about urban logistics on page 37

[IMAGE REMOVED]

Mega & Regional Logistics

Mega Distribution

Large scale modern distribution units, typically greater than 500,000 sq ft and located close to major arterial routes.

Regional Distribution

Mid size units typically between 100,000 sq ft and 500,000 sq ft serving as regional hubs and creating the link in any modern supply chain.

16 assets

6.5m sq ft

Property value[1]

£898m

WAULT

15.8 yrs

Read more about mega & regional distribution on page 37

[IMAGE REMOVED]

Long Income

Grocery and Roadside

Consists of grocery, wholesale and roadside assets.

NNN Retail

Primarily discount, essential, electrical and home stores.

Trade, DIY & Other

Principally building, trade and DIY stores as well as car servicing centres.

Leisure

Five out of town cinemas let to Odeon, two hotels, three F&B sites and one development site.

128 assets

2.8m sq ft

Property value[1]

£713m

WAULT

13.1 yrs

Read more about long income on page 42

1 Including developments

An overview, purpose and strategy

Our strategic priorities

Own desirable real estate that meets occupiers' needs

Strategic priorities

1. Align portfolio to real estate benefiting from macro trends that are structurally supported
2. Focus on long-let property in good locations with strong occupier contentment, intrinsic value and rental growth prospects

Long term strategy

Employing a range of investment strategies to ensure we own the right asset in the right location

Focus on geography, asset quality, lease and credit strength and sector diversity of our occupiers

2023/24 priorities

Retain our overweight exposure to logistics with a preference for urban logistics

Remain highly disciplined to ensure each asset remains fit for purpose delivering attractive income growth and total returns

Learn more on page 2

Manage and enhance responsibly to improve our assets and help occupiers thrive

Strategic priorities

3. Protect and enhance the asset value and cash flow with long term decision making
4. Improve the quality and sustainability of our assets by adopting high standards and supporting our stakeholders and local communities

Long term strategy

Adopting an active asset management approach to deliver value accretive initiatives

Embed sustainability and high ESG standards across all of our activities

2023/24 priorities

Retain high occupancy and long average lease lengths

Continue to improve the average EPC rating across the portfolio whilst recognising our ability to be a strong steward of under invested assets

Learn more on page 4

Maximise our expertise and relationships to build on our position as partner of choice

Strategic priorities

5. Adopting a partner of choice mindset, collaborating with all stakeholders
6. Having the right people and using the team's breadth and depth of expertise to make well informed decisions and act in the best interests of our stakeholders

Long term strategy

Retain our rational and disciplined approach driving our long term decision making

Being a desirable place to work, attracting and retaining some of the best talent in the real estate industry

2023/24 priorities

Retain high levels of employee and occupier satisfaction

Maintain strong relationships with all other stakeholders

Learn more on page 6

Generate reliable, repetitive and growing income-led total returns

Strategic priorities

7. Generate reliable, repetitive and growing income-led cash flows from fit for purpose assets
8. Bringing all our actions together to deliver strong, durable cash flows underpinning highly attractive total returns

Long term strategy

Deliver attractive total returns, underpinned by a reliable, progressive and covered dividend policy

2023/24 priorities

Deliver and sustain EPRA earnings per share growth, facilitating our progressive and covered dividend ambitions

Deliver top quartile performance and outperform our benchmarks

Learn more on page 8

An overview, purpose and strategy

Chief Executive's review

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

97%
Portfolio's logistics and long income weighting

12 years
WAULT

[IMAGE REMOVED]

Andrew Jones
Chief Executive

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 recalibration 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.

Generate income

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.

An overview, purpose and strategy

Chief Executive's review
continued

Own desirable real estate

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.

[IMAGE REMOVED]

Stirchley Trading Estate was sold in March 2023 as part of a larger £46m portfolio of three multi-let industrial estates that had previously been acquired through our takeover of A & J Mucklow Group Plc

Significant disposals 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.

Own desirable real estate

Logistics

[IMAGE REMOVED]

43%

Portfolio's urban logistics weighting

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.

An overview, purpose and strategy

Chief Executive's review
continued

Own desirable real estate

Long income

[IMAGE REMOVED]

24%

Portfolio's long income weighting

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.

[IMAGE REMOVED]

A Costa drive-thru that we built in the year at Weymouth as part of a 51,000 sq ft development

Manage & Enhance Responsibly

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.

[IMAGE REMOVED]

Our 296,000 sq ft logistics development in Ipswich that completed in the year and was BREEAM Very Good certified

Embedding sustainability

Upgrading through investment & development

Our investments are focused on high quality buildings or assets where we can use our expertise to materially upgrade the building. Our developments are typically BREEAM Very Good or Excellent and we work with contractors to ensure sustainability is properly considered as part of the project.

Extending the economic life of our assets through environmental improvements

Cost effective improvements such as LED lighting, new HVAC systems, removing gas, better insulation and glazing are helping to significantly improve EPC ratings. Working with our occupiers to add solar across our portfolio is helping to address their ambitions to be Net Zero Carbon and mitigate energy costs.

Our strategy supports a low carbon approach

The portfolio is operationally light and exposed to real estate sub-sectors which have a lower carbon intensity

We are a strong steward of underinvested assets, with the necessary expertise

0.7m sq ft

BREEAM Very Good developments in year

90%

of portfolio has an EPC rating A-C

An overview, purpose and strategy

Chief Executive's review
continued

Expertise and relationships

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.

Occupiers

[IMAGE REMOVED]

Outcomes

99.1%
portfolio occupancy

8.7/10.0
landlord recommendation score

Strong customer focus

We recognise that when our occupiers' businesses thrive, our business also thrives.

We treat our occupiers as customers and put them at the centre of our decision making. Our occupier-led approach provides us with market knowledge to better understand future trends and make informed decisions.

Our high occupancy rate, rent collection and customer satisfaction scores demonstrate the strength of these relationships.

Extending existing relationships and developing new contacts continue to be a key focus for us.

People

[IMAGE REMOVED]

Outcomes

6%
staff turnover since merger in 2013

94%
of staff are proud to work for LondonMetric

Our people are critical to the success of the Company

The Company is highly focused with 35 employees and nine Non Executive Directors. Since merger in 2013, employee numbers have fallen despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

Culture and approach

We have successfully attracted and retained a talented and loyal team. This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger.

We believe that this reflects a culture of empowerment, teamwork as well as fair and performance based remuneration.

Expertise and relationships

Investors

Outcomes

Over 240
Investors seen in the year

Our investors are critical to the Company and its ability to access capital, efficiently and quickly.

We value our good relationships with our shareholders. Over the year, we met with over 240 equity investors and feedback remains very supportive of our strategy and the Company.

Access to debt financing is highly important to us and we continue to enjoy very strong banking relationships, as evidenced by our successful debt refinancings in the year.

Contractors and Advisers

Outcomes

100%
Contractor compliance

We rely on the support of a diverse group of contractors and property advisors.

Our contractor relationships are highly important in allowing us to deliver on our developments and refurbishments. In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors with a proven track record.

During the year, there was 100% compliance with our Responsible Development Requirements checklist.

Communities

Outcomes

£104k
Charitable giving in year across 51 causes

We recognise the importance of supporting our local communities and engaging with all local stakeholders.

Our Charity and Communities Working Group implements charity giving and co-ordinates community involvement. LondonMetric aims to allocate a minimum of £100,000 per year for charitable giving.

In addition, we require our contractors to focus on community initiatives as part of our development and refurbishment activity.

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.

An overview, purpose and strategy

The world around us

[IMAGE REMOVED]

Andrew Jones
Chief Executive

We are operating in an ever changing macro environment which continues to have a profound impact on property.

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 400 bps, 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.

Creating value

Our markets

There are many macro trends and structural forces affecting real estate including demographic, economic, political, regulatory and environmental changes. These trends continue to influence the investment decisions that we make to shape our real estate portfolio.

Macro trends

❶ Geopolitical & economic

+75%
in energy costs over two years

We continue to experience significant economic and geopolitical uncertainty across the globe.

The invasion of Ukraine last year impacted supply chains and caused material commodity and energy price inflation, particularly in Europe. This has been exacerbated by the tensions in Taiwan and the impact of China's delayed reopening following their zero Covid strategy.

These factors have contributed towards an economic slow down across the world as central banks aggressively increased interest rates in response to soaring inflation. Whilst the UK has avoided a recession, businesses and consumers face uncertain times and are having to deal with a number of headwinds.

❷ Interest rates & borrowing costs

c.400bps
five year interest rate swaps

After decades of very low interest rates, the period of a 'free carry' in real estate is over. Investors can no longer rely on borrowing money at low rates to invest into property to generate a positive arbitrage.

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 increases in rates has started to take effect, inflation remains stubbornly high and is unlikely to afford central banks much room to loosen policy for the foreseeable future.

With five year swap rates still elevated at c.400bps, liquidity in property is set to remain limited and borrowing costs likely to stay high.

❸ Demographic changes

+11%
increase in retirees

The UK population is expected to rise by 4% to almost 70 million by 2040, with regional differences expected and stronger growth likely in London and the South East.

Similar to the rest of the western world, however, the UK has an ageing population with retirees projected to increase by 11% over the next ten years. With a declining working age population, this will increase the dependency ratio to c.25% by 2032.

This has implications for property, including increased demand for property that services retirees, reduced demand for offices, labour availability and costs, more efficient urban infrastructure and retiree demand for real assets which can deliver attractive income.

What this means for LondonMetric

In a period of uncertainty, we continue to ensure that our 'all weather' portfolio can navigate a weaker economic backdrop and deliver rental growth that can offset rising borrowing costs. This means refining our assets, recycling out of mature assets into higher quality ones where we can add value and benefit from demand/supply tension.

Global macro trends are favourable for logistics warehousing as businesses continue to rewire their operations and build greater infrastructure resilience, capability and sophistication. Therefore, we will continue to align our portfolio to those requirements.

At the same time, we are managing our leverage position and exposure to floating rate debt to ensure that we are in a strong position to ride market volatility but also take advantage of opportunities.

The right real estate can still offer excellent inflation protection and income-led returns, and we will continue to prioritise strong and growing income.

Structural trends

❶ Technology disrupting

26%
Online sales penetration

Technology continues to power change across society in the way we work, live and shop. As we emerged from the pandemic, it was clear that technology has been a true enabler to allow many to work from home and it has created a trend that is unlikely to reverse. The scaling up of technology to service the UK economy from online platforms was truly amazing – something that simply wouldn't have been possible just ten years ago.

As a result, penetration and adoption of online shopping continues its long term upward trajectory, with online representing 26% of retail sales compared to 19% pre-pandemic. This is requiring greater logistics warehousing capacity.

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. The shift in spending has caused value destruction across large parts of retail real estate with falling rents, failing tenants, rising obsolescence and muted demand. However, certain parts of discount and convenience retail remain relevant and attractive.

Offices have also been disrupted, with occupiers materially reducing their office footprint and demanding greater flexibility, which is creating greater uncertainty for the sector.

[IMAGE REMOVED]

Deliveroo at our Norbury warehouse

At our site in Norbury in London, we let a warehouse to Deliveroo in the year. The unit will be used as a 'dark store' to meet Deliveroo's demand for rapid grocery services in urban areas through its 'Hop' brand.

Deliveroo launched Hop to compete with rapid delivery grocery players such as Getir and Gopuff. It offers its expertise and technology to grocery partners to provide rapid delivery of around 1,500 items delivered "in a matter of minutes". Its main partners currently comprise Waitrose and Morrisons.

What this means for LondonMetric

Our core allocation into logistics, particularly urban logistics, is ensuring that we benefit from long term structural shifts and capture elevated levels of rental growth.

Historically, we have also consciously allocated capital into grocery and convenience long income that benefits from the growing consumer preference for smaller format grocery spend, convenience over experience and essential spend over discretionary.

We will continue to align ourselves to these sub-sectors and avoid those where technology is disrupting and the outlook is uncertain. In addition, we will continue to look for new growth sectors.

Creating value

Our markets
continued

Structural trends (continued)

❷ Supply/Demand tension

The continued migration to online shopping and services requires real estate infrastructure to meet consumer demands. As online adoption continues to grow and become further embedded in every day life, expectations grow for faster and more accurate delivery times which is fuelling further demand for the right urban logistics assets.

Competing land use from residential, student and self storage is creating supply pressures with scarce urban logistics real estate often commanding premium rental levels. Over the last 20 years, London has lost 24% of its industrial floorspace whilst Manchester and the West Midlands have lost c.20%.

Loss of land to other uses is also having an impact for retailers as they are increasingly priced out of certain urban areas.

-24%

loss of industrial floorspace in London

What this means for LondonMetric

Urban rent reviews

LondonMetric has seen strong increases in urban logistics rent reviews, with reviews in 2023 delivering 21% uplifts.

We continue to have a high conviction that evolving consumer behaviour coupled with diminishing supply of suitable space for occupiers can produce a strong tailwind for certain asset classes and deliver high rental growth.

It is why urban logistics remains our conviction sector call and why we continue to focus on owning assets that are located in strong urban geographies.

❸ Sustainability high priority

We are all more mindful of our impact on the planet with the UK government and corporates leading the way on Net Zero Carbon ambitions.

Ensuring real estate is fit for purpose with enduring occupier appeal increasingly requires buildings to be more energy efficient and better adapted to climate change. Recent energy price inflation is serving to accelerate the ambitions of occupiers and landlords further to drive forward the sustainability agenda.

In our recent occupier survey, of those that responded, 79% have set or are considering Net Zero Carbon targets.

Furthermore, valuations and the investment market are increasingly reflecting sustainability ratings of buildings in their assessments.

79%

of our occupiers with Net Zero Carbon target ambitions

[IMAGE REMOVED]

What this means for LondonMetric

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 buildings and increase rents.

Our preferred sectors

Logistics

Occupational demand remains robust

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

According to CBRE, logistics take up for 2022 was 38 million sq ft, which is 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. Knight Frank estimates that take up for 2023 will also be in line with the five yearly average.

CBRE estimates that vacancy rates for logistics as at end of Q1 2023 remained low at just 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.

After strong rental growth in 2022, the sector dynamics should guarantee that rents continue to rise, with Knight Frank estimating 4% rental growth in 2023.

Rents remain largely affordable and still represent a small proportion of the overall cost for occupiers given that other costs have increased materially.

Urban logistics is seeing the strongest rental growth due to a perfect condition of rising demand and falling supply, accentuated by strong competition from more valuable alternative land uses. This is particularly the case around major conurbations, with the South East continuing to experience high rental growth.

[IMAGE REMOVED]

38m sq ft
Logistics take up in 2022

3%
Vacancy rate for logistics as at the end of Q1 2023

Long income

Long income real estate in demand

Long income assets with low operational requirements have for a number of years been mispriced by the real estate market.

These are well located assets, let on long leases, to strong operators such as convenience grocers, discounters, home, DIY, roadside and auto-repair. These operators have resilient business models that offer essential goods, discount and value as well as omni-channel optionality.

They have benefitted from the cost of living crisis as shoppers have changed their behaviours, as evidenced by the 25% surge in sales over the last year for both Aldi and Lidl.

Unsurprisingly, their strong characteristics have now become appreciated by real estate investors and we expect these assets to perform well going forward.

[IMAGE REMOVED]

+25% per annum
Increase in sales for Aldi and Lidl

Creating value

Business model

Our purpose is to own and manage desirable real estate that meets occupiers' demands, delivers reliable, repetitive and growing income-led returns over the long term. Our key stakeholders allow us to achieve this growth and long term valuation creation.

Our key stakeholders are critical to our success

We continue to benefit from our strong team and their relationships. We work with all of our stakeholders to deliver longer term benefits to our investors, occupiers, local communities and contractors.

Read more at page 63

Our people

Our success is dependent on employing a talented, motivated and diverse team with strong property and finance expertise.

Our occupiers

We engage with occupiers across all of our activities to provide real estate solutions that deliver mutually beneficial outcomes adopting a partner of choice mindset.

Our local communities

We recognise the importance of supporting and properly engaging with local communities. We work closely with local authorities, residents and businesses to ensure that our activities consider and bring benefits to local communities.

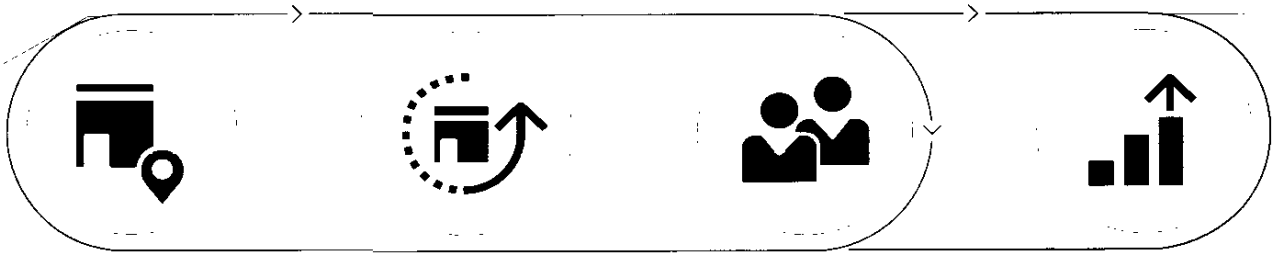
Our contractors and suppliers

Delivering developments and asset management initiatives on time, on budget and in adherence with our standards is a high priority. We select high quality and robust contractors who have a proven track record and we work in collaboration with them.

Our investors

We value our good relationships with investors and debt providers to ensure we have wide access to capital markets. We also work closely with our joint venture partners to fulfil their business objectives.

Our purpose drives our income growth and value creation



Own

Own desirable real estate

Owning the right asset in the right sector is increasingly critical to deliver future outperformance. We have aligned our portfolio towards the logistics and long income sectors and continue to upscale the quality of our portfolio.

8.4%

ERV growth in the year

Manage

Manage and enhance responsibly

We aim to deliver real estate solutions that will help occupiers' businesses thrive. Our focus on ESG and Responsible Business is helping to grow and improve the quality of our income and the sustainability of our assets.

£7.8m

Additional income per annum from occupier transactions in the year

Collaborate

Maximise our expertise and relationships

Using our expertise to work closely with occupiers and wider stakeholders to understand their needs results in high satisfaction and occupancy levels.

99.1%

Occupancy

Generate

Generate reliable, repetitive and growing income

Income and income growth is central to our business model. The income from our assets is passed to our shareholders in the form of a well covered and progressive dividend.

£146.8m

Net rental income

Generating value and long term returns

+2.7%

Dividend growth in year, our eighth consecutive year of progression

+32.5%

Total accounting return over three year period

90%

Percentage of portfolio with an EPC rating of A-C

Creating value

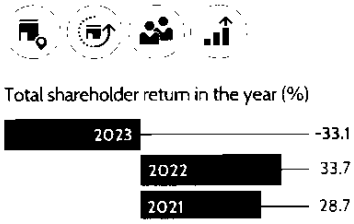
Key performance indicators

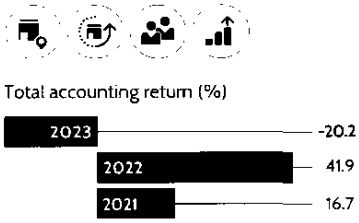
We track eight key performance indicators ('KPIs') to monitor the performance of the business, which includes our share of joint ventures. The KPIs are also used to determine how Executive Directors and senior management are evaluated and remunerated.

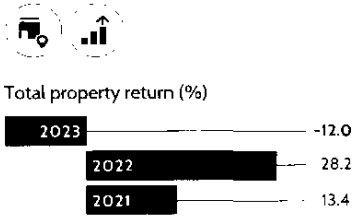
Own	Manage	Collaborate	Generate
1 Align portfolio to macro trends that are structurally supported 2 Focus on long-let property with strong occupier contentment and rental growth prospects	3 Enhance asset value and cash flow 4 Improve quality and sustainability of our assets	5 Partner of choice mindset 6 Use the team's expertise to make informed decisions	7 Generate reliable, repetitive and growing income 8 Deliver strong cash flows and attractive total returns

Full details of our strategic priorities are set out on page 14

Objective	Deliver long term shareholder returns	Maximise long term total accounting return	Maximise property portfolio returns
KPI	Total shareholder return in the year (%)	Total accounting return (%)	Total property return (%)
Performance	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the ten years post merger was 165%, over four times that of the FTSE 350 Real Estate Super Sector index movement of 36%. 12 month TSR delivered -33.1%.	Total Accounting Return ('TAR') of EPRA net tangible assets per share movement together with dividend paid in the year. 12 month TAR delivered a return of -20.2%. The full calculation can be found in Supplementary note viii.	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by MSCI. 12 months TPR delivered a return of -12.0% compared to the MSCI All Property benchmark of -12.6%.
Remuneration	Under the Remuneration Policy 37.5% of LTIP awards are subject to TSR growth compared with the FTSE 350 Real Estate Super Sector excluding agencies and operators. The TSR component of the 2019 LTIP award vested in full in the year and 99.8% of the TSR component of the 2020 LTIP award is expected to vest. The three year TSR for the 2020 LTIP was 11.7% compared to the FTSE 350 Real Estate Super Sector excluding agencies and operators of -4.9%.	Under the Remuneration Policy 37.5% of LTIP awards are subject to TAR growth compared with the FTSE 350 Real Estate Super Sector excluding agencies and operators. The TAR component of the 2019 LTIP award vested in full in the year and the TAR component of the 2020 LTIP award is expected to vest in full. The three year TAR for the 2020 LTIP was 32.5% compared to the FTSE 350 Real Estate Sector excluding agencies and operators of 0.6%.	35% of this year's annual bonus award is subject to TPR outperforming the MSCI benchmark. This year TPR outperformed the benchmark delivering a 50% bonus payout. The three year TPR delivered a return of 8.5% compared to the MSCI All Property benchmark of 1.9%. Under the new Remuneration Policy proposals for future years, 30% of the annual bonus is subject to TPR outperforming the MSCI benchmark.
2023/4 ambition	Three year TSR performance to be in the upper quartile of the FTSE 350 Real Estate Super Sector, excluding agencies and operators.	Three year total accounting return to be in the upper quartile of FTSE 350 Real Estate Super Sector, excluding agencies and operators.	One year TPR outperformance against MSCI benchmark.







Financial performance indicators

We monitor other financial performance indicators in respect of LTV, debt maturity and cost of borrowing.

Read more in Financial review page 46

Risk management

The achievement of our eight KPIs is influenced by the identification and management of risks which might otherwise prevent the attainment of our strategic priorities. The relationship between our principal risks, strategic priorities and KPIs is reviewed in the Risk management section

Read more in Risk management and internal controls page 82

Remuneration

The table on page 157 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.

Read more in Remuneration Committee report page 139

ESG and Sustainability

Our Responsible Business and ESG review on page 54 sets out our performance over the year including information on our Net Zero Carbon ambitions, green financing, EPC ratings, BREEAM rating on our portfolio and developments and carbon reduction performance.

Read more in Responsible Business and ESG review page 54

ESG Key performance indicator

This year we have introduced a new KPI that measures the proportion of our portfolio with an EPC rating of A to C. This is one of the targets under our sustainability-linked revolving credit facilities and a good measure of our ESG progress.

Read more in Responsible Business and ESG review page 59

Deliver sustainable growth in EPRA earnings

EPRA vacancy (%)

EPRA earnings per share from operational activities have grown by 2.9% over the last 12 months.

In the ten years post merger, EPRA earnings per share has grown by 165% from 3.9p to 10.33p per share.

35% of this year's annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a full bonus payout. Under the new Remuneration Policy, 30% of the annual bonus is subject to growth in EPRA EPS.

25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 83% of the 2019 LTIP award vested in the year and 39% of the EPRA EPS component of the 2020 LTIP award is expected to vest.

Deliver and sustain EPRA earnings per share growth and dividend progression.

Drive like for like income growth

Like for like income growth (%)

The movement in the contracted rental income on properties owned through the period increased by 5.0%.

Additional income of £7.8 million was generated from asset management activity following lettings, regears and rent reviews.

Forms part of EPRA earnings per share, which as noted above, is a key financial performance measure for the Company's variable incentive arrangements.

Deliver like for like income growth.

Maintain a higher than market benchmark WAULT

WAULT (years)

Weighted average unexpired lease term across the investment portfolio of 11.9 years as at 31 March 2023.

Linked to individual personal objectives, representing 30% of this year's annual bonus performance conditions.

Under the new Remuneration Policy, 30% of the annual bonus is subject to Strategic objectives.

Maintain high weighted average unexpired lease term targeting >10 years.

Maintain strong occupier contentment

EPRA vacancy (%)

Occupancy rate of investment portfolio at 31 March 2023 was 99.1%, maintaining our vacancy at 0.9%.

Linked to individual personal objectives, representing 30% of this year's annual bonus performance conditions.

Under the new Remuneration Policy, 30% of the annual bonus is subject to Strategic objectives.

Maintain high occupancy across the investment portfolio, targeting in excess of 95%.

EPC rating

EPC rating (%)

The proportion of our portfolio with an EPC rating of A to C.

As at 31 March 2023, this was 90%.

Under the new Remuneration Policy, 10% of the annual bonus is subject to ESG objectives.

Maintain the proportion of our portfolio with an EPC rating of A to C above 90%.

A review of our performance

Property review

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

Portfolio activity

[IMAGE REMOVED]

"We continue to focus on strengthening our portfolio metrics and are signing long leases and delivering attractive rental growth, allowing us to grow like for like income by 5.0%.

Mark Stirling
Asset Director

Highlights

99%
Occupancy

12 years
WAULT

Investment activity

"The property market has seen significant repricing during the year and our activity has focused on disposals of mature assets.

Valentine Beresford
Investment Director

[IMAGE REMOVED]

Highlights

£273m
Disposals

4.7%
Net Initial Yield on disposals

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%.

£3.0bn

portfolio[1]

[CHART REMOVED]

Urban logistics

43.1%

1	Urban Logistics	43.1%
2	Regional Distribution	19.6%
3	Mega Distribution	10.4%
4	Long Income	23.8%
5	Retail Parks	2.3%
6	Offices & Residential	0.8%

1 Including developments, based on value

[CHART REMOVED]

£120m

Acquisitions

£273m

Disposals

A full reconciliation between transactions exchanged and completed in the year is set out in Supplementary note xix.

A review of our performance

Property review
continued

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.

Asset management activity

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.

Cumulative Property Return (Rebased, 2018=100)

[CHART REMOVED]

Based on annual TPR figures from MSCI.

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%.

Occupier base by type of occupier (% of income)

[GRAPHIC REMOVED]

1	**Business Services & Trade**	38%
	Manufacturing & Packaging	11%
	Building, Trade & DIY	7%
	Food, Healthcare & Chemicals	7%
	Aerospace, Auto & Transport	6%
	TMT	5%
	Education	2%
2	**Retail Logistics**	24%
	Online & Omni Retail	20%
	Store only Retail	4%
3	**Third Party & Parcel Logistics**	12%
4	**Grocery & Roadside**	10%
	Grocery	6%
	Roadside	4%
5	**Electrical, Home & Discount**	10%
	Electrical & Home	7%
	Essential/Discount	3%
6	**Leisure & Other**	6%
	Leisure	3%
	Other	3%

Top ten occupiers (% of income)

[GRAPHIC REMOVED]

Income from top ten occupiers

28%

2021: 36%
2019: 51%

A review of our performance

Property review
continued

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.

Our Net Zero Carbon ('NZC') framework

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.

Further reporting on ESG is provided on pages 54 to 81

A review of our performance

Distribution

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

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%.

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.

As at 31 March 2023	1 Urban	2 Regional	3 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 in 2023	**-11.6%**	**-17.0%**	**-23.6%**

1 Including developments

Distribution Portfolio[1]

[CHART REMOVED]

Urban logistics
59%

1	Urban Logistics	59%
2	Regional Distribution	27%
3	Mega Distribution	14%

1 Including developments, by value

A review of our performance

Distribution
continued

Disposals

1.4m sq ft
15 assets

£191m
Value

4 years
WAULT

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 four 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

DHL, Reading disposal

In May 2022, LondonMetric agreed on the sale of a 229,000 sq ft regional warehouse in Reading for £61 million, reflecting a NIY of 3.5% and with a WAULT of three years.

The property had been acquired in 2015 with ten years on the lease for £29.1 million, reflecting a NIY of 5.7%.

Since acquisition, LondonMetric has settled the 2020 open market rent review at 28% above previous passing.

The sale was 20% above book value and crystallised an ungeared IRR of 15%.

[IMAGE REMOVED]

£61m
Disposal price

3.5%
Disposal yield

Acquisitions

0.3m sq ft
11 assets

£67m
Value

14 years
WAULT

63%
London & South East

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

[IMAGE REMOVED]

Acquisitions by type

[CHART REMOVED]

1	Development	36%
2	Refurbishment	30%
3	Investment	34%

The 125,000 sq ft pre-let development was acquired in April 2022 from a local developer. The property is situated on an eight acre site north of Leicester city centre and comprising two units of 90,000 sq ft and 35,000 sq ft. The buildings are BREEAM Very Good and EPC A rated, let to EM Pharma on a 15 year lease with five yearly RPI reviews (2-4%).

£19.6m
acquisition in Leicester

A review of our performance

Distribution
continued

Distribution asset management

Lettings and regears

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;
- 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;
- 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.

Rent reviews

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.

+£5.7m

Additional rent on distribution deals

+21%

Increase in rent on urban logistics reviews

[IMAGE REMOVED]

Amber Way, Birmingham

At our 62,000 sq ft urban logistics warehouse in Birmingham, we let the unit to Skate Hut with a WAULT of 15 years. Skate Hut, a family run ecommerce business focused on action sports, had seen significant growth in their business and we facilitated the move from several smaller units of ours into this larger unit that allowed them to consolidate and add a retail outlet at the location. Skate Hut will use the building as their headquarters.

Environmental and building considerations:

- New internal and external LED lighting
- Office and warehouse refurbishment
- EV charging
- EPC improved from an 'E' rating to 'B' with potential to improve further with the removal of gas and adding solar PVs
- Recycled/repurposed office furniture

Distribution asset management – London

Four London refurbishment/asset management initiatives were undertaken during the year, and a further four are planned

+£1.2m
Rental uplift from four lettings

11 years
WAULT

[IMAGE REMOVED]

[IMAGE REMOVED]

[IMAGE REMOVED]

[IMAGE REMOVED]

[IMAGE REMOVED]

1 Kings Langley

In the year, we acquired a 12,000 sq ft urban warehouse with vacant possession, which we upgraded and improved to an EPC 'B' through the removal of gas, installation of LED lighting as well as new electric heaters and an electric boiler. Further works were identified that could improve the rating to an EPC A+/ Net Zero. The building was let on a 15 year lease at a rent 25% ahead of our acquisition underwrite.

2 Tottenham

At our 22,000 sq ft urban warehouse, we reconfigured the unit to create an open warehouse, upgraded the roof, added LED lighting and rooflights, installed a new heating and cooling system and removed the gas. EV charging was also installed. The building's EPC improved to a 'B' with the potential to achieve 'A' with solar PVs. It was let to an international fine art business for a nine year term at a rent 20% ahead of our acquisition underwrite.

3 Stratford

In the year, we acquired an 11,000 sq ft urban warehouse in Stratford with vacant possession and the intention to refurbish the unit.

Following acquisition, we let the unit on a 11 year lease to Gentlemen Baristas, a roastery and coffee house for a new state of the art roastery facility. As part of the letting, the occupier has undertaken certain identified works to improve the EPC from an 'E' to a 'B' rating.

4 Norbury

In the year, we let the final unit at our 20,000 sq ft urban logistics scheme to Deliveroo. The property is let for a further 13 years at an average rent of £26 psf, with other occupiers comprising Jacuna and Screwfix. The building has undergone a comprehensive refurbishment and upgrade, which increased the EPCs from 'D/E' to 'B/C' with further potential for improvements.

See more page 25

Current opportunities: 5 Colliers Wood 6 Stockwell 7 Hackney 8 Dulwich

A review of our performance

Long income

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%.

Long Income portfolio breakdown[1]

[CHART REMOVED]

Long income[1]
£713m

1	Grocery & Roadside	42%
2	NNN Retail	32%
3	Trade, DIY & Other	16%
4	Leisure	10%

1 Including developments, based on value

As at 31 March 2023	1 Grocery & Roadside	2 NNN Retail	3 Trade, DIY & Other	4 Leisure[2]
Value[1]	£295.0m	£227.2m	£117.0m	£73.7m
WAULT	14.7 yrs	9.7 yrs	13.9 yrs	17.0 yrs
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

[IMAGE REMOVED]

Grocery & Roadside

Comprises grocery-led convenience stores, convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes. Assets are typically located in high density urban areas.

Key occupiers

- Aldi
- BP
- Co-op
- Costco
- EG Group
- Lidl
- McDonalds
- Waitrose

[IMAGE REMOVED]

NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. A significant proportion of assets are located in London and the South East, with the largest located in New Malden, London. These assets benefit from very high alternative use values.

Key occupiers

- B&M
- Currys
- DFS
- Dunelm
- Halfords
- Home Bargains
- Pets at Home
- The Range

[IMAGE REMOVED]

Trade, DIY & Other

A siganificant proportion of this segment consists of assets that are trade/DIY focused with particular investments over recent years into autocentres and trade units located in the South East.

Key occupiers

- Howdens
- Jewson
- Kwik Fit
- MKM
- Safestore
- Selco
- Topps Tiles
- Wickes

Acquisitions

£35m
7 assets

15 years
WAULT

83%
Contractual uplifts

£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

£73m
12 assets

14 years
WAULT

4.8%
NIY

£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.

[IMAGE REMOVED]

Aldi disposal in Weymouth

As part of our first phase of development at Weymouth in 2020, we built an 18,000 sq ft foodstore let to Aldi for 20 years.

The Aldi was delivered to a high specification, achieving EPC 'A' and BREEAM Very Good certification with solar panels installed.

The sale completed in March 2023 and the price of £6.8 million reflected a 4.25% NIY *and delivered a 30% profit on cost.*

A review of our performance

Long income
continued

Long income asset management

+£2.0m

Additional rent from long income asset management transactions

Lettings and regears

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

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.

[IMAGE REMOVED]

Fulham

The 21,000 sq ft building was purchased opportunistically as a vacant building in the prior year.

Following a short marketing campaign, terms were agreed with the Little Houses Group to reposition the building into a family members club and nursery.

The building is being comprehensively refurbished and will be Little Houses Group's second facility following the successful opening of their club in Kensal Rise.

[IMAGE REMOVED]

EV charging

As part of LondonMetric's wider ESG commitments, we are working with our occupiers to future-proof our assets through installing sustainable features such as Electric Vehicle ('EV') chargers.

We have partnered with leading EV operators Instavolt and MFG in our ambition to add EV charging stations across our long income assets.

The partnership with Instavolt will see the installation of chargers across an initial nine sites. Leases have now been signed on four sites, including at our asset in Totton, Southampton, where six chargers are planned, as shown in the picture above.

A review of our performance

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

0.7m sq ft
Developed in year

+£5.5m
Additional rent

0.2m sq ft
Under construction or planned

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.

Auditing of our contractors

[LOGO REMOVED]

Each year, we undertake a detailed review of systems and processes at one of our contractors, looking in particular at compliance with our standards, local sourcing, modern slavery and minimum wage.

During the year, we reviewed Redwood Contractors Limited, a contractor employed on refurbishment work in the South of England, on smaller contract values. The audit found that Redwood had good systems and procedures in place and key findings included:

- 'Hands on' director engagement
- c.95% of work is awarded by existing clients
- Typical supplier procurement approach through negotiation using reliable supply chain, selected based primarily on scale, geography and workload
- High staff retention and a very open and proactive approach to the audit process

Financial Review

[IMAGE REMOVED]

Martin McGann
Finance Director

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.

> "We have continued to deliver against our strategy of income growth and dividend progression.

IFRS net assets

£2.0bn

2022: £2.6bn

EPRA earnings per share

10.33p

2022: 10.04p

> Our strong balance sheet and structurally supported sector choices have helped us navigate the macroeconomic challenges and focus on what is in our control.

[IMAGE REMOVED]

Our 715,000 sq ft distribution asset in Bedford, which consist of five fully let buildings and generates £5.5 million of rental income per annum

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.

A review of our performance

Financial review
continued

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 opposite.

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.

Rent collection in the year

99.8%

2022: 99.5%

EPRA cost ratio

11.7%

2022: 12.5%

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.

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

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.

EPRA earnings

£101.1m

2022: £93.5m

Dividend for the year

9.5p

2022: 9.25p

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 in the year to £11.1 million.

A review of our performance

Financial review
continued

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
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)
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 ('PIDs') 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%)

A review of our performance

Financial review
continued

Property portfolio

£3.0bn

2022: £3.6bn

Logistics

73.1%

2022: 74.6%

Gross debt

£1.0bn

2022: £1.1bn

Loan to value

32.8%

2022: 28.8%

New debt facilities

£275m

Sustainability linked loan

New hedging

£225m

Interest rate swaps

Proportion of debt hedged

93%

2022: 71%

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 detail on property acquisitions, sales, asset management and development can be found in the Property Review.

Financing

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

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

As at 31 March	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 to our two revolving credit facilities ('RCFs') 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 expiry profile of our debt facilities at the year end is reflected in the chart on page 53.

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.

Read more on page 185

Average debt maturity *(based on debt drawn)*

[CHART REMOVED]

6.0 yrs

1	Debt expiring within 0-2 years	11%
2	Debt expiring within 3-10 years	61%
3	Debt expiring 10+ years	28%

Total facilities

[CHART REMOVED]

£1.4bn

1	Unsecured facilities	48%
2	Private placement	47%
3	Secured SWIP fixed rate debt	4%
4	MIPP joint venture	1%

[CHART REMOVED]

1 Based on debt facilities at 31 March 2023

Our sustainability performance

Responsible Business and ESG review

Our Responsible Business activities aim to address our material ESG risks and opportunities.

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Environmental	56
Social	63
Governance and TCFD disclosure	76

Our framework

The Company recognises the need to consider and address all environmental, social and governance matters relevant to its business.

As well as meeting legislation, environmental improvements are starting to translate into real asset value enhancement as occupiers value these improvements more highly than before, and valuers begin to differentiate between assets based on environmental attributes.

Our Responsible Business framework guides us in mitigating climate-related risks, identifying and progressing environmental and stakeholder related opportunities as well as ensuring a high standard of corporate governance.

Responsible Business is embedded across all of corporate, investment, asset management and development activities. We have shifted our approach away from 'top down' analysis to a more 'bottom up' one.

We have a policy in place and ESG targets are set every year with progress against those targets monitored at Working Group meetings held monthly and attended by key business representatives and a Board member.

ESG performance is reported to the Board at regular intervals with the Audit Committee responsible for overseeing ESG progress.

Executive Directors and relevant employees are set individual ESG targets and remuneration is linked to achieving those targets.

Regular ESG training for our property team is undertaken throughout the year.

Our ESG objectives

UN's SDGs

Environmental

Through our activities we look to minimise the environmental impact of our business, maximise opportunities to improve the efficiency of our assets and improve the resilience of our assets to climate change and the impact of transitioning to a low carbon economy.

→ Read more on page 56

[GRAPHIC REMOVED] [GRAPHIC REMOVED] [GRAPHIC REMOVED]

Reducing portfolio's carbon intensity & embodied carbon from our activities

Addressing climate change through our Net Zero Carbon ambition

Helping cities to develop sustainable infrastructure

Social

Our actions consider the long term interests of all our stakeholders including those of our employees, suppliers, customers and local communities as well as ensuring that we maintain a high standard of business conduct.

→ Read more on page 63

[GRAPHIC REMOVED] [GRAPHIC REMOVED] [GRAPHIC REMOVED]

Enhancing and supporting local communities and wellbeing of stakeholders

Improving the natural environment

Promoting good working conditions and equality for all

Governance

The Board is committed to upholding high standards of corporate governance. In particular, it ensures that appropriate health and safety procedures and supply chains are in place.

→ Read more on page 76

"LondonMetric supports the UN's 17 Sustainable Development Goals ('SDGs'). The goals shown above represent those that we feel are the most relevant to our business.

Martin McGann
Finance Director

Overview and progress

We have maintained our ratings in external benchmarks, made good progress against our internal ESG targets and put in place further green financing solutions.

External benchmarking

[LOGO REMOVED]

Maintained our Green Star

Achieved a score of 64% in the 2022 Global Real Estate Sustainability Benchmark survey, maintaining our Green Star status.

[LOGO REMOVED]

Continued inclusion in the FTSE4Good Index

In the latest assessment, we achieved a score of 3.4 out of 5.0 compared to 2.6 for the peer group.

[LOGO REMOVED]

'A' rating

In the latest assessment we were rated an 'A', which is above the sector average.

[LOGO REMOVED]

Maintained our Gold Award

In EPRA's last review, we maintained our Gold Award in their Sustainability assessment.

Other benchmarks

In the latest ISS review, we maintained our 'C-' score, which remains above the peer group average. In addition, in 2023/24, we will respond to CDP for the first time.

Sustainability linked refinancing

Over the last year, we have completed a new revolving credit facility totalling £275 million.

This facility is sustainability linked and structured in accordance with the Loan Market Association's Sustainability Linked Loan Principles.

Sustainability performance targets ('Targets') were set and are aligned to LondonMetric's corporate ESG targets. The Targets are similar to those set for our £400 million sustainability linked refinancing in 2022 and focus on:

- Improvements in EPC ratings;
- Adding renewable installations; and
- Developments meeting a minimum BREEAM Very Good standard or, where not applicable, an alternative minimum standard.

The margin on these facilities is subject to a two basis point adjustment for compliance with the Targets, which are tested in each year of the facility.

Where targets are met, the margin paid will be reduced and LondonMetric will use this saving to add to its funds allocated for charitable giving.

During the year, all targets for the 2022 £400 million sustainability linked loans were achieved. The two basis point reduction in the margin resulted in a saving of £43,000 with these funds allocated to charitable giving.

The new facility this year has increased the value of our debt facilities that are sustainability linked to £675 million.

ESG progress in the year

We have made good progress against our 12 corporate ESG targets that were set for 2022/23 and that are available on our website.

The below sets out outcomes for some of our main ESG targets and further detail on our progress is detailed on the following pages. A full review of performance against these targets will be detailed in our separate Responsible Business and ESG report, which will be made available on our website in June 2023. Many of the targets remain relevant for next year and will be rolled forward with updated targets again made available on our website.

-3%
like for like reduction in energy consumption over the last year

90%
of portfolio EPC rated 'A'-'C'

68%
of occupier energy data captured

8.7/10
landlord recommendation score

94%
of employees are proud to work for LondonMetric

Our sustainability performance

Responsible Business and ESG review

continued

Environmental

Net Zero Carbon ('NZC') ambitions

1

Our operations will be net zero by the end of 2023

Encompasses Scope 1, 2 and some of Scope 3 emissions. Includes landlord-controlled energy, water, waste, refrigerants and purchased goods and services at our assets, along with energy, waste, refrigerants and business travel relating to corporate activity and offsetting residual carbon to achieve net zero

2

We will reduce emissions from developments which will be fully net zero by 2030

Encompasses Scope 3 emissions, includes embodied carbon, supply chain emissions and offsetting residual carbon to achieve net zero

3

We will work with our occupiers to ensure that our buildings are net zero by 2035

Encompasses Scope 3 emissions, includes emissions from occupier-controlled energy use at our asset and offsetting residual carbon to achieve net zero

Overview

Through our activities we look to minimise the environmental impact of our business, maximise building efficiency opportunities whilst improving business and asset resilience to climate change and the impact of transitioning to a low carbon economy.

We understand the importance of addressing climate change and the significant impact that reducing emissions from real estate can have on the UK's 2050 Net Zero Carbon target.

LondonMetric recognises that it can have a material impact by reducing its emissions as well as supporting its occupiers in reducing theirs. In 2021, we formalised our Net Zero Carbon Framework.

During 2022/23, as well as preparing to be fully Net Zero from our operations by the end of 2023, we also continued to analyse the Net Zero potential across our portfolio through several NZC assessments.

Over the next year, we intend to map out our NZC pathway and extend our NZC analysis across a greater number of properties. As part of this, we will consider setting Science Based Targets for the Company, assessing stranding asset risk and carbon value at risk using the CRREM methodology.

[IMAGE REMOVED]

Environmental

1 Operations (Scope 1 & 2)

Our operations will be net zero by the end of 2023, with all residual carbon offset*.

*1 Offsetting excludes renewably sourced electricity consumed and non landlord occupier activities
2 Through recognised offset schemes

Outcomes

-92%
reduction in absolute energy consumption since 2015

-3%
like for like reduction in energy consumption over the last year

77%
of landlord electricity supplies from renewable sources

Our energy consumption and greenhouse gas emissions have fallen significantly over recent years.

This reduction has, in part, been due to the Company's strategic shift away from offices and operational retail parks into distribution warehousing and long income assets that are typically single tenanted.

Consequently, together with our portfolio actions, the operational intensity of our portfolio and our carbon footprint where there is landlord supply has fallen significantly.

Since 2015, our absolute energy consumption has fallen by 92% from 9,056 MWh to 752 MWh. Over a 12 month period to 31 December 2022, consumption fell by 10% from 833 MWh. Excluding void assets, consumption fell by 5% from 674 MWh to 640 MWh and, on a like for like basis, consumption was 3% lower.

The high level of green tariff supplies now in place have seen our GHG emissions intensity (market based) remain low at 0.5 tCO_2e per £million net income or 4.0 tCO_2e per million sq ft.

Operational NZC Scope

	LondonMetric assets where it has control and management	Corporate (including head office)
Energy (electricity, fuels & heat)	●	●
Water	●	
Waste generated	●	●
Refrigerants	●	●
Purchaser of goods and services	●	
Business travel		●

→ Read more GHG Emissions on page 62

Energy consumption (MWh)[1]

[CHART REMOVED]

Current & future actions

With only a small proportion of the portfolio with landlord controlled energy supply, this limits our ability to further reduce our energy consumption. However, we continue to look to further mitigate our consumption where possible by identifying energy efficiency improvements.

As we prepare to become Operationally Net Zero Carbon by the end of 2023, we will look to implement our carbon offset strategy over the first half of FY 2023/24. Our carbon strategy was formalised in the prior year and concluded that we would adopt a carbon removal scheme with long lived storage that is in line with the Oxford Principles for Net Zero Aligned Carbon Offsetting, aiming to achieve the Gold Standard accreditation.

1 Graph shows data according to reporting year. During the year, we changed our energy collection period to enable a longer timeframe between the year end and reporting date for processing of data. Data for 2018-2021 is based on financial years ended 31 March 2018, 2019, 2020 and 2021, whereas data for 2022 and 2023 is based on calendar years ended 31 December 2021 and 2022.

Our sustainability performance

Responsible Business and ESG review
continued

Environmental

2 Development

We will continue to reduce emissions from developments which will be fully net zero by 2030, with residual carbon offset thereafter.*

*1 Offset through recognised offset schemes

[IMAGE REMOVED]

Outcomes

97%

percentage of developments BREEAM Very Good across 0.7 million sq ft

Our development performance

Whilst our development activity has reduced as we focus more on regenerating older urban warehousing, 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. BREEAM Very Good is minimum standard that we apply to our large direct developments and 100% of these developments achieved the Very Good standard.

As part of our efforts to reduce emissions, we are measuring embodied carbon and challenging our supply chains to minimise waste and select low carbon materials. Over recent years, we have seen progressive reductions in embodied carbon across our projects and have applied learning on future developments.

We continue to look at ways of achieving EPC A+ as well as NZC in operations and are integrating solar PVs into our developments, either at the time of construction or post completion.

In addition, we are trialling energy monitoring systems to allow us to monitor energy performance post construction and continue to review energy performance on previous developments.

In line with our shadow pricing initiative that we implemented in the previous year on large flagship developments, we are typically offsetting the carbon cost associated with our development activity through re-investment into green initiatives on the wider portfolio.

Current & future actions

- Benchmark embodied carbon on developments
- Undertake whole life carbon assessments where possible
- Align developments to supply chains that target minimising embodied carbon and selection of low-carbon materials
- Embed NZC aligned operational performance targets in design, monitoring asset performance post construction
- Shadow carbon pricing on select flagship developments
- Look to expand remote energy monitoring

FDS, Ipswich development

Completion of our 296,000 sq ft development occurred in June 2022.

It was pre-let to an ecommerce company on a 20 year lease and is located on a site that serves the newly created Free Port East Zone.

The development was BREEAM Very Good certified and EPC 'A' rated. Solar PV was installed that will supply c.10% of the building's energy, with further potential capacity. Ten EV chargers were installed with capacity for an additional ten.

The building achieved a 50% reduction in Carbon Emissions rate against Notional Target Emissions.

The development achieved a net biodiversity gain.

Biodiversity initiatives

- 60,000 new trees planted
- Artificial bat cave
- Four new ponds for a population of Great Crested Newts
- Two new badger setts

Environmental

3 Occupiers (Scope 3)

We will work with our occupiers to ensure our buildings are net zero by 2035*, assisting our occupiers to help them meet their NZC targets and focus on providing NZC ready buildings.

*1 Excludes renewably sourced electricity consumed
2 Where occupier hasn't offset its operational carbon from our building (excludes occupier's wider operational activity unrelated to the building), we will offset through recognised offset schemes
3 Does not apply to leases signed before 2024 and where that lease hasn't expired by 2035

Outcomes

90%
of portfolio EPC 'A'-'C' rated

31%
of portfolio BREEAM Very Good

68%
of occupier energy data captured

Overview

As part of our drive to upgrade the quality of our assets, we continue to explore and progress energy reduction and clean energy initiatives across our portfolio.

These include solar PV installations, LED lighting upgrades, building improvement works, removal of gas and installation of EV charging points.

These initiatives are mainly considered as part of new lettings and regears and help to enhance our properties, extend their economic life, increase occupier contentment and ultimately enable our occupiers to become NZC in operation.

LED lighting upgrades and occupier survey

In our recent occupier survey where we asked a number of environmental related questions, 80% of those that responded reported that they now have LED lighting as standard in the buildings that they lease from us.

Our own analysis suggests that occupier energy consumption can be reduced by up to 40% and EPC ratings improved materially as a result of LED lighting upgrades.

BREEAM rating across portfolio

Whilst BREEAM 'in construction' certification is not a specific target for us, the proportion of assets built to a BREEAM Very Good or Excellent standard is currently 31%, which is up from 10% in 2015 and 26% last year.

Occupier energy data collection

We have again increased the proportion of our occupiers' energy data (Scope 3) collected across our portfolio, collecting 68% of data by floor area compared to 59% last year and 43% in 2021.

We are using this data to better understand the carbon emissions across our portfolio and which assets need prioritising for energy improvement plans.

Green leases

In the year, we formalised our green lease clauses and incorporate this wording on new lettings and regears where possible. On some recent lettings, we are requiring the occupiers to achieve higher EPC standards as part of their fit out works.

In the year, 31% of our lettings included green lease clauses, with over 40% achieved for the second half of the year.

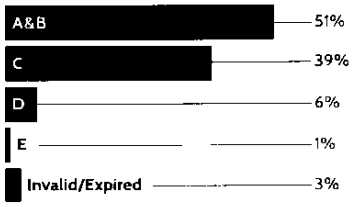
EPC rating of portfolio

We are conscious of the regulatory changes to EPCs and are actively targeting a minimum 'C' rating on all assets before 2027. 90% of our assets now have an EPC rating of 'A'-'C', which is up from 85% last year and materially up from 59% in 2015 and 74% in 2021.

The increase in the year reflects the benefit from our investment activity, where we have acquired or developed higher rated assets and disposed of some poorer quality buildings. It also reflects environmental improvements at our buildings and subsequently refreshing of EPCs. In addition, our development activity continues to upscale the portfolio's quality.

In the year, we undertook a substantial number of EPC reviews along with c.30 more in-depth MEES reviews that allow us to have a better understanding of where improvements can be made.

We recognise that better EPC ratings are the first step towards achieving NZC and so we are also undertaking NZC assessments on certain assets, particularly ahead of refurbishment works.



Over the year:

- A-Bs increased from 47% to 51%
- A-Cs increased from 85% to 90%

Our sustainability performance

Responsible Business and ESG review
continued

Environmental

Improving the quality of our assets

With a portfolio aligned to distribution, our assets have a much lower carbon intensity than sectors such as offices, residential and shopping centres. As we have significantly increased our urban logistics exposure, we have moved away from larger and newer logistics to well located but typically older buildings.

This provides significant scope for us to make relatively cost-effective improvements that can materially improve the building's energy efficiency and extend its life instead of redevelopment.

We also see investment activity as a key way of improving our assets and our acquisition process and disposals analysis is increasingly conscious of environmental considerations.

[IMAGE REMOVED]

Solar PV installations

In the year, five solar PV systems were installed, taking our total portfolio solar capacity to 3.6 MWp. These were relatively small scale installations but we expect to materially add to our solar capacity following the recent increase in occupier interest; in our occupier survey, 55% of occupiers said they were looking at installing solar PVs. We are in discussion on a number of near term projects and see the potential to add 4.5 MWp of solar based on current activity and occupier discussions.

[IMAGE REMOVED]

Improving energy efficiency at Kings Langley

In the year, we acquired a 12,000 sq ft urban warehouse with vacant possession, which we upgraded and targeted an improvement from an EPC 'C' to 'B'. The rating was improved through the removal of gas and installation of LED lighting as well as new electric heaters and an electric boiler. Further works were identified that could potentially improve the rating to an EPC A+/ Net Zero rating, including Air Source Heat Pump, Heat Recovery System and Solar PV.

[IMAGE REMOVED]

EV car charging

As we recognise the growing importance of EV charging, we have now signed two EV partnership deals with Motor Fuel Group and, most recently, Instavolt, to install EV charging across a number of our long income sites. The recently signed partnership with Instavolt will see the installation of c.30 EV chargers across an initial nine sites which will generate c.£0.1 million of annual income. The real benefit will come from reducing carbon emissions and attracting visitors at our properties.

Outcomes

5
Solar PV installations in year

55%
of occupiers looking to install Solar PVs

Current & future actions

- Measure emissions across all of the portfolio by increasing occupier data coverage
- Continued inclusion of green leases on letting events
- Continue programme of energy assessments and develop energy reduction plans with occupiers
- Measure and monitor improvements/ progress at our buildings against NZC targets
- Increase number of NZC ready buildings
- Progress renewable, EV charging and battery storage opportunities with occupiers

Environmental

Climate risk

Our ESG focus has increasingly turned to understanding the climate risks of our portfolio.

In the previous year, we undertook a significant assessment of our business and asset resilience against climate-related risks. The third party assessment concluded that our sustainability strategy is well-positioned to manage climate-related risks and opportunities.

For the portfolio assessment, two climate change scenarios were used to test a range of outcomes and identify material climate-related risks over the short, medium and long term with likelihood and impact scores assigned to each risk.

The table opposite shows that under the less extreme scenario (RCP4.5), transition risks are the most significant for our business, whereas under the more extreme scenario (RCP8.5), physical risks are the most prevalent and will have a greater impact.

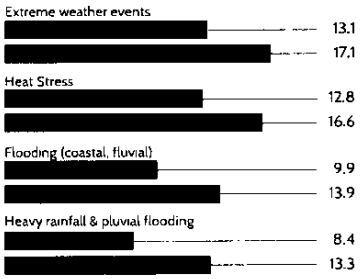
At the asset level, an in-depth review was undertaken on representative assets, assessing their resilience to physical and transition risks. Again, transition risks were higher for the assets we assessed.

We continue to embed climate risk analysis in our acquisitions as well as our portfolio management and challenge our advisers and the team to build in greater assessment of climate risk.

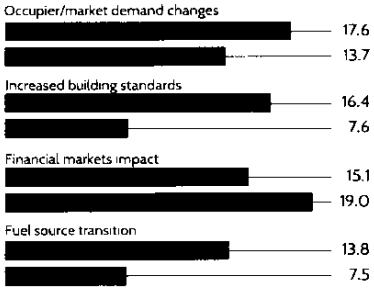
In the forthcoming year, we will:

- Extend our risk analysis of the portfolio based on asset locations;
- Extend the transition risk analysis based on energy performance and occupier carbon emissions data;
- Work with our environmental experts to further include climate risk analysis in our procedures; and
- Build on our short, medium and long term targets

Physical risks (risk scoring on key risks)



Transition risks[1] (risk scoring on key risks)



1 Risks shown in graphs are top risks for IPCC RCP 4.5. Under RCP 8.5, risks from insurance challenges and increased energy demand and cost would have been included as top four transition risk with scores of 14.0 and 13.0

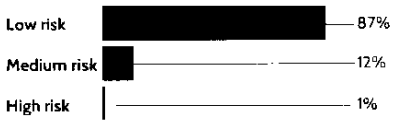
See pages 78 to 80 for further detail on climate change scenarios

Portfolio Flood Risk

We continue to increase our assessment of the potential impact of physical changes on our portfolio, such as extreme weather and longer term shifts in climate pattern.

During the year, we continued to manage and mitigate our portfolio flood risk assessment. We sold one asset that was most at risk of flooding and undertook further analysis on the other high risk assets.

We believe that, in most instances, proper flood mapping or better consideration of building levels would lower the risk profile further, both across our 'high' risk assets but also our 'medium' risk assets. We continue to look at risk reduction actions.



- Only 1% of properties rated high risk
- Full portfolio reviews every three years with ongoing monitoring on higher risk assets
- Detailed flood reviews undertaken on acquisitions

Our sustainability performance

Responsible Business and ESG review
continued

Environmental

Energy consumption

-3%

Over the year on a like for like basis

Energy consumption fell 3% to 396MWh on assets that were owned during both 2021 and 2022 (calendar years). The reduction can be attributed to the ongoing asset upgrades to incorporate energy efficiency measures. Absolute energy consumption across the whole portfolio decreased by 10%.

Greenhouse gas (GHG) emissions

-4%

Over the year on a like for like basis (location based)

Emissions fell by 4% on assets that were owned during both the 2021 and 2022 periods.

Absolute emissions have decreased overall from 199tCO_2e to 162tCO_2e.

Sources of greenhouse gas emissions[3]		Year to 31 December 2022		Year to 31 December 2021	
		Tonnes of CO_2e (location-based calculation)[1]	Tonnes of CO_2e (market-based calculation)[2]	Tonnes of CO_2e (location-based calculation)[1]	Tonnes of CO_2e (market-based calculation)[2]
Scope 1					
Energy	Landlord-controlled gas	15	15	24	24
Void Energy	Void asset gas	8	8	7	7
Fugitive emissions	Refrigerant emissions	De minimis	De minimis	De minimis	De minimis
Scope 2					
Energy	Landlord-controlled electricity	88	31	125	21
Void Energy	Void asset electricity	13	12	26	24
Scope 3					
Energy	Transmission and distribution losses	9	9	13	13
Tenant Energy	Landlord-obtained energy sub-metered to tenants	18	18	0	0
Travel	Emissions from employee business travel for which the company does not own or control	9	9	4	4
Total		162	103	199	95
Total (Ex voids)		141	84	167	63
Intensity (Scope 1 & 2) tCO_2e/£m net income after administration costs		0.96	0.51	1.57	0.66

1 For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2021 and 2022 were used

2 For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for

3 Disclosed emissions are 100% UK based

Data qualifying notes

This is the Company's tenth year of disclosure under the Mandatory Greenhouse Gas Emissions Reporting regulations and third under the recently introduced Streamlined Energy and Carbon Reporting regulations.

During the year, the Company changed its reporting period for Greenhouse Gas Emissions such that the reporting period (current and historic) is the year to 31 December and not the year to 31 March as previously reported.

This statement has been prepared in line with the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006.

Within Scope 1 emissions, refrigerant-related emissions for the period were de minimis.

Scope 2 dual reporting is undertaken, which discloses one Scope 2 emission figure according to a location-based method and another according to a market-based method.

For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2021 and 2022 were used.

For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for. For the remainder of electricity which is not Rego backed, UK's residual mix factor was used to calculate the associated emissions.

Emissions from employee business travel (by vehicle) have been calculated and reported under Scope 3 emissions. Emissions have been calculated on a distance travelled basis, where the relevant vehicle emissions factor has been applied to expensed mileage.

Scope 3 Landlord-obtained energy sub-metered to tenants, is calculated through submeter recharge. These emissions are not included under Scope 2 to prevent double counting, however a Scope 2 conversion factor is applied to calculations.

An operational control consolidation approach has been adopted.

Additional information has been provided through the breakdown of void asset emissions in both Scope 1 and Scope 2. This is to clearly demonstrate where LondonMetric have operational control throughout the year, and how void data impacts the overall total emissions.

Building and nurturing relationships with our stakeholders is integral to our business model and the way we work.

Social

Occupiers

We work closely with our occupiers to create high occupational contentment

Learn more on page 64

[IMAGE REMOVED]

People

Our employees are critical to our success and delivering on our strategy

Learn more on page 66

[IMAGE REMOVED]

Contractors and Advisors

We rely on the support of a diverse group of contractors and advisors

Learn more on page 70

100%
Contractor compliance

Investors

Strong relationships with our investors are critical to us accessing capital efficiently

Learn more on page 72

c.240
Equity investors met during the year

Communities

Supporting local communities and charities is highly important to us

Learn more on page 74

51
Charitable causes supported in year

Our sustainability performance

Responsible Business and ESG review
continued

Social

Occupiers

[IMAGE REMOVED]

Why they are important to us

Drivers of income and capital growth

Lie at the heart of our business purpose

What is important to them

Fit for purpose real estate

Lease terms that suit their business model

Well designed and sustainable buildings

Approachable and trustworthy landlord

Outcomes

99.1%
portfolio occupancy

8.7/10.0
landlord recommendation score

99.8%
of rent collected

167
occupier transactions

Strong customer focus

We recognise that when our occupiers' businesses thrive, our business also thrives. We treat our occupiers as customers and put them at the centre of our decision making.

Our occupier-led approach provides us with market knowledge to better understand future trends and make informed decisions. Our high occupancy rate, rent collection and customer satisfaction scores demonstrate the strength of these relationships.

Extending existing relationships and developing new contacts continue to be a key focus for us.

Develop trusted relationships

Our strong occupier relationships reflect our differentiated proposition where we:

- Are approachable and actively engage with our occupiers;
- Strive to listen, fully understand occupier requirements and create solutions that are mutually beneficial; and
- Make quick decisions, act swiftly and deliver on our promises.

Customer satisfaction

We undertake regular surveys across our key occupiers and undertook our fifth occupier survey in March 2023.

Responses were received from occupiers representing 46% of our income and the feedback continued to be strong with an average score of 8.7 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord.

The survey continued to provide very helpful information for us to follow up on and include in our wider decision making.

> We aim to be a real estate partner of choice for our occupiers.
>
> **Mark Stirling**
> Asset Director

How we engage with our occupiers

- Annual occupier surveys
- Leasing and regear activity
- Regular site visits and inspections
- Energy saving discussions
- Wider property needs discussions

Board Engagement

- Board provided with detailed analysis of occupier transactional activity on a regular basis
- Executive Directors feedback results of rent collection to the Board
- Results of the annual occupier survey presented to Audit Committee each year
- Site visits provide an opportunity for the Board to engage with customers

Occupier survey results page 65

Social

Occupier survey (March 2023)

211 of our occupiers were surveyed, representing 88% of rent. Responses were received from 71 occupiers representing 46% of rent.

Questions were asked about occupiers' satisfaction with our properties and their locations, how satisfied they were with LondonMetric and whether they would recommend us as a landlord. We also asked specific environmental questions.

As for the previous year's survey, we will address the results of the survey and any specific feedback through our ongoing occupier engagement.

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%.

[CHART REMOVED]

Average

8.7/10

Recommend LondonMetric as a landlord

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.

[CHART REMOVED]

Average

8.1/10

Satisfaction with our properties

We scored an average of 8.1 out of 10.0 for satisfaction with our properties. This compares with the 2022 result of 8.3.

For our top ten occupiers, the average was higher at 8.2.

Site visit at Eddie Stobart, Dagenham

Eddie Stobart has been a customer of ours for a number of years and, in 2018, we facilitated a major redevelopment and reconfiguration of their 454,000 sq ft of logistics warehousing in East London. We continue to remain close to them and they kindly helped us to host a large investor visit at their site recently.

"

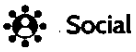
Extremely hands on and outside the box thinkers. Importantly, they are a pleasure to work with and I just wish every landlord had the same approach.

Feedback from Eddie Stobart as part of the occupier survey

[IMAGE REMOVED]

Our sustainability performance

Responsible Business and ESG review
continued


Social

People

[IMAGE REMOVED]

Why they are important to us

Build relationships with our occupiers and the property industry

Allow us to execute on investment, asset management and development strategies

Responsibility for their wellbeing

What is important to them

Flexibility and wellbeing

Progression and career development

Reward and recognition

Fairness and equality

Outcomes

6%
staff turnover since merger in 2013

94%
of staff feel proud to work for the Company

Employee survey results page 68

Overview

The Company is highly focused with 35 employees and nine Non Executive Directors. Since merger in 2013, employee numbers have fallen despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

Culture and approach

We have successfully attracted and retained a talented and loyal team.

This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger. We believe this reflects our:

- Culture of empowerment, inclusion, openness and teamwork;
- Fair and performance based remuneration; and
- Small number of staff, which allows a flexible and individual approach.

We also have a flat management structure with clear responsibilities and decision making processes.

How we engage with our employees

- Annual employee surveys
- Annual appraisals
- Training
- Committee meetings
- Regular business updates

Board Engagement

- Clear communication and regular updates from the Chief Executive
- Direct interaction between the Board and employees on an informal and *also formal basis at specific meetings*
- Site visits for Non Executive Directors facilitated and attended by key employees
- Liaison with workforce Non Executive Director through employee events

> "We continue to ensure that our employees are properly supported and incentivised.
>
> Martin McGann
> Finance Director

Social

How we address employee needs

Flexibility, wellbeing, satisfaction & safety

Our 2023 employee survey reflects ongoing high levels of satisfaction. We have implemented more flexible working arrangements over recent years covering dress code, holiday buy back, improved systems to enable home working and a core hours policy. We have also significantly reduced office space, undertaken a major office refurbishment and modernisation, as well as carried out a wellbeing review. Recognising that employees are no longer working from home on a regular basis, we intend to upgrade our working space further over the next year. Health & Safety is a key priority for us and our policy provides for appropriate equipment, workplace assessments, operational processes and safe systems of work.

See page 76 for further details on health and safety

Progression & career development

An annual appraisal process is undertaken where training needs and performance are discussed.

We actively encourage training and we continue to monitor our staff training each year.

We continue to undertake ESG training across our employees, encourage participation in Young Property Professionals' groups and offer secondment and work placement opportunities.

Reward & recognition

Remuneration is aligned to personal and Company performance with LTIPs that replicate arrangements for Executive Directors.

All employees receive a pension contribution of 10% of salary and medical insurance with access to childcare, cycle to work vouchers and a company car scheme, which allows employees to access electric and hybrid vehicles.

In the year, and in response to the cost of living crisis, we made one off payments to some of our employees.

Inclusion, fairness & equality

We strongly encourage input on decision making from all staff, wide participation in Committee meetings and collaboration across teams. Regular business updates are provided by Executive Directors.

We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place and support of the Real Estate Balance group. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. We continue to increase female representation in our property team, supporting a recent graduate joiner as she gains her relevant real estate qualifications.

Employee gender diversity

Directors
The number of Directors by gender:

Senior Leadership Team
The number of members of the Senior Leadership Team by gender:

All employees
The number of employees by gender:

Females
Males

For more information on diversity, see page 128

Our sustainability performance

Responsible Business and ESG review
continued

Social

People

2023 Staff survey

97%
staff survey engagement level

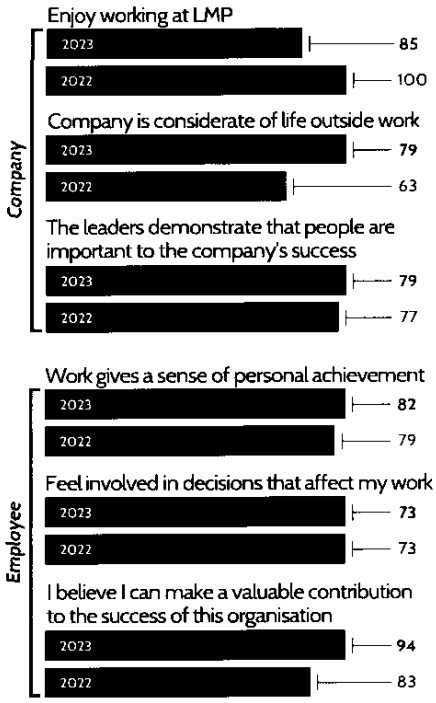
94%
are proud to work for LondonMetric

88%
agree the Company supports and promotes social responsibility

85%
agree there is a strong culture of teamwork and collaboration at the Company

[IMAGE REMOVED]

Survey breakdown of scores (percentage of employees that responded with agree or strongly agree)



Overview of satisfaction survey

In February 2023, we undertook our sixth annual employee survey to track changes in staff satisfaction.

In total, we asked 55 questions, focusing on the Company, the working environment, and the individual. Overall responses were received *from 33 staff members, with an engagement* of 97% compared to 94% in 2022.

Survey Findings

Overall the survey is positive with 94% of employees feeling proud to work at LondonMetric. Employees remain highly supportive of the Company and working environment. It was noted that overall scores were down from previous highs in some areas, likely reflecting the wider macro environment together with the challenges and dislocation experienced across real estate investment markets during the year and real estate pricing recalibrated in response to interest rate changes. The highest scores were achieved as follows:

- Work gives the employee a sense of personal achievement
- Employees enjoy working at LondonMetric
- The Company supports and promotes social responsibility in its operations
- Employees feel they have access to the technology and tools needed to do the job well
- Employees know what they need to do to be successful in their role

Whilst the office continues to be a desirable place to work, the survey sought feedback on improvements that could be made. Following this feedback, plans are being considered to further improve the office environment. The Company does not operate a formal work from home policy recognising the benefits of being together to learn, collaborate and problem solve when all together and driving a strong entrepreneurial spirit.

On the question on a scale of 1-10 how likely are you to recommend LondonMetric to a friend, a score of 8 was achieved. This was the same as last year and confirms that we are still a friendly and positive employer.

Andrew Livingston is our designated workforce Non Executive Director and will keep providing feedback from this survey and informal meetings and discussions with staff in the coming year.

Social

The work of the designated workforce Non Executive Director

Andrew Livingston was appointed as designated workforce Non Executive Director by the Board in 2019.

[IMAGE REMOVED]

Andrew Livingston
Appointed as designated workforce Non Executive Director in 2019

How does the designated workforce NED consult with the wider workforce?

- Consults directly with members of the Senior Leadership Team
- Holds own meetings with small diverse group of employees
- Reviews results of staff surveys
- Staff liaison at Board and Committee meetings
- Attends site visits alongside staff members

His role was set out by the Board to include the following:

- Attend all staff presentations and other events to give staff the opportunity to get to know and liaise with him
- Monitor the results of employee engagement surveys and any actions arising
- Feedback to the Board at meetings any staff concerns and the results of surveys and other liaison at least annually

As Chief Executive of Howden Joinery Group Plc, Andrew has experience of managing and motivating a large team of employees. His work as designated workforce NED ensures that the Board has access to the views of the workforce, regardless of their role or position, and provides meaningful information that can be used by the Board when considering the potential impact of key decisions on employees.

Each year since his appointment, Andrew has hosted an informal off site session for a select group of employees. The Remuneration Committee Chair attended the meeting to welcome any questions from staff on executive pay.

The meeting was an opportunity for people to speak freely and openly and ask about topics discussed in the Boardroom and share their day to day working experiences. Topics discussed included the positives of being in the office full time, work life balance, personal growth and celebrations. Non attributable feedback was relayed to the Board at its next meeting.

As a result of this feedback and subsequent discussion, alongside the results of the annual staff survey which Andrew also fed back, the Board will focus on the following action points to drive the right behaviour and support the wellbeing of employees:

- Provide training and development opportunities for staff, both professionally and personally
- Retain a flexible working arrangement where it is good for the business
- Ensure employees remain informed of relevant business activities on an ongoing basis

Our sustainability performance

Responsible Business and ESG review
continued

Social

Contractors and Advisors

[IMAGE REMOVED]

Why they are important to us

Being a small team we are dependent on a diverse group of key suppliers including professional advisors and contractors

What is important to them

- Fair payment terms and prompt settlement
- Good, effective and stable working relationship
- Long term partnerships

Outcomes

13 days
Average payment

100%
compliance with our Responsible Development Requirements checklist

Our Responsible Procurement Policy

Our policy outlines our approach to implementing supply chain and procurement standards on developments and our existing estate through our contractors and suppliers. It focuses on areas such as labour, human rights, health and safety, resource, pollution risk and community.

Contractors

Our contractor relationships are highly important in allowing us to deliver on our developments and refurbishments. In conjunction with our external project managers, our development team ensures that we select high quality and robust contractors with a proven track record. We regularly review the financial robustness of our contractors and work closely with them throughout projects.

Our development team monitors progress and tracks all elements of our projects including sub-contracted works. We stay in close contact with our contractors and arrange regular visits and detailed reviews and checks of their systems and processes.

Our Responsible Development Requirements checklist is used on all projects and sets minimum requirements for contractors. Compliance with this checklist is mandatory for all projects and sets minimum standards that our contractors must meet. The checklist covers environmental, responsible supply chain and H&S standards. We also specify compliance by contractors with the Considerate Constructors Scheme on most of our projects where we deem it appropriate.

At project meetings, we challenge all of our contractors to consider the environment, biodiversity, local community involvement and local sourcing.

How we engage with our contractors & suppliers

- Regular project meetings
- Annual reviews and audits on projects
- Regular meetings with property and managing agents
- Sharing of learning between different suppliers

Board Engagement

The Board or its Committees receive regular presentations and reports from its advisors who also regularly attend Committee meetings.

We continue to advocate the Prompt Payment Code and promote responsible development standards.

The Board regularly visit development sites with the Development team.

> We value contractors that we can trust and develop long term partnerships with.
>
> **Nick Heath**
> Head of Development

Social

Managing Agents

Managing Agents are an important part of the supply chain on our assets where there are multiple occupiers in place. We select a few highly competent companies to deliver our managing agent services.

Whilst our spend on these services is relatively small, we continue to monitor their compliance against our Managing Agents' policies and ensure that their sub-contractors are properly appointed and compliant with our standards, including responsible supply chain/anti-slavery and human trafficking.

Over recent years, we have undertaken a number of reviews of material sub-contractors employed by our key Managing Agents with *a specific focus on sustainability, community,* legislation and employment.

Other Suppliers

We also rely on many other adviser relationships as part of our activities. These include investment agents, external auditors, valuers, remuneration consultants, tax advisors, environmental experts and legal advisors.

c.50
Properties managed by five managing agents

[IMAGE REMOVED]

Deeley Construction at our new Starbucks drive-thru development

LondonMetric has a longstanding relationship with Midlands based contractor Deeley, having worked together on retail and industrial projects for c.12 years. We continue to enjoy working with Deeley, as we share similar values on areas such as responsible development and procurement, and Deeley understand our requirements. They were recently appointed to build our new 1,840 sq ft Starbucks drive-thru in Birmingham, which is being constructed on land next to a Sofology store that we own and that was successfully completed by them in 2021. Works are well underway with opening expected later in 2023.

[IMAGE REMOVED]

Mildren Construction at our Weymouth development

Mildren has successfully worked as contractor on Phases 1 and 2 of our Weymouth long income development totalling c.70,000 sq ft of new-build pre-let retail space. Mildren were invited to tender for the scheme due to their geographical location, expertise in similar construction projects and their strong working relationship with LondonMetric.

Mildren has also been appointed on a new-build 41,000 sq ft pre-let development in Uckfield, a development scheme that LondonMetric are forward funding, which is due to complete in summer 2023.

Our sustainability performance

Responsible Business and ESG review
continued

Social

Investors

[IMAGE REMOVED]

Why they are important to us

Continued investment and support

Feedback and direction

What is important to them

Financial performance and progression

Well covered and growing dividend

Clear strategy, execution and reporting

ESG fully considered

Outcomes in the year

241
investor meetings

£675 million
debt facilities arranged or extended

2.7%
dividend progression

Equity Investors

We value our good relationships with our shareholders. Understanding their views continues to be a top priority for the Board and vital to the Company's strategic direction.

The Company's principal representatives continue to be the Chief Executive and Finance Director who, along with the Head of Investor Relations and Sustainability, hold meetings throughout the year and particularly following results announcements.

Over the year, we met with c.240 equity investors through one to one and group meetings. Unsurprisingly, with greater uncertainty and a recalibration of the real estate sector over the year, we saw a significant increase in investor questioning and interaction over the second half of the year.

A breakdown of meetings by type of investor is shown in the chart opposite and key investor activities are shown on the next page. The Company continues to place great importance on and engage with its private wealth shareholders, who represented a third of all shareholder meetings in the year. We continue to enjoy strong analyst coverage and interaction with 13 brokers, which is unchanged on the prior year.

Feedback remains very supportive and, as would be expected, we continue to see a strong focus on ESG matters, which are discussed in nearly every meeting. Feedback on our ESG performance remains very positive.

Following further investor requests, we have decided to respond to CDP (a global disclosure system for investors and corporates on environmental issues) in their upcoming annual assessment.

How we engage with our investors

- Investor roadshows & conferences
- Results presentations to analysts
- Annual General Meeting
- Senior Independent Director meetings
- Debt refinancing activity
- Site visits

[CHART REMOVED]

Equity meetings by type of investor

1	Sector specialists	36%
2	Private Wealth	34%
3	Generalists	25%
4	Brokers	5%

Board Engagement

- Investor feedback provided regularly to the Board by the Chief Executive
- Senior Independent Director participates in half yearly roadshows, attending six investor meetings during the year
- Board attended the Annual General Meeting
- Board consulted with shareholders on the Company's Remuneration Policy proposals

Social

Our investor relations framework

The framework is set around our half yearly results, and at other times in response to ad hoc requests and where we undertake UK regional and overseas roadshows and investor conferences. Meetings and roadshows keep investors informed of the Company's performance and plans and allows them to ask questions. Specific topics discussed during the year included development and implementation of strategy, financial and operational performance, the property market, the strength of our occupiers and rent collection, our debt structure and ESG considerations.

Shareholders are kept informed through results statements and other regulatory announcements. These are published on our website, affording all shareholders full access to material information.

The website also includes an investor relations section containing all RNS announcements, share price data, investor presentations, factsheets and Annual Reports.

A live and on demand webcast of results and a CEO interview is posted twice a year on our website. Individual shareholders can also raise questions directly at any time through a facility on the website. We complied with the European Single Electronic Format ('ESEF') regulations for filing our Annual Report.

We continue to offer a scrip dividend alternative to shareholders, which enables them to opt for shares rather than cash with no dealing costs or stamp duty. This scheme was renewed for a further three years in 2022 and we continue to have good levels of take up.

JP Morgan Asset Management – investor site visit (November 2022)

As part of the launch of JP Morgan's sustainable infrastructure SICAV (a thematic fund focusing on sustainable, mission critical assets), we organised a site visit for c.60 people consisting of senior employees from across JP Morgan's global offices as well as some of their clients.

The two hour presentation and visit to our facility in Dagenham was led by LondonMetric's CEO, Head of Development and Head of Investor Relations and Sustainability, in conjunction with key personnel from the occupier.

[IMAGE REMOVED]

Key investor activity in year

Q1

- Site visit for c.20 investors in North London
- Full year results announcement/roadshow
- Private wealth meetings (Birmingham)
- US roadshow (New York & Boston)

Q2

- Site visit for debt investors
- Analysts ad hoc meetings

Q3

- Private wealth meetings (Manchester)
- Half year results announcement/roadshow
- Holland roadshow
- UBS investor conference (London)

Q4

- Barclays investor conference (London)
- Bank of America conference (London)
- Private wealth meetings (Liverpool)

Debt investors and joint ventures

We continue to enjoy good relationships across the debt capital markets and continue to broaden our base of debt providers. In addition, we continue to enjoy strong relationships with our remaining joint venture partners.

Further information on our financing activity in the year is set out on page 55, including details on our sustainability-linked debt arrangements. We continued to organise site visits for our debt investors and, in September 2022, we arranged a day of site tours of assets in Bedford and Brent Cross.

Our sustainability performance

Responsible Business and ESG review
continued

Social

Communities

[IMAGE REMOVED]

Why they are important to us

Considering communities local to our activities is an important part of our Responsible Business approach to doing business and delivering our strategy.

What is important to them

Environmental and social impact of our activities

Employment opportunities

Investment into local infrastructure

Outcomes

£104k
Charitable giving in year

51
Charitable causes supported in year

We recognise the importance of supporting our local communities and engaging with all local stakeholders. Our published *Community Policy outlines our approach* and we aim to maximise the local benefits of our activities through:

- Investing in local infrastructure through regeneration and creation of fit for purpose buildings;
- Creating jobs during development and refurbishment, typically using local contractors and employment;
- Bringing in long term occupiers who create significant local employment;
- Partnering with local authorities and councils;
- Engaging with local residents and communities, particularly during and *post developments to ensure that* they are fully involved; and
- Ongoing involvement in areas local to our properties by funding of local events and facilities and engaging with schools.

Our Charity and Communities Working Group implements charity giving and co-ordinates community involvement. We aim to allocate a minimum of £100,000 per year for charitable giving across four key areas:

- Specific causes identified at a corporate level;
- Charitable causes identified by employees with all employees able to nominate charities of their choice or allocate funds to match their own charitable activity;
- Development linked giving, supporting causes near our development activity; and
- Occupier or asset related giving, supporting causes in conjunction with occupiers or near our local assets.

This year, under our banking arrangements an extra £43,000 is available and has been earmarked for charity giving as a result of us hitting our banking related ESG targets.

How we engage with our communities

- Supporting local charities
- Encouraging local sourcing on projects
- Planning consultations
- Resident updates on projects
- Engagement with local authorities
- Supporting local occupier initiatives

[CHART REMOVED]

Breakdown of charitable giving

1	Corporate giving	59%
2	Employee giving	21%
3	Asset Management Development giving	20%

Board Engagement

- Participation in charitable events organised by LondonMetric
- Updates on charitable work
- Understanding of development related community matters through project updates

Social

Highlight charitable activity in the year

Employee matching

Over the year the Company supported its employees charitable giving initiatives donating £21,889 across a wide range of charities including localised community initiatives.

Employee charitable giving included cycling 337 miles to Amsterdam over four days for Keframa charity which supports building schools in Uganda.

During the year, employees also spent their own time volunteering at local foodbanks in their local communities. In addition, the Company has also supported its employees local communities with small donations to local community sport clubs.

Investing in local communities

During the year, we continued to support local communities where we have large investment exposure. In total we donated £58,149 to charities including foodbanks, the National Energy Action and defibrillators.

As the cost of living continues to put pressure on families, during the year we increased our contribution to foodbanks to £15,000 in communities local to our assets and people including in Kingston, Tyseley, Weymouth, Bedford and Dagenham.

In conjunction with the British Heart Foundation, we have agreed to install 12 defibrillators across 12 assets at a total cost of £60,000.

Real estate sector led giving

We continue to support LandAid, the property industry charity and contributed £10,000 to LandAid in the year, some of which related to employee giving. Our participation in various LandAid initiatives means that we remain a Foundation Partner.

LandAid runs a step challenge for two weeks each year raising money to prevent youth homelessness. 94% of our employees participated in the Steptober event, taking 6.3 million steps for the challenge, over two weeks which is an increase of 20% on the previous year.

Wider charitable initiatives

Through employee voice, the Company supported local charities as well as global charities, in particular supporting causes related to Ukraine, Turkey & Syria.

During the year, we gave £5,000 to Médecins sans Frontières to support their activities in this part of the world. We continued to support the Ukraine humanitarian crisis through a donation of £5,000. Through an employee contact, we sponsored The Convoy of Hope who drove ambulances full of medical supplies to Ukraine.

Opentrail/Burlish Bike Park

As part of the A&J Mucklow acquisition in 2019, we acquired 16 acres of woodland in Worcestershire as part of the transaction.

For the last three years, we have engaged with Opentrail, a local charity, to transfer the woodland to them at no cost to create a community bike park facility comprising seven bike trails, a clubhouse, toilets and car parking.

Over that time, we have assisted them on wider planning, construction and legal advice.

Opentrail has received over £200,000 of contributions and grants, including £135,000 from Sports England and, following the transfer of the woodland, is now on site constructing the facility with completion expected in summer 2023.

Further details of the bike park can be found at opentrail.co.uk/burlish-bike-park/

[IMAGE REMOVED]

Our sustainability performance

Responsible Business and ESG review
continued

Governance

Governance and compliance

The Board is committed to upholding the high standards of corporate governance and Responsible Business is an important part of ensuring that we deliver on those high standards.

Overview

Board representation for Responsible Business

Martin McGann, Finance Director, represents the Board at Responsible Business Working Group meetings and his remuneration is linked to the Company achieving certain Responsible Business related objectives.

Policies and statements

The Company's overall Responsible Business policy is available on its website along with other related documents including:

- *The Responsible Business Working* Group's terms of reference;
- Responsible Business targets;
- Full Responsible Business reports;
- Our approach to health and safety;
- Compliance and anti-corruption procedures;
- Responsible Procurement Policy;
- Community Policy; and
- Modern Slavery Act Statement.

Confirmations

The Company confirms that no human rights concerns have arisen within its direct operations or supply chains and that it has not incurred any fines, penalties or settlements in relation to corruption.

The Company continually reviews and updates all of these documents as required.

Health and safety in focus

Responsibility and procedures

The Board is responsible for ensuring that appropriate health and safety procedures are in place. Mark Stirling, Asset Director, is responsible for overseeing implementation of *our procedures and reporting back to the Board.* RP&P Management Ltd ('RP&P') acts as our Corporate Health and Safety Advisor.

H&S risks assessment and training

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all necessary actions are implemented. Health and safety training is carried out for employees and additional training is considered on a case by case basis.

Health and safety policy

Our policy is regularly reviewed and addresses three key areas of:

I. Employment – The policy ensures our employees are offered a safe and healthy working environment.

II. Construction – Procedures and processes have been developed to ensure we comply with current legislation with a Project Manager, Principal Designer and Principal Contractor appointed on all projects to oversee, manage and monitor health and safety.

III. Managed properties – The majority of our assets are let on full repairing and insuring leases. For single occupier assets, the occupier is responsible for managing health and safety matters at the property and the wider estate.

Where there are multiple occupiers on the same estate, we appoint a Managing Agent to manage health and safety matters relating to common parts. The Managing Agent is responsible for ensuring health and safety assessments are completed and regularly reported back to us.

Health and safety in 2023

- Quarterly internal meetings
- Half yearly project audits on two sites
- Zero reportable incidents on projects
- Zero accident rate for employees
- No prosecutions or enforcements
- Health and safety policy updated

Our contractor requirements

We have implemented robust processes to ensure that our contractors uphold our high standards and minimise the environmental impact from developments.

All of our contractors adhere to our Responsible Development Requirements checklist, which sets minimum requirements for our main developments on areas including:

- Health and safety;
- BREEAM Very Good or better standard (where appropriate);
- Considerate Constructors Scheme compliance;
- Environmental impact monitoring;
- Management and reporting of progress;
- Promoting local employment opportunities; and
- Fair remuneration for workers.

We continue to monitor compliance and look at ways of improving our contractors' performance. During 2023, as part of our annual Contractor compliance audit, we met with Redwood Contractors Ltd, who are one of our smaller contractors we use for refurbishment work in the South. Their systems and processes were found to be robust, including policies on human trafficking and anti-slavery.

See page 45 for further details on our audit

Our sustainability performance

TCFD Recommendation and Alignment

LondonMetric has complied with the requirements of LR 9.8.6R by including our Task force on Climate-Related Financial Disclosures ('TCFD') Statement below, which is consistent with the TCFD recommendations and recommended disclosures, save for our continued work on financial quantification (Strategy B) and (Strategy C) and ongoing efforts to improve the measurement and coverage of Scope 3 emissions generated by our tenants (Metrics & Targets B). To date financial quantification has focused on areas provisionally identified as potentially having the most impact. Over the coming year, LondonMetric intends to expand financial quantification to other climate-related risks and opportunities currently not yet quantified. Similarly, Scope 3 emissions are material for LondonMetric and we are rapidly working on increasing tenant data coverage and aim to report in full compliance in due course.

Governance

A - Describe the Board's oversight of climate-related risks and opportunities

The Board provides oversight of the Company's Environmental, Social and Governance (ESG) matters and has overall responsibility for the Company's risk management framework, in which climate-related risks and opportunities are integrated. All principal risks, including those which are climate-related, are contained within the Company's risk register which is updated and reviewed at least annually.

The Audit Committee assists the Board by reviewing the register and providing assurance on the robustness of the systems in place for the identification, assessment and mitigation of the principal risks facing the Company.

As part of this function, the Audit Committee monitors and oversees progress against objectives and targets for addressing climate-related issues, ensuring that climate-related matters are escalated to the Board as necessary. The Audit Committee is informed by members from the Company's Responsible Business Working Group ('Working Group'), which provides feedback on climate-related issues, facilitates proactive climate-related risk management and is a sub-committee of the Finance Committee.

During Board meetings, which are held quarterly, risks are considered at a strategic level, which ensures that new and emerging risks, including those climate-related, are identified and appropriate action is taken to remove or reduce their likelihood and impact. The Board receives quarterly board papers with updates on ESG matters and a specific ESG update is presented to the Board at least annually by the Working Group to ensure that the Board can monitor progress against climate-related goals and targets. Further ESG related information is provided over the course of the year on specific matters where appropriate including all investments, developments and disposals over a certain value threshold where environmental and climate-related risks are addressed, particularly around flooding risks, EPCs and costs to upgrade assets, where required.

For wider corporate governance reporting see page 102

B - Describe management's role in assessing and managing risks and opportunities

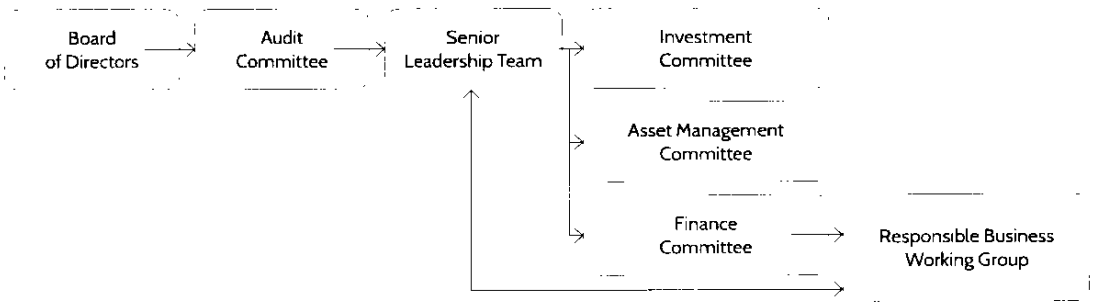
The Working Group and the Senior Leadership Team ('Senior Team') work closely to ensure climate-related risks and opportunities are monitored and managed. This collaboration is led by the Head of Investor Relations and Sustainability and the Finance Director, who are members of both and are ultimately responsible for implementing Responsible Business matters.

Senior Team members report directly to the Board and Audit Committee. The Senior Team is responsible for ongoing risk identification, as well as the design, implementation and maintenance of internal controls to mitigate identified risks. Certain members of the Senior Team attend the Investment, Asset Management and Finance sub-committees to ensure that climate-related issues are monitored and escalated where appropriate as well as to ensure that opportunities are considered and captured.

The Senior Team and the Working Group track key risk metrics and opportunities on an ongoing basis. The Working Group supports the Senior Team in identifying wider climate-related risks by escalating potential risks as well as ensuring the business is properly considering opportunities. The Audit Committee is responsible for monitoring progress on Responsible Business initiatives as well as the effectiveness of risk management systems, internal controls and viability.

As part of our climate risk assessment, a detailed climate risk governance gap analysis was undertaken by JLL in 2022 in alignment with the TCFD recommendations. This analysis is helping us to ensure that proper governance structures are in place to manage and oversee climate-related risks across the business.

Governance of climate-related risks and opportunities



Our sustainability performance

TCFD Recommendation and Alignment
continued

Strategy

A - Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term

As part of the climate risk assessment carried out in 2022 by JLL, we identified our potential climate risks and opportunities. The assessment tested a range of outcomes at the portfolio level, under the RCP4.5 (low emissions) and RCP8.5 (high emissions) climate scenarios up until 2100 to identify material risks. Each risk was assigned a score based on an over likelihood score using four sub-factors including likelihood, frequency, duration and velocity and an overall impact score based on impact, ease and cost of mitigation and financial impact. Transition risks are more prominent in the near-term under the low emission RCP4.5 scenario, while physical risks materialize in the largest severity over the longer term under the high emission RCP8.5 scenario.

The table below outlines the key physical and transition risks we identified over the short term (1 -2 years), medium term (3 - 9 years) and long term (10 years+). In selecting time horizons, we considered the fact that climate-related issues often manifest themselves over the medium and longer terms. The time horizons are based on the profile of risks associated with real estate asset lifecycles, in line with the Climate Change Act. Climate transition opportunities are the most prevalent under the RCP4.5 scenario, while for physical climate we only see risk mitigation under both RCP4.5 and 8.5 scenarios. This has been reflected in the opportunities section which is covered off further below this table.

Timescale	Risk	Description
Short term	Occupier/market demand	Occupier and market demand is shifting from unsustainable products to low or net zero carbon assets with embedded on-site climate resilience. Demand may also shift away from certain geographies or sectors, while changing consumer preferences could create occupier risk. As a result, occupiers could move away from less sustainable buildings and/or suffer business failure resulting in lower occupancy levels across our assets.
	Increased building standards/regulation	Increasing policy mandates in the built environment that improve energy and resource efficiency and on-site climate resilience, may potentially result in significant capex costs to meet the new standards. Failure to meet the regulations could result in reduced asset value, known as a 'brown discount', tenancy default risk and loss of income. The main such risk concerns meeting Minimum Energy Efficiency Standards ('MEES').
Medium term	Financial market impacts/access to capital	Market shifts in favour of low-carbon solutions and climate resilience as well as climate events impacting our portfolio could create a competitive risk, particularly with respect to meeting stakeholder expectations and the potential risk from reduced access to the equity and debt markets.
	Increased energy demand/costs	Changes to seasonal patterns, temperature extremes and carbon taxation each could increase the operational costs of buildings and impact the rental value of inefficient assets as occupiers seek lower operational costs and in-built energy resilience.
	Supply chain & resources	Physical impacts may cause widespread disruption to production within supply chains and resources, potentially resulting in business disruption and tenant default risk, generating loss of income from our portfolio.
	Exposure to litigation	Increased policy and legislation requirements to meet the transition requirements of a low carbon economy could create additional risks of legal action for breaches of compliance. In particular, further tightening of legislation on MEES or new legislation that aims to help the UK meet its Net Zero targets could add to the risk.
Long term	Insurance challenges	Physical climate events or risks may cause the insurance industry to reassess premiums and cover whereby premiums could rise significantly or become difficult to secure.
	Flooding (coastal, fluvial)	Rising sea levels threaten coastal regions with flooding, erosion, salinisation and permanent land loss; excessive rainfall or snow melt may cause rivers to exceed their capacity, triggering high capex costs to install resilience measures and potentially significant repair costs to damaged assets which experience flooding. Only 1% of our assets have a high flooding risk and, through our portfolio management, we believe that we are able to mitigate our high and medium flood risks over the short to medium term.
	Heavy rainfall & pluvial flooding	There are increases in annual mean rainfall, where typically wet periods of the year see a further increase in daily rainfall. Heavy rainfall or rainfall over a prolonged period may lead to more regular pluvial flooding (surface water flooding) events, potentially causing business disruption and reduced asset values.
	Heat stress	Rising mean temperatures and extreme temperature highs put pressure on both people and infrastructure. Significant cost may be incurred to install cooling systems while poorly ventilated/cooled assets may see a downward pressure on value and demand.
	Extreme weather events	Storms, heavy winds, heavy precipitation, drought and snow are more frequent and severe, potentially leading to significant clean-up and repair costs, capex costs for installing resilience measures and stranded asset risk for at-risk assets.

Strategy (continued)

Opportunities

As part of our climate risk assessment and our ongoing work, key opportunities have been identified as: securing a diverse range of premium tenants that have Net Zero Carbon ambitions, enhancing LondonMetric's reputation and increasing asset values by investing further in renewable energy, utilising low carbon technology and further improving the energy efficiency of buildings. This includes the opportunities we expect to realise as we implement our Net Zero Carbon Framework. As strong stewards of underinvested assets with the expertise and capital to improve buildings, we continue to see opportunities to acquire poorer quality assets from less sophisticated property managers where we can make material improvements and increase the income and value of those assets. Additionally, these opportunities include further improving asset and business strategy climate resilience by proactively assessing and managing identified climate-related risks; gaining a competitive advantage (both in terms of the attractiveness of our buildings to occupiers but also maintaining an attractive cost of capital) and subsequently securing our long-term sustainability.

The Company expects to capture some of these opportunities in the short to medium term through enhanced specification on refurbishment and development activities across our portfolio, as well as joint collaboration with occupiers. However, it may take longer to capture these opportunities on assets with longer term leases where we have no operational control and where the occupier is less willing to engage on opportunities.

B - Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Business strategy and financial planning are overseen by the Board, which recognises the importance of climate-related considerations across all activities. A key aspect of LondonMetric's asset management strategy is sustainability performance improvement. As well as reducing the carbon emissions from the small number of assets where we have ongoing control, we are helping to improve assets that the occupier has control over to make them more resilient to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy, which help to mitigate physical and transition risks. During our investment process, and on an ongoing basis, we assess flood risk, along with the building fabric and the energy efficiency of assets to understand the climate and carbon related risks and costs involved in mitigating those risks. In terms of MEES, we estimate the cost of bringing all of our assets to an EPC rating of 'B' is c.£25 million. However, we do not expect this to have a material business impact as the upgrade costs would, in most instances, either be offset through higher rents or paid for through normal occupier incentive arrangements.

As we implement our Net Zero Carbon ('NZC') strategy, in which we aim to reach Net Zero Carbon in operation (Scope 1 & 2 emissions) by the end of 2023, in development by 2030 and in tenant emissions (Scope 3 emissions) by 2035, the robustness of our approach in mitigating climate-related risks will improve. As we expect to achieve Net Zero for Scope 1 & 2 by the end of 2023, our plans for transitioning to our near term goals are nearing completion. We are therefore prioritising our longer term Scope 3 emissions targets and aim to drive progress in the near term by further enhancing data coverage and developing asset level transition plans.

Over the coming year, LondonMetric will analyse the portfolio against the CRREM 1.5°C pathway to determine asset-level stranding risk and potential exposure to write-downs. Supported by NZC energy audits, LondonMetric will be in a position to understand the technical interventions and the capital investment required to align stranded assets. This includes the installation of Solar PV, where occupiers are increasingly installing their own systems or we are installing and receiving additional income. Here, however, we are conscious that roofs of buildings need to be structurally strong enough to support solar PVs and this is increasingly being factored into our assessments.

As part of our strategy, we are collaborating with occupiers to assist them in mitigating their own exposure to climate-risks, through measures such as greater adoption of green lease agreements and encouragement to improve the green credentials of buildings they lease from us. Whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments, which is seeing us undertake whole life embodied carbon assessments, build to high standards, and minimise embodied carbon and offset remaining emissions. In addition, where we acquire assets with future redevelopment potential, we factor in a potential cost for offsetting embodied carbon. These actions will help to future proof our buildings and allow us to take advantage of opportunities from the shift to a low carbon economy by improving occupier contentment, rental values and the value of our assets.

Following our climate risk assessment in the prior year, we are working to further embed strong sustainability performance into our overall strategy. As part of this assessment, we conducted climate scenario analysis to model our climate-related risks in two likely scenarios. We chose the Intergovernmental Panel on Climate Change ('IPCC') Representative Concentration Pathways (Pathways) (IPCC RCPs) which model distinct and plausible pathways for greenhouse gas emissions and average global temperatures over the coming years and is in alignment with best practice. These scenarios are outlined in the section below. We will continue to build on our climate resilience planning and continue with our NZC approach, which will further assist in future-proofing our strategy and financial planning in light of climate-related risks and opportunities.

For our NZC strategy see page 56

C - Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our investment strategy is to be agile in response to shifting market conditions. The Company's shift out of multi-let retail parks and offices into distribution assets that have lower energy requirements means that the overall carbon footprint of our buildings is significantly lower today. Furthermore, our significant investment and disposal activity over recent years along with our ongoing upgrade work to buildings has upscaled the environmental quality of our portfolio. Where we have acquired assets over recent years, principally in urban logistics, our approach has ensured that asset improvement is embedded in our business case and/or there is a high intrinsic value of the land which makes highly sustainable redevelopment or repurposing commercially attractive.

Our detailed climate risk assessment, as summarised on the next page and in which one of the scenario ranges of 1.7-3.2°C was considered, has resulted in a better understanding of our material climate-related risks and provided us with awareness of the mitigation measures to reduce our vulnerability and exposure to these risks, which will enable us to proactively manage them. Additionally, as we implement our NZC strategy, this will help to mitigate a number of climate-related risks (transition climate risks as well as heat stress). We recognise, however, that in order to fully assess resilience against different climate scenarios, LondonMetric first needs to quantify the impact of all climate related risks and opportunities on our business, strategy and financial planning. Our plans to quantify stranding risk across our assets through CRREM analysis will help us to better describe resilience across our portfolio.

Our sustainability performance

TCFD Recommendation and Alignment
continued

Risk management

A - Describe the organisation's processes for identifying and assessing climate-related risks

LondonMetric's overall risk management process is centred around the Senior Team, whose members are closely involved in day-to-day matters and have a breadth of operational experience. They support the process of identifying all emerging risks and consider emerging climate-related risks that have the potential to adversely impact the business and stakeholders. These climate related risks are then evaluated and monitored along with the other risk categories through Senior Team and Working Group meetings. Any significant emerging risks are raised and discussed at Board level.

In addition our two climate-related risk exercises applied two key IPCC RCP scenarios to get a detailed understanding of exposure to risks. One exercise was conducted at portfolio level to assess its resilience to these climate-related risks whilst the second parallel exercise looked at the resilience of certain representative portfolio assets. The portfolio exercise used the IPCC RCP4.5 and RCP8.5 scenarios, which represent a lower global emissions scenario (1.7-3.2°C of warming by 2100) and a higher emissions scenario (3.2-5.4°C of warming by 2100), respectively. The scenarios were selected to test a range of likely outcomes and identify material climate-related risks over the short, medium and long term.

This assessment involved in-depth analysis of up-to-date, peer-reviewed scientific literature and was used to determine the frequency, duration, velocity and financial impacts of a range of potential climate-related risks and an overall likelihood and impact score was assigned to our business' principal climate risks. A summary of our *scoring on key risks under the different scenarios is covered on page 61.*

The second exercise involved an in-depth review of representative assets' characteristics and geographic location to determine resilience to physical and transition risks, identifying where those assets are most at risk. Transition risks were the most prevalent at the asset level. In particular changing consumer preferences on occupier/market demand and increased building standards from an expansion and strengthening of the regulations featured highly. An example of a regulatory risk, that LondonMetric assesses on an ongoing basis, is exposure to the more stringent MEES requirements. This is regularly monitored and assessed at an asset level by reviewing EPCs for new acquisitions; renewing expiring EPCs and instructing EPC improvement plans for assets.

Both exercises have helped to identify robust risk management recommendations and these exercises will be refreshed at regular intervals.

B - Describe the organisation's processes for managing climate-related risks

As outlined in the Governance section above, climate-related risks are managed collaboratively between the Board, Audit Committee, Senior Team and Working Group. The risk register is updated at least annually and is used to monitor identified principal risks, along with corresponding mitigation measures. Risks are evaluated on the basis of likelihood and impact, which allows evaluation of an overall measure of each risk which is communicated to relevant levels across the business.

Acquisition surveys undertaken as part of our due diligence process for new investments evaluate climate-related risks, such as flood risk and energy efficiency. They enable us to avoid purchasing assets with an elevated risk and no viable mitigating measures to protect the portfolio from heightened climate-related risk. We use third party professionals to provide regular updates and advice associated with regulatory changes to minimise non-compliance risk. In response to the upcoming tightening of EPC requirements as outlined in MEES, we continue to proactively undertake EPC reviews on potential investments and across our portfolio, along with more detailed MEES reviews where appropriate, to ensure that the business is well prepared for the new standards.

Our NZC strategy will allow us to mitigate several climate-related risks, for example increased cost of energy and carbon taxation, shifts in market demand and heat stress. To enhance our ability to manage climate-related risks in tenant-controlled spaces, we seek to incorporate green lease clauses on lettings and are engaging with occupiers around their operational behaviour, energy efficiency and data sharing. As part of our risk mitigation, we continue to dispose of assets where we feel that there are potential climate-related risks and where the market is not properly assessing these risks in their offer pricing analysis.

Going forward, LondonMetric will undertake CRREM analysis for the portfolio and undertake Net Zero energy audits for potentially stranded assets. These findings will then be incorporated into acquisition decisions, asset level business plans, planned refurbishments and asset disposal programmes to address transition risks. Additionally, the climate risk assessment we have undertaken, as described above, has informed risk management recommendations that we look to continue to implement to further improve our management of climate risks. These recommendations outline key actions that will allow us to prudently manage climate risks material to LondonMetric.

For overall risk management see page 82

C - Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

The identification, assessment and management of LondonMetric's climate-related risks is embedded into its overall risk management process. This is centred around the Senior Team, whose members are closely involved in day-to-day matters and have a breadth of operational experience.

The inclusion of physical climate change and transition risks into our risk register reflects the integration of these risks into our overall risk management strategy, as outlined in the Governance and Risk Management sections above. In the year, we began to integrate the outputs of the climate risk assessments into our risk management framework. The updated climate-related risks were finalised by the Working Group and reviewed by Audit Committee at the end of the year.

For responsible business risks see page 92

Metrics & targets

A - Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Based on our climate risks and opportunities and having reviewed both the TCFD all sector and sector specific guidance, we believe that the following metrics included below are material and relevant.

As reported on pages 56-62 of this report, we inform our stakeholders about our key climate-related metrics for the portfolio by providing information on our energy consumption and carbon emissions, EPC and BREEAM Very Good/Excellent ratings, flooding risk analysis, solar PV capacity installed (as well as near term potential to install), proportion of leases signed with green lease clauses and the percentage of the portfolio that we have collected occupier (Scope 3) energy data on.

Energy consumption data provided includes- Absolute (MWh and % change) and like-for-like (% change); Scope 1, 2 and, to the extent procured by LondonMetric, Scope 3 GHG emissions - Absolute (tCO_2e and % change) and like-for-like (tCO_2e and % change).

We believe that these metrics are the most appropriate for the Company at the current time but continue to review them to ensure they are consistent with sector-wide disclosure. At present, we don't have an internal carbon price, but are looking at this as part of our activities for the forthcoming year. Under the Directors' remuneration, for 2024 ,and as set out on page 157, 10% of annual bonus is linked to achieving ESG objectives. ESG objectives relevant to the year are set out on page 165 and include climate-related targets on solar PV installations, BREEAM ratings and EPC ratings.

B - Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

We disclose Scope 1, 2 and, to the extent procured by LondonMetric in service charge assets, Scope 3 greenhouse gas emissions on page 62.

As Scope 3 emissions, from landlord-controlled service charge assets and single let Full, Repairing and Insuring ('FRI') assets, account for more than 40% of our total emissions, this is material to LondonMetric. The vast majority comes from downstream tenant energy consumption. Through enhanced data collection methods recently, we have improved tenant data coverage considerably to 68% and are working to increase this further. But at this time, we are only in a position to disclose part of Scope 3 emissions and are therefore not compliant on this disclosure but aim to be in the near future.

Emissions are compared against calendar year 2021 to allow for comparison with the prior year.

GHG intensity metrics are reported as tCO_2e/£m and tCO_2e/sq ft. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006.

Although we are not required to do so, we intend to provide our occupier's energy data (Scope 3) in our separate Responsible Business Report, which we expect to publish in June 2023.

For GHG emissions table see page 62

C - Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

12 ESG related targets were set in the year and these can be found at www.londonmetric.com/sustainability/policies-documents-reporting. Six of these targets are directly related to the environment, including climate risk assessments, as well as targets that contribute towards improving LondonMetric's climate resilience. They comprise:

1) minimising energy consumption on supplies that we as landlord are responsible for (Scope 1 &2) and targeting like for like reductions on a year by year basis;
2) increasing renewable energy tariffs to cover 100% of landlord controlled electricity consumption by the end of 2023 (as part of us achieving operational NZC by the end of 2023).
3) tracking and upgrading environmental performance of assets including: a) year on year increases in the percentage of the portfolio with an EPC rating of 'C' or above; and b) on all regears, lettings and vacancies, actively consider initiatives to improve the asset's green credentials, including adding in green lease clauses where possible and aiming to increase the proportion of new leases signed (year on year) that have green lease clauses.
4) helping to reduce occupier energy emissions through: a) increasing occupier energy data (Scope 3) collection levels (on a sq ft basis) year on year; b) encouraging occupiers to source renewable energy & work with us to implement energy savings initiatives; c) targeting the addition of Solar PV systems p.a. to the portfolio;
5) Demonstrating sustainability considerations on developments, including matters relating to climate change adaptation, energy efficiency and use of low carbon material; and
6) Applying higher development standards, including the targeting of a minimum BREEAM Very Good certification on all large direct developments.

For progress against these targets, see pages 56-62

A review of our risk

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.

[IMAGE REMOVED]

Martin McGann
Finance Director

Framework and responsibility

The Board

- Overall responsibility for risk management and internal controls
- Assess and monitor the business's going concern and long term viability
- Set strategic objectives considering risk in this process
- Determine appropriate risk appetite levels
- Set delegated authority limits for senior management

Audit Committee

- Key oversight and assurance function on risk management, internal controls, going concern and viability
- Report to the Board on the effectiveness of risk management and control processes

Senior Leadership Team

- Identify, assess and quantify risk
- Implement and monitor risk mitigation processes

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.

The Audit Committee

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

Details of the Audit Committee's work, findings and recommendations during the year can be found on page 85.

The Senior Leadership Team

The Senior Leadership Team ('SLT') is responsible for key operational and financial aspects integral to the management of the business including ongoing risk identification and the design, implementation and maintenance of internal controls in light of the risks identified. The SLT comprises of departmental heads from all key business functions with a diverse range of skills and experience.

The SLT is supported by three sub-committees: the Investment, Asset Management and Finance Committees, which meet regularly, each focusing on different areas of the business. There are informal meetings at other times and due to the size of the organisation, the Executive Directors and SLT members are involved in all significant business discussions and decisions. These meetings and short reporting lines ensure that risk awareness is embedded within the organisation, facilitating the early identification and monitoring of emerging risks and the development of appropriate mitigation strategies based on an assessment of the impact and likelihood of a risk occurring. They also ensure that key messages and decisions are fed down across the wider workforce and significant emerging risks are raised and discussed at Board level.

At a property level, deep occupier relationships inform management and help them to understand tenants' needs and contentment and gain insights into their businesses. These relationships are one of the key tools used to help source potential off market opportunities as well as the identification of emerging risks and trends. Management also have strong banking relationships and more broadly, regularly meet industry representatives, shareholders and analysts. These relationships are also used to identify emerging risks. In addition, reports are commissioned and briefings arranged on wide ranging pertinent topics to understand changes within the real estate sector and the wider economic outlook.

Risk register

Our risk register is reviewed and updated at least annually by the Company Secretary assisted by members of the SLT and includes meetings with risk owners as part of this process.

Specific risks are identified, their significance and probability ranked by management from high to low with corresponding weightings to reflect the potential impact on the business which, when combined mathematically, result in a gross risk rating.

Specific safeguards are similarly identified, rated from strong to weak with corresponding weightings.

These are detailed in the register and combined with the gross risk rating to produce an overall colour coded net risk rating. Consideration is given to the implementation of further actions to reduce risk where necessary and every risk is allocated an owner.

Details of how safeguards are evidenced are noted in the register and risk owners and timeframes are included for any action points arising from the review.

The main register is supplemented by the high level dashboard used by the Board at each meeting as described on page 82.

> "An effective risk management framework provides the Board with confidence that the risk inherent in operating the business is successfully being managed to the extent possible to meet its appetite levels.
>
> **Martin McGann**
> Finance Director

> "The Board aims to maintain a low risk appetite overall, whilst balancing commercial considerations.
>
> **Martin McGann**
> Finance Director

Internal control systems

An effective system of internal controls is integral to the risk management framework. The key elements of the Group's internal control framework are outlined below.

- A defined schedule of matters reserved for the Board's attention
- A documented appraisal and approval process for all significant capital expenditure and development
- A comprehensive and robust system of financial budgeting, forecasting and reporting
- Weekly cash flow forecasting that is reviewed by the SLT
- An integrated financial and property management system
- A simple and transparent organisational structure with clearly defined roles, responsibilities and limits of authority that facilitates effective and efficient decision making
- Most staff work closely with SLT members, who are involved in all day to day operations and decision making, facilitating supervision and monitoring
- Disciplined meetings of the management committees below Board
- The maintenance of a risk register and risk dashboard highlighting movements in principal and emerging risks and mitigation strategies
- A formal whistleblowing policy and annual performance reviews to enable staff to voice concerns

The SLT oversees a detailed system of processes and internal controls covering all aspects of the business. These processes and controls are considered on a continual basis and modified periodically, most frequently in response to changes in the Company's IT systems or management processes, for example moving from third party to in house rent billing.

A review of our risk

Risk management and internal controls

continued

Determining appropriate risk appetite levels

Our risk management framework provides the Board with confidence that the risk inherent in operating the business is successfully being identified and mitigated to the extent possible to meet its appetite levels.

Risk appetite is the amount and type of risk that the Board is prepared to accept or tolerate in delivering its strategic goals whilst ensuring stakeholder interests are protected. The Board aims to maintain a low risk appetite overall, whilst balancing commercial considerations. It acknowledges that no system can eliminate risk entirely.

The Board carefully considers and debates the wide range of factors under each category below and the emergence of new risks. These factors frame the extent to which the Board is willing to accept some level of risk or flex its existing risk appetite when delivering strategic priorities and the Board sets its risk appetite accordingly. This year, due to the economic climate and the impact of macroeconomic uncertainties, the Board reduced its appetite for certain risks.

The second table below illustrates some of the material actions taken by the Board during the year in response to the market backdrop, particularly continuing high inflation and the impact of rapidly rising interest rates on the real estate sector.

Risk is considered under the three main categories shown below, but it is recognised that these are often interlinked.

Risk categories:

Corporate	Property	Financing
Relating to the entire Group.	Focusing on our core business.	Focusing on business funding.
Risk considerations: Culture, strategy, the market, political, economic, employees, responsible business practices, wider stakeholders, security, systems, regulation.	**Risk considerations:** Portfolio composition and management, developments, valuation, occupiers.	**Risk considerations:** Capital markets, investors, joint ventures, debt, cash management.

Key actions this year in response to changes in risk appetite

Risk considerations: Appointment of new Chair in response to stakeholder sentiment.	**Risk considerations:** 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.	**Risk considerations:** 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.

Pages 88 to 99 include details of the Board's risk appetite pertinent to each principal risk identified.

Audit Committee's review of the effectiveness of risk management and internal controls

As described on page 82, the Audit Committee has a key oversight and assurance role and assists the Board in enabling it to confirm that a robust assessment of the principal and emerging risks facing the Group, including those that would jeopardise its strategic priorities, has been carried out during the year. The Committee does this by undertaking a number of detailed reviews and appraisals to satisfy itself on the effectiveness of the systems in place for the identification, assessment and mitigation of the principal risks faced by the Group.

During the year, the Audit Committee carried out the following risk, internal control and thematic reviews on behalf of the Board taking into account the evolving economic, geopolitical and regulatory considerations that have been prominent through the year.

Summary of the risk, internal control and thematic reviews carried out by the Audit Committee

Risks considered	What was considered and outcome
ESG focused meeting (open to all Directors)	The Company's ESG framework, the Board's obligations and responsibilities, external benchmarking, net zero carbon ambitions and legislation, initiatives being undertaken, targets, TCFD and investor feedback. Members were satisfied ESG is a key focus for management and a substantial amount of work is being undertaken with progress against targets. Members considered the frequency of meetings and whether a separate ESG committee would be appropriate but decided against any changes at this time as the current format works well and performance is best assessed over a 12 month period for a company with LondonMetric's portfolio and lease structure. Members recommended that a representative from the Company's external ESG consultants attend the next meeting.
The Company's detailed risk register	Review of the register last updated in March 2023. Members were satisfied that: all significant risks have been identified, each bears an appropriate risk weighting, each has identifiable safeguards to mitigate its occurrence and potential impact and an allocated risk owner. Details on assurance, changes in the year and action points are recorded with appropriate timeframes provided. No recommendations were made by members.
Internal controls evaluation report	Review of management's assessment of the existence and effectiveness of key internal controls. Based on their review and consideration, members were satisfied that no significant weaknesses have been identified in the Group's internal control structure and systems are effective. The Committee also considered and noted the controls work undertaken and reported on by the external auditor. Members agreed a review of the Company's financial processes may be beneficial in light of anticipated regulatory changes.
Report on the Company's IT and cyber security system	How cyber risk is managed, initiatives undertaken in the year and those planned for the forthcoming year. Members appraised the Company's response to cyber risk and satisfied themselves that this risk continues to be actively but pragmatically monitored and managed and staff training raises awareness of emerging issues and practices. They were assured by recent enhancements made to the IT infrastructure to improve security, data storage, resilience and the speed at which servers could be fully restored in a disaster recovery situation. They were also assured by the results of the independent penetration testing undertaken. No recommendations were made.
Credit analysis report	Key information on the top 20 occupiers, new tenant due diligence undertaken and ongoing credit monitoring processes. Update on 'watch list' tenants. Members were satisfied management have appropriate processes in place which aren't heavily reliant on historic data. They were satisfied management remain vigilant to the risk posed by the high inflationary environment and the pressure on occupiers particularly those tenants who may be due material rent increases in the coming years. No recommendations were made.

Outcome

Based on its review and assessment, the Audit Committee was satisfied that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings were reported to and discussed with the Board. Accordingly, the Board can confirm that a robust assessment of the principal and emerging risks facing the Group, including those that would jeopardise its strategic priorities, was carried out during the year.

A review of our risk

Risk management update

No significant change
Decreased
Increased risk

Principal risks

Our principal risks and uncertainties are identified and reported in pages 88 to 99. They 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.

Read more in the Chief Executive's review from page 15.

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.

Read more in the Financial review on page 46.

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.

Information on our responsible business objectives, initiatives undertaken and progress against targets in our Responsible Business and ESG review can be found on pages 54 to 76.

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.

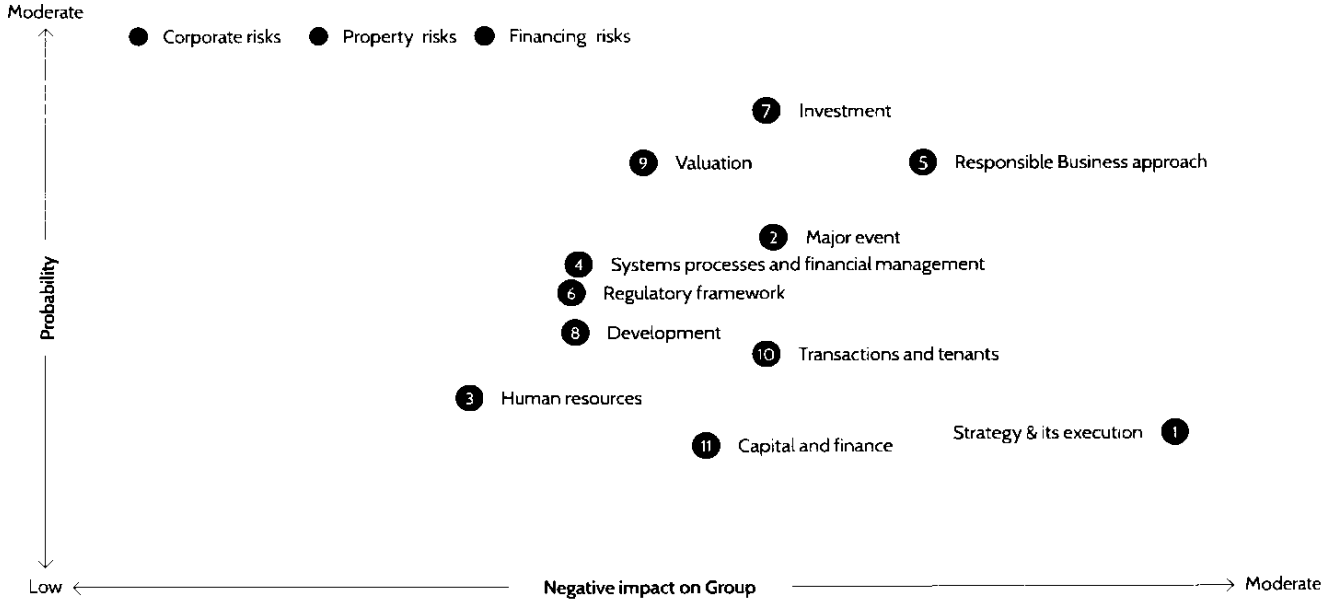
We believe the logistics sector has seen the most liquidity over the last few months which is why logistics valuations in March 2023 are stronger than the market had been expecting at the end of 2022.

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.

Read more in the Chief Executive's review on page 15

Post mitigation residual risk

The chart below illustrates the probability and post mitigation residual risk level of the principal risks which have been identified. Risks are categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting.



A review of our risk

A review of our principal risks

No significant change
Decreased
Increased risk

Corporate risks

1. Strategy and its execution

Risk

Strategic objectives may be:

- Inappropriate for the current economic climate or market cycle
- Not achieved due to external factors or poor implementation

Impact

- Suboptimal returns for shareholders
- Missed opportunities
- Ineffective threat management
- Wrong balance of skills and resources for ongoing success

Impact on strategy

Mitigation

- 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 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

2. 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

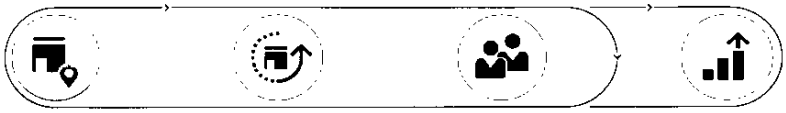
Impact

- Impaired revenue
- Occupier demand may decrease
- Asset liquidity and value may reduce
- Debt markets may be adversely impacted
- Workforce resilience may be impacted

Impact on strategy

Mitigation

- 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
- Our property assets are safeguarded by appropriate insurance cover



Own

1. Align portfolio to macro trends that are structurally supported
2. Focus on long-let property with strong occupier contentment and rental growth prospects

Manage

3. Enhance asset value and cash flow
4. Improve quality and sustainability of our assets

Collaborate

5. Partner of choice mindset
6. Use the team's expertise to make informed decisions

Generate

7. Generate reliable, repetitive and growing income

Deliver strong cash flows and attractive total returns

Commentary

- 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 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%

Appetite

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 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.

Change in the year

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 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.

Read more in
Chief Executive's review page 15
Property review page 32
Financial review page 46

Commentary

- 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 portfolio, our geographical exposure and income granularity

Appetite

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.

Change in the year

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 where we allocate capital and position our balance sheet.

Read more in
Chief Executive's review page 15
Property review page 32

A review of our risk

A review of our principal risks
continued

No significant change
Decreased
Increased risk

Corporate risks

3. Human resources

Risk

There may be an inability to attract, motivate and retain high calibre employees in the small team.

Impact

The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage.

Impact on strategy

Mitigation

- 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

4. Systems, processes and financial management

Risk

Controls for safeguarding assets and supporting strategy may be weak.

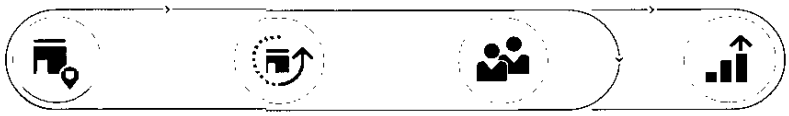
Impact

- Compromised asset security
- Suboptimal returns for shareholders
- Decisions made on inaccurate information

Impact on strategy

Mitigation

- 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 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



Own | Manage | Collaborate | Generate

1) Align portfolio to macro trends that are structurally supported
2) Focus on long-let property with strong occupier contentment and rental growth prospects
3) Enhance asset value and cash flow
4) Improve quality and sustainability of our assets
5) Partner of choice mindset
6) Use the team's expertise to make informed decisions
7) Generate reliable, repetitive and growing income
● Deliver strong cash flows and attractive total returns

Commentary

- 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

Appetite

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.

Change in the year

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.

Read more in
Management team page 110
People page 66
Nomination Committee report page 124
Remuneration Committee report page 139

Commentary

- 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

Appetite

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.

Change in the year

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.

Read more in
Audit Committee report page 132

A review of our risk

A review of our principal risks
continued

No significant change
Decreased
Increased risk

Corporate risks

5. Responsible business and sustainability

Risk

Non-compliance with Responsible Business practices.

Impact

- Reputational damage
- Suboptimal returns for shareholders
- Asset liquidity may be impacted
- Reduced access to debt and capital markets
- Poor relationships with stakeholders

Impact on strategy

Mitigation

- 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

6. Regulatory framework

Risk

Non-compliance with legal or regulatory obligations.

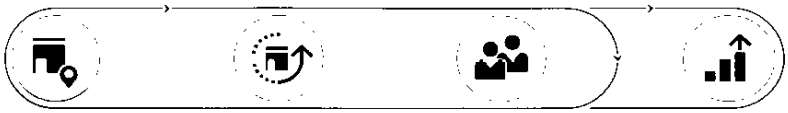
Impact

- Reputational damage
- Increased costs
- Reduced access to debt and capital markets
- Fines, penalties, sanctions

Impact on strategy

Mitigation

- 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



Own

1. Align portfolio to macro trends that are structurally supported
2. Focus on long-let property with strong occupier contentment and rental growth prospects

Manage

3. Enhance asset value and cash flow
4. Improve quality and sustainability of our assets

Collaborate

5. Partner of choice mindset
6. Use the team's expertise to make informed decisions

Generate

7. Generate reliable, repetitive and growing income
- Deliver strong cash flows and attractive total returns

Commentary

- 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

Appetite

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

Change in the year

Increased risk

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.

Read more in
Responsible Business and ESG review page 54
Investors page 72
TCFD page 77
Developments page 45

Our full Responsible Business report can be found at www.londonmetric.com

Commentary

- 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

Appetite

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

Change in the year

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.

Read more in Responsible Business and ESG review page 54

A review of our risk

A review of our principal risks
continued

- No significant change
- Decreased
- Increased risk

Property risks

7. Investment risk

Risk

We may be unable to source rationally priced investment opportunities.

Impact

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

Impact on strategy

Mitigation

- 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

8. Development

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

Impact

- Poorer than expected performance
- Reputational damage

Impact on strategy

Mitigation

- 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

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● Deliver strong cash flows and attractive total returns

Commentary

- 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

Appetite

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

Change in the year

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.

Read more in Property review page 32

Commentary

- 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

Appetite

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.

Change in the year

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.

Read more on Developments page 45

A review of our risk

A review of our principal risks
continued

No significant change
Decreased
Increased risk

Property risks

9. Valuation risk

Risk	Impact	Mitigation
Investments may fall in value.	Pressure on net asset value and potentially loan to value debt covenants. **Impact on strategy**	• 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 • 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

10. Transaction and tenant risk

Risk	Impact	Mitigation
• 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. **Impact on strategy**	• 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

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● Deliver strong cash flows and attractive total returns

Commentary

- 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
- 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

Appetite

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.

Change in the year

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. 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.

Read more in
Chief Executive's review page 15
Property review page 32

Commentary

- 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

Appetite

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.

Change in the year

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.

Read more in
Chief Executive's review page 15
Property review page 32
Financial review page 46

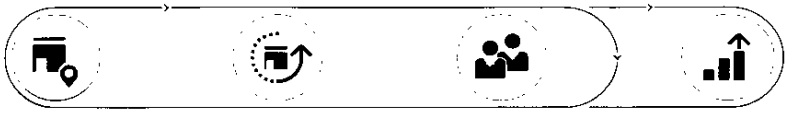
A review of our risk

A review of our principal risks
continued

- No significant change
- Decreased
- Increased risk

Financing

11. Capital and finance risk	Risk	Impact	Mitigation
	The Company has insufficient funds and available credit.	Strategy implementation is at risk. **Impact on strategy**	• We maintain a disciplined investment approach with competition for capital. Assets are considered for sale when they have achieved target returns and strategic asset plans • Cash flow forecasts are closely monitored • Relationships with a diversified range of lenders are nurtured • 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



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Commentary

- 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 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

Appetite

The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. The Board has some appetite for interest rate risk 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.

Change in the year

Decreased risk

Our refinancing activity has extended debt maturity and mitigates further 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.

Read more in
Financial review page 46
Going concern and viability page 100

A review of our risk

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 on pages 82 to 99;
- 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%;
- 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 on page 120 of 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.

Governance Overview

Our strong governance framework underpins the way we manage the business and supports the successful delivery of our strategy in a way that is both legally compliant and responsible.

This report sets out the Company's governance policies and practices and explains how the Board and its Committees discharge their duties, apply the principles and comply with the provisions of the UK Corporate Governance Code.

[IMAGE REMOVED]

106
Board leadership and company purpose

Provides an overview of how the Board leads, its activities in the year and how it has considered its stakeholders and S172 responsibilities.

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Division of responsibilities

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At a glance

Board changes

[IMAGE REMOVED]

In January 2023, we announced that Alistair Elliott, who joined the Board as a Non Executive Director in May 2022, will be appointed as Chair of the Board and Nomination Committee with effect from 11 July 2023, succeeding Patrick Vaughan who served throughout the year. As a result, from the date of his appointment as Chair of the Board, we will be fully compliant with Provision 19 of the Code.

[IMAGE REMOVED]

In March 2023 we announced the appointment of Suzy Neubert as a Non Executive Director of the Board, succeeding Rosalyn Wilton who has served for nine years and retires in May 2023. Female representation on the Board was 36% at the year end.

[IMAGE REMOVED]

Kitty Patmore replaces Rosalyn Wilton as Audit Committee Chair following her retirement in May 2023 and Suzy Neubert becomes a member of the Audit Committee.

Read more about Board appointments on page 127

A Balanced Board

36%
Female representation
At 31 March 2023

1 Board member
Ethnic diversity
At 31 March 2023

100%
Board meeting attendance
During the year

70%
Board independence
At 31 March 2023

Read more about the Board of Directors on page 108

Board focus

- Earnings growth and a progressive dividend
- Arranged new debt and hedging
- Focus on LTV
- Approved transactions totalling £393 million
- Progressed ESG journey
- Determined new Remuneration Policy
- Audit tender and recommendation
- Internal performance evaluation

Read more about the Board in action on page 115

9.5p dividend
2022: 9.25p

£273m disposals

£275m new debt

32.8% LTV
2022: 28.8%

Statement of compliance with UK Corporate Governance Code

The Board has considered the Company's compliance with the provisions of the UK Corporate Governance Code (the 'Code') published by the Financial Reporting Council in July 2018, publicly available at www.frc.org.uk.

The Board considers that the Company has complied with the provisions set out in the Code throughout the year under review and to the date of this report, except as set out below:

Provision		Explanation	Current status
19	The Chair should not remain in post beyond nine years from the date of their first appointment to the board.	For the period 1 April 2022 to 11 July 2023, we were not compliant with Provision 19 of the Code as our Chair during this period (Patrick Vaughan) had served for more than nine years. The Board felt that this was necessary on a short term basis in order to facilitate an orderly succession and protect the stability in the leadership team during particularly uncertain times.	We appointed Alistair Elliott as independent Non Executive Chair with effect from 11 July 2023 and are now fully compliant with Provision 19.
38	The pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the workforce.	The maximum pension contribution for newly appointed Executive Directors is 10% in line with employees. From 1 April 2022 to 31 May 2022 Executive Directors received a salary supplement of 12.5% in lieu of pension contributions which reduced to 10% from 1 June 2022.	We were fully compliant with Provision 38 from 1 June 2022 as the pension contribution rates for all Executive Directors was 10% (aligned with the wider workforce).
3	In addition to formal general meetings, the Chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against strategy.	During the year, Robert Fowlds, as SID, attended six meetings and conferences with shareholders alongside the Executive Directors, and independently fed back matters arising and viewpoints at Board meetings. The Chair did not attend investor meetings as it was felt that *Robert had significant relevant experience and was an* independent sounding board for investors and therefore an appropriate point of contact.	The Board feels that it will be beneficial for Alistair, as the newly appointed Chair, to attend investor meetings outside of the AGM in addition to the existing SID engagement. We expect to be compliant with this provision next year.

Statement on Board Diversity

The Board has considered Listing Rule 9.8.6R (9) relating to Board diversity as at 31 March 2023.

The Board considers that the Company has met the target set out in Listing Rule 9.8.6R (9)(a)(iii) that at least one Board member is from an ethnic minority background but has not met the other two targets as set out below:

Provision		Explanation	Current status
9(a)(i)	At least 40% of the individuals on the Board of Directors are women.	At 31 March 2023, female representation on the Board was 36%, up from 33% last year end and 30% at the last AGM. Female representation will fall to 33% following the AGM in July 2023.	Female representation throughout the year from the AGM in July 2022 was 30%. This progressed in March to 36% following the appointment of Suzy Neubert and to 33% following Board changes at the AGM. We are committed to improving female representation on the Board and progressing towards the 40% target to the extent that we have the opportunity.
9(a)(ii)	At least one of the senior positions of Chair, Chief Executive, Senior Independent Directors or Finance Director on the Board of Directors is held by a woman.	At 31 March 2023, all of these senior positions were held by men.	We will be addressing this imbalance later this year in September as Robert Fowlds will be stepping down as SID and we will be replacing him with one of our current female Non Executive Directors.

Board leadership and company purpose

Chair's introduction

[IMAGE REMOVED]

Whilst the disruption caused by the pandemic is largely behind us, geopolitical and economic uncertainty has persisted this year. War in Ukraine and the macroeconomic challenges of rising inflation and interest rates have destabilised the investment market.

Patrick Vaughan
Chair

Once again, the strength and stability of our leadership team has helped us navigate these uncertain times. The executive team has worked hard to protect the interests of shareholders, consider the needs of our occupiers and execute our business strategy. My statement on page 11 looks at our overall business performance and resilience during the year. This introduction focuses on our continued commitment to strong governance processes.

Board changes and succession

As previously announced, I will retire as Chair and step down from the Board with effect from 11 July 2023 and Alistair Elliott will become both Board and Nomination Committee Chair. My tenure was extended to protect the stability of the leadership team through the pandemic and more recently until a suitable replacement was found. Alistair joined the Board as a Non Executive Director in May 2022 and, having previously been former Senior Partner and Group Chair of Knight Frank, brings a unique combination of property and managerial skills to the Board. It has been a privilege to Chair the Board for the last ten years, working alongside an exceptionally dedicated and successful CEO and management team to whom I extend my sincere thanks.

We announced last year that Rosalyn Wilton's tenure was approaching nine years, so the Nomination Committee has led the search for her replacement. Russell Reynolds were appointed to search for suitable candidates for both my successor and also for Rosalyn and I am delighted to have welcomed Suzy Neubert to the Board as a Non Executive Director and member of Audit Committee.

Suzy is a qualified barrister by training and has enjoyed a long and successful career in financial services and asset management, having previously been Managing Director of Equities at Merrill Lynch and Global head of sales & marketing at J O Hambro Capital Management. Suzy brings to the Board a wealth of knowledge and experience of the fund management industry and capital markets, over ten years' experience as a board director and has the right personal qualities to complement and enhance the existing skill set of the Board.

Rosalyn continued in her role as Audit Committee Chair to oversee the year end audit and financial statements and has stepped down following the approval of the Annual Report and announcement of results in May. I would like to take this opportunity to thank Ros for her valuable contribution to the Company and excellent leadership of the Audit Committee. We have also appointed Kitty Patmore to succeed her as Chair of the Audit Committee.

In order to protect the stability of the leadership team and with two Board departures already announced this year, James Dean has continued to serve as a Director despite his tenure reaching 13 years. We believe he continues to exercise objective and independent judgement and adds great value to all Board decisions, drawing on his extensive property expertise. However, we are mindful of Provision 10 of the Code on independence and, given the length of James's service, have not categorised him as an independent Board member this year. We remain fully compliant with the Code's requirement with 70% independent Board members at the year end.

Culture, Stakeholders and S172

Our culture is not a set of rules but desired behaviours that we seek to demonstrate through leading by example. With only 35 employees, the Board works in close proximity to all staff members and is involved in all significant decisions. Our NEDs are regular visitors to the office and keep abreast of transactions, financing and other corporate activity through discussions with the Senior Leadership Team.

We encourage staff to behave in an open, honest and respectful way in a collaborative and supportive environment that allows each individual to thrive and develop whilst delivering our strategy.

We believe our culture is a key strength that has enabled us to perform well despite the economic challenges we have faced, and we are proud of our high staff retention rates and contented workforce, as demonstrated by our employee engagement scores. Staff understand and support our strategy and are focused on delivering it.

Read more on Our cultural framework on page 112

Our stakeholder relationships are critical to our longer term success and our investment, asset management and development teams have a continuous dialogue with a wide range of stakeholders and have built very strong relationships with them. This strength enables us to capture growth and deliver financial returns in an increasingly sustainable way.

Whilst the Board's direct engagement is with shareholders and employees, we have oversight of the wider team's relationships with occupiers, suppliers and the communities within which we operate.

This is set out on pages 63 to 75 along with the feedback received and any resulting outcomes

Shareholder engagement is led by the Executive Directors and we are proud of the comprehensive programme they maintain. This has been strengthened this year by the attendance of Robert Fowlds, our Senior Independent Director, at six meetings and investor conferences.

Our strong banking relationships helped us secure a new £275 million sustainability-linked debt facility in the year and lengthen the maturity on a further £400 million of debt facilities, such that we have considerably reduced our refinancing risk. We have also mitigated our exposure to rising interest rates by purchasing £225 million of interest rate swaps at an average rate of 2.52%, which has increased the proportion of debt hedged as at the year end to 93%.

Diversity and inclusion

We recognise that a diverse organisation brings a wide range of perspectives to the table, and therefore look to employ and retain individuals with a range of skills, expertise and beliefs, and to operate in a working environment that is free of discrimination and bias.

We continue to support initiatives including Real Estate Balance, to promote gender diversity in the real estate sector and the FTSE Women Leader's target of 40% female representation on the Board. We are mindful of the new Listing Rule requirements on Board diversity and meet one of the three targets that at least one Board member is from an ethnic minority background. Female representation on the Board progressed from 30% throughout the year from the last AGM, to 36% at the year end and 33% following the 2023 AGM. We are committed to improving this to the extent that we have the opportunity. Robert Fowlds will be stepping down as SID in September and we will replace him with one of our current female Non Executive Directors.

Read more in the Nomination Committee report on page 124

Remuneration Policy

The Remuneration Committee's focus this year was to review and update our Remuneration Policy for Executive Directors with the assistance of our advisors PwC and ahead of the shareholder vote at the 2023 AGM. Robert Fowlds as Chair consulted with 22 major shareholders representing 63% of the Company's share capital as well as the Investment Association and proxy agencies. Key issues raised by shareholders were taken into consideration and the final proposed Policy was amended accordingly. We believe the new Policy continues to fairly reward and incentivise the Executive Directors whilst aligning with the interests of shareholders and complying with the Code.

Read more on new Remuneration Policy on page 144

Internal Board evaluation

Our performance evaluation follows a three year cycle and this year it was undertaken internally. I am pleased to report that the Board and its Committees continue to operate effectively, in an open and supportive environment with the right balance of skills and knowledge to carry out their duties and support the business. I would like to thank my fellow Board members for their continued support and for the valuable contribution they make. Next year's review will be externally facilitated in accordance with the Code's recommendations.

Read more on Board performance evaluation on page 130

Our ESG journey

We continue to see our stakeholders, particularly our investors, elevate the importance of ESG in their decision making. Our strategy continues to embed responsible practices into our day to day activities in order to create resilience in our portfolio and progress our Net Zero Carbon ambitions, which are discussed in detail on page 36.

We continue to assist our occupiers by providing buildings that can meet their net zero targets and seek to reduce emissions from our developments.

The Board fully understands the increasing importance of ESG and has committed to holding a separate meeting each year to focus on our ESG journey, targets and progress. This year the meeting was held in February and was led by the Head of Investor Relations and Sustainability and the Strategy Director.

We strive to maintain and improve the clarity of our reporting to you and are once again proud to have achieved EPRA Gold Awards for both our sustainability and financial reporting last year.

Read more in the Responsible Business and ESG review on page 54

Looking ahead

We continue to focus on the resilience of our business to the current economic and political uncertainties, most particularly the challenges of higher inflation and interest rates and the impact these are having on the UK property market. This has had a major adverse effect on our property values but not to our profitability or high level of property occupation. We believe these will continue and values will respond in our favour as interest rates return to normal.

Our clear strategy is to maintain a strong balance sheet to allow us to navigate these challenging times and make the right decisions.

I would like to take this opportunity to thank my fellow Board members for their tireless dedication and support over the long period that I have presided and wish Alistair every success in his new role as your Chair.

Patrick Vaughan
Chair
24 May 2023

Board leadership and company purpose

Board of Directors

The Board is made up of a group of talented individuals with wide-ranging commercial experience from a range of industries and sectors.

Patrick Vaughan N
Chair of the Board and Nomination Committee
Appointed: 13 January 2010
Retires from the Board: 11 July 2023

Patrick has been involved in the UK property market since 1970. He was a co-founder and CEO of Arlington, of Pillar, and of London & Stamford, leading all three of the companies to successful listings on the FTSE main market. Upon completion of London & Stamford's merger with Metric in January 2013, he was appointed Chair, becoming Non Executive Chair on 1 October 2014. Patrick also served as an Executive Director of British Land 2005 to 2006, following its acquisition of Pillar.

Other appointments: None

Andrew Jones
Chief Executive
Appointed: 25 January 2013

Andrew was a co-founder and CEO of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. On completion of the merger, Andrew became Chief Executive of LondonMetric. Andrew was previously Executive Director and Head of Retail at British Land. *Andrew joined British Land in 2005 following* the acquisition of Pillar where he served on the main Board.

Other appointments: Non Executive Director of Instavolt Limited.

Martin McGann
Finance Director
Appointed: 13 January 2010

Martin joined London & Stamford as Finance Director in September 2008 until its merger with Metric in January 2013, when he became Finance Director of LondonMetric. Between 2005 and 2008, Martin was a Director of Kandahar Real Estate. From 2002 to 2005 Martin worked for Pillar, latterly as Finance Director. Prior to joining Pillar, Martin was Finance Director of the Strategic Rail Authority. Martin is a qualified Chartered Accountant, having trained and qualified with Deloitte.

Other appointments: None

Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Committee Chair
- Committee member

[IMAGE REMOVED]

Left to right: Andrew Livingston, Suzanne Avery, Patrick Vaughan, Andrew Jones, Robert Fowlds

Alistair Elliott
Independent Director
Appointed: 26 May 2022
Becomes Board and Nomination Committee Chair: 11 July 2023

Alistair was appointed to the Board on 26 May 2022. He was previously Senior Partner and Chair of the Knight Frank Group Executive Board, where he drove the group's global strategy. Alistair has also previously been Vice Chair and Trustee of LandAid, a member of the BPF Policy Committee and the real estate representative of the Professional and Business Services Council, Chairman of the Office Agents Society and Chair of the Property Advisors Forum.

Other appointments: Member of the Prince's Council and Chairman of The Commercial Property and Development Committee for the Duchy of Cornwall. Council member for the Duchy of Lancaster. Non Executive Director to the Board of Grosvenor Great Britain and Ireland.

Robert Fowlds A N R
Senior Independent Director and Chair of Remuneration Committee
Appointed: 31 January 2019

Robert was appointed to the Board in January 2019. He has 40 years' experience in real estate and finance and is a Chartered Surveyor. He was head of real estate investment banking at J.P. Morgan Cazenove until retiring in 2015 and, prior to joining J P Morgan Cazenove in 2006, an equity analyst at Merrill Lynch and Dresdner Kleinwort Benson.

Other appointments: Member of the Supervisory Board of Klepierre S.A.

[IMAGE REMOVED]

Left to right: Rosalyn Wilton, Suzy Neubert, Martin McGann, Alistair Elliott, James Dean, Katerina Patmore

Rosalyn Wilton (A) (R)
Independent Director and Chair of Audit Committee
Appointed: 25 March 2014
Retires from the Board: 24 May 2023

Rosalyn was appointed to the Board in March 2014, becoming Chair of the Audit Committee in March 2015. She has held a number of non executive directorship positions, including with AXA UK Limited where she acted as Chair of the Risk Committee, and Optos Plc, where she was Chair of Remuneration. She has previously served as Senior Advisor to 3i Investments and Providence Equity Partners, Chair of Ipreo Holdings LLC, and has previously worked for Reuters Group where she was a member of the Executive Committee. Until March 2022, Rosalyn was Trustee and Vice Chair of the Harris Federation and Chair of Governors of Harris Academy Bromley.

Other appointments: Independent Trustee, Deputy Chair and Chair of Finance of the University of London.

Suzy Neubert
Independent Director
Appointed: 29 March 2023
Joins the Audit Committee: 24 May 2023

Suzy was appointed to the Board on 29 March 2023 and became a member of the Audit Committee on 24 May 2023. She has extensive capital markets and financial services experience as both Executive and Non Executive Director. Her Executive Director roles have included Managing Director of Equities at Merrill Lynch followed by 14 years as Global head of sales & marketing at J O Hambro Capital Management. Suzy previously held the position of Senior Independent Director of Witan Investment Trust, having recently retired.

Other appointments: Non Executive Director of Jupiter Fund Management plc, Non Executive Director of LV= and Non Executive Director of Isio Topco Limited the pensions & actuarial firm.

Andrew Livingston (N) (R)
Independent Director
Appointed: 31 May 2016

Andrew was appointed to the Board in May 2016. In April 2018, Andrew was appointed Chief Executive of Howden Joinery Group Plc, having been the Chief Executive of Screwfix since 2013 and previously their Commercial and Ecommerce Director from 2009 to 2013. Before joining Screwfix, Andrew was Commercial Director at Wyevale Garden Centres between 2006 and 2008 and then Chief Operating Officer between 2008 and 2009. Andrew has worked previously at Marks & Spencer, CSC Index and B&Q where he was Showroom Commercial Director from 2000 to 2005.

Other appointments: Chief Executive of Howden Joinery Group Plc and Director of Vedoneire Limited.

Suzanne Avery (A) (N) (R)
Independent Director
Appointed: 22 March 2018

Suzanne was appointed to the Board in March 2018. She has over 25 years' experience in corporate banking, holding various Managing Director roles at RBS, including Managing Director of Real Estate Finance Group & Sustainability, where she was responsible for REITs, Property Funds and London based private property companies as well as for the RBS corporate bank sustainability strategy.

Other appointments: Church Commissioner and Chair of the Church Commissioners Property Group, senior advisor to Centrus Advisors, Non Executive Director of Richmond Housing Partnership Limited, and Deputy Chair of Real Estate Balance.

Katerina Patmore (Kitty) (A)
Independent Director
Appointed: 28 January 2021
Becomes Audit Committee Chair: 24 May 2023

Kitty was appointed to the Board in January 2021, joining as part of the Company's Audit Committee. Kitty is Chief Financial Officer of Harworth Group plc and has 16 years of finance, banking and real estate lending experience drawn from roles at Harwood, DRC Capital and Barclays Bank PLC. She was also formerly a National Director of the Investment Property Forum.

Other appointments: Chief Financial Officer of Harworth Group plc.

James Dean
Director
Appointed: 29 July 2010

James was appointed to the Board in July 2010. He is a Chartered Surveyor and has worked with Savills plc since 1973, serving as a Director from 1988 to 1999.

Other appointments: Non Executive Director of Capsicum Holdings Ltd and Chair of London & Lincoln Properties Ltd and Patrick Dean Ltd.

Board leadership and company purpose

Management team

The Board delegates the execution of the Company's strategy and day to day running of the business to the Senior Leadership Team which operates under the direction and leadership of the Chief Executive.

The team comprises departmental heads from all key business functions with a diverse range of skills and experience and meets regularly to discuss the key operational and financial aspects integral to the management of the business including the evolution of strategy, risk, financial and operating targets and performance, investment opportunities, allocation of capital and employee matters.

Regular meetings facilitate talent development below Board level and promote the culture and values of the business, as key messages and decisions are fed down from departmental heads to the wider workforce.

There are informal meetings at other times and due to the size of the organisation, the Executive Directors and Senior Leadership Team are involved in all significant business discussions and decisions.

The Senior Leadership Team is supported by three sub-committees, each focusing on different areas of the business: the Investment, Asset Management and Finance Committees, which meet regularly.

25%

Female representation
(excluding Executive Directors)

Responsibilities of the Senior Leadership Team

- Acquisitions & disposals
- Staff wellbeing
- Cash flow, liquidity, debt
- Asset management, development & valuation
- Financial forecasts and results
- Risk & mitigation

[IMAGE REMOVED]

Andrew Jones A I F
Chief Executive
Read Andrew's full biography on page 108

[IMAGE REMOVED]

Martin McGann F
Finance Director
Read Martin's full biography on page 108

[IMAGE REMOVED]

Valentine Beresford I
Investment Director
Joined: 25 January 2013

Skills and experience: Valentine was co-founder and Investment Director of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. Prior to setting up Metric, Valentine was on the Executive Committee of British Land and was responsible for all their European retail developments and investments. Valentine joined British Land in July 2005, following the acquisition of Pillar, where he also served on the Board as Investment Director.

[IMAGE REMOVED] A

Mark Stirling A
Asset Director
Joined: 25 January 2013

Skills and experience: Mark was co-founder and Asset Management Director of Metric from its inception in March 2010 until its merger with London & Stamford in January 2013. Prior to the setting up of Metric, Mark was on the Executive Committee of British Land and as Asset Management Director was responsible for the planning, development and asset management of the retail portfolio. Mark joined British Land in July 2005 following the acquisition of Pillar where he was Managing Director of Pillar Retail Parks Limited from 2002 until 2005.

Committee membership

- A Asset Management Committee
- I Investment Committee
- F Finance Committee

[IMAGE REMOVED]

Andrew Smith A I
Strategy Director
Joined: 6 May 2014

Skills and experience: Andrew joined LondonMetric in May 2014 from British Land where he worked for nine years. Previously Andrew worked for Pillar. At British Land he was a senior member of the retail team and Head of Investment Portfolio Management. Since joining LondonMetric, Andrew has been responsible for the development of the Company's strategy as well as portfolio management.

[IMAGE REMOVED]

Will Evers I
Head of Long Income
Joined: 17 May 2010

Skills and experience: Will joined Metric from inception in 2010 having previously worked at LaSalle Investment Management and Bear Stearns. Will's primary focus is to source and execute investment opportunities whilst having responsibility for the portfolio management and performance of the long income and retail portfolio.

[IMAGE REMOVED]

Ritesh Patel F
Corporate Finance
Joined: 21 November 2011

Skills and experience: Ritesh is a Chartered Accountant and joined London & Stamford in 2011 having previously qualified with BDO LLP. Ritesh is an integral part of the banking and corporate finance team and is also responsible for the corporate forecasting model.

[IMAGE REMOVED]

Jackie Jessop F
Head of Finance
Joined: 1 March 2006

Skills and experience: Jackie joined London & Stamford as Financial Controller on its inception in 2006 having worked previously for Pillar as Financial Controller. She became Head of Finance at LondonMetric in 2013. Jackie is a qualified Chartered Accountant and is responsible for all aspects of financial management and reporting.

[IMAGE REMOVED]

Gareth Price F
Head of Investor Relations and Sustainability
Joined: 5 January 2015

Skills and experience: Gareth joined LondonMetric in 2015 having previously worked in corporate broking at Cantor Fitzgerald and Oriel Securities. He supports the Executive Directors at shareholder roadshows and events and also heads our Responsible Business and Sustainability team.

[IMAGE REMOVED]

Jadzia Duzniak F
Company Secretary
Joined: 23 April 2007

Skills and experience: Jadzia joined London & Stamford in 2007 prior to its IPO and became Company Secretary on merger with Metric in 2013. Jadzia is a qualified Chartered Accountant and her role extends to corporate finance, banking arrangements and transactions.

Board leadership and company purpose

Our cultural framework

We are a small and highly focused team with strong real estate and financial expertise. We strive to operate in an open, honest and respectful manner, listening and engaging with stakeholders and acting with integrity to deliver our strategic objectives.

We believe in open and collaborative communication and a 'can do' attitude, doing the right thing for the long term, through empowerment, inclusion, openness and teamwork.

Our purpose sets out to employees, occupiers and other stakeholders what we do and why. It is documented on page 1 and underpins our strategic priorities and long term direction set by the Board, and guides our decision making.

Our values articulate what we believe in and drive desired behaviours and our underlying approach to doing business. Our values are embedded into our everyday practices by the direct involvement of the Executive Directors and Senior Leadership Team, who lead by example and demonstrate the behaviour that underpins our culture, which can be broadly defined as:

- Operating with honesty, integrity and respect for the people we work and interact with;
- Working together in an environment characterised by openness, trust and fairness;
- Empowering and trusting our employees to take responsibility and make decisions; and
- Promoting diversity and inclusion throughout the organisation and the equality of progression and reward.

Our culture embodies our values and guides the way we work and interact with each other and our stakeholders. It drives the right behaviours and is therefore key to our long term success.

We believe our culture is a key strength that has enabled us to perform well despite the economic challenges we have faced this past year, and we are proud of our high staff retention rates and contented workforce, as demonstrated by our employee engagement scores. Staff understand and support our strategy and are focused on delivering it.

You can read more on our values and culture on page 66

Our Purpose	What we do and why	To own and manage desirable real estate that meets occupiers' demands, delivers reliable, repetitive and growing income-led returns and outperforms over the long term				Read more on page 1
Our strategy	How we achieve this through our strategic priorities	Own	Manage	Collaborate	Generate	Read more on page 14
Our values	What we believe in	Empowerment	Inclusion	Openness	Teamwork	Read more on page 66
Our behaviours	The way we work	Trusting our employees to take responsibility and make decisions	Promote diversity throughout the organisation and the equality of opportunities	Work together in an environment characterised by openness, trust and fairness	Operate with honesty, integrity and respect for the people we work and interact with	

Board leadership and company purpose

How the Board monitors culture

Our Board and Senior Leadership Team recognise that the culture within the Company is set from the top and is demonstrated by the way in which they conduct themselves.

Our culture is not a set of rules but desired behaviours that we seek to demonstrate through leading by example. The Chair is responsible for setting this tone from the top and fostering the culture and values of the Board and wider organisation. When hosting Board meetings, he facilitates a collaborative atmosphere in which all Directors are able to voice their opinions and contribute to the debate and no one individual dominates. The ability for Board members to speak freely in a supportive environment is crucial for effective decision making. This culture and thinking permeates throughout the organisation through the close interaction of the Executive Directors and Senior Leadership Team in day to day activities, who lead by example and demonstrate the behaviours that underpin our culture. The close proximity between the Board and small workforce makes it easier for the Board to engage with staff and monitor the culture in a way that is much more difficult for larger companies. Our NEDs are regular visitors to the office and keep abreast of transactions, financing and other corporate activity.

A key objective for the Board is to monitor our culture and address any instances of where it is concerned that policy, practices or behaviour are not in line with the Company purpose, values or strategy. In such cases, the Board would seek assurance from the Senior Leadership Team that it has taken corrective action. There were no concerns raised in this regard in the year.

Our size, being only 35 employees and the regularity of Board interaction with employees, facilitates the monitoring of culture and implementation of our values, which we do in a number of ways as follows:

- Inclusion of culture and value-led questions within our annual employee survey;
- Regular face to face engagement with employees through the annual designated workforce NED meeting, attendance at Board and Committee meetings and at Board site visits as well as ad hoc interaction in the office;

[IMAGE REMOVED]

- Regular reporting and feedback from the Executive Directors and designated workforce NED following staff surveys and the annual designated workforce NED meeting, highlighting what we do well and where improvements can be made;
- Involvement of staff in the induction and training sessions for new Board members which followed the appointment of Suzy Neubert as a new Non Executive Director;

Read more on page 127

- Annual one-to-one staff appraisals undertaken by the Executive Directors and Senior Leadership Team members provide the opportunity to freely discuss career progression, training and development and wellbeing and to reflect on and reinforce desired behaviours, as well as providing a forum for staff to raise issues and concerns;
- Feedback from other stakeholder engagement programmes including our annual occupier survey help the Board assess how our behaviours are embedded into the way we do business; and
- Monitoring of staff turnover rates, whistleblowing and health and safety incidents.

With the pandemic and enforced periods of home working thankfully behind us, we have successfully returned our operations to the office for all staff, whilst learning from the positive changes made to practices as a result of the pandemic, including the ability to work flexibly from home when it is best for the business, most productive and for the wellbeing of our staff, and the widespread use of virtual meeting platforms. We do not believe in a companywide work from home policy as we recognise the incredible value of collaborating together, innovating together, and working together, especially for employees who are at the beginning of their career and at the transactional end of our business. We firmly believe that we are better together in an office environment that facilitates better sharing of ideas, creativity and collaboration.

The Board believes that we continue to retain a highly motivated and engaged team that demonstrate our desired behaviours. However, they continue to look for opportunities to strengthen our culture and drive our values, which this year included the following action points following the results of the annual staff survey:

- Retain a working arrangement to best accommodate team working and collaboration alongside flexibility where it is good for the business;
- Take specific feedback into account when reorganising the office space next year, including stand-up desks and more quiet areas; and
- Promote and encourage training and development opportunities.

Read more on People on pages 66 to 68

Read more on work of the designated workforce NED on page 69

Board leadership and company purpose

How the Board monitors culture
continued

The Board continues to monitor the culture of the Company through a variety of ways including consideration of the following key indicators and feedback:

Results of the annual employee survey

97%
Employee engagement with 33 responses received

94%
Feel proud to work for the Company

85%
Agree there is a strong culture of teamwork and collaboration

Learn more on page 68

Low staff turnover rate

6%
Average staff turnover since merger

[IMAGE REMOVED]

[IMAGE REMOVED]

Words employees used to describe LondonMetric

"Agile"

"Teamwork"

"Successful"

"Entrepreneurial"

"Supportive"

Whistleblowing incidents

None

Strong promoter score

8/10
Recommending LondonMetric as a place to work

Involvement of senior managers in the induction and training sessions for new Board members

Learn more on page 127

Board leadership and company purpose

The Board in action

The work of the Board in 2023

The Board attended six scheduled meetings during the year to discharge its duties and regularly received briefing papers to consider significant transactions.

The Board has oversight of property acquisitions and disposals and approved all transactions over £10 million.

A summary timeline of key events is provided below and further detail on matters considered, decisions made and resulting outcomes is set out in the table on pages 116 to 117.

2022

12 April 2022
2022 Q3 dividend payable to shareholders on the register on 11 March 2022
2.2p per share

May 2022 and June 2022
Full year roadshow in the UK and US (New York and Boston) led by the Executive Directors and Head of Investor Relations. Robert Fowlds attended six meetings

13 July 2022
First in person AGM since 2019
2022 Q4 dividend paid
2.65p per share

7 October 2022
2023 Q1 dividend paid
2.3p per share

23 November 2022
2023 half year results announcement

December 2022
The Executive Directors and Head of Investor Relations met with investors following the half year results announcement, including an overseas roadshow in Holland

26 May 2022
2022 full year results announcement

c.240 investor meetings in the year

20 July 2022
Robert Fowlds (SID) visited six sites in Bedford and Luton accompanied by the Asset Director and two senior managers

12 September 2022
Suzanne Avery and Alistair Elliott visited four sites in Bedford, Luton, Hertford and Hemel Hempstead accompanied by the Asset Director and three senior managers

18 October 2022
Alistair Elliott visited six sites in Birmingham and Coventry accompanied by the Asset Director and two members of the Asset Management team

2023

8 February 2023
Dedicated ESG meeting held by the Audit Committee and led by the Strategy Director and Head of Investor Relations and Sustainability

Deloitte presented their annual corporate governance update to the Board and finance team

29 March 2023
Suzy Neubert appointed as a Non Executive Director

10 January 2023
2023 Q2 dividend paid
2.3p per share

26 January 2023
Company announced that Patrick Vaughan will step down as Chair of the Board and Nomination Committee on 11 July 2023 and be succeeded by Alistair Elliott

28 March 2023
Remuneration Committee recommended to the Board the new Remuneration Policy following an extensive shareholder consultation process

Board leadership and company purpose

The Board in action
continued

Own

Manage

Collaborate

Generate

Strategy & Operations

Matters considered	Decisions made and outcomes
Strategy was discussed at each meeting, led by the CEO and in-depth at three off site lunches which were also attended by the Investment, Asset and Strategy Directors. Particular focus and debate this year on the impact inflation and interest rate increases were having on the investment and occupier markets and whether there was a need for any changes to strategy.	Hybrid model of logistics and long income retained. Focus on income progression and asset management. Focus on financing strategy to mitigate against interest rate and refinancing risk. Focus on disposals to manage LTV.
Considered the capital allocation for investment acquisitions and developments, taking into consideration property yields, uncertainty in the investment market and the impact on gearing levels.	Approved acquisitions and disposals over £10m including the sale of our distribution warehouse in Reading for £60.6m and forward funded investments in Leicester and Uckfield. Approved total disposals of £273m and acquisitions of £120m.
Property tours arranged for three Non Executive Directors to accompany the Asset Director and members of the Asset Management and Development teams.	16 sites were visited across Birmingham, Bedfordshire and Hertfordshire and two sites in London covering logistics, long income, trade and development assets.

Governance, Leadership & Regulatory

Matters considered	Decisions made and outcomes
Appointed Russell Reynolds to assist in the search for a new Non Executive Director and Chair of the Board, with particular focus on Board diversity.	Appointment of Alistair Elliott as Chair from July 2023. [IMAGE REMOVED] Appointment of Suzy Neubert as NED in March 2023. [IMAGE REMOVED]
Participated in the annual performance review of the Board and its Committees led by the Nomination Committee, and evaluated the results.	Concluded that the Board and its Committees continue to operate effectively and recommendations made will be considered and an update provided next year.
The Audit Committee led the external audit tender process in line with best practice recommendations.	Invited four firms to participate and received reports and presentations from Deloitte and BDO, following which a recommendation was made to the Board to reappoint Deloitte as external auditor for the next financial year.

36%
Female representation at 31 March 2023

70%
Independent at 31 March 2023

£393m
transactions approved

c.240
investor meetings and conferences in the year

£275m
new debt to mitigate refinancing risk

6%
Average staff turnover over the last ten years

Finance & Risk

Matters considered	Decisions made and outcomes
Considered the Group's financing arrangements, focusing on debt maturity, hedging and the optimal level of gearing, which included input from external advisors Chatham Financial and a paper from the Finance Director on hedging options and cost.	Approved the refinancing of shorter term debt facilities with a new £275m RCF to mitigate refinancing risk. Approved the purchase of £225m interest rate swaps at a cost of £15m to mitigate exposure to rising interest rates. Managed LTV through disposals.
Attended meetings with independent valuers' and Deloitte to scrutinise the interim and annual property valuations included in the half year and full year results.	Approved the half year and full year results announcements and Annual Report.
The Audit Committee reviewed the internal control framework and risk register and also considered cyber security and tenant covenants The Audit Committee received a paper setting out the processes undertaken to support the Board's governance statements	Concluded that the risk management system continues to be effective and the internal control framework is sound. Approved the Board statements on S172 viability, going concern and whether the Annual Report is fair, balanced and understandable.

People & Stakeholders

Matters considered	Decisions made and outcomes
Continued to monitor culture by considering the results of the annual staff survey and report from the designated workforce NED following his annual roundtable with a small group of employees, which was attended by the Remuneration Committee Chair to welcome questions and explain the components and determination of executive pay.	Low staff turnover of 6% on average over the last ten years and good survey results, with 94% of staff feeling proud to work for the Company, indicating a happy and motivated workforce. Feedback received has led to action points as discussed on page 113.
Attendance at Board and Committee meetings and presentations given by members of the Senior Leadership Team and wider organisation.	Wider viewpoints encouraged. Promotes increased interface with NEDs and staff development and progression.
Annual presentation from members of the Senior Leadership and Development Teams on the Company's ESG journey in response to increasing regulation and investor focus.	Progress against targets and ambitions will be reviewed at a separate dedicated meeting of the Audit Committee on an annual basis going forward.
Shareholder consultation exercise to consider the new Remuneration Policy proposals.	Remuneration Committee considered feedback and revised the final Policy which was recommended to the Board.
Remuneration Committee considered wider workforce pay and alignment to Executive Directors.	Agreed Directors' pay increases in line with the workforce average of 4.2%.
Feedback from shareholder roadshows, meetings and presentations was provided by the Executive Directors who have met with 241 investors in the year. The SID also attended six meetings and conferences and fed back to the Board.	An important and extensive investor liaison programme continues to be followed and feedback received, including ESG and diversity considerations, is instrumental to future decision making both operationally and from a governance perspective.
Considered feedback from the 2022 occupier survey presented by the Strategy Director.	Satisfaction score was consistent with the previous year but fewer responses were received. Environmental focus had increased and asset managers are pursuing green initiatives in partnership with occupiers. 2023 occupier survey results were strong with on average 8.7 out of 10.0 recommending LondonMetric as a landlord as reported on page 65.

In addition to the specific work of the Board noted, regular matters are discussed at each meeting including:

- Property investment market yields and trends in light of economic and political uncertainties including rising inflation and interest rates
- Quarterly performance against budgets and analyst consensus
- Rolling three year financial forecasts, liquidity and banking covenants
- Risk dashboard and emerging risks
- Quarterly dividend, scrip and PID

Key focus in 2024

- Continue work on Board diversity and replacement of SID
- Continued focus on ESG journey
- External Board and Committee performance evaluation

Board leadership and company purpose

Companies Act 2006 Section 172 Statement

The Board of Directors can confirm that during the year ended 31 March 2023 they have, both individually and collectively, acted in a way that they consider in good faith would be most likely to promote the long term success of the Company for the benefit of its members as a whole, having regard to the matters set out in S172(1)(a) to (f) of the Companies Act 2006. We set out in the table below how we have considered each of the requirements of S172 with references to further reading.

S172 matter	Board consideration	Further reading
1(a) The likely consequences of decisions in the long term	The Board sets the Company's purpose, which is to own desirable real estate that outperforms over the long term. It oversees management's execution of strategy to deliver this and reviews progress against targets at each Board meeting. As a REIT we hold assets for long term income generation and maintain a covered dividend. We seek to improve and enhance our properties through asset management and development actions, with particular focus on environmental considerations. Our average lease length is 11.9 years.	Our story page 1 Chief Executive's review page 15 Promoting long term success page 120 Our strategic priorities page 14
1(b) The interests of employees	Our small team of 35 employees is critical to the successful delivery of strategy and we strive to ensure they are motivated, happy and engaged. We are supporting one female graduate through an apprenticeship programme to study for her Masters in Real Estate Management, and actively encourage staff development and training, which this year has included specific real estate financial modelling training and ESG workshops.	People page 66 2023 staff survey page 68
1(c) Fostering the Company's relationships with suppliers, customers and others	Our occupiers are at the heart of our core purpose and, being a small team, we are reliant on our suppliers and advisors to help deliver our plans. Our proactive engagement allows us to build strong relationships and we listen and try to assist tenants in need. We treat our suppliers fairly ensuring prompt settlement of their invoices. Our latest occupier survey was undertaken in March 2023 and we received responses from 71 occupiers representing 46% of rent.	Occupiers page 64 2023 occupier survey page 65
1(d) The impact of the Company's operations on the community and the environment	In February, the Board received an ESG update from members of the Senior Leadership and Development teams which focused on our Net Zero pathway, responsible development and ESG measurement against industry standards. The Responsible Business Working Group is headed by the Finance Director, meets monthly and has approved charitable giving of £104,000 this year. We have introduced an ESG key performance indicator this year which measures the proportion of the portfolio with an EPC rating of A to C.	Communities page 74 TCFD page 77 ESG key performance indicator page 112
1(e) The Company's reputation and maintaining high standards of business conduct	Our values set the standards of conduct and desired behaviours of staff and we lead by example from the top. Companywide training on anti-money laundering, market abuse, whistleblowing, conduct and ethics was provided to all staff in the year to ensure these matters are taken into consideration when making decisions. We are proud to be a FTSE4Good business.	Our cultural framework page 112 GRESB page 55 FTSE4Good page 55
1(f) The need to act fairly as between members of the Company	The Board, through the Executive Directors, embraces an open and constructive dialogue with shareholders and is proud of its active engagement programme, which this year consisted of c.240 meetings and presentations. The Remuneration Committee Chair consulted on the new Remuneration Policy proposals with 22 major shareholders representing 63% of our issued share capital as well as the Investment Association and proxy voting agencies ISS and Glass Lewis.	Investors page 72 Directors' Remuneration Policy page 144

Our stakeholders

Throughout this report we set out our key stakeholders as our people, our occupiers, our investors, our contractors and suppliers, and our communities. Their importance to our business strategy and long term success is described on pages 63 to 76.

We believe that in order to generate value and long term sustainable returns we need to understand the views and take account of what is important to our key stakeholders, through *building and nurturing the relationships we have* with them. We do this through effective and proactive engagement.

Read more on our stakeholders from page 63

Stakeholder engagement

Engagement with stakeholders is both at Board level, principally with employees and shareholders, and through dedicated management teams who keep the Board fully apprised of material issues through regular reports and briefing papers. Methods of engagement include one to one meetings and roadshows both face to face and through virtual platforms, regular liaison, formal employee appraisals and occupier and employee surveys.

We set out on pages 63 to 76 of the Strategic report details of our stakeholder engagement, including the methods used, the feedback gathered and any resulting actions. We set out below how the Board considered the interests of stakeholders and the information it received through engagement when making decisions in the year.

How stakeholders and feedback from engagement has influenced Board decisions

We have continued to embed stakeholder interests into our culture and business model and nurture the strong relationships we have built with tenants and suppliers to provide workable solutions. All significant Board decisions proposed must demonstrate that the impact to stakeholders has been duly considered.

Board and Committee minutes record the consideration of stakeholders in the decision making process where relevant, and an explanation of Directors' duties under S172 is provided on induction for all newly appointed Directors.

Some examples of how the Board has considered and responded to stakeholder needs this year are set out below:

1. The Remuneration Committee Chair consulted with 22 major shareholders representing 63% of the Company's share capital, the Investment Association and proxy agencies on the proposed new Remuneration Policy ahead of a shareholder vote at the 2023 AGM. Key issues raised relating to bonus deferral, ESG targets and a dividend cover metric were discussed by the Committee and with the Company's remuneration advisors, PwC. The feedback received was taken into consideration and the proposed new policy was amended.
2. In response to shareholder voting at the 2022 AGM and 79.2% of votes received in favour of the re-election of Patrick Vaughan as Chair of the Board and Nomination Committee, we engaged with relevant shareholders to understand the rationale for their voting. Having concluded that this was due to female representation on the Board falling to below 33% at the AGM and ongoing concern that the Chair's tenure had exceeded nine years we made the following decisions:
   - Appointed Alistair Elliott to succeed Patrick Vaughan on 11 July 2023;
   - Appointed Suzy Neubert as a Non Executive Director in March 2023, replacing Ros Wilton who retires from the Board in May 2023 ; and
   - Increased female representation on the Board to 36% as at the year end and 33% following the AGM.
3. In response to the economic pressures of rising interest rates, the Board approved the acquisition of £225 million interest rate swaps which helped to increase our proportion of debt hedged at the year end to 93% and mitigate our exposure to further interest rate increases on floating rate debt.
4. The Board approved a new £275 million sustainability-linked loan facility, lengthened the maturity on £400 million of existing debt facilities and repaid shorter dated facilities to protect against refinancing risk and maintain a healthy debt maturity profile.

Read more in the Financial review page 46

5. The Board spent a significant amount of time at each meeting reflecting on market conditions and the outlook and implications for property transactions and ongoing strategy, being forever mindful of shareholder and employee interests. The following decisions were made:
   - A commitment to recycle capital out of mature and non core assets in order to protect LTV;
   - Disposals totalling £273 million; and
   - LTV at the year end was 32.8%.

Read more in the Property review page 32 and the Financial review page 46

6. The Board's continued focus on the importance of ESG to stakeholders is reflected in the following activity undertaken in the year:
   - We completed a 296,000 sq ft development in Ipswich and achieved a 50% reduction in carbon emissions. The development was BREEAM Very Good and certified EPC 'A' rated. Solar PV and ten EV chargers were installed;
   - We undertook a number of EPC reviews which, alongside net investment into more highly rated assets, has led to an increase in the proportion of assets rated 'A' to 'C', from 85% last year to 90% this year;
   - We installed five solar PV systems in response to increased occupier interest and rising energy costs; and
   - We partnered with Motor Fuel Group and Instavolt and plan to install EV charging across a number of our long income sites.
7. In response to the cost of living crisis, the Board approved one off payments to some of our employees.

Board leadership and company purpose

Board meetings and attendance during the year

		Board	Nomination Committee	Audit Committee	Remuneration Committee
Scheduled meetings		6	2	6	5
Number of members		11	4	4	4
Attendance		100%	100%	100%	100%
Member	Appointed to the Board	Independent			
Patrick Vaughan	13/1/2010	n/a	✓ Chair		
Andrew Jones	25/1/2013	N			
Martin McGann	13/1/2010	N			
Suzanne Avery	22/3/2018	Y	✓	✓	✓
James Dean	29/7/2010	N			
Alistair Elliott	26/5/2022	Y			
Robert Fowlds	31/1/2019	Y	✓	✓	✓ Chair
Andrew Livingston	31/5/2016	Y	✓		✓
Suzy Neubert	29/3/2023	Y			
Kitty Patmore	28/1/2021	Y		✓	
Rosalyn Wilton	25/3/2014	Y		✓ Chair	✓

70% Independent

Board members as at 31 March 2023

The Board has a regular schedule of meetings, timed around the financial calendar, together with further ad hoc meetings as required to deal with transactional, routine or administrative matters. The Company Secretary maintains a rolling agenda for the Board and its Committees and, in consultation with the Chair, she ensures agenda items cover the schedule of matters reserved for the Board, compliance with the Code and other regulatory requirements. All Directors are expected to attend all meetings of the Board and of the Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. On the rare occasion that a Director is unable to attend a meeting, papers will still be provided in advance and their comments and apologies for absence provided to the Board prior to the meeting.

Selected members of the Senior Leadership Team attend Board and Committee meetings and present on topics of relevance, fostering talent development below the Board and bringing fresh ideas and wider perspectives to discussions. This also promotes the interaction of Non Executive Directors with senior managers throughout the organisation. This year the Strategy Director, Head of Investor Relations and Sustainability, Head of Finance and Development managers attended Committee meetings to present and discuss relevant operational topics including ESG, cyber security and the occupier survey results. In addition, the Investment and Asset Directors provided valuable transactional updates at Board meetings and strategy is discussed at length at offsite Board lunches which are also attended by the Investment, Asset and Strategy Directors.

Minutes of all Board and Committee meetings are circulated to Directors after each meeting and are included in the next Board or Committee pack. A detailed action list is prepared by the Company Secretary, followed up by management and reviewed at the next meeting.

Promoting long term success

The Board is collectively responsible for the long term success of the business. Real estate is an inherently long term cyclical business and the Board therefore takes a longer term view when making decisions. Some examples of this include:

- The Group's financial budgets cover a three year rolling period;
- The Board discusses the Group's longer term strategy at each meeting and in-depth at off site lunches. Through these discussions, the Board and Senior Leadership Team reviews the appropriateness of its business model;
- The risk register and dashboard includes consideration of both short and longer term emerging risks;
- Alongside our strategic priorities on page 14, *we consider our longer term strategy and* focus for the next year;
- In the year, we increased our longer term debt funding and repaid shorter dated facilities; and
- We transacted on £393 million of property assets in the year which promoted the Company's long term strategy and value creation.

There has been volatility in investment markets this year due to the macroeconomic challenges of higher interest rates and inflation.

Our resilience throughout the global pandemic and the economic challenges we have faced this year demonstrates that we have a strong business model and clear strategic focus to generate long term sustainable value for our shareholders and other stakeholders.

Looking ahead, the combination of additional income from our development programme and asset management initiatives help to support sustainable and progressive earnings and dividends.

Our strategy, activities and financial results are set out in the Strategic report and our longer term focus is clearly disclosed alongside each of our strategic objectives on page 14.

Our long term sustainable growth is evidenced by the Performance highlights and Key performance indicators on pages 10 and 30 respectively.

Division of responsibilities

Leadership framework

Board of Directors

Chair: Patrick Vaughan

The Board provides leadership and direction to the business, establishes and fosters the culture, values and ethics within the organisation and oversees management's execution of strategy with appropriate challenge and support.

The work of the Board both complements and supports the work of the Senior Leadership Team. The Board is made up of a group of talented individuals with wide-ranging commercial experience from a range of industries and sectors including property, finance, banking, capital markets, risk management, sustainability and retail. Through this diversity, experience and deep understanding of the business, its culture and its stakeholders, the Board delivers sustainable value as set out in the Strategic report.

Read more on Board biographies pages 108 to 109

Read more on The Board in action page 115

Read more on Leadership roles & responsibilities page 122

Board Committees

The Board has three Committees of Non Executive Directors to which it has delegated a number of its responsibilities. The Committees ensure a strong governance framework for decision making and each operates within defined terms of reference which are reviewed annually. The Chair of each Committee provides a verbal update on the matters discussed at each meeting to the Board.

Chair: Rosalyn Wilton

The Audit Committee has oversight of the Group's financial reporting, risk and internal control processes, monitors the integrity of the financial statements and maintains an effective relationship with the Group's external auditor.

- Oversees financial reporting process
- Scrutinises significant judgements made by management
- Monitors effectiveness of risk management systems, internal control and viability
- Evaluates the external audit process
- Oversees regulatory compliance

Read more on page 132

Chair: Robert Fowlds

Responsible for determining and implementing a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives whilst maintaining stability in the management of its long term business.

- Determines and implements Remuneration Policy
- Sets remuneration packages and incentives for Executive Directors and certain members of the Senior Leadership Team
- Approves annual bonus and LTIP targets and outcomes
- Has oversight of workforce remuneration arrangements and alignment

Read more on page 139

Chair: Patrick Vaughan

Responsible for ensuring that the Board and its Committees have the right balance of skills, knowledge and experience, having due regard to succession planning and diversity.

- Recommends appointments
- Board composition and succession
- Considers skills and diversity
- Leads performance evaluation

Read more on page 124

Management Committees

Senior Leadership Team

The Board delegates the execution of the Company's strategy and day to day running of the business to the Senior Leadership Team which operates under the direction and leadership of the Chief Executive. It is supported by three sub-committees, focusing on different areas of the business.

- Implementation of strategy
- Sets budgets and monitors operational and financial performance
- Day to day management of the business
- Manage, appraise and develop staff
- Employee remuneration and wellbeing
- Manages allocation of capital
- Identifies and assesses business risks and implements mitigation strategies
- Responsible Business and ESG workstreams

Read more on page 110

Investment Committee

Chair: Valentine Beresford

- Reviews investment and divestment opportunities and allocation of capital
- Approves transactions of less than £10 million and recommends higher value transactions to the Board

Asset Management Committee

Chair: Mark Stirling

- Reviews value enhancing operational activities and development opportunities

Finance Committee

Chair: Martin McGann

- Reviews budgets and forecasts, achievement of targets, funding requirements and liquidity
- Responsible Business Working Group oversees ESG workstreams and targets

Division of responsibilities

Leadership roles and responsibilities

The following table sets out the key roles and responsibilities of Board members. The responsibilities of the Chair, Chief Executive, Senior Independent Director, Board and Committees are set out in writing and approved by the Board.

Role	Responsibilities
Chair Patrick Vaughan	• Leads the Board and ensures it operates effectively • Sets Board culture, style and tone of discussions to promote boardroom debate and openness • Promotes Company purpose, values and ethics • Builds relationships between Executive and Non Executive Directors • Monitors progress against strategy and performance of the Chief Executive • As Chair of the Nomination Committee, ensures succession plans are in place
Chief Executive Andrew Jones	• Manages dialogue and communication with shareholders and key stakeholders and feeds back views to the Board • Develops and recommends strategy to the Board and is responsible for its implementation • Day to day management of the business operations and personnel assisted by the Senior Leadership Team
Finance Director Martin McGann	• Supports the Chief Executive in developing and implementing strategy and alignment to financial objectives • Stewardship of financial resources, the ESG agenda, risk management and internal control
Non Executive Directors Suzanne Avery James Dean Alistair Elliott Robert Fowlds Andrew Livingston Suzy Neubert Kitty Patmore Rosalyn Wilton	• Support and constructively challenge the Executive Directors in determining and implementing strategy • Bring independent judgement and scrutiny to decisions recommended by the Executive Directors and approve decisions reserved for the Board as a whole • Contribute a broad range of skills and experience • Monitor delivery of agreed strategy within the risk and control framework set by the Board • Review the integrity of financial information and risk management systems
Senior Independent Director Robert Fowlds	• Acts as a sounding board for the Chair and trusted intermediary for the other Directors • Available as a communication channel for shareholders if other means are not appropriate • Leads performance evaluation of Chair
Designated Workforce NED Andrew Livingston	• Liaison with employees and attendance at key employee and business events • Monitors the results of staff surveys and reports to the Board • Reviews messages received through the whistleblowing system
Company Secretary Jadzia Duzniak	• Advises the Board and is responsible to the Chair on corporate governance matters • Ensures good flow of information to the Board, its Committees and senior management • Promotes compliance with statutory and regulatory requirements and Board procedures • Provides guidance and support to Directors, individually and collectively

Division of responsibilities

The roles of Chair and Chief Executive are separately held and their responsibilities are defined in writing and approved by the Board.

There is a clear division of responsibilities between the Chair, who is responsible for leading the Board and monitoring its effectiveness and the Chief Executive, who is responsible for the day to day management of the Group and the implementation and delivery of the Board's agreed strategic objectives.

The Chair is responsible for ensuring a constructive working relationship between Executive and Non Executive Directors and for encouraging and fostering a culture of boardroom challenge and debate.

He sets the Board agenda and maintains regular contact with individual Directors outside of formal Board meetings, which ensures he is kept abreast of individual views, any issues arising and fosters an open and two way debate about Board, Committee and individual members' effectiveness.

During the year, the Chair had regular calls and lunches with the other Non Executive Directors to discuss a wide range of business matters including succession plans, Board appointments and strategy as well as to assess performance, often in an informal setting.

Non Executive Directors

The Non Executive Directors are a diverse group with a wide range of business experience encompassing property, finance, banking, capital markets, risk management, sustainability and retail.

They provide a valued role by independently challenging and scrutinising aspects of decisions made by the Executive Directors and monitoring the delivery of the agreed strategy, adding insight from their varied commercial backgrounds. Many either currently or have previously served on other listed boards, bringing different views and perspectives to Board debates.

Each of the Non Executive Directors, other than the Chair and James Dean, is considered by the Board to be independent from management and has no commercial or other connection with the Company. Tenure is measured from the date of election to the LondonMetric Board as in previous periods and the Board's composition throughout the year met the Code's requirement that at least half of its members, excluding the Chair, are independent Non Executive Directors. This balance ensures that no one individual or small group of individuals dominates the Board's decision making.

The Senior Independent Director is Robert Fowlds. He acts as a sounding board for the Chair and an intermediary to the other Directors and shareholders as required. He is available to meet with shareholders at their request to address concerns or, if other communication channels fail, to resolve queries raised. Although no such requests were received from shareholders in the year, Robert attended six investor meetings following the announcement of results and the half yearly results presentations to investors. This enabled him to provide reassurance to the Board that the feedback provided by the Executive Directors was reflective of these meetings and noted the support of the shareholders.

Robert also held a meeting of the Non Executive Directors, to appraise the performance of the Chair as part of the annual performance evaluation.

Non Executive Directors are encouraged to communicate directly and openly with the Executive Directors and Senior Leadership Team between scheduled Board meetings to enhance their understanding, build relationships, provide expertise and thereby contribute to the delivery of strategy. This ad hoc communication is supplemented by property visits which provide further opportunities to engage with employees and other stakeholders.

[IMAGE REMOVED]

This year, Robert Fowlds, Suzanne Avery and Alistair Elliott accompanied the Asset Director and senior asset and development managers to 16 sites in Birmingham, Bedfordshire and Hertfordshire and two sites in London. This provided insight into the strong relationships management have with occupiers and any issues they may be facing which helps drive strategy.

Information flow

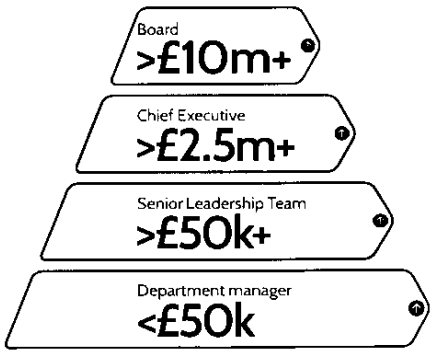
The Chair, supported by the Company Secretary, ensures that the Directors receive clear and timely information on all relevant matters to enable them to discharge their responsibilities. Comprehensive reports and briefing papers are circulated one week prior to Board and Committee meetings to give the Directors sufficient time to consider their content prior to the meeting and to promote an informed boardroom discussion and debate and to facilitate robust and informed decision making. The Board papers contain market, property, financial, risk and governance updates as well as other specific papers relating to agenda items. Specific briefing papers were provided to the Board and its Committees on debt refinancing and hedging, the ESG agenda, cyber security and tenant covenants.

The Board receives other ad hoc papers of a transactional nature at other times for their review and approval which are ratified at the next Board meeting.

How we make decisions

To retain control of key decisions and to ensure there is a clear division of responsibilities between the running of the Board and the running of the business, certain matters are reserved for the Board's attention and approval. These include the approval of strategy, budgets, financial reports, capital allocation and dividend policy. In addition, decision making for acquisitions, disposals and capital expenditure is delegated according to value.

The delegated authority limits throughout the business are as follows:



Composition, succession and evaluation

Nomination Committee report

[IMAGE REMOVED]

"Much of our time this year was spent considering Board succession and performance, and I am delighted to welcome Suzy Neubert as a new Non Executive Director.

Patrick Vaughan
Nomination Committee Chair

Key responsibilities

Board composition, succession and appointment

- Review and evaluate the size, structure and composition of the Board and its Committees, including the diversity and balance of skills, knowledge and experience
- Consider succession planning for Directors
- Lead the process for new Board and Committee appointments and Board and Committee membership changes

→ See pages 125 to 128

Diversity

- Promote the Company's policy on diversity at Board and Committee level and throughout the organisation

→ See pages 128 to 129

Performance evaluation

- Lead the Board and Committee performance evaluation exercise

→ See pages 129 to 131

Election and re-election of Directors

- Assess the time commitment required from Non Executive Directors and consider their annual re-election

→ See page 131

Membership and attendance

The number of Committee members and their attendance during the year was as follows:

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
Patrick Vaughan (Chair)	1/11/2012	10	2 (2)
Andrew Livingston	19/9/2018	5	2 (2)
Suzanne Avery	31/1/2019	4	2 (2)
Robert Fowlds	28/1/2021	2	2 (2)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2023, rounded to the nearest whole year
2 Bracketed numbers indicate the number of meetings the member was eligible to attend

Highlights this year

- Led the search for a new Board Chair and Non Executive Director to replace Patrick Vaughan and Rosalyn Wilton, who had served for nine or more years and informed the Board of their decision to retire. Appointed an external search agency, Russell Reynolds, to assist with the search and provide a list of suitable candidates. Considered CVs, interviewed candidates and recommended the appointment of Alistair Elliott as Chair, Suzy Neubert as a new Non Executive Director, and Kitty Patmore as Audit Committee Chair
- Led the internal Board and Committee performance evaluation
- Reviewed its Terms of Reference which are available on our website

Dear Shareholder,

I am pleased to present the Nomination Committee's report for the year to 31 March 2023.

Our work this year has focused on succession planning for myself as Chair of the Board and Nomination Committee and for Rosalyn Wilton, Non Executive Director and Chair of the Audit Committee.

Having served as Directors for nine or more years, we had both informed the Board of our intention to retire once suitable replacements could be found and I am very pleased to welcome Suzy Neubert as a Non Executive Director and to hand over to Alistair Elliott in July. Details of the search and appointment process can be found later in this report.

The Committee also led its annual evaluation of Board and Committee performance, which this year was undertaken internally as described on page 129. The findings concluded that the Board and its Committees continued to operate to a high standard and work very well together. I would like to thank my fellow Board members for their honest and valuable input to this exercise and their continued hard work and support.

Looking forward, our focus will be on promoting diversity in its widest sense both at Board level and throughout the wider organisation, as we aspire to meet the new Listing Rule requirements on diversity.

The Committee will also monitor and facilitate a smooth handover of my role to Alistair and will also be replacing Robert Fowlds as Senior Independent Director with one of our current female Non Executive Directors.

Role of the Committee

Our role is to ensure the Board and its Committees continue to have the right balance of skills, experience and knowledge to independently carry out their duties and provide strong and effective leadership to drive the future success of the Company.

We lead the succession planning process and ensure that it is properly planned and managed to maintain stability in the leadership team and mitigate against business disruption.

Board composition and succession planning

The Committee discusses Board and Committee composition, size and structure at each meeting and monitors the tenure of Directors to ensure it adequately plans in advance of retirement and facilitates an orderly succession.

The table on page 120 details the composition of the Board's three Committees as at 31 March 2023. Biographies are reflected on pages 108 to 109 and Board diversity is summarised on page 126.

As noted above, much of the Committee's time this year was spent considering Board succession, as two Directors had served for nine or more years and had informed the Board of their intention to retire. We invited two external search agencies to tender and appointed Russell Reynolds to assist us with our search. The detailed appointment and induction process is described on page 127. As a result of the search, the Committee recommended the appointment of Suzy Neubert as a Non Executive Director on 29 March 2023 and member of the Audit Committee with effect from 24 May 2023, and Alistair Elliott as Board and Nomination Committee Chair with effect from 11 July 2023.

My tenure as Chair was extended to protect the stability of the leadership team through the pandemic and more recently until a suitable replacement was found. Alistair joined the Board as a Non Executive Director in May 2022 and, having previously been former Senior Partner and Group Chair of Knight Frank, brings a unique combination of property and managerial skills, and has the right personal qualities to direct and lead the Board.

Suzy is a qualified barrister by training and has enjoyed a long and successful career in financial services and asset management, having previously been Managing Director of Equities at Merrill Lynch and Global head of sales & marketing at J O Hambro Capital Management. Suzy brings to the Board a wealth of knowledge and experience of the fund management industry and capital markets, over ten years' experience as a board director and has personal attributes that complement and enhance the existing skill set of the Board.

Rosalyn continued in her role as Audit Committee Chair to oversee the year end audit and financial statements and has stepped down following the approval of the Annual Report in May. I would like to take this opportunity to thank Ros for her valuable contribution to the Company and excellent leadership of the Audit Committee.

The Committee has also recommended the appointment of Kitty Patmore to succeed her as Chair of the Audit Committee. Being Chief Financial Officer of Harworth Group plc, and with over 16 years of finance, banking and real estate experience, Kitty has the perfect attributes and skillset for the role.

We are mindful of Provision 10 of the Corporate Governance Code relating to tenure and independence as James Dean has also served on the Board for over ten years. However, James has continued to serve as a Director in order to protect the stability of the leadership team with two Board departures already announced this year. We believe he continues to exercise objective and independent judgement and adds great value to all Board decisions, drawing on his extensive property expertise. However, we are mindful of Provision 10 of the Code and, given the length of his service, will not be reflecting James as an independent Board member this year.

We remain fully compliant with the Code's requirement with 70% independent Board members at 31 March 2023.

Composition, succession and evaluation

Nomination Committee report
continued

Executive succession planning and talent development

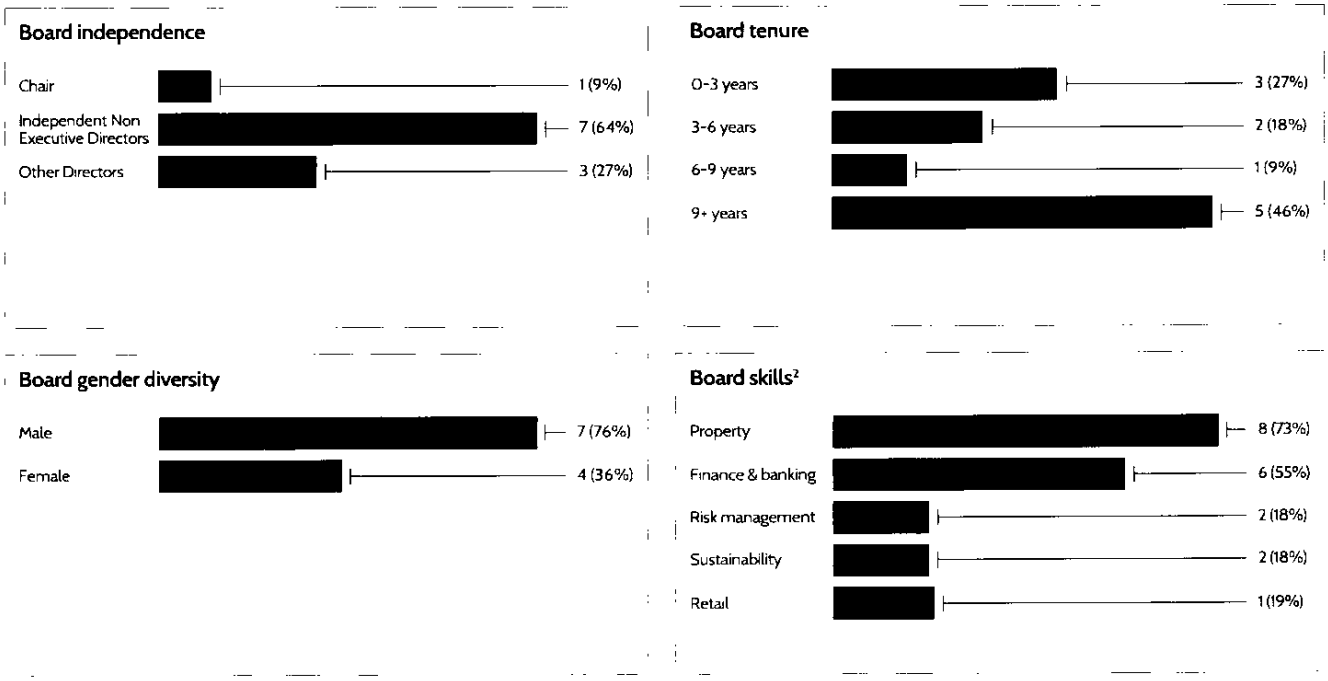
The Committee is responsible for Board succession, including for the Executive Directors. The review process includes considering talent development within the organisation to create a pipeline to the Board, as we recognise the need to nurture our own talent pool and give opportunities to those high performing middle managers to enable them to develop and grow into more senior roles.

Below the Board, succession planning is delegated to the Senior Leadership Team which includes the Executive Directors, to ensure we retain and recruit suitable future leaders to serve as the next generation of Directors and support the Company's longer term plans. Although there are no immediate vacancies and execution of the Company's strategy is not dependent on any one individual, we recognise the need to develop our internal talent and to have contingency plans for unforeseen absences.

Staff appraisals are undertaken on an annual basis and provide a forum to discuss targets, progress and future prospects. Regular contact with Board members is encouraged, both in and outside of meetings, through presentations, property tours and on an ad hoc basis to discuss specific issues. NEDs are regular visitors to the office and keep abreast of transactions, financing and other corporate activity through discussions with staff.

Training needs and requests can be raised and discussed through the annual appraisal process or at other times with line managers. The Company is currently supporting one female employee through an apprenticeship programme to study for her Masters in Real Estate Management, promoting the Real Estate Balance initiative of developing a female talent pipeline. The Group's talent pipeline has been strengthened this year through the recruitment of two qualified accountants to support the corporate finance team.

A Balanced Board[1]



1 Based on Board composition as at 31 March 2023
2 Some Directors are represented in more than one category in terms of their experience

Board appointment

[IMAGE REMOVED]

Suzy Neubert
Non Executive Director

Appointment process

1. Appointment of external search agency, Russell Reynolds
2. Discussed candidate specification with agency, with focus on diversity and board experience, ideally in a listed environment
3. Review of potential candidates by agency
4. Shortlist of candidates was provided
5. Initial interviews with Executive Directors, the Senior Independent Director and Nomination Committee members
6. Final proposal circulated with CV for consideration
7. Committee recommends candidate to the Board
8. Induction programme organised by the Finance Director
9. Proposed election by shareholders at the first AGM following appointment

Board appointment

The Nomination Committee is responsible for identifying and recommending candidates to fill Board vacancies and leads the selection process, ensuring it is formal, rigorous and transparent.

This year, we appointed an executive agency, Russell Reynolds, to begin the search for an independent Non Executive Director to replace Rosalyn Wilton who, having served for almost nine years, had informed the Board of her intention to retire once a suitable replacement could be found.

Russell Reynolds had no former connection with the Company or its Directors.

Russell Reynolds focus was on diversity, both gender and ethnicity, and previous board and committee exposure. From a long list of excellent candidates produced and reviewed, five were shortlisted for interview by myself and the Finance Director, with assistance from Robert Fowlds as SID, and two were then invited for a second interview with the Chief Executive and other Nomination Committee members.

Suzy was chosen as the preferred candidate and recommended for appointment by the Board.

Suzy has enjoyed a long and successful career in financial services and asset management, having previously been Managing Director of Equities at Merrill Lynch and Global head of sales & marketing at J O Hambro Capital Management.

Suzy brings to the Board a wealth of knowledge and experience of the fund management industry and capital markets, over ten years' experience as a board director and has the right personal qualities to complement and enhance the existing skill set of the Board.

Russell Reynolds were also asked to consider candidates for the position of Chair to compare to the Board's preferred internal candidate, but no suitable candidates were put forward by them.

On appointment, the Company arranges a tailored induction programme to help new Directors develop an understanding of the business including its strategy, portfolio, governance framework, stakeholders, finances, risks and controls.

Board induction

Key induction events for Suzy included the following:

- One to one meetings with the Finance Director, Company Secretary and other members of the Senior Leadership Team to discuss:
  - the investment portfolio, asset selection, capital allocation and strategy;
  - financial forecasting and reporting processes, banking and hedging strategy, risks and internal controls;
  - regulatory matters;
  - shareholder engagement; and
  - our ESG targets and ambitions.
- Provision of past Board and Committee papers, the Risk Register and Internal Control Questionnaire, minutes and finance reports
- Guidance and information on annual Board timetables, governance processes, S172 responsibilities and regulatory procedures including share dealing
- Meeting with external audit partner
- Property tours arranged

Composition, succession and evaluation

Nomination Committee report
continued

Board training

Oversight of the training needs of individual Directors is the responsibility of the Chair. However, Directors are also expected to identify and develop their own individual training needs, skills and knowledge and ensure they are adequately informed about the Group's strategy, business and responsibilities. They are encouraged to attend relevant seminars and conferences and receive technical update material from advisors and are offered training and guidance at the Company's expense. The Deloitte Academy is available to all Directors.

During the year, information updates were provided through briefing papers prepared by senior management and external advisors on regulatory and accounting updates, the Corporate Governance Code compliance, debt and hedging, ESG, cyber security and tenant covenants. In addition, all Board members were invited to attend a corporate governance update session presented by Deloitte in February.

Diversity and inclusion

We recognise the importance of diversity in *its broadest sense and the benefits it brings to* the organisation, in terms of skills, experience, differing perspectives and fresh ideas, which ultimately leads to better decision making. We strive to operate in a working environment of equal opportunity and promote a culture of openness, respect and inclusion.

Read more on Our cultural framework page 112

The Board sets the tone on diversity and gives full consideration to achieving a diverse working environment by applying the principles of the Company's Diversity and Inclusion Policy when considering new appointments. At 31 March 2023, 36% of our Board were women and we had one Director from an ethnic minority background. Whilst our Audit Committee has a female chair, our other senior Board positions are held by men. However, we will be addressing this imbalance later this year in September as Robert Fowlds has decided to step down as SID and we will be replacing him with one of our current female Non Executive Directors.

Gender representation as at 31 March 2023

	Number of Board members	% of the Board	Number of senior positions[1]	Number of Senior Leadership Team members[2]	% of Senior Leadership Team
Men	7	64%	4	6	75%
Women	4	36%	–	2	25%
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

	Female (number)	Female (%)	Male (number)	Male (%)
Senior Leadership Team and direct reports[3]	6	33%	12	67%
Group	16	46%	19	54%

Ethnic representation as at 31 March 2023

	Number of Board members	% of the Board	Number of senior positions[1]	Number of Senior Leadership Team members	% of Senior Leadership Team
White British or other White	10	91%	4	7	87.5%
Mixed/Multiple ethnic	1	9%	–	–	–
Asian/Asian British	–	–	–	1	12.5%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

1 Senior Board positions include the Chair, Chief Executive, Finance Director or Senior Independent Director
2 The Senior Leadership Team, as set out on pages 110 to 111 is considered to be the Company's executive management as defined by the Listing Rules and senior management as defined by the Code
3 The Senior Leadership Team's direct reports are the next layer of management below senior management

Other Group diversity

[CHART REMOVED]

[CHART REMOVED]

Age (years)

1	20-30	4	12%
2	31-40	7	20%
3	41-50	12	34%
4	51+	12	34%
	Total	35	100%

Length of service (years)

1	0-5	13	37%
2	6-10	14	40%
3	11-15	6	17%
4	16+	2	6%
	Total	35	100%

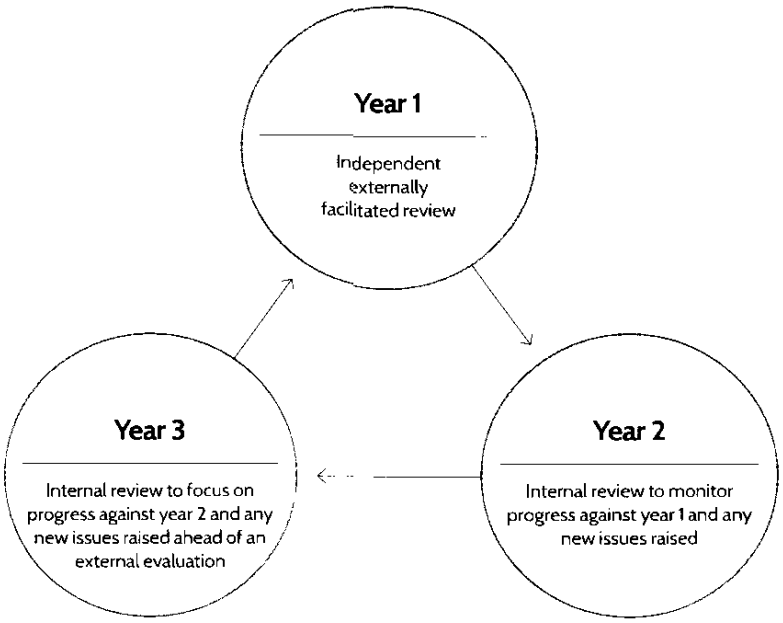
We acknowledge that our ambition to improve diversity is, to a large extent, determined by the quality of recruitment, and we actively engage with recruiters to promote a diverse candidate selection and only appoint those firms who have signed up to the Voluntary Code of Conduct for Executive Search firms. However, we realise that the diversity of recruitment will be subject to the availability of suitable candidates and vacancies within the organisation.

Ultimately, all appointments to the Board and throughout the Company are based on merit, suitability for the role and alignment with our values, as an appointment on any other basis would not be in the best interests of shareholders or the Company. We are proud of our low level of staff turnover which, at 6% on average over the past ten years, signifies a loyal and content workforce but recognise that this also constrains the pace of change.

We continue to support the Real Estate Balance group, whose objective is to improve gender diversity by promoting and supporting the development of a female talent pipeline and are mindful of the new Listing Rule requirements and the amendments to the Disclosure Guidance and Transparency Rules on Board diversity, that apply this year.

Female representation on the Board has progressed from 30% following last year's AGM to 36% at the year end and 33% following this year's AGM. We are committed to improving this to the extent that we have the opportunity.

Our Senior Leadership Team manages the day to day running of the business and comprises departmental heads from all key business functions with a diverse range of skills and experience. We will continue to work towards compliance with the FTSE Women Leader's target of 40% female representation in leadership teams but acknowledge that this is likely to remain a challenge, as increasing the size of the leadership team is not considered an effective solution and there are no known natural succession changes anticipated at the present time. In the wider organisation, 46% of all employees are female and the culture of the organisation promotes inclusion and equal opportunity.



Our ambition is to increase gender diversity throughout the Senior Leadership Team and wider organisation when suitable vacancies arise and appropriate candidates can be found. Further information on the Company's commitment to promoting diversity and inclusion is included in the Responsible Business and ESG review on page 66.

The tables on page 128 are presented to meet Listing Rule 9.8.6R(10) and reflect the gender and ethnic diversity of the Board, Senior Leadership Team and across the Company at 31 March 2023.

We collect gender and ethnicity data on a self-identifying basis in a questionnaire which asks the Board and employees to identify their gender and ethnicity based on the categories set out in the tables on page 128.

Board performance evaluation

A key requirement of good governance is to ensure that the Board operates effectively. The annual evaluation enables us to monitor and improve the effectiveness of the Board and its Committees.

In line with our three year cycle, both last year and this year's review and evaluation of performance was undertaken internally. The Board is committed to undertaking an external evaluation next year.

Progress against targets set last year is set out on page 131. The findings from this year's questionnaire-based evaluation led by the Committee were collated and summarised by the Company Secretary and tabled for discussion in January. The key findings and recommendations are summarised on page 130.

Overall the results were extremely positive with no significant areas of concern. The Board welcomed the recommendations for continued development to its practices and procedures. Progress will be reported at future meetings.

In addition, as Chair, I had regular calls with each of the Non Executive Directors throughout the year to discuss relevant issues including succession, Board appointments and strategy, and to discuss their contribution and any future expectations.

Composition, succession and evaluation

Nomination Committee report
continued

2023 *Performance evaluation*

The process covered the following areas:

- Objectives, strategy and remit
- Performance
- Relationships with shareholders
- Risk management
- Board function and Directors
- Board constitution and succession
- Board Committees
- Chair

The key findings and recommendations from the 2023 performance evaluation review are listed below.

Key findings

- The Board has a clear, dynamic strategy and set of objectives which are agreed with management and supported by all Directors and strategy is continually reviewed and debated at meetings. Market updates, competitor analysis and investor feedback facilitate this. Individual NEDs discuss strategy directly with the CEO between meetings. Strategy is working well and there is little appetite for change at the present time.
- Management reporting to the Board is regular, timely, comprehensive yet succinct making it easy to review and digest.
- The business has performed extremely well operationally in the challenging economic environment in terms of earnings and disposals and management continues to focus on what is in their control.
- The Company's relationship with its shareholders continues to be a key focus for the Executive Directors and investor sentiment towards the Company is highly supportive of strategy. Investor governance issues over succession and diversity are being addressed. The SID's feedback on roadshow meetings at Board meetings is welcomed.
- The Board and its members are risk aware and respond well to problems and crises. NEDs receive early warning signals from management of problems ahead which may adversely affect the business, and Directors are confident that risks are taken into account in decision making processes. Directors welcomed the additional focus on ESG risk through the introduction of a standalone ESG meeting of the Audit Committee.
- The Board is cohesive with a complimentary *range of expertise, skills and personalities.* It is well chaired and combines management support together with appropriate challenge.
- Meeting attendance and engagement levels at meetings are high and Board discussions are open and transparent. The attendance of senior management at meetings is helpful and welcome.
- The Board is well balanced and has a good breadth and depth of experience to allow it to effectively discharge its responsibilities and to face current and future challenges. The appointment of Alistair with his wealth of property experience has been a welcomed and valuable addition to the Board in the year.
- Management are considered to be exceptionally well connected, respected and trusted and well positioned to get early warning signs and see opportunities in the market. They are accessible and responsive in their dealings with the Board and NEDs have confidence in them.
- Committees have the right balance of skills and are very well chaired and supported by external advisors, the Executive Directors and wider management team.
- The Chair continues to provide guidance to the management team and leadership of the Board. He brings sharp focus to big issues, listens, provides broader context and manages time. He encourages Directors to share their views and have a thorough and open debate before major decisions are made.

Recommendations

- It may be appropriate to hold a strategy specific meeting incorporating scenario stress testing earlier than usual in the year given the current economic climate, market conditions and Board and Committee membership changes.
- The Board should be mindful of regulatory changes relating to risk management and internal control systems which may require additional documentation and consideration in due course.
- All Directors are again encouraged to contribute and express their views more readily during meetings.
- Wider participation from some Non Executive Directors outside of regular board meetings is encouraged.
- The Chair could meet NEDs more regularly on a one-to-one and group basis without the Executives present.
- Future Questionnaires could include a question on what could improve the performance of the Board or a particular Committee.

Recommendation in 2022	Progress in 2023
Continue to provide greater visibility and focus on succession planning for the Chair	Alistair Elliott appointed as new Board and Committee Chair from 11 July 2023
Have regard to the Parker Review recommendation for one ethnic minority Board member from 2024 when making appointments	One Board member from an ethnic minority background appointed in the year
Encourage the inclusion of wider management team members in strategy and other discussions	Board and Committee meetings and lunches regularly attended by Investment and Asset Directors, Strategy Director, Head of Investor Relations and Sustainability, Head of Finance and other senior managers
At least one annual strategy focused discussion is a good discipline to facilitate a deeper review which may not be practical at every meeting	Strategy discussed separately at three Board lunches in the year, also attended by the Investment, Asset and Strategy Directors
More in-depth investor feedback would be welcomed periodically as well as more frequent circulation of analysts' notes	Six investor meetings also attended by SID and further feedback to the Board provided. Peel Hunt and RMS feedback from investor roadshows circulated to Board members
The schedule of matters reserved for the Board should be expanded to include specific references to the Board's ESG responsibilities	Oversight of the Company's ESG strategy added to the schedule of matters reserved for the Board
The Board should keep under review how best to ensure focus on ESG. Climate risk reporting is an area to watch given the pace of change and ever increasing focus	One meeting of the Audit Committee was dedicated to ESG, led by the Strategy Director and Head of Investor Relations and Sustainability and all Board members were invited
In person attendance at meetings is encouraged following easing of Covid-19 restrictions to generate increased energy, collaborative spirit and exchange of ideas	All Board and Committee meetings in the year were held in person at our Curzon Street office
Directors should update the Board in respect of bilateral challenges and debates held outside of Board meetings	Directors have been mindful of this at Board meetings
The Board should consider whether the £10 million Board approval limit is still appropriate given the Company's growth since that limit was first introduced	Considered and the Board decided to leave the limit unchanged
The Remuneration Committee Chair may benefit from holding individual discussions with Senior Leadership Team members to hear their views and aspirations directly both pre and post award, in line with the previous Chair's practice	Remuneration Committee Chair met with both the Investment and Asset Directors

Election and re-election of Directors

Following the Board evaluation and appraisal process, the Committee concluded that each of the Directors seeking election and re-election continues to make an effective and valuable contribution to the Board and has the necessary skills, knowledge, experience and time to enable them to discharge their duties properly in the coming year. All Directors excluding myself and Rosalyn Wilton will offer themselves for election and re-election at the forthcoming AGM on 12 July 2023 and I encourage shareholders to support us and vote in favour of these resolutions.

Time commitment

In making recommendations to the Board on Non Executive Director appointments, the Nomination Committee considers the expected time commitment of the proposed appointee and other commitments they already have. Suzy Neubert has other Non Executive Director engagements with Jupiter Fund Management plc, LV= and Isio Topco Limited, which were considered by the Nomination Committee and cleared before recommending her appointment.

Before taking on any additional external commitments, Directors must seek the prior agreement of the Board to ensure possible conflicts of interest are identified and to confirm they will continue to have sufficient time available to devote to the business of the Company and fulfil their duties. Executive Directors are required to devote almost all their working time to their executive role at LondonMetric although certain external appointments are permitted. In November 2022, Andrew Jones was appointed as a Non Executive Director of Instavolt Limited and earned fees of £13,333 during the year to 31 March 2023.

Independent advice

All Directors and Committees have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that governance regulations are complied with and high standards maintained. The Directors may, in the furtherance of their duties, take independent professional advice at the expense of the Company. None of the Directors sought such advice in the year. The Chairs of the Audit and Remuneration Committees communicate regularly and independently with relevant staff and external advisors including the Company's external auditor, Deloitte LLP, and remuneration advisors, PwC.

Conflicts of interest

Directors are required and have a duty to notify the Company of any potential conflicts of interest they may have. Any conflicts are recorded and reviewed at each Board meeting. There have been no conflicts of interest noted this year.

Patrick Vaughan
Chair of the Nomination Committee
24 May 2023

Audit, risk and internal control

Audit Committee report

[IMAGE REMOVED]

"The Committee continues to play a key assurance role by overseeing the integrity and accuracy of financial reporting and by ensuring there is a sound system of internal control and risk management in place.

Rosalyn Wilton
Audit Committee Chair

Key responsibilities

Financial reporting

- Monitor the integrity of the financial reporting process
- Scrutinise the full and half year financial statements
- Consider and challenge the key financial judgements

See pages 134 to 135

Risk management and internal control

- Oversee the internal control processes and risk management framework
- Ensure risks are carefully identified, assessed and mitigated
- Assess the need for an internal audit function

See page 136

External auditor

- Review the performance, independence and effectiveness of the external auditor and audit process

See pages 136 to 137

Regulatory compliance

- Review the Viability Statement and going concern basis of preparation
- Consider whether the Annual Report is 'fair, balanced and understandable'
- Monitor compliance with applicable laws and regulations

See pages 137 to 138

Membership and attendance

The number of Committee members and their attendance during the year was as follows:

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
Rosalyn Wilton (Chair)	25/3/2014	9	6 (6)
Suzanne Avery	22/3/2018	5	6 (6)
Robert Fowlds	31/3/2019	4	6 (6)
Kitty Patmore	28/1/2021	2	6 (6)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2023, rounded to the nearest whole year
2 Bracketed numbers indicate the number of meetings the member was eligible to attend

Highlights this year

- Led the audit tender process and recommended the reappointment of Deloitte to the Board
- Dedicated one meeting to ESG matters and received an update on the Company's performance and ambitions
- Received a technical update from Deloitte on corporate governance
- Reviewed the effectiveness of risk management and internal controls including consideration of emerging risks, cyber security, tenant covenants and TCFD
- Considered the occupier survey results

Dear Shareholder,

I am pleased to present the Audit Committee's report for the year to 31 March 2023, which describes the work we have undertaken in the year. This will be my last report to you, as I will be stepping down from the Committee and Board following the announcement of these results. It has been a pleasure to have worked alongside an exceptional leadership team at LondonMetric, and I wish Kitty every success as my successor and your new Committee Chair.

The Committee continues to play a key role within the Company's governance framework to support the Board in risk management, internal control and financial reporting. As part of this, we discuss with management and the external auditors any significant transactions and areas of judgement, which continues to be in relation to the valuation of investment properties, and we independently meet with external valuers to scrutinise and challenge the property valuations.

One of our top priorities each year is to review the Risk Register and internal control procedures to ensure they remain relevant and suitably robust. I am pleased to report that no significant weaknesses were identified as a result of our review, which is described in detail on page 85.

We also oversee the external audit process and this year have undertaken an external audit tender process in line with best practice recommendations, as Deloitte LLP ('Deloitte') have now served ten years in office.

In addition this year, we considered progress against ESG targets and ambitions at a separate dedicated meeting in February, to which all Board members were invited. We received a report and presentation from two members of the Senior Leadership Team and were also joined by members of the Development Team. Topics discussed included our achievement against industry benchmarks, EPC ratings, TCFD and future workflows. We were satisfied that ESG continues to be increasingly embedded into all business operations and remains a key focus area for the Senior Leadership Team.

Membership

The Committee comprised of four independent Non Executive Directors throughout the year.

Suzy Neubert will join as a new member of the Committee following the announcement of our results on 24 May 2023. Suzy joined as a Non Executive Director in March 2023 and details of her appointment and induction process can be found in the Nomination Committee report on page 127.

Committee members have considerable commercial knowledge and diverse industry experience including property, finance, banking, capital markets, risk management and sustainability.

The Board is satisfied that all current members bring recent and relevant financial experience as required by the Code and considers that the Committee as a whole has the appropriate commercial and industry specific knowledge and competence to enable it to discharge its duties, through the positions members currently or have previously held.

Biographies of the Committee members which set out the relevant skills, knowledge and sector experience they bring can be found on pages 108 to 109.

Meetings

The Committee met six times during the year and follows an annual programme which is agreed at the start of the year. Meetings were aligned to the Company's financial reporting timetable, with the May and November meetings scheduled to precede the approval and issue of the full and half year financial reports.

Separate meetings were held with the Company's property valuers to challenge the valuation process and review their independence. At the March meeting, the Committee reviewed risk management and internal control processes and considered the year end audit plan.

As usual, the Group's external auditor, independent property valuers, Finance Director and Head of Finance attended meetings by invitation, as well as other employees who presented on specialist topics.

This year, the Strategy Director, Head of Investor Relations and Sustainability and Head of Finance presented to the Committee on ESG, cyber security and the occupier survey results. This interaction is extremely valuable as it focuses discussion on topical issues and allows the Committee to meet the pool of emerging talent below Board.

Time is allocated for the Committee to meet the external auditor and property valuers independently of management.

As Chair of the Committee, I report to the Board any matters considered and conclusions reached after each meeting.

In addition to formal Committee meetings, I have regular contact and meetings with the Finance Director, to understand and keep abreast of key matters in advance of meetings, facilitating informed and constructive debate.

Committee effectiveness

During the year, the Board led by the Nomination Committee carried out an internally facilitated evaluation of its performance and that of its Committees as reported on pages 129 to 130.

The review concluded that the Committee continued to operate effectively and to a high standard, was very well supported by the Finance Director, his team and the external auditors and provided the appropriate level of independent challenge and scrutiny.

Audit, risk and internal control

Audit Committee report
continued

Our work in 2023

Throughout the year, the Committee acted in accordance with its terms of reference, which were last reviewed and updated in March 2023 and can be found at www.londonmetric.com.

The work undertaken this year is set out in the table below and has included the consideration, review and approval of each of the items noted.

Role	Responsibilities
Financial reporting	• Interim and full year results announcements and the Annual Report • Accounting treatment of significant transactions and areas of judgement • The valuation process, the half yearly valuations and the independence of the Group's valuers • Processes undertaken to ensure that the financial statements are fair, balanced and understandable
Risk management and internal control	• The Group's risk register, principal and emerging risks • Specific consideration of cyber risk • The adequacy and effectiveness of the Group's internal controls • The appropriateness of the going concern assumption • The Viability Statement and longer term forecast • The need for an internal audit function
External audit	• Scope of the external audit plan • The independence and objectivity of the external auditor • Performance of the external auditor and effectiveness of the audit process • Auditor's fee for the year • Audit tender process and reappointment of Deloitte LLP as external auditor • Non audit services and ratio of fees
Regulatory compliance	• Committee's composition, performance, terms of reference and constitution • S172 and TCFD statements • ESG matters, occupier survey results and tenant covenants • Tax strategy and REIT status

Financial reporting

One of our principal responsibilities is to monitor the integrity of the financial information published in the interim and annual statements and the overall tone, messaging and clarity of reporting. In conducting its review, the Committee considers:

- The extent to which suitable accounting policies and practices have been adopted, consistently applied and disclosed;
- Significant matters by virtue of their size, complexity, level of judgement and potential impact on the financial statements; and
- Compliance with relevant accounting standards and other regulatory reporting requirements including the Code.

Developments in accounting regulations and best practice are monitored and, where appropriate, reflected in the financial statements. The Committee and finance team are kept informed of developments in accounting and corporate governance through technical briefing material and webinars as well as an annual technical update presentation led by Deloitte.

The significant matters considered by the Committee, discussed with the external auditor and addressed during the year are set out on page 1353. Further details can be found in note 1 to the financial statements on page 186.

In addition to the significant matters, the Committee considered a number of other judgements made by management, none of which were material in the context of the Group's results or net assets.

Management confirmed that they were not aware of any material misstatements and the auditor confirmed they had not found any material misstatements in the course of their work, as reported in their independent report on page 176.

Significant accounting matter - Property valuations

Reporting issue

The property valuation is a critical part of the Group's reported performance. It continues to be the most significant matter for consideration, being a key determinant of the Group's profitability, net asset value, total property return and a variable element of remuneration.

Property valuations are inherently subjective as they are based on assumptions and judgements made by external valuers and are underpinned by transactional market evidence, which may not prove to be accurate. In an uncertain market, this empirical data may be less relevant and valuations may become more subjective. Property valuations are a key area of focus for the external auditor.

It remains a principal recurring risk for the Group as reported in the Risk management and internal controls section on pages 82 to 99.

The Group and its share of joint ventures has property assets of £3.0 billion as reflected in the Financial review and as detailed in Supplementary note ix.

The Committee's role

All investment properties, including those held in joint ventures, are externally valued each half year by independent property valuers, CBRE Limited and Savills (UK) Limited.

The Committee met twice during the year with the property valuers, as part of the interim and year end reporting process, to scrutinise and challenge the integrity of the valuation process, methodologies and results.

The key judgements applied and any issues raised with management were considered to ensure that the valuers remained independent and objective throughout the process and had not been subjected to undue influence from management. Supporting market evidence was provided to enable the Committee to benchmark assets and yields and conclude that the assumptions applied were appropriate.

The Committee reviewed key assumptions including future rental growth, market yield, capital expenditure, letting timeframes, void costs and incentive packages and were content with those applied.

Any valuations requiring a greater level of judgement were debated, including property under development, post period end sales and valuation movements that were not broadly in line with benchmarks.

The Committee challenged assumptions and discussed the impact on values of changes to the key assumptions.

As part of their audit work, Deloitte use their own in house property valuation expert to assess and independently challenge the valuation approach, assumptions and judgements. They meet separately with the valuers and report their findings and conclusions to the Committee.

Conclusion

The Committee confirmed to the Board that it was satisfied that the external property valuation included within the financial statements had been carried out appropriately, independently and in accordance with industry valuation standards.

Significant accounting matter – Significant transactions

Reporting issue

The Group transacted on £393 million of property acquisitions and sales in the year, as discussed in detail in the Property review from page 32.

Certain transactions are large and/or complex in nature and require management to make judgements when considering the appropriate accounting treatment including how and when a transaction should be recognised.

There is an inherent risk that an inappropriate approach for a significant transaction could lead to a material misstatement in the Group's financial statements.

The Committee's role

The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to corporate acquisitions and other significant transactions to the extent that there were unusual terms and conditions or judgement.

There was one corporate acquisition in the year and minimal assets were acquired other than the property portfolio, and there were no employees or corporate debt balances. Therefore, it was considered to be a property acquisition and not a business combination in accordance with IFRS 3.

The timing of recognition of certain transactions was also considered, particularly those that had exchanged before the year end and were due to complete post year end.

Conclusion

The Committee concurred with the approach adopted by management in each case.

Audit, risk and internal control

Audit Committee report
continued

Risk management and internal control

The Board understands the importance of the Company's risk management framework and internal control processes in managing business risks and delivering our strategy. There is a culture of risk awareness embedded into the decision making processes and robust procedures are in place to support the identification and management of risk.

The framework, responsibilities and detailed review processes, including a full description of the work of the Audit Committee, are set out in the Risk management and internal controls section from page 82.

The Committee has continued to assist the Board this year by providing a key oversight and assurance role in undertaking its annual in-depth review of the risk register and internal control questionnaire prepared by the Senior Leadership Team. It also received a cyber security update paper from the Finance Director, which highlighted improvements to processes and systems made in the year and areas of focus for the year ahead.

Read more on Risk management and internal controls pages 82

Internal audit

The Group does not have a dedicated internal audit function and the Committee reviews the requirement for one each year. Due to the size of the organisation, relatively simple structure of the Group and close involvement of the Senior Leadership Team in day to day operations, the Committee did not feel an internal audit function was either appropriate or necessary.

However, from time to time and when considered necessary, external advisors are engaged to carry out reviews to supplement existing arrangements and provide further assurance. This has included testing of IT systems and security including penetration and social engineering testing.

The Committee agreed that external assurance would be sought for any complex, specialist or high risk issue.

The Committee also agreed that a review of the Company's financial processes may be beneficial, in light of anticipated regulatory changes.

External audit

The Committee has continued to have a constructive working relationship with the external auditor and its new lead partner this year, Rachel Argyle.

Audit tender

Deloitte has been the external auditor since 2013 and therefore this year we invited four firms, Deloitte, BDO, EY and PwC, to tender for the audit ahead of the 2024 year end in line with current UK regulations.

Two firms, PwC and EY declined to participate. The Committee, Finance Director and Head of Finance received reports and presentations from the remaining two firms.

A comparison of the salient points was undertaken, including consideration of the following:

- Knowledge and understanding of the Real Estate industry and REITs;
- Sector specific exposure and experience of the lead partner;
- Technical support teams;
- Audit approach and use of data analytics;
- Extent of transitionary work; and
- Proposed fees.

Following the tender, the Audit Committee has made a recommendation to the Board to retain Deloitte as external auditor to the Company and Group for the financial year commencing 1 April 2023.

Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every 20 years. We are supportive of these regulatory requirements.

The Company has complied with the provisions of the Competition and Markets Authority Order 2014 in relation to audit tendering and the provision of non audit services for the year under review.

Oversight

As in previous years, Deloitte presented their audit plan to the Committee. This highlighted the key audit risk area consistent with previous years as property valuations.

The level of audit materiality was also discussed and agreed. They presented their detailed audit findings to the Committee ahead of the interim and full year results.

The Committee probed and challenged the work undertaken and the key assumptions made in reaching their conclusions, with particular focus on the audit risk areas identified. As part of their work, the Committee allocate time to meet privately with the auditor without management present.

Effectiveness

The Committee assesses the effectiveness of the external audit process by its review of the following:

- Audit plan and deliverables;
- Independence and objectivity; and
- Fees and reappointment.

In making its assessment, the Committee considers the expertise and consistency of the audit partner and team as well as the quality and timeliness of the audit deliverables.

It reviewed the extent to which the audit plan was met, the level of independent challenge and scrutiny applied to the audit and the depth of understanding of key matters and accounting judgements.

It also considered the interaction with and views of management, which included feedback received following the audit clearance meeting held between management and the audit team.

Audit and non audit fees

Year to 31 March	2023 £000	2022 £000	2021 £000
Audit fees	252	225	201
Review of interim results	42	38	35
Total	294	263	236
Ratio of non audit fees (including interim review) to audit fees	17%	17%	17%

Independence

The Committee recognises the importance of auditor objectivity and independence and understands that this could be compromised by the provision of non audit services.

The Company's policy on non audit services stipulates that they are assessed on a case by case basis by the Executive Directors who observe the following guidelines:

- Pre approval of fees by the Executive Directors up to a limit of £100,000 or referral to the Audit Committee for review and approval;
- Proposed arrangements to maintain auditor independence;
- Confirmation from the auditor that they are acting independently; and
- Certain services are prohibited from being undertaken by the external auditor including bookkeeping, preparing financial statements, design and implementation of financial information systems, valuation, remuneration and legal services.

All taxation services and remuneration advice is provided separately by PwC. Corporate due diligence work and the audit of certain subsidiary companies is undertaken predominantly by BDO LLP.

Deloitte has confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

They have also confirmed that they have internal procedures in place to identify any aspects of non audit work which could compromise their role as auditor and to ensure the objectivity of their audit report.

The table above sets out the fees payable to Deloitte for each of the past three years. In addition, audit fees paid to the external auditor in respect of joint ventures totalled £14,850 at share (2022: £13,500 at share).

The three year average ratio of non audit fees (primarily the cost of the interim review) to audit fees continues to be low at 17%, supporting the Committee's conclusion that Deloitte remains independent.

Having undertaken its review, in the opinion of the Audit Committee, this year's audit was appropriately planned, executed and of a consistently high quality.

Deloitte continued to provide the appropriate level of professional challenge and remained objective and independent throughout.

Regulatory compliance

Section 172 duties

The Board of Directors, both individually and collectively, is aware of its duty under Section 172 Companies Act to act in the way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to:

- The likely consequences of decisions in the long term;
- The interests of its employees;
- The Company's relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The Company's reputation and maintaining high standards of business conduct; and
- The need to act fairly as between members of the Company.

The Board's Section 172 statement is on pages 118 to 119 and engagement with stakeholders is set out in the Responsible Business and ESG review on pages 54 to 72.

The Committee continues to focus on the long term success of the business and its stakeholders through its work on the following key areas:

- Assessing whether the Annual Report is fair, balanced and understandable to provide shareholders and other stakeholders with clear information on the Company and its long term outlook. Our review is set out on page 138;
- Reviewing the appropriateness of the going concern assumption and assessing the Company's viability and longer term prospects. Our work is set out on page 138 and the Board's Going Concern and Viability Statements are on pages 100 to 101; and
- Ensuring the Company's risk management framework is sufficiently robust to safeguard its future for the benefit of its stakeholders. Our work is set out on pages 82 to 99.

Audit, risk and internal control

Audit Committee report
continued

Going concern and viability

Although the statements on going concern and viability are a matter for the whole Board, the Audit Committee reviewed the appropriateness of preparing the financial statements on a going concern basis and the analysis prepared to support the Board's longer term Viability Statement required by the Code.

Its assessment included a review of the principal risks and risk appetite, the chosen period of assessment, headroom under loan covenants, liquidity, investment commitments and the level of stress testing of financial forecasts undertaken. It considered the impact of higher inflation and interest rates to the Company, its suppliers, tenants and the wider property market, and the impact to the Group of property yield movements, increasing costs, rental defaults, vacancy costs and letting voids.

Following its review, the Committee was satisfied that the going concern basis of preparation remained appropriate and recommended the Viability Statement be approved by the Board. The Board's statements on Going Concern and Viability are set out on pages 100 and 101.

Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether this Annual Report was a fair, balanced and understandable assessment of the Group's position and prospects. In reaching its decision, the Committee performed a detailed review of the content and tone of the Annual Report and considered the preparation process adopted by management, which included the following:

- The establishment of a team of experienced senior managers, drawn from finance, investor relations and property with clear responsibilities for the preparation and review of relevant sections of the report;
- A corporate governance update presented by the external auditor attended by relevant staff, the Audit Committee and other Board members in February 2023;
- Regular team liaison during the drafting stages to ensure consistency of tone and message, balanced content and appropriate linking of the various sections;
- Early input from Executive Directors to the overall message and tone of the report;
- Close involvement of the Executive Directors throughout with extensive review of drafting;
- A verification exercise undertaken by the finance team to ensure factual accuracy and consistency throughout the report; and
- Review by the Audit Committee before being presented to the Board for approval.

In carrying out its review, the Committee had considered the following:

Fair

- **Does it provide shareholders information to assess the Group's position and performance, business model and strategy?**
- **Does it include relevant and necessary transactions and balances?**
- **Does it include the required regulatory disclosures?**
- **Is it honest, reporting success and opportunities alongside challenges to the business?**

Balanced

- **Does it present the whole story and are key messages appropriately reflected?**
- **Is it consistent throughout with sufficient linkage?**
- **Is there an appropriate mix of statutory and alternative performance measures?**
- **Are alternative performance measures explained and reconciled to the financial statements?**

Understandable

- **Is it written in straightforward language and without unnecessary repetition?**
- **Does it use diagrams, charts, tables and case studies to break up lengthy narrative?**
- **Is there a clear contents page to aid navigation and sufficient signposting?**

The Committee concluded that the Annual Report was fair, balanced and understandable, allowing the Board to make its statement on page 174.

Climate-related disclosures

The Committee considered the requirement to disclose, on a comply or explain basis, compliance with the recommendations of the Task Force on Climate-related Financial Disclosure ('TCFD'). The Committee received an update from management on the assessment undertaken and the TCFD disclosure which can be found in the Responsible Business and ESG review on pages 77 to 81.

Whistleblowing procedures, anti-corruption and anti-bribery

As a company, we seek to operate in an honest and professional manner, with integrity and respect for others. We do not tolerate inappropriate behaviour or malpractice of any kind.

Employees are encouraged to speak out if they witness any wrongdoings and are provided with a compliance procedures manual on joining which sets out our whistleblowing policy and anti-corruption procedures.

This year, companywide anti-money laundering, market abuse, whistleblowing, conduct and ethics refresher training was undertaken through Fulcrum Compliance, our external advisor.

Responsibility for reviewing and monitoring whistleblowing rests with the Board and the Committee will report to the Board any incidents that are brought to its attention. During the year under review, there were no whistleblowing incidents to report to the Board.

I would like to extend my sincere thanks to my fellow Committee members, wider management team and Deloitte for their support and valued contribution over the many years that I have led this Committee.

This year, our AGM will be held at The Connaught in Mayfair for shareholders to attend and Kitty, as your new Chair, will be in attendance and available to answer any questions.

Rosalyn Wilton
Chair of the Audit Committee
24 May 2023

Remuneration

Remuneration Committee report

[IMAGE REMOVED]

"Our remuneration framework is designed to align executive pay with the Company's strategic goals and wider workforce pay, and to motivate and reward exceptional performance.

Robert Fowlds
Remuneration Committee Chair

Key responsibilities

Remuneration Policy

- Set and review the Remuneration Policy for Directors and ensure it is aligned to the Company's purpose and values and the delivery of its strategy
- Set the remuneration of the Executive Directors and certain members of the Senior Leadership Team and oversee workforce remuneration arrangements

See pages 144 to 157

Remuneration packages and payouts

- Determine and review individual remuneration packages
- Approve salaries, bonuses and LTIP awards

See pages 158 to 170

Variable incentives

- Determine and review the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements
- Approve targets and outcomes

See pages 158 to 170

There have been no changes to the Committee's membership or primary role this year, which is to operate a fair and transparent reward structure that motivates and incentivises the Executive Directors to deliver the Group's strategic goals, reward exceptional performance and retain high calibre individuals for the long term.

Membership and attendance

The number of Committee members and their attendance during the year was as follows:

Member	Date appointed	Tenure (years)[1]	Meetings attended[2]
Robert Fowlds (Chair)	31/1/2019	4	5 (5)
Rosalyn Wilton	14/7/2016	7	5 (5)
Suzanne Avery	19/9/2018	5	5 (5)
Andrew Livingston	28/1/2021	2	5 (5)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2023, rounded to the nearest whole year
2 Bracketed numbers indicate the number of meetings the member was eligible to attend

Highlights this year

- Reviewed the Directors' Remuneration Policy and consulted with shareholders on Policy design and performance measures, amending the final proposals based on the feedback provided and advice from PwC as remuneration consultants as appropriate
- Considered the wider workforce pay when setting Executive Directors' and the Senior Leadership Team's remuneration
- Considered employees views on Executive pay through attendance by Chair at Workforce Non Executive Director's annual staff meeting
- Approved the performance targets of the annual bonus and LTIP awards and tested their achievement as required

Remuneration

Chair's introduction

I am pleased to present the Remuneration Committee's report on Directors' remuneration for the year to 31 March 2023, which is structured as follows:

- My annual statement as Chair, which summarises our work, the key decisions taken and outcomes (pages 140 to 143);
- Our new Directors' Remuneration Policy ('Policy') which will be subject to a binding vote at the 2023 AGM (pages 144 to 157); and
- The Annual Report on Remuneration which describes how the Remuneration Policy has been applied for the year ending 31 March 2023 and how we intend to implement the new policy for 2024 (pages 158 to 170).

Remuneration aligned to purpose and strategy

Our remuneration framework continues to be strongly aligned with the Company's purpose, strategy and performance as well as the interests of our shareholders as reflected in the chart on page 157.

Delivery of these strategic objectives is measured using key performance metrics that are embedded within the variable elements of remuneration, being EPRA Earnings per Share ('EPS'), Total Property Return ('TPR'), Total Accounting Return ('TAR') and Total Shareholder Return ('TSR'). Strategic and ESG based metrics have also been incorporated into the annual bonus as part of the changes set out below.

Performance during the year

We have seen significant volatility in the capital markets this year, underpinned by high inflation and increases in interest rates, alongside heightened geopolitical uncertainty. This has disproportionately impacted the listed real estate sector which is perceived to be more sensitive to interest rate increases, and our TSR in the year was disappointing, but taking a longer term view in line with our strategy, we have delivered TSR over the past three and ten years since merger of 12% and 165% respectively, both significantly outperforming the FTSE 350 Real Estate Super Sector of -5% and 36%.

The material upward movement in interest rates has also had a significant negative impact on real estate valuations, and we are reporting an IFRS loss of £506.3 million this year, largely due to the adverse movement of £587.5 million in the value of our property portfolio. However, despite this backdrop, we have focused on what is in our control and have delivered a strong trading performance that has enabled us to increase our EPRA earnings by 2.9% to 10.33p per share and grow our dividend by 2.7%. This good outcome was achieved through strong asset management on rent reviews, lease renewals and lettings, helping to grow our income and keep occupancy high at 99.1%. In addition, the team focused on managing the LTV through £273 million sales of non-core assets, an excellent result given the difficult market conditions, and which allowed the LTV to settle at a comfortable level of 32.8%. Non core asset sales have improved the quality and environmental metrics of the portfolio, with the proportion of the portfolio with an EPC rating of 'A' to 'C' increasing to 90%. This is testament to the hard work and commitment of our executive team and all colleagues throughout the organisation.

Given this strong operational performance despite the macroeconomic challenges this year, and the longer term progressive returns enjoyed by shareholders both in terms of dividend yield and share price performance, the Committee considers it entirely appropriate to reward the Executive Directors with the variable elements of this year's annual bonus and LTIP in line with the formulaic outcomes as detailed below.

Salary increases

The Committee approved a 4.2% increase to Executive Director salaries to apply from 1 June 2023, which is in line with the average increase provided to the workforce.

Pension alignment

In line with best practice, from 1 June 2022 the Executive Directors' pension contributions have been aligned with the rate available to the wider workforce (10% of salary) and this will continue under the proposed Remuneration Policy.

Annual bonus

As set out in last year's Remuneration Committee report, the targets for the annual bonus for the year to 31 March 2023 were based on growth in EPRA EPS (35% weighting), growth in TPR (35% weighting) and performance against personal objectives (30% weighting). The maximum opportunity was 165% of salary for the Chief Executive and 140% of salary for the Finance Director.

In response to the deterioration in market conditions during the year, the Board materially changed its strategy away from new investments and development funding to a focus on net disposals to manage LTV and retain a robust balance sheet. This directly impacted the Company's EPRA EPS and therefore the Committee has taken this into account when assessing the EPS target. The impact of the reduced investment and withdrawal of project funding was excluded from the original EPS targets and on this revised basis, the EPS growth measure was achieved in full as EPRA EPS of 10.33p per share met the maximum target.

In line with best practice and consistent with the previous year, TPR has been measured on a multi-year basis (over one and three years) to reflect performance against the All Property Index and the index for the Group's portfolio of assets. The Committee is satisfied that this approach measures and rewards the longer term investing principles inherent in the real estate sector. On this basis, the TPR element paid out 50% of maximum.

The Committee also assessed that 87% of maximum for the Chief Executive and 80% of maximum for the Finance Director in respect of their personal objectives would pay out reflecting the strong operational, financial and ESG progress made during the year (full details of this assessment are set out on pages 164 to 165).

Overall, the Committee determined annual bonuses for the Chief Executive and Finance Director to be at 78.5% and 76.5% of their respective maximum levels. The Directors have decided to opt out of the annual bonus deferral provision in accordance with the current Remuneration Policy, as they have exceeded the minimum shareholding requirement of 700% of salary.

The Committee considered this to be fair and reasonable given that both Executive Directors held over 14 times their salary in shares as at 31 March 2023.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2020 is dependent on Company performance over the three years to 31 March 2023. Performance is measured by reference to TAR and TSR relative to the FTSE 350 Super Sector Real Estate index excluding agencies and operators (37.5% weighting each) and EPRA EPS growth (25% weighting).

The Committee assessed that over the three-year performance period relative TAR performance was in the top quartile of the measurement index leading to full vesting for this element. TSR growth of 11.7% was positioned just below the upper quartile (11.8%), resulting in 99.8% vesting.

The EPRA EPS growth targets are set with reference to RPI measured on a spot to spot basis over the three financial years ending on 31 March 2023. Given the unforeseen and exceptional increase in RPI during the performance period driven by external macroeconomic factors, the Committee determined to cap the RPI rate at which the EPS growth targets were to be assessed consistent with the approach used last year. In determining an RPI cap of 4.5% per annum, the Committee considered the following factors:

- Anticipated inflation rates when the targets were set in early 2020;
- The lease structures of our tenants, 63% of which contain contractual uplifts capped on a weighted average basis at 3.7% per annum and significantly below current RPI, which reduce the downside for shareholders whilst limiting the ability of management to capture elevated levels of inflation;
- The combination of the above with the standard five-yearly rent review pattern;
- The substantial net divestment in the year, driven by the change in strategy to manage the LTV in more challenging markets;
- The other 20 recipients of the LTIP award; and
- EPS performance over the three financial years.

The Committee is satisfied that although the RPI cap is lower than that used last year (7% per annum), it is representative of the Company's current portfolio composition. To ensure consistency in future years, the Committee will use this approach for all in-flight LTIP awards.

Based on this approach and EPRA EPS for the year to 31 March 2023 of 10.33p per share, vesting is 39% of the maximum for this element. The Committee considered the calculation methodology to be fair and reasonable for the Executive Directors and also for the 20 LTIP participants in the wider workforce and that the approach generated a vesting outcome which was aligned with the Company's strong corporate performance and the shareholder experience (LondonMetric was placed just below the upper quartile of sector peers in terms of TSR performance over the past three years).

On vesting, the Committee will determine whether any adjustment should be made in relation to windfall gains. However, it notes that the 2020 LTIP award was granted in June 2020 when the Company's share price had recovered close to its pre-Covid level and above the share price used to determine the 2019 LTIP awards. Overall, 84.7% of the 2020 LTIP will vest in June 2023, subject to continued service, using the formulaic approach outlined above. The awards are subject to a two-year post-vesting holding period.

LTIP awards

The Group's LTIP arrangements seek to align executive pay with the delivery of long term growth in shareholder value. This year 727,222 share awards were granted to the Executive Directors and 901,037 LTIP awards vested. The Directors disposed of 436,059 shares to settle tax liabilities and retained the remaining 464,978 shares which increased their holding in the Company to a total of 8.6 million shares.

Policy review

Our current Policy, which was approved by shareholders at the 2020 AGM by over 95% of votes in favour, is approaching the end of its three year term. During the year, the Committee conducted a comprehensive review of its executive remuneration framework with the assistance of its remuneration advisors, PwC, and consulted with 22 major shareholders representing 63% of our issued share capital as well as the Investment Association and the proxy voting agencies, ISS and Glass Lewis, on the proposed new Policy.

Overall, the Committee believes that the current Policy continues to be broadly fit for purpose and aligned with the business strategy to continue to grow earnings and deliver sustainable and progressive dividend returns. Therefore, the core components are to be retained.

During our review the Committee considered a range of factors, but key amongst these was the recognition that remuneration opportunities for our Executive Directors did not fully reflect the successful business growth achieved during the period since the merger in 2013 and that total pay levels should be positioned more towards the upper quartile of the real estate sector. In particular, the Committee identified the following:

- The current Policy does not provide sufficient scope to continue to recruit, retain and motivate at a level which is consistent with the success, scale and complexity of our business
- The Executive Director pay packages are well below the desired competitive positioning of LondonMetric, particularly given the consistent above-market performance achieved by our talented management team
- The lack of bonus deferral, despite high shareholding requirements and the strong alignment through the Executive Directors' material personal shareholdings, does not fully align with investors' expectations around the operation of malus and clawback and effective risk management
- The performance measures do not fully incorporate progress on our ESG targets
- Other areas of the Policy lack the required flexibility for the Remuneration Committee to operate it effectively

The Remuneration Committee considered the level of increases that would be required to achieve the desired market positioning and is proposing what we believe are the minimum necessary increases to annual bonus and LTIP maximum opportunities. It also concluded that any additional remuneration opportunity should only be paid if warranted by strong corporate performance.

Remuneration

Chair's introduction
continued

Overall, shareholders were supportive of the proposals, however some provided challenge on certain aspects. The Committee actively listened to the feedback provided and, in some areas, made changes to the Policy proposals and its implementation. For the Policy proposals where feedback was provided, the table on page 143 outlines the initial proposals, the feedback received from shareholders, and the Committee's final proposal and rationale.

The proposed changes are set out in full on page 143. The key improvements are as follows:

- The maximum bonus opportunity for the Chief Executive increases from 165% to 200% of salary and for the Finance Director from 140% to 175% of salary
- The introduction of bonus deferral such that for existing Executive Directors, 50% of any bonus earned over 120% of salary will be deferred and will vest equally after two and three years. For newly appointed Executive Directors, one third of the annual bonus will be subject to deferral into shares vesting equally after two and three years. Once a new Director has built up a 700% of salary shareholding, the deferral mechanism reverts to that for the existing Directors
- The maximum LTIP award for the Chief Executive increases from 200% to 225% of salary and for the Finance Director from 165% to 200% of salary. However, mindful of the share price performance over the past year, the Committee determined not to implement this increase, such that the new 2023 LTIP awards, vesting in 2026, will be reduced to 190% and 150% of salary for the Chief Executive and Finance Director respectively
- The pension contribution rate for Executive Directors will be aligned with the wider workforce (currently 10% of salary), with flexibility for the Committee to re-align their contribution to the wider workforce rate if it increases during the life of the policy at its discretion
- Increase the maximum year of recruitment incentive levels in exceptional circumstances to 210% of salary for annual bonus and 235% of salary for LTIP. There is no current intention to use this discretion.

In addition to the changes to Policy set out above, the Committee is also making changes to how it will implement the Policy in the coming year, including to the performance measures and weightings under the annual bonus and LTIP. The proposals in relation to the performance measures were consulted on with shareholders as part of the Committee's engagement exercise, with the main change being the inclusion of Strategic and ESG elements in the annual bonus. Further details of the operation, performance measures, weightings and targets attached to the incentive awards are set out in the implementation of Policy for next year on pages 160 to 162.

The Committee believes that its proposals are consistent with existing arrangements which have supported the Company and shareholders well but have been amended to better reflect current investor preferences, the regulatory environment, and some changes to the strategy of the Company since 2013. The Committee believes the proposals, taken together, will more effectively attract, retain, and motivate a high quality leadership team to deliver growth and sustained strong financial performance and that they are in the best interests of the Company and its shareholders.

Looking forward

Our focus next year will be to oversee the implementation of the new Policy following shareholder approval at the 2023 AGM and ensure that remuneration arrangements and packages continue to incentivise and motivate management.

We will continue to be mindful of the impact of high inflation and the cost of living to the wider workforce.

Conclusion

The Company has performed very well this year despite the challenging market and economic conditions and the Committee believes that the remuneration outcomes are entirely appropriate and reflective of the business performance and wider macroeconomic environment.

The proposed Policy and remuneration packages for the year ahead provide the appropriate incentive and reward to motivate and retain the Executive Directors and I look forward to your support at our forthcoming AGM. We welcome feedback from shareholders and I will be available at the AGM should you have any questions. I can also be contacted through the Company Secretary at other times at info@londonmetric.com.

I would also like to thank my fellow Committee members for their hard work, input and support over the past year. Finally, I want to recognise that the Company's performance would not be possible without the dedication shown by our employees. To all employees – thank you for your hard work and commitment.

Robert Fowlds
Chair of the Remuneration Committee
24 May 2023

Remuneration Committee assessment

The Committee is satisfied that the amount payable under the variable incentive plans is a fair reflection of the underlying performance of the business. As such, no discretion was exercised by the Committee in relation to the formulaic outcomes.
In making this assessment, the Committee took account of the following factors:

- The Company achieved a strong set of financial results, allowing the Board to propose an increase to the dividend for the year to 31 March 2023 of 2.7%
- The financial results were also reflected in strong share price growth which led to TSR growth of 11.7% over the three years to 31 March 2023 which was just below the upper quartile growth of 11.8% over the same period
- Maintained strong portfolio composition of logistics and long income assets, which represents 97% of the portfolio
- Maintained the quality of the portfolio and tenant mix with a WAULT of 11.9 years and occupancy of 99.1%
- Maintained high EPC ratings, with 90% assets rated A to C (2022: 85%)
- All employees received an annual bonus and the Committee is delighted that 63% of our employees will benefit from the 2023 LTIP award

The Committee is satisfied that the remuneration policy operated as intended in the year to 31 March 2023.

Table of main changes as a result of shareholder feedback to the Policy Review consultation

Initial proposal	Feedback received from shareholders	Final proposal and rationale
Bonus quantum Increase maximum bonus for CEO from 165% to 200% of salary. Increase maximum bonus opportunity for Finance Director from 140% to 175% of salary.	Given the current economic climate, shareholders are alert to increases in executive remuneration. As such, whilst shareholders recognised the rationale for the increases, being to increase the overall total remuneration opportunity without a material one-off increase in salaries, some shareholders raised concerns regarding the level of the annual bonus increases, particularly when compared to peers.	No change to the initial proposal. The Committee has listened to shareholder feedback and has recognised that restraint is appropriate, particularly in the current economic environment. However, the Committee maintains the view that the proposed increases are an appropriate reflection of management's exceptional reputation within the sector and the current aggressive market for talent. The Committee recognises that the proposed annual bonus opportunity is at the top end of the market range. However, this is consistent with the desired positioning of total pay levels towards the upper quartile of the real estate sector to reflect the management team's past performance that has consistently achieved upper quartile levels. The Committee felt that an increase in the performance driven bonus opportunity was an appropriate method of meeting this objective, taking into account the significant level of equity already held by management discouraging more material LTIP increases.
Bonus deferral mechanism Introduce bonus deferral for three years into shares, such that 50% of any bonus earned over 120% of salary will be deferred into shares. 50% of deferred shares vest after two years and 50% after three years.	Whilst the introduction of bonus deferral was welcomed by shareholders, some shareholders indicated a preference for a fixed percentage of bonus to be deferred into shares, rather than the amount above a percentage earned.	**Current Executive Directors** No change to the initial proposal. This is on the basis that the key driver behind the introduction of deferral for the current Executive Directors was to improve the efficacy/capability of malus/clawback provisions under the annual bonus, rather than encouraging shareholder alignment. The Committee will review this policy in three years' time. However, the Committee did review its proposals in relation to new executives as set out below. **New Executive Directors** One third of the annual bonus will be subject to deferral into shares. 50% of deferred shares vesting after two years and 50% after three years. Deferring one third of the annual bonus is standard market practice for a FTSE 250 business, is aligned with our FTSE 350 real estate peers, and therefore the Committee believes it is appropriate to operate this structure for a new Executive Director. It will help them build up a meaningful shareholding alongside the LTIP. Once a new executive has built up a 700% of salary shareholding then the deferral mechanism will revert to that proposed for the current Executive Directors.
LTIP quantum Increase maximum LTIP award size for CEO from 200% to 225% of salary. Increase maximum LTIP award size for Finance Director from 165% to 200% of salary.	Shareholders were generally supportive of an increase to the LTIP opportunity ensuring that pay is more heavily weighted to long term performance. Shareholders recognised the rationale for the increases and were comfortable considering the level of stretch that will be applied to the performance targets.	No change to the initial proposal. However, the Committee determined not to increase LTIP awards levels for 2023 given the fall in the share price. 2023 LTIP awards will be reduced to 190% and 150% of salary for the Chief Executive and Finance Director respectively.

Remuneration

Directors' Remuneration Policy

Our current Policy, which was approved by shareholders at the 2020 AGM by over 95% of votes in favour, is approaching the end of its three year term.

This section outlines the new proposed 2023 Policy which, subject to shareholder approval, will take effect for three years from 12 July 2023.

The Policy has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended and the provisions of the current Corporate Governance Code and the Listing Rules.

The Board delegated its responsibility to the Remuneration Committee to establish the Policy on the remuneration of the Executive Directors and the Chair. The Board has established the Policy on the remuneration of the other Non Executive Directors.

The Committee sets the Policy for Executive Directors and other senior executives, taking into account the Company's strategic objectives over both the short and the long term and the external market.

The Committee oversees the operation of employee pay practices, ensuring that incentives for employees support the culture and values of the Company.

In order to manage conflicts of interest, no Director or employee participates in discussions pertaining to their own remuneration.
The Committee reviews the performance of its external advisers on an annual basis to ensure that the advice provided is independent of any support provided to management.

Overview of our Policy

The Group's Remuneration Policy is designed to align executive pay and incentives with the Company's goals and encourage and reward exceptional overall and individual performance. As well as motivating, remuneration plays a key role in retaining highly regarded individuals and needs to be competitive.

The principles which underpin the Remuneration Policy ensure that Executive Directors' remuneration:

- Is aligned to the business strategy and achievement of business goals;
- Is aligned with the interests of shareholders by encouraging high levels of share ownership;
- Attracts, motivates and retains high calibre individuals;
- Is competitive in relation to other comparable real estate companies;
- Is set in the context of pay and employment conditions of other employees; and
- Rewards superior performance through the variable elements of remuneration that are linked to performance.

Policy review

The Committee undertook an extensive review of the current Policy, working with our independent remuneration advisors PwC, to ensure that it continued to support the pay principles set out above.

Overall, the Committee believes that the current Policy continues to be broadly fit for purpose and aligned with the business strategy to continue to grow earnings and deliver sustainable and progressive dividend returns. Therefore, the core components are to be retained.

During our review the Committee considered a range of factors, but key amongst these was the recognition that remuneration opportunities for our Executive Directors did not fully reflect the successful business growth achieved during the period since 2013 and that total pay levels should be positioned more towards the upper quartile of the real estate market.

The Committee consulted extensively with our largest shareholders and the investor representative bodies in relation to changes to Policy.

The Committee is grateful to all shareholders who took part in the consultation and provided valuable input, the result of which were a number of changes to the Committee's original Policy proposals which are set out in the *Remuneration Committee Chair's statement*.

The Remuneration Committee considered the level of increases that would be required to achieve the desired market positioning and is proposing what we believe are the minimum necessary increases to annual bonus and LTIP maximum opportunities. It also concluded that any additional remuneration opportunity should only be paid if warranted by strong corporate performance.

Details of the proposed Policy changes and the associated rationale are set out in the table on page 145.

In addition to the changes highlighted in this table, the Committee has proposed some amendments to the current Policy wording to ensure there is an appropriate level of flexibility within the Policy, these are set out in the Policy table on pages 146 to 155.

Element	Current Policy	Proposed change	Rationale for change
Pension	The maximum contribution for current Executive Directors is 15% of salary, reducing to 12.5% of salary in June 2021 and 10% of salary in June 2022. New Executive Directors will have a pension contribution in line with other employees.	The pension contribution rate for Executive Directors will be aligned with the wider workforce (currently 10% of salary). Introduce flexibility for the Remuneration Committee to align the Executive Directors' pension contribution to the wider workforce rate if this increases during the life of the policy at the discretion of the Committee.	The Committee reduced Executives Directors' contribution rates to 10% of salary on 1 June 2022, such that they are currently aligned with the wider workforce. The proposed policy embeds this alignment with the wider workforce.
Annual bonus - maximum opportunity	Currently, the annual bonus has a maximum opportunity of 165% and 140% of base salary for the CEO and other Executive Directors respectively.	Increase maximum bonus for CEO from 165% to 200% of salary. Increase maximum bonus opportunity for other Executive Directors from 140% to 175% of salary.	The Committee feels the proposed increases will support the retention and incentivisation of the management team to execute the strategy for further growth in the business and deliver strong returns to shareholders. This is consistent with the desired positioning of total pay levels towards the upper quartile of the real estate sector. The Committee considered that an increase in both the performance driven incentive opportunities, but with a slightly greater increase in the annual bonus opportunity was the most appropriate method of meeting this objective, taking into account the significant level of equity already held by management. The proposed increases reflect management's exceptional reputation within the sector and the current aggressive market for talent. The increases to remuneration levels will only be earned for continued excellent performance as they are all performance linked.
Long Term Incentive Plan - maximum opportunity	The LTIP has a maximum opportunity of 200% and 165% of base salary for the CEO and other Executive Directors respectively.	Increase maximum LTIP award size for CEO from 200% to 225% of salary. Increase maximum LTIP award size for other Executive Directors from 165% to 200% of salary.	
Annual bonus - deferral	Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash. For those who are yet to meet the minimum shareholding requirement, up to 100%, and at least 50% of the annual bonus will be paid in deferred shares vesting over 3 years.	Introduce compulsory bonus deferral in shares. For existing Executive Directors, 50% of any bonus earned over 120% of salary will be deferred into shares. 50% of deferred shares vest after two years and 50% after three years. For new Executive Directors, one-third of the bonus will be subject to deferral (50% for two years and 50% for three years). Once a new executive has built up a 700% of salary shareholding then their deferral mechanism will change to align with the existing Executive Directors. Dividend equivalents will be payable on deferred shares.	Movement towards market practice. The increased bonus quantum is almost entirely deferred, which supports the retention of a highly experienced management team. Improves the efficacy/capability of malus/clawback provisions under the annual bonus. Deferring 1/3rd of annual bonus is standard market practice for a FTSE 250 business, is aligned with our FTSE 350 real estate peers, and therefore the Committee believes it is appropriate to operate this structure for a new Executive Director. It will also help them build up a meaningful shareholding alongside the LTIP.
Recruitment Policy	**Bonus:** 175% of salary in exceptional circumstances **LTIP:** Maximum award of 200% of salary in exceptional circumstances. Maximum variable remuneration which may be granted in normal circumstances is 365% of salary.	An increase to the maximum annual bonus award of up to 200% in normal circumstances and up to 210% of salary in exceptional recruitment circumstances. An increase to the maximum LTIP award which may be granted of up to 225% in normal circumstances and up to 235% of salary in exceptional circumstances. Maximum variable remuneration which may be granted in normal circumstances is 425% of salary.	Provides flexibility to enable senior-level appointees to achieve stake in the Company and facilitates recruitment of an exceptional candidate. Aligns with proposals for increased annual bonus and LTIP award levels. There is however no current intention to use this headroom.

Remuneration

Directors' Remuneration Policy
continued

Executive Directors' Remuneration Policy Table

The policy table below sets out the key elements of the remuneration package for Executive Directors.

Base salary	
Purpose and link to strategy	Provide a competitive level of fixed pay to attract and retain Executive Directors of the required calibre to deliver the Group's strategy. Level of pay reflects individuals' skills, seniority and experience and complexity of the role.
Operation	An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from 1 June or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • Pay increases to other employees • Remuneration practices within comparable real estate companies • Any change in scope, role and responsibilities • The general performance of the Company and each individual • The experience of the relevant Director • The economic environment Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved.
Maximum opportunity	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to the Group and validated against other real estate companies, so that they are competitive against the market. The Committee intends to review the comparator group each year and will add or remove companies as it considers appropriate. In general, salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the scope and responsibilities of the role, including significant changes in Group size and/or complexity or if it is necessary to remain competitive to retain a Director. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.
Performance measures	The Directors are subject to an annual performance assessment, the outcome of which is taken account of in setting base salaries.
Changes to previous policy	No changes.

Pension	
Purpose and link to strategy	Provide a competitive post-retirement benefit to attract and retain individuals.
Operation	The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy. This allowance will be a non-consolidated allowance and will not impact any incentive calculations.
Maximum opportunity	The maximum pension contribution rate is 10% of salary for Executive Directors, aligned to the wider workforce. Where there is any increase to the pension contribution rate received by the wider workforce, the Executive Directors will be entitled to receive the same contribution level at the discretion of the Remuneration Committee which, for the avoidance of doubt, could be more than 10% of salary. No element other than base salary is pensionable.
Performance measures	None.
Changes to previous policy	See table on page 145 for details.

Benefits	
Purpose and link to strategy	Provide a comprehensive and competitive benefit package to aid recruitment and the retention of high quality Executive Directors.
Operation	Each Executive Director receives the following: • Car allowance • Private medical insurance • Life insurance • Permanent health insurance The Committee recognises the need to maintain suitable flexibility in the determination of benefits that ensures it is able to support the objective of attracting and retaining personnel. Accordingly, the Committee would expect to be able to adopt benefits such as relocation expenses, tax equalisation and support in meeting specific costs incurred by Executive Directors to ensure the Company and the individuals comply with their obligations in the reporting of remuneration. Additional benefits which are available to other employees on broadly similar terms may be offered.
Maximum opportunity	Car allowance is £20,000 per annum for each Executive Director. Other benefits are provided at the market rate and therefore the cost will vary from year to year based on the cost from third party providers.
Performance measures	None.
Changes to previous policy	Non-material changes provide the Committee with flexibility in line with standard market practice.

Annual bonus	
Purpose and link to strategy	Incentivise the achievement of annual financial targets consistent with the Group's business plan for the relevant financial year as well as the delivery of non financial targets.
Operation	Annual performance measures, targets and their weightings are set by the Committee at the start of the financial year, linked to the Group's long term strategy. For existing Executive Directors, 50% of any bonus earned over 120% of salary will be deferred into shares. 50% of deferred shares will vest after two years and 50% after three years subject to continued employment. The portion of the bonus earned and not deferred into shares will be paid in cash. For new Executive Directors, one-third of any bonus earned will be deferred into shares. 50% of deferred shares will vest after two years and 50% after three years subject to continued employment. The portion of the bonus earned and not deferred into shares will be paid in cash. Once a new Executive Director has built up a 700% of salary shareholding then the deferral mechanism will revert to that set out above for existing Executive Directors. Dividend equivalents will be payable on deferred shares. The annual bonus contains malus and clawback provisions as noted on page 154.
Maximum opportunity	The maximum bonus for the Chief Executive is 200% of salary and 175% of salary for other Executive Directors. Target bonus is 100% of salary for the CEO and 87.5% of salary for the other Executive Directors, representing 50% of the maximum opportunity. The threshold for the bonus is 25% of the maximum opportunity.

Remuneration

Directors' Remuneration Policy
continued

Annual bonus continued	
Performance measures	Performance is assessed against target financial and non financial measures depending on the annual priorities of the business. The Committee may amend the measures used each year in line with the Group's general business strategy as well as vary weightings from year to year. At least 60% of the bonus will be linked to key property and financial metrics and a further 15% (as a minimum) will be subject to other quantifiable metrics, so that at least 75% of the bonus metrics will be quantifiable. Non financial targets will be set to measure strategic and ESG performance and contribution to the achievement of portfolio management initiatives and other operational management objectives. The Committee will set challenging annual targets that are appropriately stretching, but achievable. The Committee is of the opinion that due to the commercial sensitivity of annual targets, they will be disclosed retrospectively. In exceptional circumstances where the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year. The Committee retains discretion to make downward or upward adjustments to the amount of bonus payable resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance.
Changes to previous policy	See table on page 145 for details and the commitment that at least 75% of the bonus metrics will be quantifiable.

Long term incentives	
Purpose and link to strategy	Incentivise and reward the delivery of long term Group performance and sustained growth in line with business strategy, thereby building a shareholding in the Group and aligning Executive Directors' interests with shareholders.
Operation	The LTIP rules were approved by the shareholders at the 2013 AGM and have been updated to reflect changes in this proposed Policy and corporate governance best practice for approval at this year's AGM. Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. Details of the performance conditions for grants made in the year will typically be set out in the Annual Report on Remuneration on a prospective basis. If the Committee decides that any metric is commercially sensitive for future grants, details will be disclosed retrospectively in the Annual Report on Remuneration. Awards will normally vest at the end of a three year period subject to: • The Executive Director's continued employment at the date of vesting • Satisfaction of the performance conditions Vested awards will be subject to a further two year holding period during which Executive Directors cannot dispose of shares other than for tax purposes. The Committee may award dividend equivalents on awards that vest. The LTIP contains malus and clawback provisions as noted on page 154.
Maximum opportunity	Annual awards with a maximum value of up to 225% of salary for the Chief Executive and 200% of salary for other Executive Directors. 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.
Performance measures	The performance measures for the LTIP are set by the Committee and are based on a combination of metrics, with at least 50% being financial in nature. The performance period is three years. The Committee may change the balance of the measures or use different measures for awards as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. In exceptional circumstances the Committee retains the discretion to: • Vary, substitute or waive the performance conditions applying to LTIP Awards if it considers it appropriate and the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions • Make downward or upward adjustments to the amount vesting under the LTIP award resulting from the application of the performance measures if it believes that the outcomes are not a fair and accurate reflection of business performance
Changes to previous policy	See table on page 145 for details.

Performance measures and targets

The table below sets out the performance measures chosen in respect of the annual bonus and LTIP in respect of the financial year ending 31 March 2024.

Annual Bonus	
Performance measures and weightings	• 30% Growth in EPRA EPS • 30% growth in Total Property Return • 30% Strategic objectives • 10% ESG objectives
Performance targets	The relative TPR measurement will be based on a conventional performance schedule with threshold and maximum performance levels at median and upper quartile of the MSCI index. Equal weighting will be given to one and three year performance against the all property benchmark and to one and three year performance against the reweighted property benchmark. The Board deems all other annual bonus targets to be commercially sensitive. Full details of the FY2024 targets and their achievement will be disclosed retrospectively in next year's Directors' Remuneration Report.
Why measures were chosen	Incentivise the achievement of annual financial targets consistent with the Group's business plan with particular focus on TPR and EPRA EPS. The introduction of the strategic objectives in the annual bonus replaces the current personal objectives. This will directly measure management's performance against the strategic imperatives set annually by the Board. For the avoidance of doubt, many of these strategic objectives will be financial in nature such that at least 75% of the annual bonus will be subject to quantifiable metrics. Linking the Executive Directors' annual bonus to ESG objectives is reflective of broader investor views and ensures the Executive Directors are incentivised to deliver the Company's ESG strategy.
How targets are set	The performance targets are calibrated by the Committee considering the Company's business plan, strategic and operational objectives and market conditions. Setting the TPR threshold and maximum performance levels at median and upper quartile respectively aligns with the TAR and TSR relative vesting scales in the LTIP (see below).

LTIP	
Performance measures and weightings	• 37.5% Total Shareholder Return ('TSR') versus FTSE 350 Real Estate Super Sector Index (excluding agencies and operators) • 37.5% on relative Total Accounting Return ('TAR') against the same peer group as TSR • 25% on EPRA EPS growth
Performance targets	The relative TSR and TAR target at threshold level is performance equal to the Index and maximum performance is equal to the upper quartile, with straight line vesting in between. The Committee will assess TSR if negative at the end of the performance period given market volatility and will adjust vesting outcomes accordingly if it feels there is misalignment between remuneration outcomes and the shareholder experience. In relation to EPS, vesting will be based on the EPS achieved in the year ending 31 March 2026. Threshold vesting will be achieved for EPS growth equal to CPIH and maximum vesting for EPS growth of CPIH + 4.5%. CPIH will be capped at 4.5%. Straight-line vesting in between threshold and maximum performance.
Why measures were chosen	The relative TSR and TAR measures have been selected to reward senior executives for the generation of strong and sustainable long-term growth and the delivery of long term sustainable value for the benefit of shareholders. EPS has been selected as it remains the Company's primary measure of profitability. Each measure is consistent with the objective to generate reliable, repetitive and growing income-led total returns.

Remuneration

Directors' Remuneration Policy
continued

LTIP continued	
How targets are set	The relative TSR and TAR targets have been set, in line with standard practice, such that threshold vesting is achieved for performance in line with an appropriate index, with full vesting for upper quartile. The current formulaic positive TSR underpin has been updated as it creates the possibility for perverse outcomes in which management is not appropriately rewarded for delivering strong relative performance due to negative absolute returns (which may be outside management's control and is particularly relevant in the current uncertain and volatile market) and is misaligned with standard market practice. The Group's three year financial forecast was taken into account when setting the EPS targets along with consideration of strategic goals and priorities, proposed investment and development plans, gearing levels, previous years' results and the Company's portfolio lease structure. The CPIH cap is consistent with the approach taken for in-flight LTIP awards.

Shareholding guidelines

Minimum shareholding requirement

In line with the Group's remuneration principles, the Remuneration Policy places significant importance on aligning the long term interests of shareholders with those of management by encouraging the Executive Directors to build up over a five year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.

In addition, Executive Directors will be required to retain at least 50% of the post tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements.

Role	Shareholding requirement (% of salary)
Chief Executive	700%
Other Executive Directors	700%
Newly appointed Executive Directors	400%

The Committee has set the requirement at 400% of salary for the Policy period for newly appointed Executive Directors to reflect the practical level that could be achieved if all incentives were earned over the Policy period and paid in shares.

Post cessation shareholding requirement

There is a post cessation shareholding requirement for the Executive Directors, who must retain shares equivalent in value to the minimum of 200% of salary and their actual shareholding on cessation for two years post cessation of employment.

This requirement provides further long term alignment with shareholders and ensures a focus on successful succession planning.

Difference in policy for directors and for other employees

The table illustrates the cascade of pay structures throughout the business for the Chief Executive, Finance Director and the Senior Leadership Team for the year to 31 March 2023. The Committee believes this demonstrates a fair and transparent progression of remuneration throughout the Company which is in line with one of its core pay principles that variable performance based pay increases with seniority.

	Participation/ Annual Bonus Entitlement		
Element of pay	Chief Executive	Finance Director	Senior Leadership Team
LTIP award	190% of salary	150% of salary	40% to 150% of salary
Annual bonus	130% of salary	107% of salary	56% to 107% of salary
Pension	10% to 12.5% of salary	10% to 12.5% of salary	10% to 12.5% of salary

The following differences exist between the Company's Policy for the remuneration of Executive Directors as set out in the Policy table above and its approach to the payment of employees generally:

- All employees are eligible for a performance based annual bonus. A lower level of maximum annual bonus opportunity applies to employees when compared to the Executive Directors.
- Executive Directors participate in the LTIP. Currently 20 other employees are invited to participate in the LTIP at the Remuneration Committee's discretion.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various levels of seniority.

Non Executive Directors' Remuneration Policy Table

Fees and benefits	
Purpose and link to strategy	To attract and retain suitably qualified Non Executive Directors by ensuring fees are competitive. Non Executive Directors are not eligible to receive benefits other than travel, hospitality related or other incidental benefits linked to the performance of their duties as a Director.
Operation	The Board is responsible for setting the remuneration of the Non Executive Directors (specifically the Chair and the Executive Directors). The Remuneration Committee is responsible for setting the Main Board Chair's fees. Non Executive Directors are paid an annual fee and additional fees for the Chair of Committees and for the Senior Independent Director. The Company retains the flexibility to pay fees for the membership of Committees. The Chair does not receive any additional fees for membership of Committees. Fees for a Chair/membership of a new Committee will be in line with this Policy. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non Executive Directors and the Chair do not participate in any variable remuneration arrangements or other benefits arrangements.
Maximum opportunity	The fees for Non Executive Directors and the Chair are broadly set at a competitive level against the comparator group. In general, the level of fee increase for the Non Executive Directors and the Chair will be set taking account of any change in responsibility. The aggregate fee for Non Executive Directors and the Chair will not exceed £1 million. The Company will pay reasonable expenses incurred by the Non Executive Directors and Chair and may settle any tax incurred in relation to these.

Non Executive Directors' fees

The fees for Non Executive Directors and the Chair are broadly set at a competitive level against the comparator group and increases take account of any change in responsibility. The aggregate fee for Non Executive Directors and the Chair will not exceed £1 million.

The base fee for Non Executive Directors has been increased by 3% to £54,350 from 1 June 2023. The new Chair's letter of appointment set his fees for the period to 31 March 2024.

Chair (from 11 July 2023)	£200,000
Base Non Executive Director fee	£54,350
Senior Independent Director additional fee	£5,000
Additional fee for Audit/Remuneration Committee Chair	£10,000
Additional fee for Audit/Remuneration Committee membership	£5,000

Recruitment remuneration arrangements

The Company's principle is that the remuneration of any new executive recruit will be assessed in line with the same principles as for the existing Executive Directors, as set out in the Remuneration Policy table.

The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short term or long term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award.

Where an existing employee is promoted to the Board, the Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Annual Report on Remuneration for the relevant financial year.

New Non Executive Directors will be appointed through letters of appointment and fees set at a competitive market level and in line with the other existing Non Executive Directors. Letters of appointment are normally for an initial term of three years and are subject to a notice period of three months by either party.

Remuneration

Directors' Remuneration Policy
continued

Remuneration element	Recruitment Policy
Salary, Benefits and Pension	These will be set in line with the policy for existing Executive Directors.
Annual Bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary (210% of salary in exceptional circumstances).
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 225% of salary (235% of salary in exceptional circumstances).
Maximum Variable Remuneration	The maximum variable remuneration which may be granted in normal circumstances is 425% of salary (445% of salary in exceptional circumstances). This excludes in both cases the value of any buyouts.
'Buyout' of incentives forfeited on cessation of employment	*Where the Committee determines that the individual circumstance of recruitment justifies the provision of a buyout*, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment (the lapsed valued) will be calculated taking into account the following: • The proportion of the performance period completed on the date of the Executive Director's cessation of employment • The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied • Any other terms and conditions having a material effect on their value The Committee may then grant up to the same value as the lapsed value under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences and schooling.
Internal appointment to the Board	Where an existing employee is promoted to the Board, the Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements.

Service contracts and payment for loss of office

The service contracts for the Executive Directors were reviewed and revised following the merger in 2013 of London & Stamford and Metric Property. Service contracts are terminable by either party with notice of 12 months. The Committee considers this appropriate for all existing and newly appointed Directors.

The Non Executive Directors do not have service contracts but are appointed under letters of appointment.

Each Non Executive is subject to an initial three year term followed by annual re-election at the Company's AGM.

The following definition of leavers will apply to both the annual bonus and the LTIP. A good leaver reason is defined as cessation in the following circumstances:

- Death
- Ill-health
- Injury or disability
- Redundancy
- Retirement
- Employing company ceasing to be a Group company
- Transfer of employment to a company which is not a Group company
- At the discretion of the Committee

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Remuneration element	Treatment on cessation of employment
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith to discharge an existing legal obligation, or by way of damages for breach of such an obligation or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, Benefits and Pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.
Cash bonus	**Good leaver:** performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year. **Other reason:** no bonus payable for year of cessation. **Discretion**: the Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • To determine whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders
Deferred share awards	**Good leaver:** all subsisting deferred share awards will vest. **Other reason:** lapse of any unvested deferred share awards. **Discretion:** the Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • To vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation • To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure
LTIP	**Good leaver:** pro-rated to time and performance in respect of each unvested LTIP award. **Other reason:** lapse of any unvested LTIP awards. **Discretion:** the Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders • To measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation • To determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will pro-rate awards for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders
LTIP award in a holding period	Where cessation of employment occurs during any holding period, the holding period will normally continue to apply to vested LTIP award shares as normal. However, the Committee retains discretion to allow the shares to be released when cessation of employment occurs in certain exceptional circumstances
Buy-out awards	Where cessation of employment occurs in relation to a new Executive Director who has been granted a buy-out award, the treatment would be in line with the terms of the buy-out award. The Committee has discretion in line with the terms of the buy-out award.

Remuneration

Directors' Remuneration Policy
continued

The following table outlines the policy for the treatment of incentives in the event of a change of control:

Change of control

Remuneration element	Change of control	Discretion
Annual bonus (cash)	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Annual bonus (deferred shares)	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Buy-out awards	The treatment would be in line with the terms of the buy-out award.	The Committee has discretion in line with the terms of the buy-out award.

Malus and clawback

The following definition of malus and clawback will apply to both the annual bonus (including any deferred shares) and the LTIP.

Malus is the adjustment of the annual bonus payments or unvested LTIP awards because of the occurrence of one or more circumstances listed. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus or vested LTIP awards as a result of the occurrence of one or more circumstances listed.

Clawback may apply to all or part of a participant's payment under the annual bonus or LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company
- The assessment of any performance condition or condition in respect of an annual bonus payment or LTIP award was based on error, or inaccurate or misleading information
- The discovery that any information used to determine the annual bonus payment or LTIP award was based on error, or inaccurate or misleading information
- Action or conduct of a participant which amounts to fraud or gross misconduct
- Events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant
- *Where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the Executive Director has caused* wholly or in part a corporate failure of the Company

The following table outlines the time periods during which these recovery provisions may apply for each element of remuneration:

Remuneration element	Malus	Clawback
Annual bonus (cash)	Up to the date of the cash payment	Two years post the date of any cash payment
Annual bonus (deferred shares)	To the end of the vesting period	n/a
LTIP	To the end of the three year vesting period	Two years post vesting

Other directorships

Executive Directors are permitted to accept external, non executive appointments with the prior approval of the Board where such appointments are not considered to have an adverse impact on their role within the Group. Fees earned may be retained by the Director. In November 2022, Andrew Jones was appointed as a Non Executive Director of Instavolt Limited and earned fees of £13,333 during the year to 31 March 2023.

Employee considerations

Chief Executive		Wider workforce	
+4.2% Salary increase from June 2023	**-5.7%** Bonus movement in 2023	**+4.2%** Average salary increase from June 2023	**-5.1%** Average bonus movement in 2023
1484% Of salary held in Company shares	**10%** Pension contribution from 1 June 2022 in line with workforce	**100%** Of employees received a bonus in 2023	**63%** Of employees participate in the LTIP in 2023

The Company applies the same principles to the remuneration of all employees as it applies to the Executive Directors, namely that:

- The remuneration is competitive in relation to other comparable real estate companies;
- The incentive elements reward superior performance through the variable elements of remuneration that are linked to the same performance targets as for the Executive Directors that are aligned to the business strategy; and
- The remuneration encourages employees to become shareholders.

The Committee considers employee views carefully and Andrew Livingston is the designated workforce Non Executive Director responsible for gathering employee views, ensuring that key points raised by employees are discussed at Committee and Board meetings and feeding back to employees how their views have been considered in the decision making process.

Andrew fed back results of the latest employee survey to the Committee and Board in March, noting that 94% of staff continued to be very proud to be part of the LondonMetric team. Further details are provided on page 68.

In addition, the Remuneration Committee Chair attended the annual meeting held by the designated workforce NED with a group of employees and welcomed questions on the principles and components of executive pay. He explained how executive pay was determined with reference to peer group comparison and alignment to the wider workforce, and outlined important decision areas during the year given the continued very high levels of inflation and volatile property markets.

Remuneration

Directors' Remuneration Policy
continued

Illustration of application of Proposed Remuneration Policy

The charts below show the application of the Remuneration Policy in its first year and provide an indication of the potential remuneration for each element of remuneration for each of the two current Executive Directors under various scenarios.

The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual bonus (including deferred bonus); and (iii) LTIP. The assumptions used in determining the remuneration illustrations are set out in the table below.

Scenario	Fixed	Annual Bonus (including Deferred Bonus)	LTIP
Minimum	• Base salary: As at 1 June 2023 • Pension: 10% of base salary • Benefits: In line with those paid in year ending March 2023	Nil	Nil
Target		50% of maximum (in line with target payout)	25% vesting (in line with threshold vesting)
Maximum		100% of maximum	100% vesting
Maximum with LTIP share price growth of 50% over three years		100% of maximum	100% vesting with 50% share price growth

For comparison, we have also shown the actual single figure for the year to 31 March 2023.

Andrew Jones

[CHART REMOVED]

Martin McGann

[CHART REMOVED]

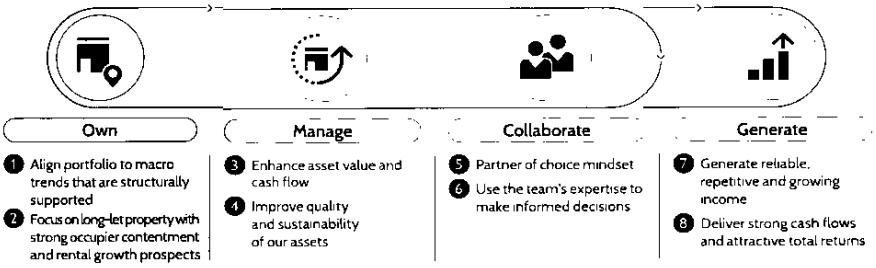
Strategy link to Remuneration Policy

The Committee's remuneration decisions are steered by the Group's strategic direction and corporate objectives. It is important that the incentive arrangements operated by the Company are directly linked to the achievement of the Company's strategy and overall corporate objectives. It is the Committee's belief that the incentive elements of the new Remuneration Policy align with these objectives.

The following table demonstrates how the Company's key performance indicators ('KPIs') are aligned to its variable incentive arrangements of the annual bonus and LTIP.

Key performance indicators	Link to remuneration: Annual bonus	Link to remuneration: LTIP	Link to strategy
Total shareholder return		37.5%	
Total accounting return		37.5%	
EPRA earnings per share	30%	25%	
Total property return	30%		
Strategic objectives	30%		
ESG objectives	10%		

Our strategic priorities



Statement of consideration of shareholder views

Following a thorough review of the current Remuneration Policy, the Committee carried out an extensive consultation seeking to engage with our top shareholders representing over 63% of issued share capital as well as proxy voting agencies, on the changes featured in the proposed Policy.

We recognise the heightened attention placed on executive pay at the current time and have proposed a Policy which the majority of shareholders were supportive of.

During the consultation process, we actively listened to shareholders and took their feedback into account when proposing the final Policy. The changes made in response to this feedback, and the Committee's rationale, are set out in the Remuneration Committee Chair's introduction on page 143.

The Committee remains committed to ongoing dialogue with the Company's shareholder base to ensure the views of all stakeholders are taken into account in order to ensure the correct decisions are made for the Company.

Remuneration

Annual Report on Remuneration

On the following pages we set out the Annual Report on Remuneration for the year ending 31 March 2023 which provides details of how the Remuneration Policy was applied and how we intend to apply the proposed Policy for the year ahead to 31 March 2024.

The Annual Report on Remuneration including the Chair's introduction, are subject to an advisory vote at the forthcoming AGM on 12 July 2023.

The report complies with the 2018 UK Corporate Governance Code, Listing Rules and The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The areas of the report which are subject to audit have been highlighted.

The role of the Remuneration Committee

The Committee determines Executive Directors' remuneration in accordance with the approved Policy and its terms of reference, which are reviewed annually by the Board and are available on the Company's website at www.londonmetric.com.

The Board recognises that it is ultimately accountable for executive remuneration but has delegated this responsibility to the Committee. All Committee members are Non Executive Directors of the Company, which is an important prerequisite to ensure Executive Directors' pay is set by Board members who have no personal financial interest in the Company other than as potential shareholders.

The Committee meets regularly without the Executive Directors being present and is independently advised by PwC, a signatory to the Remuneration Consultants' Code of Conduct and which has no connection with the Group other than in the provision of advice on executive and employee remuneration matters, corporate due diligence and taxation advice. PwC were appointed in 2017 by the Remuneration Committee following a competitive tender process. Total fees paid to PwC in respect of remuneration advice to the Committee were £208,500 calculated on both hourly and fixed fee bases and which this year included £120,000 for the policy review. The Committee is satisfied that the advice provided by PwC is objective and independent.

No Executive Director is involved in the determination of his own remuneration and fees for Non Executive Directors are determined by the Board as a whole.

The Company Secretary acts as secretary to the Committee and the Chief Executive and Finance Director attend meetings by invitation but are not present when their own pay is being discussed. The Chair of the Committee reports to the Board on proceedings and outcomes following each Committee meeting.

Meetings and activities

The Committee met on five occasions during the year. The main activities of the Committee during the year and to the date of this report were as follows:

Annual bonus and LTIP	Set challenging EPS targets for the 2022 LTIP awards granted and annual bonus for the year to 31 March 2023
	Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2022
	Assessed the performance of Executive Directors against targets set at the beginning of the year and determined annual bonuses for the year to 31 March 2023
Salary	Reviewed and approved annual salary increases effective from 1 June 2023
Governance	Reviewed and approved the Remuneration Committee Report
	External evaluation of its own performance and review of its terms of reference
	Reviewed and approved the CEO pay ratio
Remuneration Policy	Conducted an independent review of the current Policy and considered the proposed new Policy
	Consulted with 22 major shareholders representing 63% of the issued share capital on the proposed changes to the Policy

Remuneration

Directors' remuneration at a glance

Earnings for the financial year

Remuneration for Executive Directors	Salary £000	Benefits £000	Pension £000	Bonus £000	LTIP[3] £000	**Total 2023[2] £000**	Total 2022 £000	Illustrative change in value of shares owned and outstanding share awards[1] £000
Andrew Jones	609	26	63	799	897	**2,394**	2,881	680
Martin McGann	407	28	42	442	465	**1,384**	1,692	414

1 Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 278.0p and the lowest closing price was 161.8p. The number of shares and share awards was calculated based on the year end data.

2 Full details of Directors' remuneration for the year can be found in the table on page 163

3 2020 LTIP awards expected to vest in June 2023

Annual bonus plan – targets and outcome

Performance measure	Payout target 25%	50%	100%	Actual	% awarded
EPRA EPS	10.04p	10.14p	10.33p	10.33p	100%
TPR (3 year All Property)	1.9%	2.0%	2.2%	8.5%	100%
TPR (1 year All Property)	-12.6%	-11.3%	-10.1%	-12.0%	–
TPR (3 year reweighted)	6.2%	6.8%	7.4%	8.5%	100%
TPR (1 year reweighted)	-17.2%	-15.5%	-13.8%	-12.0%	–

Combining these outcomes with the personal objectives gives the following payouts:	£000	% of maximum
Andrew Jones	799	79
Martin McGann	442	77

2020 LTIPs vesting – targets and outcomes

Performance measure	Payout target 25%	100%	Actual	% awarded
TSR	-4.9%	11.8%	11.7%	99.8%
TAR	0.6%	29.9%	32.5%	100.0%
EPRA EPS	10.26p	10.63p	10.33p	39%

The estimated number of shares vesting are as follows:	Number
Andrew Jones	485,945
Martin McGann	251,822

The level of LTIP vesting in 2023 demonstrates the successful performance of the Company over the longer three year performance period with strong absolute earnings growth and a resulting comparative return performance in excess of the Company's direct competitors.

LTIPs granted in the year

	Basis of award (% of salary)	Date of grant	Share awards number	Face value per share	Face value of award £000
Andrew Jones	200%	6 June 2022	479,000	257.4p	1,233
Martin McGann	155%	6 June 2022	248,222	257.4p	639

Shareholding of the Executive Directors

[CHART REMOVED]

Remuneration

Implementation of policy next year

Summary of Policy	Implementation in the year to 31 March 2024
Annual bonus Annual performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy. The performance targets are calibrated by the Committee considering the Company's business plan, strategic and operational objectives and market conditions. At least 60% of the bonus will be subject to key property and financial metrics and a further 15% subject to other quantifiable metrics. The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum. For existing Executive Directors, 50% of any bonus earned over 120% of salary will be deferred into shares. 50% of deferred shares will vest after two years and 50% after three years. For new Executive Directors, one-third of any bonus earned will be deferred into shares. 50% of deferred shares will vest after two years and 50% after three years. Dividend equivalents will be payable on deferred shares. The portion of the bonus earned and not deferred into shares will be paid in cash. Once a new Executive Director has built up a 700% of salary shareholding then the deferral mechanism will revert to that set out above for existing Executive Directors.	The maximum bonus opportunity is 200% of salary for the Chief Executive and 175% of salary for the Finance Director. The performance conditions and their weightings for the annual bonus are as follows: Performance measure — Weighting — Description of targets Growth in EPRA EPS — 30% — Growth in Company's EPRA EPS against a range of challenging targets Growth in total property return ('TPR') — 30% — Growth in Company's TPR against the MSCI All Property index and the index for the Group's portfolio of assets on a multi-year basis; Full payout if growth is equal to the upper quartile; 25% payout if growth is equal to the median; Straight line interpolation between limits Strategic objectives — 30% — Measures management's performance against the strategic imperatives set annually by the Board. Many will be financial in nature such that at least 75% of the overall annual bonus will be subject to quantifiable metrics ESG objectives — 10% — Measures management's performance against targets aligned with delivering the company's ESG strategy The Committee believes that the annual bonus targets for the coming year are commercially sensitive and accordingly these are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.
Base salary An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from 1 June or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers multiple factors including pay increases to other employees, remuneration within comparable real estate companies and the general performance of the Company and individual.	The Committee has approved salary increases for the Executive Directors in line with the workforce average increase of 4.2%. Executive Director — Base salary from 1 June 2023 — Base salary from 1 June 2022 **Andrew Jones** — £642,465 — £616,569 **Martin McGann** — £429,588 — £412,273
Pension The maximum contribution for Executive Directors is 10% of salary in line with employees, which is payable as a monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply.	Executive Directors will receive the 10% of salary supplement in lieu of pension.
Benefits The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.	In line with the Policy, each Executive Director receives: • Car allowance • Private medical insurance • Life insurance • Permanent health insurance
Long Term Incentive Plan	The Committee is mindful of the fall in share price over the past year and has determined that LTIP awards for 2023 will be limited to 190% of salary for the Chief Executive and 150% of salary for the Finance Director.

Summary of Policy	Implementation in the year to 31 March 2024
Annual awards of up to 225% of salary for the Chief Executive and 200% of salary for the other Executive Directors. Awards will normally vest at the end of a three year period subject to: • The Executive Director's continued employment at the date of vesting; and • Satisfaction of the performance conditions. Vested awards will be subject to a further two year holding period during which Executive Directors cannot dispose of shares other than for tax purposes. The Committee may award dividend equivalents on awards that vest.	

Performance measure	Weighting	Threshold (25% vesting)	Maximum[1] (100% vesting)
Total shareholder return ('TSR')	37.5%	Equal to index	Equal to upper quartile ranked company
Total accounting return ('TAR')	37.5%	Equal to index	Equal to upper quartile ranked company
EPRA EPS growth	25%	CPIH plus 0% over three years	CPIH plus 4.5% over three years

1 Straight line interpolation between threshold and maximum

TSR and TAR are relative measures against the FTSE 350 Real Estate Sector excluding agencies and operators ('the Index'). The Committee determined that the indices would not be weighted.

In relation to EPS, vesting will be based on the EPS achieved in the year ending 31 March 2026. CPIH is subject to a cap of 4.5% in line with in-flight awards as set out in the Chair's introduction on page 140.

Shareholding requirement

Executive Directors are encouraged to build up and hold a shareholding equivalent to a percentage of base salary.

Executive Directors will be required to retain at least 50% of the post tax amount of vested shares from incentive plans until this requirement is met and maintained.

The post cessation shareholding requirement is the minimum of 200% of salary and actual shareholding for two years post cessation of employment.

The shareholding requirement is:

- Chief Executive and other existing Executive Directors – 700% of salary
- Newly appointed Executive Directors – 400% of salary

Malus and clawback

Malus may apply to any cash bonus up to the date of payment and any deferred bonus or LTIP award during their respective vesting periods. Clawback may apply to any cash bonus for up to two years following the payment of the bonus and may apply to LTIP awards for up to two years following vesting. Malus/clawback may result in the value of awards being reduced to nil.

The circumstances in which malus and clawback could apply are:

- Material misstatement
- Calculation error in incentives
- Fraud or misconduct
- Reputational damage
- Corporate failure

[CHART REMOVED]

Remuneration

Implementation of policy next year
continued

Alignment of Policy with the 2018 Corporate Governance Code

In determining the implementation of Policy, the Committee considered its alignment with provision 40 of the 2018 Code, which is set out below.

Provision 40 element	How the Remuneration Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Performance measures and targets under the LTIP are disclosed before grant and performance targets for the annual bonus are disclosed retrospectively. Both the annual bonus and LTIP measures are based on core elements of the strategy and therefore there is a clear link to all stakeholders between their delivery and Executive Director reward.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Remuneration Policy is designed with simplicity in mind and its operation aligns with that of the majority of FTSE 350 companies and is therefore easy to understand.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target based incentive plans, are identified and mitigated.	The selection of performance measures and targets ensures that incentives will only pay out where strategic goals have been met. The mix of relative and absolute performance measures help to balance the effect of external market factors (whether positive or negative). The Remuneration Policy contains strict minimum shareholding requirements as well as a post cessation of employment shareholding requirement which ensures that the wealth of Executive Directors is linked to the long term stability and growth of the share price which discourages short term excessive risk taking which could negatively impact on long term value. The Policy contains sufficient flexibility to adjust payments through malus and clawback and an overriding discretion on the part of the Committee to depart from formulaic outcomes if it appears that the criteria on which the award was based does not reflect the underlying performance of the Company.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Remuneration Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management.
Proportionality – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance.	The remuneration package is weighted in favour of variable pay. This, combined with the Committee's approach to target setting including the use of relative performance measures, means that total remuneration will be reduced in the event of poor performance. Pay-outs at maximum will only be available for delivery of the strategy and strong underlying performance.
Alignment to culture – incentive schemes should drive behaviour consistent with Company purpose, values and strategy.	The overall structure of the Remuneration Policy including the incentive schemes is consistent with the principles of the Policy which encourage share ownership. Furthermore, the elements of the Executive Director remuneration package are cascaded further down the organisation, as is the culture of share ownership.

Remuneration

Directors' Remuneration in 2023

Single total figure of remuneration for each Director (audited)

	Salary and fees		Benefits[1]		Pension[2]		Total Fixed		Annual bonus[3]		LTIP[4]		Total Variable		Total	
Director	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Executive																
Andrew Jones	609	565	26	26	63	73	698	664	799	847	897	1,370	1,696	2,217	2,394	2,881
Martin McGann	407	378	28	29	42	49	477	456	442	480	465	756	907	1,236	1,384	1,692
Non Executive																
Patrick Vaughan	208	216	–	–	–	–	208	216	–	–	–	–	–	–	208	216
Suzanne Avery	62	60	–	–	–	–	62	60	–	–	–	–	–	–	62	60
James Dean	52	50	–	–	–	–	52	50	–	–	–	–	–	–	52	50
Alistair Elliott	45	–	–	–	–	–	45	–	–	–	–	–	–	–	45	–
Robert Fowlds	77	75	–	–	–	–	77	75	–	–	–	–	–	–	77	75
Andrew Livingston	57	55	–	–	–	–	57	55	–	–	–	–	–	–	57	55
Kitty Patmore	57	55	–	–	–	–	57	55	–	–	–	–	–	–	57	55
Rosalyn Wilton	72	70	–	–	–	–	72	70	–	–	–	–	–	–	72	70

1 Taxable benefits include the provision of a car allowance for Executive Directors and private medical insurance
2 Pension contribution from 1 June 2022 is 10.0% of salary and may be taken partly or entirely in cash
3 Annual bonus payable in respect of the financial year ending 31 March 2023 paid fully in cash as minimum shareholding requirements met
4 2020 LTIP awards expected to vest in June 2023 for the performance period to 31 March 2023. The value of the award has been calculated by multiplying the estimated number of shares that will vest, including the dividend equivalent, by the average share price for the three months to 31 March 2023. No discretion was applied in determining the estimated vesting of the award as a result of changes in share price or other factors. The change in share price between grant and 31 March 2023 reduces the value of the award by £120,000 for Andrew Jones and £62,000 for Martin McGann as reflected in the table on page 167. The estimated figures disclosed in the previous Annual Report for the 2019 LTIP awards vesting in 2022 have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used last year was 265.2p and the actual share price on vesting was 235.9p. The differences in value were -£154,000 for Andrew Jones and -£85,000 for Martin McGann

The Committee believes it is important to take a holistic view of the Executive Directors' total wealth when considering the single figure of remuneration. The Executive Directors have very large shareholdings in the Company and are exposed to relatively small changes in the share price significantly affecting their overall wealth. In the Committee's opinion, the impact of share price movements on the total wealth of the Director is more important than the single figure. The significant shareholding encourages Directors to take a long term view of the sustainable performance of the Company, which is critical in a cyclical business. The Directors' significant exposure to share price movements remains a key facet of the Company's Remuneration Policy.

Annual bonus outcome for the year ended 31 March 2023

The annual bonus performance targets set for the year to 31 March 2023 and the assessment of actual performance achieved is set out in the table below. Bonus awards are based 70% on the Company's financial performance and 30% on the individual's contribution in the year. The maximum opportunity was 165% of salary for Andrew Jones and 140% of salary for Martin McGann.

The financial performance element measures growth in EPRA EPS and TPR relative to the MSCI benchmark for the Group's portfolio of assets. In determining the base EPRA EPS target, the Committee looks to maintain consistency with longer term incentive targets but is mindful of shorter term strategic priorities and changing market conditions. This year, in response to the deterioration in market conditions, the Board materially changed its strategy away from new investments and development funding to a focus on net disposals to manage LTV and retain a robust balance sheet. This directly impacted the Company's EPRA EPS and therefore the Committee has taken this into account when assessing the EPS target. The impact of the reduced investment and withdrawal of project funding was excluded from the original EPS targets.

In line with best practice, TPR has been measured on a multi-year basis (over one and three years) to reflect performance against the All Property index and the index for the Group's portfolio of assets.. The 2023 annual bonus outcome is set out in the table below. No discretion has been exercised as the payout is in line with underlying corporate performance.

	Financial objectives (out of 70%)	Individual objectives (out of 30%)	Bonus % of maximum	Bonus % of salary	Total bonus £000
Andrew Jones	53%	26%	79%	130%	799
Martin McGann	53%	24%	77%	107%	442

Remuneration

Directors' Remuneration in 2023 continued

Group financial targets

Performance measure	Weighting	Basis of calculation	Range (0%)	(25%)	(50%)	(100%)	Actual performance	% awarded
EPRA EPS	35%	Growth in EPRA EPS against a challenging target	<10.04p	10.04p	10.14p	10.33p	10.33p	100%
Total property return ('TPR')	35%	Growth in TPR against MSCI benchmark	Positive growth	TPR matches index	TPR is 1.1 times index	TPR is 1.2 times index	See below	50%
		3 year All Property		1.9%	2.0%	2.2%	8.5%	100%
		1 year All Property		-12.6%	-11.3%	-10.1%	-12.0%	–
		3 year reweighted		6.2%	6.8%	7.4%	8.5%	100%
		1 year reweighted		-17.2%	-15.5%	-13.8%	-12.0%	–

Executive Directors' non financial targets accounted for 30% of the maximum bonus award. Personal objectives were aligned to the delivery of the Group's key strategic objectives. The Committee felt that the Executive Directors had substantially achieved their individual personal objectives and approved payouts of 87% of maximum for Andrew Jones and 80% of maximum for Martin McGann. In making this decision, the Committee took into consideration the strong operating performance despite a challenging macroeconomic environment.

The table below outlines the key personal objectives set and the Committee's assessment of performance for each of the Executive Directors for the annual bonus awarded in the year to 31 March 2023.

Objective	Assessments
Andrew Jones	
Portfolio & financial	
Portfolio focus to maximise both EPS and NAV growth	• Increase in EPRA EPS from 10.04p to 10.33p, providing cover for an increase in the dividend for the year • Decrease in EPRA NTA per share from 261.1p to 198.9p largely due to revaluation loss of £587.5 million
Recycling capital with sell down of non core assets	• Investment in preferred logistics and long income sectors maintained at 97%, with logistics representing 73% of the portfolio • Divestment of non core assets to protect the LTV which was 32.8% at the year end. Total disposals of £273 million
Focus on income quality to deliver opportunities for sustainable and progressive earnings	• Increase in contracted rent to £145.2 million • Low EPRA cost ratio of 11.7% maintained, falling 80bps over the year • Growth in EPRA earnings per share in the year of 2.9%, supporting a continuation in dividend progression
To provide oversight to the delivery of development schemes during the year	• Completion of 0.7 million sq ft of development during the year producing £5.5 million of annual rent with a further 0.2 million sq ft under construction
Reinforce the position of the Company as leading investor/partner of choice in logistics with our stakeholders	• Reinforcement of growth characteristics of urban logistics continues to be well received in the market and by stakeholders
ESG	
Optimise our EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 64% and Green Star status

ESG continued	
Demonstrate sustainable improvement in buildings across the portfolio as evidenced by EPC ratings of A-C for 85% of the portfolio, three new renewable installations in the year and completed large developments to be certified BREEAM Very Good	• 97% of developments completed in the year certified BREEAM Very Good • EPC A-C rated assets increased to 90%, from 85% last year • Added five solar PV systems in the year
Lengthen and strengthen relationships with key stakeholders: institutional shareholders, private client wealth managers ('PCM'), occupiers and analysts	• 241 investors met in the year, good investor feedback • Continuing focus on private wealth managers and funds which account for c.34% of the register • Strong portfolio metrics and results from the latest occupier survey demonstrate contentment, with occupancy of 99.1% and a landlord recommendation score of 8.7/10.0
Position the Company as an employer of choice and continue to generate positive employee feedback, very low staff turnover and an inclusive corporate culture	• Sixth staff survey undertaken in February with very positive results • 94% of staff feel proud to work for the Company • Continued very low staff turnover rate of 6%
Continue to realign the team in line with our evolving portfolio strategy	• Continuing focus on the right team with the right skills

Objective	Assessments
Martin McGann	
Portfolio & financial	
Optimising the funding structure to support the real estate strategy	• New £275 million sustainability-linked unsecured credit facility • Existing short dated facility repaid • £225 million interest rate swaps acquired increasing the proportion of debt hedged to 93%
Focus on income quality to deliver growth in our sustainable earnings	• Growth in EPRA EPS in the year of 2.9%, supporting a continuation in dividend progression • Increase in contracted rent to £145.2 million
Delivery of development schemes on schedule and on budget, and within agreed timescales and in line with BREEAM	• Completion of 0.7 million sq ft of development during the year producing £5.5 million of annual rent with a further 0.2 million sq ft under construction
Maintain appropriate LTV, cost of finance and debt maturity metrics	• Average cost of debt of 3.4% (2022: 2.6%) • Managed LTV through targeted disposals, LTV at year end of 32.8% (2022: 28.8%) • Mitigated exposure to floating rate debt by acquiring £225 million interest rate swaps, increasing hedging 71% to 93% • Repaid short dated facilities and mitigated refinancing risk for the next three years • Average maturity of 6.0 years (2022: 6.5 years).
ESG	
Optimise our EPRA/GRESB sustainability rankings	• GRESB Green Star, EPRA sustainability Gold Award • GRESB score of 64%
Demonstrate sustainable improvement in buildings across the portfolio as evidenced by EPC ratings of A-C for 85% of the portfolio, three new renewable installations in the year and completed large developments to be certified BREEAM Very Good	• 97% of developments completed in the year certified BREEAM Very Good • EPC A-C rated assets increased to 90%, from 85% last year • Added five solar PV systems in the year
Position the Company as an employer of choice and continue to generate positive employee feedback, very low staff turnover and an inclusive corporate culture	• Sixth staff survey undertaken in February with very positive results • 94% of staff feel proud to work for the Company • Continued very low staff turnover rate of 6%
Deliver Responsible Business agenda to increasing satisfaction of stakeholders, including investors, tenants, suppliers, our staff and the local communities within which we operate	• Occupier survey undertaken with high level of satisfaction, 8.7/10.0 landlord recommendation score • 88% of staff agreed the Company supports and promotes social responsibility • Investor feedback demonstrated we are meeting their ESG expectations on performance and disclosure • Charitable donations of £104,000 in the year

Remuneration

Directors' Remuneration in 2023

continued

Deferred Bonus Plan

The current Remuneration Policy allows the Directors to opt out of bonus deferral if the minimum shareholding requirement is met. At the date of this report, both Executive Director's shareholding materially exceeds the minimum requirement and therefore no annual bonus earned in the year to 31 March 2023 will be deferred into shares.

Long Term Incentive Plan - awards granted

Awards granted in the year to 31 March 2023 as nil cost options are summarised in the table below.

	Basis of award (% of salary)	Date of grant	Share awards number	Face value per share	Face value of award £000	Face value of award at threshold (25%) vesting £000
Andrew Jones	200%	6 June 2022	479,000	257.4p	1,233	308
Martin McGann	155%	6 June 2022	248,222	257.4p	639	160

The face value is based on a weighted average price per share, being the average share price over the five business days immediately preceding the date of the award. Awards will vest after three years subject to continued service and the achievement of performance conditions over the three year period to 31 March 2025 as set out below.

Performance condition	Vesting level
Total Shareholder Return ('TSR') measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of Award)	
TSR less than index over 3 years	0%
TSR equals index over 3 years[1]	25%
TSR between index and upper quartile ranked company in the index[1]	Pro rata on a straight line basis between 25% and 100%
TSR equal to or better than the upper quartile ranked company in the index[1]	100%
Total Accounting Return ('TAR') measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of Award)	
TAR less than index over 3 years	0%
TAR equals index over 3 years	25%
TAR between index and upper quartile ranked company in the index	Pro rata on a straight line basis between 25% and 100%
TAR equal to or better than the upper quartile ranked company in the index	100%
EPRA EPS growth against a base target plus CPIH (25% of award)	
Less than base plus CPIH plus 0% over 3 years	0%
Base plus CPIH plus 0% over 3 years	25%
Base plus CPIH plus between 0% and 4.5% over 3 years	Pro rata on a straight line basis between 25% and 100%
Base plus CPIH plus 4.5% or better over 3 years	100%

1 TSR must be positive over three years

The adjusted EPRA EPS base target for the three year performance periods commencing 1 April 2022 has been set at 10.04p. The Group's three year financial forecast was taken into account when setting these targets along with consideration of strategic goals and priorities, proposed investment and development plans, gearing levels and previous years' results. Targets are considered challenging yet achievable in order to adequately incentivise management and are in line with the Company's strategic aim of delivering long term growth for shareholders. In line with the approach taken for the 2020 LTIP awards, CPIH will be capped at 4.5% as set out in the Committee Chair's statement.

Long Term Incentive Plan - awards vesting

2020 LTIP awards expected to vest in relation to the three year performance period ending 31 March 2023 are summarised on below. No discretion has been exercised as the payout is in line with underlying corporate performance.

Performance measure	Weighting	Basis of calculation	Range (0%)	Range (25%)	Range (100%)	Actual performance	% awarded
Total shareholder return ('TSR')	37.5%	Growth in TSR against FTSE 350 Real Estate Index	<-4.9%	-4.9%	11.8%	**11.7%**	**99.8%**
Total accounting return ('TAR')	37.5%	Growth in TAR against FTSE 350 Real Estate Index	<0.6%	0.6%	29.9%	**32.5%**	**100.0%**
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target	<10.26p	10.26p	10.63p	**10.33p**	**39.0%**

Director	Maximum number of shares[2]	LTIP % of maximum	Estimated number of shares vesting	Face value at grant £000	Share price depreciation £000	Total estimated value of Award vesting[1] £000
Andrew Jones	573,725	84.7%	485,945	1,030	(120)	**897**
Martin McGann	297,310	84.7%	251,822	534	(62)	**465**

1 The estimated face value is based on the average share price for the three months to 31 March 2023 of 184.6p
2 Includes notional dividend shares to 31 March 2023

On vesting, the Committee will determine whether any adjustment should be made in relation to windfall gains. However, it notes that the 2020 LTIP award was granted in June 2020 when the Company's share price had recovered close to its pre-Covid level and above the share price used to determine the 2019 LTIP awards.

Outstanding LTIP awards held by the Executive Directors are set out in the table below.

Director	Date of grant	Face value on grant	Number of shares under award[1]: At 1 April 2022	Granted in year	Notional dividend shares in year	Vested in year	Lapsed in year	At 31 March 2023	Performance period
Andrew Jones	5.6.2019	204.2p	599,644	–	6,513	(580,698)	(25,459)	–	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	548,382	–	25,343	–	–	**573,725**	1.4.2020 to 31.3.2023
	4.6.2021	234.7p	497,026	–	22,828	–	–	**519,854**	1.4.2021 to 31.3.2024
	6.6.2022	257.4p	–	479,000	17,052	–	–	**496,052**	1.4.2022 to 31.3.2025
Martin McGann	5.6.2019	204.2p	330,789	–	3,594	(320,339)	(14,044)	–	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	284,177	–	13,133	–	–	**297,310**	1.4.2020 to 31.3.2023
	4.6.2021	234.7p	240,946	–	11,067	–	–	**252,013**	1.4.2021 to 31.3.2024
	6.6.2022	257.4p	–	248,222	8,837	–	–	**257,059**	1.4.2022 to 31.3.2025

1 Awards granted as nil cost options

Directors' shareholdings and share interests (audited)

The beneficial interests in the ordinary shares of the Company held by the Directors and their families who were in office during the year and at the date of this report are set out in the table on page 168.

There were no movements in Directors' shareholdings between 31 March 2023 and the date of this report.

Remuneration

Directors' Remuneration in 2023 continued

The shareholding guidelines recommend Executive Directors build up a shareholding in the Company at least equal to seven times salary. All Executive Directors complied with this requirement at 31 March 2023 and as at the date of this report. No Director had any interest or contract with the Company or any subsidiary undertaking during the year.

The Executive Directors have entered into individual personal loan arrangements with Coutts & Co and granted pledges over ordinary shares in the Company as security in connection with the loans. The loans were used to repay debt secured against various residential investment properties held personally. The number of shares pledged by each of the Directors is reflected in the table below.

	Overall beneficial Interest 31 March 2023 Ordinary shares of 10p each	Overall beneficial Interest 31 March 2022 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	**Total interests as at 31 March 2023**	Share ownership as % of salary[1]	Shareholding guideline met	Number of shares pledged as at 31 March 2023
Executive Directors								
Andrew Jones	**5,209,491**	4,909,823	1,589,631	–	**6,799,122**	1484%	Yes	3,446,072
Martin McGann	**3,364,348**	3,171,897	806,382	–	**4,170,730**	1433%	Yes	2,341,585
Non Executive Directors								
Patrick Vaughan	**9,977,000**	10,277,000						
Suzanne Avery	**27,050**	22,750						
James Dean	**95,000**	20,000						
Alistair Elliott	**60,000**	–						
Robert Fowlds	**104,000**	104,000						
Andrew Livingston	**106,830**	106,830						
Suzy Neubert	–	–						
Kitty Patmore	**5,000**	5,000						
Rosalyn Wilton	**111,095**	100,000						

1 Based on the Company's share price at 31 March 2023 of 175.6p and the beneficial interests of the Directors

Performance graph

The graph below shows the Group's total shareholder return ('TSR') for the ten year period to 31 March 2023, compared to the FTSE All Share REIT Index, the FTSE 350 Real Estate Index and the FTSE 350 Real Estate Super Sector Index. These have been chosen by the Committee as in previous years as they are considered the most appropriate and relevant benchmarks against which to assess the performance of the Company.

Total shareholder return measures share price growth with dividends deemed to be reinvested on the ex-dividend date.

[CHART REMOVED]

Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive, Andrew Jones, for the ten year period to 31 March 2023.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2023	2,394	79	84.7
2022	2,881	90	95.8
2021	2,998	97	100
2020	2,925	97.5	88
2019	2,703	90	84
2018	2,392	79	94
2017	2,506	89	100
2016	2,792	77	100
2015	1,167	78	–
2014	1,296	100	–

Annual percentage change in remuneration of Directors and employees

The percentage change in Director remuneration from the previous year compared to the average percentage change in remuneration for all other employees is as follows:

	2023 % change			2022 % change			2021 % change		
	Salary and fees	Taxable benefits	Annual bonus	Salary and fees[1]	Taxable benefits	Annual bonus	Salary and fees[1]	Taxable benefits	Annual bonus
Andrew Jones	7.8%	–	-5.7%	3.4%	–	-3.3%	0.4%	–	-0.2%
Martin McGann	7.7%	-3.4%	-7.9%	3.5%	–	-3.4%	0.6%	3.6%	2.5%
Patrick Vaughan	-4.6%	n/a	n/a	–	n/a	n/a	0.5%	n/a	n/a
Suzanne Avery	3.3%	n/a	n/a	–	n/a	n/a	1.7%	n/a	n/a
James Dean	4.0%	n/a	n/a	-7.4%	n/a	n/a	-15.6%	n/a	n/a
Alistair Elliott	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Robert Fowlds	2.7%	n/a	n/a	5.6%	n/a	n/a	10.9%	n/a	n/a
Andrew Livingston	3.6%	n/a	n/a	–	n/a	n/a	1.9%	n/a	n/a
Suzy Neubert	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kitty Patmore	3.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rosalyn Wilton	2.9%	n/a	n/a	1.4%	n/a	n/a	–	n/a	n/a
Other employees[2]	8.4%	-4.2%	-5.1%	4.2%	3.0%	-0.9%	–%	-5.0%	10.0%

1 Excludes Directors' and other staff salary waiver in 2021
2 Excluding Directors

CEO pay ratio

Whilst the Company has fewer than 250 employees and therefore is not required to disclose a ratio, the Committee felt that it was appropriate to disclose the CEO to all-employee pay ratio, recognising that the Company's investors expect to see such disclosure.

		Pay ratio		
Year	Method of calculation	25th percentile	50th percentile	75th percentile
2023	A	33:1	19:1	7:1
2022	A	43:1	22:1	8:1
2021	A	34:1	13:1	7:1
2020	A	42:1	16:1	8:1

Remuneration

Directors' Remuneration in 2023
continued

The Company chose to adopt the Option A methodology when calculating the ratio as it deemed it the most appropriate approach and had sufficient data to be able to carry out this method. This method was used to calculate all figures in the table above. The Chief Executive's single figure of remuneration used for the calculation ratio is as detailed on page 163. The same methodology was used to calculate all-employee pay for the purposes of the ratios, which were calculated based on amounts receivable up to the end of the relevant financial year for all employees excluding the CEO and the Non Executive Directors. No elements of pay have been omitted and no assumptions have been made.

As we continue to disclose the ratio in future years, we anticipate that there are likely to be changes in the ratio as the CEO's total remuneration has a greater portion of pay delivered as variable remuneration, which is consistent with the Company's remuneration principles. In summary, we anticipate volatility in this ratio, and we believe that this is caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio;
- The value of long term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the CEO pay in that year, again impacting the ratio for the year;
- Long term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long term incentive award vesting in a year;
- We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure and not by divergence in fixed pay between the CEO and the wider workforce. The table showing the year on year change of CEO remuneration and average employee remuneration demonstrates that divergence is not occurring; and
- Where the structure of remuneration is similar, as for the Senior Leadership Team and the CEO, the ratio is much more stable over time.

The Committee is comfortable that the median pay ratio is consistent with pay and progression policies for employees.

Payments to past Directors and for loss of office

Valentine Beresford and Mark Stirling stepped down from the Board on 11 July 2019 but remained employees of the Company and thus in accordance with the Policy and relevant share plan rules are entitled to vesting of existing share awards in line with their original schedules. The 2019 LTIP awards made to Valentine Beresford and Mark Stirling when they were Directors vested during the year on 14 June 2022 in line with the outcomes for the current Executive Directors with *no discretion applied. Upon vesting, Messrs Beresford and Stirling each received 331,070 shares. There have been no payments for loss of office in the year.*

Relative importance of spend on pay

The table below shows the expenditure and percentage change in spend on employee remuneration compared to other key financial indicators.

	2023 £m	2022 £m	% change
Employee costs[1]	**11.4**	11.5	-0.9%
Dividends[2]	**92.4**	81.7	13.1%

1 Figures taken from note 4 Administrative costs on page 191 and are stated before any amounts capitalised and exclude share scheme costs
2 Figures taken from note 7 Dividends on page 193

Statement of voting at AGM

At the AGM on 13 July 2022, the Annual Report on Remuneration was approved with votes from shareholders representing 79% of the issued share capital of the Company. The Directors' Remuneration Policy was approved at the AGM on 22 July 2020 with votes from shareholders representing 77% of the issued share capital at the time. The details of these outcomes are below.

	2022 Annual Report on Remuneration		2020 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	729,175,951	94.68	636,778,186	95.40
Against	40,978,748	5.32	30,689,708	4.60
Withheld	5,680,691		32,932,457	
Total	**775,835,390**		**700,400,351**	

Robert Fowlds
Chair of the Remuneration Committee
24 May 2023

Report of the Directors

On behalf of the Board, I am delighted to present the Report of the Directors together with the audited financial statements for the year ended 31 March 2023.

Annual General Meeting ('AGM')

The AGM of the Company will be held on 12 July 2023 at 10 am at The Connaught, Carlos Place, Mayfair, London, W1K 2AL. The Notice of AGM on pages 224 to 231 sets out the proposed resolutions and voting details.

The Board considers that the resolutions promote the success of the Company and are in the best interests of its shareholders.

The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings, which amount in aggregate to 19,059,814 shares representing approximately 1.9% of the existing issued ordinary share capital of the Company as at 24 May 2023.

Resolution 5 of the Company's Annual General Meeting held on 13 July 2022 (the '2022 AGM') (re-election of Patrick Vaughan, Chair of the Board and Nominations Committee), received 79.2% of votes in favour. As less than 80% of votes received were in favour, the Company was required under the provisions of the Code to consult with shareholders, and is required to provide a final summary of such consultation in this report. We have engaged with relevant shareholders regarding the votes received against this resolution, and understand that votes were received against the resolution due to female representation on the Board falling below 33% at the 2022 AGM and a concern that the Chair's tenure had exceeded nine years. As at 31 March 2023, female representation on the Board was 36%, and Patrick Vaughan will step down as Chair on 11 July 2023.

Corporate governance arrangements

We have applied the principles of good governance contained in the UK Corporate Governance Code 2018 (the 'Code') throughout the year under review.

We were unable to comply with provisions 3 and 19 of the Code and we became fully compliant with provision 38 on 1 June 2022. Our explanations for the departures are contained in the compliance statement on page 105.

Further details on how we have applied the Code can be found in the Governance section on pages 102 to 170 and should be read as part of this report.

Company status and branches

LondonMetric Property Plc is a Real Estate Investment Trust ('REIT') and the holding company of the Group, which has no branches. It is listed on the London Stock Exchange with a premium listing.

Principal activities and business review

The principal activity of the Group continues to be property investment and development, both directly and through joint venture arrangements.

The purpose of the Annual Report is to provide information to the members of the Company which is a fair, balanced and understandable assessment of the Group's performance, business model and strategy. A detailed review of the Group's business and performance during the year, its principal risks and uncertainties, its business model, strategy and its approach to Responsible Business and ESG is contained in the Strategic report on pages 1 to 101 and should be read as part of this report.

The Annual Report contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances which can cause results and developments to differ from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

Additional information which is incorporated into this report by reference, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R can be found on the following pages:

Information	Relevant section	Page
Review of business and future developments	Strategic report	Page 1
Section 172 Statement	Governance – Section 172 Statement	Page 118
Principal risks	Strategic report – Risk management and internal control	Page 88
Greenhouse gas emissions	Strategic report – Responsible Business and ESG review	Page 62
Internal financial control	Governance – Audit Committee report	Page 136
	Strategic report – Risk management and internal control	Page 83
Diversity and inclusion	Governance – Nomination Committee report	Page 128
Monitoring culture	Governance	Page 113
Viability Statement	Strategic report – Risk management and internal control	Page 100
Financial instruments	Financial statements – note 14	Page 201
Directors' details	Governance – biographies	Page 108
Financial risk management policies	Financial statements – note 14	Page 201
Directors' interests	Governance – Remuneration Committee report	Page 168
Interest capitalised	Financial statements – note 5	Page 192
Long term incentive schemes	Governance – Remuneration Committee report	Page 166
Related party transactions	Financial statements – note 19	Page 207
Stakeholder engagement	Strategic report – Responsible Business and ESG review	Page 63
Post balance sheet events	Financial statements – note 20	Page 207

All other subsections of LR 9.8.4R are not applicable

Report of the Directors
continued

Results and dividends

The Group reported a loss for the year attributable to equity shareholders of £506.3 million (2022 profit: £734.5 million). The first two quarterly dividends for 2023 totalling 4.6p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 2.3p was paid following the year end on 12 April 2023 as a PID. The Directors have approved a fourth quarterly dividend of 2.6p per share payable on 12 July 2023 to shareholders on the register at the close of business on 2 June 2023, of which 1.5p will be paid as a PID.

The total dividend charge for the year to 31 March 2023 was 9.5p per share, an increase of 2.7% over the previous year. Of this, 8.4p was payable as a PID as required by REIT legislation, after deduction of withholding tax at the basic rate of income tax. The balance of 1.1p was payable as an ordinary dividend which is not subject to withholding tax.

Investment properties

A valuation of the Group's investment properties at 31 March 2023 was undertaken by CBRE Limited and Savills (UK) Limited on the basis of fair value which amounted to £2,993.8 million (2022: £3,593.9 million) including the Group's share of joint venture property as reflected in the Financial review on page 51 and note 2 to the financial statements on page 190.

Share capital

As at 31 March 2023, there were 982,646,261 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 4,038,754 new ordinary shares under the terms of its Scrip Dividend Scheme. Since the year end the Company issued a further 322,203 ordinary shares in relation to the third quarterly dividend scrip alternative.

There is only one class of share in issue and there are no restrictions on the size of a holding or on the transfer of shares. None of the shares carry any special rights of control over the Company. There were no persons with significant direct or indirect holdings in the Company other than those listed as substantial shareholders opposite.

The rules governing appointments, replacement and powers of Directors are contained in the Company's Articles of Association, the Companies Act 2006 and the UK Corporate Governance Code. These include powers to authorise the issue and buy back of shares by the Company. The Company's Articles can be amended by Special Resolution in accordance with Companies Act 2006.

Purchase of own shares

The Company was granted authority at the Annual General Meeting in 2022 to purchase its own shares up to an aggregate nominal value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. No ordinary shares were purchased under this authority during the year.

Shares held in the Employee Benefit Trust

As at 31 March 2023, the Trustees of the LondonMetric Long Term Incentive Plan held 2,942,592 shares in the Company in trust to satisfy awards under the Company's Long Term Incentive and Deferred Bonus Plans. The Trustees have waived their right to receive dividends on shares held in the Company.

Substantial shareholders

The Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company at the date of this report:

Shareholder	Number of shares	%
BlackRock Inc	106,109,653	10.79
Norges Bank	60,981,764	6.20
Rathbones	51,879,135	5.28
The Vanguard Group Inc	49,003,578	4.98
State Street Global Advisors	36,452,642	3.71
Franklin Resources Inc	35,916,217	3.65
Legal & General	32,131,761	3.27

Directors

The present membership of the Board and biographical details of Directors are set out on pages 108 and 109.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 139.

In accordance with the UK Corporate Governance Code and in line with previous years, all of the Directors except Patrick Vaughan and Rosalyn Wilton will offer themselves for election and re-election by the shareholders at the forthcoming AGM on 12 July 2023.

The powers of Directors are described in their Terms of Reference, which are available on request.

Directors' and Officers' liability insurance

The Company has arranged Directors' and Officers' liability insurance cover in respect of legal action against its Directors, which is reviewed and renewed annually and remains in force at the date of this report.

Stakeholders

The Group's long term sustainable success is dependent on its relationships with key stakeholders.

In the Responsible Business and ESG review on pages 54 to 76, we outline the ways in which we have engaged with our key stakeholders, any issues raised and how they have influenced the Board's decision making.

Employees

At 31 March 2023 the Group had 35 employees including the Executive Directors.

The Company promotes employee involvement and consultation and invests time in ensuring staff are informed of the Group's transactions, activities and performance through internal email communication of corporate announcements and periodic updates by the Chief Executive. In addition, the Group's interim and annual results are presented to all staff by the Executive Directors.

The Board recognises the importance of attracting, developing and retaining the right people.

The Company operates a non discriminatory employment policy which provides equal opportunities for all employees irrespective of gender, race, colour, disability, sexual orientation, religious beliefs and marital status.

A significant number of employees are eligible to participate in the annual bonus and LTIP arrangements, helping to develop an interest in the Group's performance and align rewards with Directors' incentive arrangements.

The Company provides retirement benefits for its employees and Executive Directors.

Andrew Livingston is the designated workforce Non Executive Director and acts as a liaison between the Board and employees and a channel through which staff can share their views and raise concerns. His work during the year is discussed in detail in the Responsible Business and ESG review section of this report on page 69.

Further details of how we engage with employees can be found in the Governance report on pages 118 to 119, the Strategic report on pages 20 to 21 and the Responsible Business and ESG review on pages 63 to 75.

The environment

Details of our approach to Responsible Business and its aims and activities can be found on the Company's website www.londonmetric.com, where a full version of the Responsible Business report can be downloaded. An overview of our Responsible Business activity can be found on pages 54 to 76 of this report.

The Group recognises the importance of minimising the adverse impact of its operations on the environment and the management of energy consumption and waste recycling.

The Group strives to maximise opportunities to improve the resilience of assets to climate change and the impact of transitioning to a low carbon economy, as set out in the Responsible Business and ESG review.

Greenhouse gas reporting

In accordance with Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on page 62.

Suppliers

The Group aims to settle supplier accounts in accordance with their individual terms of business.

The number of creditor days outstanding for the Group at 31 March 2023 was 13 days (2022: 14 days).

Charitable and political contributions

This year we set a budget of £100,000 for charitable funding as set out on pages 74 to 75 of the Responsible Business and ESG review, and have made donations of £103,906 (2022: £66,766). No political donations were made during the year (2022: £nil).

Provisions on change of control

Under the Group's credit facilities, the lending banks may require repayment of the outstanding amounts on any change of control.

The Group's Long Term Incentive Plan and Deferred Share Bonus Plan contain provisions relating to the vesting of awards in the event of a change of control of the Company.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, except for the provisions within the Company's share schemes as noted above.

Disclosure of information to auditor

So far as the Directors who held office at the date of approval of this Directors' report are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A competitive tender process for the role of Group auditor was undertaken in the year as reported on page 136. The Audit Committee considered the reports and presentations from two audit firms and recommended the reappointment of Deloitte LLP ('Deloitte') to the Board. Deloitte is willing to be reappointed as the external auditor to the Company and Group. A resolution will be proposed at the AGM on 12 July 2023.

By order of the Board

Martin McGann
Finance Director

24 May 2023

Directors' Responsibilities Statement

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

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Andrew Jones
Chief Executive

24 May 2023

Martin McGann
Finance Director

24 May 2023

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"

The Group financial statements that follow in this section have been prepared in accordance with IFRS.

The Company financial statements have been prepared in accordance with FRS 101.

The Independent Auditor's report that supports the financial statements is reflected on page 176.

Martin McGann
Finance Director

[IMAGE REMOVED]

To the members of LondonMetric Property Plc

Independent Auditor's report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of LondonMetric Property Plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group Income Statement;
- the Group and Company Balance Sheets;
- the Group and Company Statements of Changes in Equity;
- the Group Cash Flow Statement; and
- the related notes 1 to 20 for the Group and i to xi for Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: Valuation of investment property Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Decreased level of risk Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £39.9 million which was determined on the basis of 2% of shareholder's equity at 31 March 2023. For testing balances that impacted EPRA earnings we used a lower materiality of £5.0 million, which was based on 5% of EPRA earnings for the year end 31 March 2023.
Scoping	The Group is subject to a full scope audit of net assets, revenue and profit before tax.
Significant changes in our approach	No changes to our approach for the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Group's 2023 and 2024 cash flow forecasts based on actual cash flow performance in 2022 and the 2023 financial year;
- Assessed each of the key assumptions made as part management's forecast to evaluate whether they are consistent with our understanding of the external factors, including consideration of the impact of the current macroeconomic environment;
- Agreeing the level of committed, undrawn facilities of £380m to signed facility agreements;
- Recalculating the headroom within the forecasts based on the cash flow forecasts and the undrawn committed facilities;
- Recalculating covenants ratios on the year end position to evaluate compliance;
- Assessing the stress test scenarios, the reverse stress test run by the Directors including the linkage of these scenarios to the Group's principal risks disclosed on pages 88 to 99 of the annual report & accounts and impact on covenants;
- Assessing the mitigating actions that could be taken by the Directors to maximise liquidity headroom including a reduction in capital expenditure and a reduction in discretionary spend; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of investment property

Key audit matter description	The Group owns a portfolio of largely distribution property assets, which is valued at £2,945 million (2022: £3,495 million) as at 31 March 2023. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions including capitalisation yields, lease incentives, future lease income and Red Book guidance. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The valuers are engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuation exercise also relies on the integrity of the underlying lease and financial information provided to the valuers by management. Therefore, due to this and the high level of judgement in the assumptions, we have determined this as a potential area for fraud. Refer to page 135 (Audit Committee report), page 186 (accounting policy) and note 9 on page 196 (financial disclosures).
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Obtained an understanding and tested the relevant controls over the valuation process, including management's review of the information provided to valuers. • Assessed management's process for reviewing and assessing the work of the external valuer and development appraisals. • Assessed the competence, capabilities and objectivity of the external valuer and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. • Obtained the external valuation reports and, with the involvement of our real estate specialist, assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including lease incentives, future lease income and capitalisation yields. • Assessed the valuation methodology used and considered any departures from the Red Book guidance as well as tested the integrity of the model which is used by the external valuer. • Held a meeting with the external valuers of the portfolio to discuss the results of their work and, for a sample of properties, we further challenged the yield assumptions and valuation by benchmarking it to market, including where relevant the impact of interest rates and inflation. • Performed audit procedures to assess the integrity of a sample of the information provided to the external valuer by agreeing that information to underlying lease agreements.
Key observations	Based on the work performed we concluded that valuation of investment property is appropriate.

To the members of LondonMetric Property Plc

Independent Auditor's report

continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£39.9 million (2022: £51.3 million) We consider EPRA Earnings as a critical performance measure for the Group and parent and we applied a lower threshold of £5.0 million (2022: £4.6 million) for testing of all balances and classes of transaction which impact that measure, primarily transactions recorded in the Income Statement other than fair value movements on investment property, development property and derivatives, debt and hedging related costs.	£35.3 million (2022: £33.3 million)
Basis for determining materiality	Materiality for the Group is based on 2% (2022: 2%) of shareholders' equity at 31 March 2023. For EPRA Earnings the basis used is 5% of EPRA earnings (2022: 5% EPRA earnings) of that measure.	Materiality for the Company is based on 2% of shareholders' equity (2022: 2% shareholders' equity).
Rationale for the benchmark applied	As an investment property company, the focus of management is to generate long-term capital value from the investment property portfolio and, therefore, we consider equity to be the most appropriate basis for materiality.	As an investment holding company, the focus of management is to generate long-term capital value from the investment property portfolio held by the Group and, therefore, we consider equity to be the most appropriate basis for materiality.

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6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2022: 70%) of Group materiality	70% (2022: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a) Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and b) Our risk assessment, including our assessment of the Group's overall control environment.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0 million (2022: £2.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

Our full scope audit is performed on components accounting for 100% (2022: 100%) of the Group's net assets, revenue and profit before tax.

The audit work in response to the risks of material misstatement was performed directly by the Group engagement team. Our audit also included testing of the consolidation process.

The Company is located in London, UK and audited directly by the Group audit team.

7.2. Our consideration of the control environment

We have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, revenue cycle and those in relation to our key audit matter. We tested the relevant controls over the valuation *process, including the investment and development property cycle, and* based on the result of our work performed, we have not been able to rely on controls. This is due to the fact that the Group does not perform significant automated processing of large volumes of data and the control environment is predominantly manual in nature. In addition, we have identified a control observation related to the formalisation of a key control, which we have communicated to management and the Audit Committee.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of environmental, social and governance ("ESG") related risks, including climate change. Climate related risks are managed collaboratively between the Board, Audit Committee, senior Team and working group. The risk register is updated at least annually and is used to monitor identified principal risks, along with corresponding mitigation measures. The Group consider climate change as an emerging risk particularly in relation to flooding risks, EPCs and costs to upgrade assets where required. Refer to the Responsible Business and ESG review on page 54.

As a part of our audit procedures, we have obtained an understanding of the Group's process for identifying and managing climate related risk, including physical and transition risks. With the assistance of our climate-change specialists, we assessed the Group's climate related financial disclosures against the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations including management's risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.

We read the disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We concur that they appropriately disclose the current risk that management has identified. We have not been engaged to provide assurance over the accuracy of these disclosures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/ auditorsresponsibilities. This description forms part of our auditor's report.

To the members of LondonMetric Property Plc

Independent Auditor's report
continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and involving relevant internal specialists, and real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Valuation of investment and development property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, as well as relevant provisions of tax legislation, including the REIT rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, most notably health and safety regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investment and development property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 100;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 100;
- the Directors' statement on fair, balanced and understandable set out on page 174;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 82 to 99; and
- the section describing the work of the audit committee set out on page 85.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed on 19 September 2013 by the Board of Directors to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 March 2014 to 31 March 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Rachel Argyle
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

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.

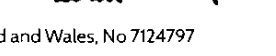
The notes on pages 186 to 207 form part of these financial statements.

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



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The notes on pages 186 to 207 form part of these financial statements.

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		–	–	–	4.8	(5.6)	(0.8)	–	(0.8)
Investment from non-controlling interest	19b	–	–	–	–	–	–	19.5	19.5
Distribution to non-controlling interest	19b	–	–	–	–	–	–	(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

The notes on pages 186 to 207 form part of these financial statements.

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

The notes on pages 186 to 207 form part of these financial statements.

Notes forming part of the Group financial statements

1 Significant accounting policies

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 given on page 232. 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 on pages 1 to 101.

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 on page 100.

The assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in detail on pages 82 to 99 of 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 on page 46.

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 on page 135 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 to IFRS 17	Initial application of IFRS 17 and IFRS 9 – Comparative Information
Amendments to IFRS 16	Covid-related rent concessions beyond 30 June 2021
	Lease liability in a sale and leaseback
Amendment to IAS 1	Classification of Liabilities as Current or Non Current – Deferral of Effective Date
	Disclosure of Accounting Policies
	Non current liabilities with covenants
Amendment to IAS 8	Definition of accounting estimates
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendment to 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 on page 10 and in the Financial review on page 47.

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.

Notes forming part of the Group financial statements
continued

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.

Notes forming part of the Group financial statements
continued

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 on page 37 and 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 on pages 166 to 167.

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

Notes forming part of the Group financial statements
continued

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 pages 139 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.

Notes forming part of the Group financial statements
continued

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 on pages 215 to 221.

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

Notes forming part of the Group financial statements
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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.

Notes forming part of the Group financial statements
continued

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	

Notes forming part of the Group financial statements
continued

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 on similar terms and pricing as our existing £225 million syndicated facility and extended the term by one year on our other two revolving credit facilities totalling £400 million.

Notes forming part of the Group financial statements
continued

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

Notes forming part of the Group financial statements
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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 2023 %	Average rate 2022 %	Notional amount 2023 £m	Notional amount 2022 £m	Fair value 2023 £m	Fair value 2022 £m
Interest rate swaps – expiry						
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.

Notes forming part of the Group financial statements
continued

17 Reserves

The Group statement of changes in equity is shown on page 184. 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 and for the Company on page 214.
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.

Company balance sheet
As at 31 March

Non current assets	Note	2023 £m	2022 £m
Investment in subsidiaries and joint ventures	iii	1,680.5	1,524.7
Investment properties	iv	3.5	0.8
Amounts due from subsidiary undertakings		–	28.8
Other investments and tangible assets		1.1	1.2
Derivative financial instruments		11.1	–
		1,696.2	1,555.5
Current assets			
Trade and other receivables	v	1,041.6	1,049.0
Cash at bank		19.1	35.4
		1,060.7	1,084.4
Total assets		2,756.9	2,639.9
Current liabilities			
Trade and other payables	vi	38.0	11.7
Borrowings	vii	65.0	–
Non current liabilities			
Borrowings	vii	883.6	960.0
Lease liabilities	viii	3.4	0.8
		887.0	960.8
Total liabilities		990.0	972.5
Net assets		1,766.9	1,667.4
Equity			
Called up share capital		98.3	97.9
Share premium		395.5	386.8
Capital redemption reserve		9.6	9.6
Other reserve		(7.1)	36.4
Retained earnings		1,270.6	1,136.7
Equity shareholders' funds		1,766.9	1,667.4

The Company reported a profit for the financial year to 31 March 2023 of £185.6 million (2022: £195.4 million).

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

The notes on pages 210 to 214 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2022	97.9	386.8	9.6	36.4	1,136.7	1,667.4
Profit for the year	–	–	–	–	185.6	185.6
Purchase of shares held in employee benefit trust	–	–	–	(5.6)	–	(5.6)
Vesting of shares held in employee benefit trust	–	–	–	4.8	(5.6)	(0.8)
Share based awards	–	–	–	–	3.6	3.6
Reserve transfer of impairment in subsidiary	–	–	–	(42.7)	42.7	–
Dividends	0.4	8.7	–	–	(92.4)	(83.3)
At 31 March 2023	98.3	395.5	9.6	(7.1)	1,270.6	1,766.9

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2021	91.0	219.3	9.6	51.5	1,006.7	1,378.1
Profit for the year	–	–	–	–	195.4	195.4
Equity placing	6.7	163.5	–	–	–	170.2
Purchase of shares held in employee benefit trust	–	–	–	(1.5)	–	(1.5)
Vesting of shares held in employee benefit trust	–	–	–	4.9	(5.7)	(0.8)
Share based awards	–	–	–	–	3.5	3.5
Reserve transfer of impairment in subsidiary	–	–	–	(18.5)	18.5	–
Dividends	0.2	4.0	–	–	(81.7)	(77.5)
At 31 March 2022	97.9	386.8	9.6	36.4	1,136.7	1,667.4

The notes on pages 210 to 214 form part of these financial statements.

Notes forming part of the Company financial statements

For the year ended 31 March 2023

i Accounting policies

Accounting convention

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, fair value measurement, impairment, standards in issue and not yet effective and certain related party transactions. The key source of estimation uncertainty relevant to the Company relates to the impairment of investment in subsidiaries. The determination of the recoverable amount of the subsidiaries is underpinned by the valuation of the underlying properties owned by each subsidiary. In determining this recoverable amount, the use of estimates and assumptions is required which are consistent with the key sources of estimation uncertainty disclosed in note 1 and 9 for the Group. The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group, except as noted below.

Subsidiary undertakings and joint ventures

Investments in subsidiary undertakings and joint ventures are stated at cost less any provision for impairment.

Amounts due from subsidiary undertakings

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Amounts due from subsidiary undertakings included within current assets are expected to be repaid within one year and are measured for impairment using the simplified approach under IFRS 9. Amounts due from subsidiary undertakings included within non current assets are repayable within one to two years and are also measured for impairment using the simplified approach under IFRS 9.

ii Profit attributable to members of the parent undertaking

As permitted by Section 408 Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The reported profit of the Company was £185.6 million (2022: £195.4 million).

Audit fees in relation to the Company only were £247,500 in the year (2022: £225,000).

iii Fixed asset investments

	Subsidiary Cost £m	Subsidiary impairment £m	Joint venture Cost £m	Joint venture impairment £m	Total undertakings £m
At 1 April 2022	2,001.2	(476.6)	16.7	(16.6)	1,524.7
Additions	241.5	–	–	–	241.5
Disposals	(4.9)	4.9	–	–	–
Impairment of investment	–	(85.7)	–	–	(85.7)
At 31 March 2023	2,237.8	(557.4)	16.7	(16.6)	1,680.5

The carrying value of the Company's investments was impaired by £85.7 million following an impairment review to assess the recoverable amount based on the net assets of the subsidiary companies and joint venture investments. The resulting impairment loss was due to property sales and dividend payments.

The recoverable amount of investments in subsidiary undertakings of £1,680.4 million and joint ventures of £0.1 million has been determined based on their fair value less cost of disposal. The Directors believe that this approximates to their net assets due to the investment property that they hold being valued using the valuation techniques and the key assumptions disclosed in note 9 Investment property to the Group financial statements.

The Company is incorporated in England and is the ultimate holding company of the Group with the subsidiary undertakings and joint venture investments detailed in the tables below.

Except where disclosed, the Group owns the entire share capital of each undertaking comprising of ordinary shares. All subsidiaries are consolidated in the Group's consolidated financial statements.

Audit exemption taken for subsidiaries

Certain UK subsidiaries are exempt from the requirement of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Subsidiaries for which Section 479A Companies Act 2006 exemption taken	Country of incorporation or registration	Companies House registered number	Nature of business
A & J Mucklow & Co Limited[1]	England	00384508	Property trading
A & J Mucklow (Halesowen) Limited[1]	England	04848576	Property investment
A & J Mucklow (Nominees) Limited[1]	England	01232337	Administrative company
A & J Mucklow (Properties) Limited[1]	England	00758764	Property investment
A & J Mucklow Group Limited	England	00717658	Intermediate holding company
LondonMetric Bognor Regis Limited	England	09409081	Property investment
LondonMetric Crawley Limited	England	10120420	Property investment
LondonMetric Derby Limited	England	08568072	Property investment
LondonMetric Development Limited	England	13481500	Property investment
LondonMetric Distribution Limited	England	09269541	Property investment
LondonMetric Droitwich Limited	England	11245371	Property investment
LondonMetric DT Limited	England	14124064	Property investment
LondonMetric Leisure Limited	England	11357686	Property investment
LondonMetric Logistics Limited	England	10882805	Property investment
LondonMetric Milton Keynes Limited	England	13033223	Property investment
LondonMetric Retail Distribution I Limited	England	08524540	Property investment
LondonMetric Retail Distribution II Limited	England	08644584	Property investment
LondonMetric Retail Limited	England	09062484	Property investment
LondonMetric Saturn II Limited	England	08565264	Property investment
LondonMetric Saturn Limited	England	08336260	Property investment
LondonMetric Swindon Limited	England	08989820	Property investment
LondonMetric Unitholder 2 Limited	England	13743626	Unitholder
LondonMetric Urban Limited	England	13249056	Property investment
LSI (Investments) Limited	England	03539331	Property investment
MCL Omega PropCo Limited	England	12133819	Property investment
Metric LP Income Plus Limited[1]	England	07780077	Intermediate holding company
Metric Property Coventry Limited	England	07347027	Property investment
Metric Property Finance 1 Limited	England	07403434	Intermediate holding company
Metric Property Investments Limited	England	07172804	Intermediate holding company
Metric Property Kirkstall Limited[1]	England	07455382	Property investment

Notes forming part of the Company financial statements
continued

Subsidiaries for which Section 479A Companies Act 2006 exemption not taken	Country of incorporation or registration	Nature of business
A & J Mucklow (Investments) Limited[1]	England	Property investment
Penbrick Limited[1]	England	Property investment
Metric GP Income Plus Limited[1,6]	England	Intermediate holding company
Metric Income Plus Limited Partnership[1,6]	England	Property investment
Metric Income Plus Nominees Limited[1,6]	England	Administrative company
LMP Steel LP[1,2]	England	Property investment
LMP Steel GP LLP[7]	England	Limited partner
A & J Mucklow (Birmingham) Limited[1,2]	England	Dormant
A & J Mucklow (Callowbrook Estate) Limited[1,2]	England	Dormant
A & J Mucklow (Estates) Limited[1,2]	England	Dormant
A & J Mucklow (Ettingshall Estate) Limited[1,2]	England	Dormant
A & J Mucklow (Lancashire) Limited[1,2]	England	Dormant
A & J Mucklow (Wollescote Estate) Limited[1,2]	England	Dormant
A and J Mucklow (Lands) Limited[1,2]	England	Dormant
Barr's Industrial Limited[1,2]	England	Dormant
Belfont Homes (Birmingham) Limited[1,2]	England	Dormant
Goresbrook Property Limited[2]	England	Dormant
LondonMetric OKR Limited[2]	England	Dormant
LSI Developments Limited[2]	England	Dormant
Metric Property Finance 2 Limited[2]	England	Dormant
L&S Highbury Limited[2]	Guernsey	Property investment
LMP Bell Farm Limited[2]	Guernsey	Property investment
LMP Dagenham Limited[2]	Guernsey	Property investment
LMP Green Park Cinemas Limited[2]	Guernsey	Property investment
LMP Omega II Limited[2]	Guernsey	Property investment
LMP Retail Warehouse JV Holdings Limited[2,4]	Guernsey	Property investment
LMP Thrapston Limited[2]	Guernsey	Property investment
LondonMetric Management Limited[2]	Guernsey	Management company
LSP London Residential Holdings Limited[3,5]	Guernsey	Intermediate holding company
LSP London Residential Investments Limited[3,5]	Guernsey	Intermediate holding company
LSP RI Moore House Limited[3,5]	Guernsey	Property investment
THG Omega Limited[2,3]	Guernsey	Dormant
LMP Burton & Evesham Limited[2]	Jersey	Property investment
LMP Steel Property Unit Trust[2]	Jersey	Intermediate holding entity

1 Undertakings held indirectly by the Company
2 Exempt from the requirement to file audited accounts
3 In the process of being liquidated
4 The Company owns 100% of the voting rights and 100% of the A ordinary shares representing 69.14% of the beneficial interest in the share capital
5 The Company owns ordinary shares representing 40% of the beneficial interest in the share capital
6 The Company owns a 50% beneficial interest

All of the undertakings listed above are tax resident in the UK with the exception of LSP RI Moore House Limited, LSP London Residential Investments Limited and LSP London Residential Holdings Limited which are tax resident in Guernsey and LMP Steel Property Unit Trust which is tax resident in Jersey.

The registered address for companies incorporated in England is One Curzon Street, London, W1J 5HB. The registered address for companies incorporated in Guernsey is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3AP. The registered address for LMP Steel Property Unit Trust is 3rd Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH and for LMP Burton & Evesham Limited is 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR.

iv Investment property

At 31 March 2023, investment properties included £3.5 million (2022: £0.8 million) for the head lease right of use assets which have been recognised following adoption of IFRS 16.

v Trade and other receivables

As at 31 March	2023 £m	2022 £m
Prepayments and accrued income	1.0	2.0
Amounts due from subsidiary undertakings	1,040.6	1,047.0
	1,041.6	1,049.0

All amounts under receivables fall due for payment in less than one year. Based on the IFRS 9 Expected Credit Loss model, an impairment review was undertaken and no provision was considered necessary in the current or previous year.

vi Trade and other payables

As at 31 March	2023 £m	2022 £m
Trade payables	0.5	1.1
Other accruals and deferred income	7.5	7.8
Other payables	3.3	2.8
Amounts due to subsidiary undertakings	26.7	–
	38.0	11.7

Included within other accruals and deferred income is accrued interest payable of £1.0 million (2022: £0.6 million).

vii Borrowings and financial instruments

Borrowings

As at 31 March	2023 £m	2022 £m
Unsecured bank loans	955.0	965.0
Unamortised finance costs	(6.4)	(5.0)
	948.6	960.0

The Company uses interest rate derivatives and fixed rates to manage its interest rate exposure and hedge future interest rate risk for the term of the bank loan. At 31 March 2023, 93% of the Company's debt drawn was hedged through fixed coupon debt arrangements. Borrowings of £65 million relating to the 2016 Private Placement are repayable within one year.

The following table shows the contractual maturity profile of the Company's financial liabilities assuming settlement on the earliest repayment date.

As at 31 March	Bank loans £m	Interest payable £m	2023 £m	2022 £m
Less than one year	63.1	1.0	64.1	49.3
One to five years	331.4	–	331.4	357.5
More than five years	554.1	–	554.1	553.8
	948.6	1.0	949.6	960.6

Notes forming part of the Company financial statements
continued

Derivative financial instruments
The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a reasonable portion of external bank borrowings are at a fixed interest rate in order to manage this risk.

The Company 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 Company 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 Company's debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps.

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 Company 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.

Further information on financial risk management policies and practices can be found in note 14 to the Group financial statements.

viii Leases

In accordance with IFRS 16, the Group has recognised a right of use asset for its head office 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	0.4	(0.1)	0.3	0.6
Between one and five years	3.4	(0.3)	3.1	0.2
	3.8	(0.4)	3.4	0.8

ix Related party transactions

Related party transactions for the Company are as noted for the Group in note 19 to the Group financial statements.

x Reserves

The Company statement of changes in equity is shown on page 209. The nature and purpose of each reserve within equity is described in note 17 to the Group financial statements.

Opening balance	Merger reserve £m	Employee Benefit Trust shares £m	Total other reserves 2023 £m	Merger reserve £m	Employee Benefit Trust shares £m	Total other reserves 2022 £m
Employee share schemes:	42.7	(6.3)	36.4	61.2	(9.7)	51.5
Purchase of shares	–	(5.6)	(5.6)	–	(1.5)	(1.5)
Vesting of shares	–	4.8	4.8	–	4.9	4.9
Impairment in subsidiary	(42.7)	–	(42.7)	(18.5)	–	(18.5)
Closing balance	–	(7.1)	(7.1)	42.7	(6.3)	36.4

xi Share capital and share premium

The movement in the share capital and share premium of the Company during the year is reflected in note 16 to the Group accounts on page 205.

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 on page 222.

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

Supplementary information (not audited)
continued

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%

Supplementary information (not audited)
continued

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

Supplementary information (not audited)
continued

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 MSCI.

Total Shareholder Return ('TSR')

The movement in the ordinary share price as quoted on the London Stock Exchange plus dividends per share assuming that dividends are reinvested at the time of being paid.

Weighted Average Interest Rate

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

Weighted Average Unexpired Lease Term ('WAULT')

Average unexpired lease term across the investment portfolio weighted by Contracted Rent.

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other financial advisor authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of the members of LondonMetric Property Plc (Registered number 7124797) will be held at The Connaught, Carlos Place, Mayfair, London, W1K 2AL on 12 July 2023 at 10.00 am.

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and resolutions 17 to 20 (inclusive) will be proposed as special resolutions. Voting on all resolutions will be by way of poll.

1. That the Annual Report and Accounts for the year ended 31 March 2023 be received.
2. That the Annual Report on Remuneration in the form set out in the Annual Report and Accounts for the year ended 31 March 2023 be approved.
3. That the Directors' Remuneration Policy in the form set out in the Annual Report and Accounts for the year ended 31 March 2023 be approved.
4. That Deloitte LLP be reappointed as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
5. That the Directors be authorised to determine the remuneration of the auditor.
6. That Andrew Jones be re-elected as a Director.
7. That Martin McGann be re-elected as a Director.
8. That Alistair Elliott be re-elected as a Director.
9. That James Dean be re-elected as a Director.
10. That Andrew Livingston be re-elected as a Director.
11. That Suzanne Avery be re-elected as a Director.
12. That Robert Fowlds be re-elected as a Director.
13. That Katerina Patmore be re-elected as a Director.
14. That Suzy Neubert be elected as a Director.
15. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the '2006 Act'), in substitution for all existing authorities:
    a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together 'Relevant Securities'):
        (i) in the event that the Company's proposed acquisition of the entire issued, and to be issued, share capital of CT Property Trust Limited (the 'Acquisition') has not taken place in accordance with its terms, up to a maximum aggregate nominal amount of £32,765,615; or
        (ii) in the event that the Acquisition has taken place in accordance with its terms, up to a maximum aggregate nominal amount of £36,286,261,

        (such amount to be reduced by the nominal amount of any equity securities (within the meaning of Section 560 of the 2006 Act) allotted under paragraph 15b below in excess of the applicable amount set out in 15a above; and
    b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act):
        (i) in the event that the Acquisition has not taken place in accordance with its terms, up to a maximum aggregate nominal amount of £65,531,230; or
        (ii) in the event that the Acquisition has taken place in accordance with its terms, up to a maximum aggregate nominal amount of £72,572,523,

        (such amount to be reduced by any Relevant Securities allotted or granted under paragraph 15a above) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record date as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

    provided that the authorities in paragraphs 15a and 15b shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting), except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired.
16. That the rules of the LondonMetric Property Plc 2023 Long Term Incentive Plan (the principal terms of which are summarised in the attached Appendix to this Notice on pages 230 to 231 of the Annual Report and Accounts and the draft rules for which will be produced at the meeting and initialled by the Chair for purposes of identification) be and are hereby approved (with such immaterial modifications (if any) as the Directors may from time to time consider necessary or desirable) and the Directors be and are hereby authorised to do all such acts and things as they consider necessary or desirable for the purposes of implementing, operating and carrying the same into effect.
17. That, if resolution 15 is passed, the Directors be and are empowered, in accordance with Sections 570 and 573 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 15 and/or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

a. the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities made to (but in the case of the authority conferred by paragraph 15b of resolution 15 above, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings;

(ii) to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

b. the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 17a above):

(i) up to a maximum aggregate nominal amount of £9,829,684; or

(ii) in the event that the Acquisition has taken place in accordance with its terms, up to a maximum aggregate nominal amount of £10,885,878,

provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting) but prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

18. That, if resolution 15 is passed, the Directors be and are empowered, in accordance with Sections 570 and 573 of the 2006 Act, in addition to any authority granted under resolution 17 to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 15 and/or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment or sale, such power to be:

a. limited to the allotment of equity securities or sale of treasury shares:

(i) in the event that the Acquisition has not taken place in accordance with its terms up to a maximum aggregate nominal amount of £9,829,684; or

(ii) in the event that the Acquisition has taken place in accordance with its terms, up to a maximum aggregate nominal amount of £10,885,878; and

b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

provided that this power shall expire at the end of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority in question had not expired.

19. That the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 10p each in the capital of the Company ('ordinary shares') on such terms and in such manner as the Directors may from time to time determine provided that:

a. the maximum aggregate number of ordinary shares authorised to be purchased is:

(i) in the event that the Acquisition has not taken place in accordance with its terms, 98,296,840; or

(ii) in the event that the Acquisition has taken place in accordance with its terms, 108,858,780;

b. the minimum price which may be paid for an ordinary share is 10p being the nominal amount thereof (exclusive of expenses payable by the Company);

c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:

(i) 105% of the average market value of an ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days prior to the day on which the ordinary share is contracted to be purchased; and

(ii) the value of an ordinary share calculated on the basis of the higher of: (A) the last independent trade of; or (B) the highest current independent bid for, any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and

d. this authority shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting) except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry and the Company may purchase its ordinary shares pursuant to such contract as if this authority had not expired.

20. That the Company is authorised to call any general meeting of the Company other than the Annual General Meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next Annual General Meeting of the Company.

By order of the Board

Jadzia Duzniak
Company Secretary
24 May 2023

Notice of Annual General Meeting
continued

Notes to the Notice of the Annual General Meeting:

(i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend, speak and vote on their behalf, provided that each proxy is appointed to exercise the rights attaching to the different shares held by him or her.

(ii) Your proxy could be the Chair, another Director of the Company or another person who has agreed to attend and represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chair (or another person) as your proxy are set out in the notes to the proxy form.

(iii) Any person to whom this Notice is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right, or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of rights of shareholders in relation to the appointment of proxies in paragraph (i) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

(iv) To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note (vi) below.

(v) You will not have received a hard copy proxy form for the Annual General Meeting in the post. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ('IVC') which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and in any event, no later than 10.00 am on 10 July 2023 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

You may request a hard copy proxy form directly from the Registrars, Link Group by emailing shareholderenquiries@linkgroup.co.uk or by post at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To be valid, any hard copy proxy form must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 10.00 am on 10 July 2023 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be completed and signed and received by Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL as soon as possible but, in any event, so as to arrive no later than 10.00 am on 10 July 2023 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.

Completion and return of a proxy form will not preclude members from attending and voting at the meeting should they wish to do so.

Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at: shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

(vi) The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is close of business on 10 July 2023. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is close of business on the day that is two business days before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(viii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10.00 am on 10 July 2023 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(x) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

(xii) You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

(xiii) As at 23 May 2023 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 982,968,464 ordinary shares carrying one vote each.

(xiv) Members satisfying the thresholds in Section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to:

a. the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting; or

b. any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting.

The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

(xv) Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

a. to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b. the answer has already been given on a website in the form of an answer to a question; or

c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

(xvi) A copy of this Notice, and other information required by Section 311A of the 2006 Act, can be found at www.londonmetric.com.

(xvii) The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:

a. copies of the Executive Directors' service contracts with the Company; and

b. copies of letters of appointment of Non Executive Directors; and

c. a copy of the Articles of Association of the Company.

Should a shareholder wish to inspect any of these documents please submit a request to info@londonmetric.com.

(xviii) In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which names stand on the register of members of the Company in respect of the relevant joint holding.

(xix) Voting on all resolutions at the Annual General Meeting will be by way of poll. The Company believes that this is the best way of representing the view of as many shareholders as possible in the voting process.

(xx) This Notice (including these notes) reflects the intention of the Board with respect to the AGM given the law in force, and relevant guidance, as at the latest practicable date before the publication of this Notice. Shareholders should check our website to ensure they have the most up to date information available regarding the AGM.

Explanatory notes:

The information below is an explanation of the business to be considered at the Annual General Meeting.

Resolution 1 – To receive the Annual Report and Accounts
The Chair will present the Annual Report and Accounts for the year ended 31 March 2023 to the meeting. Resolution 1 is to receive the Report of the Directors, the financial statements and the Independent Auditor's report on the financial statements and on the auditable part of the Annual Report on Remuneration for the financial year ended 31 March 2023.

Resolution 2 – Annual Report on Remuneration
Resolution 2 is an ordinary resolution to approve the Annual Report on Remuneration relating to the implementation of the Company's existing Remuneration Policy, which was last approved at the Company's 2020 Annual General Meeting. Section 439 of the 2006 Act requires UK-incorporated listed companies to put their Annual Report on Remuneration to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual Director. The Annual Report on Remuneration is set out in full in the Annual Report and Accounts.

Notice of Annual General Meeting
continued

Resolution 3 – Directors' Remuneration Policy
Resolution 3 is an ordinary resolution to approve a new Directors' Remuneration Policy (which will replace the Company's existing Remuneration Policy). Shareholders are invited to approve the Directors' Remuneration Policy which is set out on pages 144 to 157 of the Annual Report and Accounts (the 'Policy'). The Policy, which sets out the Company's forward looking policy on Directors' remuneration, is subject to a binding shareholder vote by ordinary resolution at least every three years.

Once the Policy has been approved, all payments by the Company to the Directors and any former Directors must be made in accordance with the Policy (unless a payment has separately been approved by shareholder resolution).

If the Company wishes to change the Policy, it will need to put a revised Directors' Remuneration Policy to a shareholder vote again before it can implement any payments pursuant to an amended Directors' Remuneration Policy . If the Policy remains unchanged, the 2006 Act requires the Company to put the Policy to shareholders for approval again no later than at the Company's 2026 Annual General Meeting.

Resolutions 4 and 5 – Reappointment of auditors
Resolution 4 relates to the reappointment of Deloitte LLP as the Company's auditor to hold office until the next Annual General Meeting of the Company and Resolution 5 authorises the Directors to set their remuneration.

Resolutions 6 to 14 – Re-election and election of Directors
Resolutions 6 to 14 deal with re-election and election of the Directors (as applicable). Biographies of each of the Directors seeking re-election and election can be found on pages 108 and 109 of the Annual Report and Accounts. The Board has confirmed, following a performance review, that all Directors standing for re-election or election continue to perform effectively and demonstrate commitment to their role.

Proposed acquisition of CT Property Trust Limited
On 24 May 2023, the Company announced that it had reached agreement on the terms of a recommended offer pursuant to which the Company will acquire the entire issued, and to be issued, share capital of CT Property Trust Limited (the 'Acquisition'). If the Acquisition becomes effective, the consideration to be paid to the shareholders of CT Property Trust Limited will be satisfied by way of an issue of new ordinary shares in the capital of the Company. Accordingly, if the Acquisition becomes effective, the Company will issue approximately 105,619,395 new ordinary shares in or around early July 2023 and the total issued share capital of the Company will be increased to approximately 1,088,587,859. Resolutions 15, 17, 18 and 19, are proposed in a manner which accommodates whether or not the Acquisition is approved and otherwise becomes effective.

Resolution 15 – Allotment of share capital
At the last Annual General Meeting of the Company the Directors were given authority to allot ordinary shares in the capital of the Company. This authority expires at the conclusion of the Annual General Meeting (or, if earlier, on the date which is 15 months after the date of the Annual General Meeting).

Your Board considers it appropriate that a similar authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of (i) £32,765,615 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) £36,286,261 in the event that the Acquisition has taken place in accordance with its terms, (representing approximately one third of the Company's issued ordinary share capital (i) as at 23 May 2023 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) following completion of the Acquisition, in the event that the Acquisition has taken place in accordance with its terms) during the period up to the conclusion of the next Annual General Meeting of the Company. Such authority is sought in paragraph 15a of Resolution 15.

In accordance with the guidelines issued by the Investment Association, paragraph 15b of Resolution 15 will allow Directors to allot, including the shares referred to in paragraph 15a of Resolution 15, shares in the Company in connection with a pre-emptive offer by way of a rights issue to shareholders up to a maximum nominal amount of (i) £65,531,230 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) £72,572,523 in the event that the Acquisition has taken place in accordance with its terms, representing approximately two thirds of the issued ordinary share capital of the Company (i) as at 23 May 2023 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) following completion of the Acquisition, in the event that the Acquisition has taken place in accordance with its terms.

Your Board considers it appropriate to seek this additional allotment authority at the Annual General Meeting in order to take advantage of the flexibility it offers. However, the Board has no present intention of exercising either authority (except in relation to the Company's scrip dividend scheme and its share schemes). If they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the Investment Association.

As at the date of this Notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

Resolutions 16 – Approval of the LondonMetric Property Plc 2023 Long Term Incentive Plan
The LondonMetric Property Plc Long Term Incentive Plan adopted in 2013 (the '2013 LTIP') is due to expire on 10 July 2023. As a result, the Company's Remuneration Committee proposes to seek shareholder approval for the new LondonMetric Property Plc 2023 Long Term Incentive Plan (the '2023 LTIP') which, if approved, would replace the 2013 LTIP for future long term incentive awards.

The 2023 LTIP is based on the 2013 LTIP, but has been updated to reflect changes in the proposed Policy and corporate governance best practice. In particular, the limit on individual award levels has been increased in line with the proposed Policy.

Resolution 16, which approves the 2023 LTIP, is proposed as an ordinary resolution. The principal terms of the 2023 LTIP are summarised in the Appendix to this Notice on pages 230 to 231 of the Annual Report and Accounts.

Resolutions 17 and 18 – General and additional authority to disapply pre-emption rights
At the last Annual General Meeting of the Company the Directors were also given authority to allot equity securities for cash without first being required to offer such shares to existing shareholders. This authority expires at the conclusion of the Annual General Meeting (or, if earlier, on the date which is 15 months after the date of last year's Annual General Meeting).

The passing of Resolutions 17 and 18 would allow the Directors to allot equity securities (or sell any shares which the Company may purchase and hold in treasury) without first offering them to existing holders in proportion to their existing holdings.

The authority set out in Resolution 17 is limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares; or (b) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £9,829,684 (representing 98,296,840 ordinary shares) in the event that the Acquisition has not taken place in accordance with its terms; or (ii) £10,885,878 (representing 108,858,780 ordinary shares) in the event that the Acquisition has taken place in accordance with its terms. This aggregate nominal amount represents approximately 10% of the issued ordinary share capital of the Company (i) as at 23 May 2023 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) following completion of the Acquisition, in the event that the Acquisition has taken place in accordance with its terms.

The authority set out in Resolution 18 is limited to allotments or sales of up to an aggregate nominal amount of (i) £9,829,684 (representing 98,296,840 shares) in the event that the Acquisition has not taken place in accordance with its terms; or (ii) £10,885,878 (representing 108,858,780 ordinary shares) in the event that the Acquisition has taken place in accordance with its terms, in addition to the authority set out in Resolution 17 which is to be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice (the 'Statement of Principles').

This aggregate nominal amount represents approximately an additional 10% of the issued ordinary share capital of the Company (i) as at 23 May 2023 in the event that the Acquisition has not taken place in accordance with its terms; or (ii) following completion of the Acquisition, in the event that the Acquisition has taken place in accordance with its terms.

The Statement of Principles state that, in addition to the standard annual disapplication of pre-emption rights which permits companies to issue for cash on a non-pre-emptive basis equity securities representing no more than 10 % of the Company's issued ordinary share capital, the Pre-Emption Group is supportive of extending the general disapplication power by an amount equal to 10 % of a company's issued ordinary share capital for certain purposes. In accordance with the provisions of the Statement of Principles, the Company confirms its intention that the additional power sought by the Company pursuant to this resolution (equal to 10 % of the issued ordinary share capital of the Company) can be used in connection with one or more acquisitions or specified capital investments, which are announced contemporaneously with the relevant issue. The Pre-Emption Group recommends that this additional 10 % authority be sought in a separate resolution, which is the approach the Company has taken.

Resolution 19 – Authority to purchase own shares
Resolution 19 gives the Company authority to buy back its own ordinary shares in the market as permitted by the 2006 Act. The authority limits the number of shares that could be purchased to a maximum of: (i)98,296,840 shares in the event that the Acquisition has not taken place in accordance with its terms; or (ii) 108,858,780 shares in the event that the Acquisition has taken place in accordance with its terms, (representing approximately 10% of the Company's issued ordinary share capital (i) as at 23 May 2023, in the event that the Acquisition has not taken place in accordance with its terms; or (ii) following completion of the Acquisition, in the event that the Acquisition has taken place in accordance with its terms) and sets minimum and maximum prices. This authority will expire at the conclusion of the next Annual General Meeting of the Company.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only after consideration by the Directors of the effect on net asset value and if the Directors believe that to do so would be in the interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares.

If Resolution 19 is passed at the Annual General Meeting, it is the Company's current intention to hold in treasury the majority of the shares it may purchase pursuant to the authority granted to it. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so. The Company may hold a maximum of up to 10% of its issued share capital in treasury in accordance with guidelines issued by the Investment Association.

As at 23 May 2023 (the latest practicable date before publication of this Notice), there were share awards over 5,443,328 ordinary shares in the capital of the Company representing approximately (i) 0.55% of the Company's issued ordinary share capital, in the event that the Acquisition has not taken place in accordance with its terms; or (ii) 0.50% of the Company's issued ordinary share capital, in the event that the Acquisition has taken place in accordance with its terms. If the authority to purchase the Company's ordinary shares was exercised in full, these awards would represent approximately (i) 0.62% of the Company's issued ordinary share capital, in the event that the Acquisition has not taken place in accordance with its terms; or (ii) 0.56% of the Company's issued ordinary share capital, in the event that the Acquisition has taken place in accordance with its terms.

Resolution 20 – Notice period for general meetings
It is proposed in Resolution 20 that shareholders should approve the continued ability of the Company to hold general meetings other than the Annual General Meeting on 14 clear days' notice.

This resolution is required under Section 307A of the 2006 Act. Under that section, a traded company which wishes to be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice must obtain shareholders' approval. Resolution 20 seeks such approval.

The resolution is valid up to the next Annual General Meeting of the Company and needs to be renewed annually. The Company will also need to meet the requirements for voting by electronic means under Section 307A of the 2006 Act before it can call a general meeting on 14 days' notice.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Appendix

The London Metric Property Plc 2023 Long Term Incentive Plan

Resolution 16 seeks shareholder approval for the adoption of the LondonMetric Property Plc 2023 Long Term Incentive Plan (the 'Plan'). The principal purpose of the Plan is to provide a long term incentive to senior management which is aligned as closely possible to the interests of shareholders.

The draft rules of the Plan are available for inspection on the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism from the date of sending this document. The draft rules will also be available for inspection at the place of the Annual General Meeting convened for 12 July 2023 from at least 15 minutes prior to the appointed time for the meeting until the meeting is concluded or adjourned.

(a) Eligibility
All employees of the Company and its subsidiaries from time to time (the 'Group'), including Executive Directors, are eligible to participate in the Plan at the discretion of the Remuneration Committee.

(b) Grant of awards
The Plan provides for the grant of nil cost options ('Awards') over ordinary shares in the capital of the Company ('ordinary shares'). Awards may also be structured as conditional rights to acquire ordinary shares, or to receive a cash payment.

The price (if any) at which a participant may acquire ordinary shares on the exercise or vesting of an Award under the Plan will be determined by the Remuneration Committee on the date of grant and may, if the Remuneration Committee sees fit, be nil or equal to the nominal value of an ordinary share.

Awards may be granted during the period of (i) 42 days following shareholder approval of the Plan or an amendment to the Plan; (ii) 42 days following the announcement of the Company's final or interim results for any financial period; or (iii) 42 days following the occurrence of an event which the Remuneration Committee considers to be exceptional. If any of the above periods is within a period when share dealings are restricted, then Awards may be granted within 42 days of the end of that period.

No Awards may be granted more than ten years after the date on which the Plan is approved by the Company's shareholders.

Awards may be granted over newly issued ordinary shares, treasury shares or ordinary shares purchased in the market.

Awards will not form part of a participant's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee. No payment will be required for the grant of an Award.

(c) Vesting
The Remuneration Committee will determine at the date of grant when and how Awards will vest. Ordinarily, Awards will vest on the third anniversary of grant subject to (i) the participant remaining an employee or director of a Group company, and (ii) the satisfaction of performance targets measured over three consecutive financial years. The period from the date of grant until the date of vesting shall be known as the 'Vesting Period'.

The first tranche of Awards to be granted under the Plan will vest subject to the performance conditions set out on pages 160 to 161 of this report. Subsequent Awards may be subject to different performance conditions, which will be determined at the time of their grant at the Remuneration Committee's discretion.

If events occur which cause the Remuneration Committee to reasonably believe that the original performance conditions are no longer a fair measure of performance, then the conditions may be amended or waived in such manner as may be fair and reasonable in the Remuneration Committee's discretion.

In addition, the Remuneration Committee retains discretion to adjust the level of vesting of Awards upwards or downwards if in its opinion the level of vesting resulting from the application of any applicable performance conditions is not a fair and accurate reflection of business performance, the participant's personal performance and such other factors as the Remuneration Committee may consider appropriate.

(d) Holding period
At the discretion of the Remuneration Committee, Awards may be granted subject to a holding period following Vesting during which any vested and exercised Awards cannot normally be sold or otherwise disposed of except for tax arising on vesting or exercise.

In the event of cessation of employment, the participant will normally remain subject to any post-vesting holding requirements.

(e) Dividends
If the Remuneration Committee so determines (in its absolute discretion) participants will be entitled to receive additional ordinary shares (or cash) representing the value of dividends declared during the Vesting Period on the number of ordinary shares subject to the participant's Award which have vested. Any ordinary shares so awarded will not count towards the individual limits summarised in paragraph (g) nor the company limits summarised in paragraph (h) below.

(f) Malus and clawback
The Remuneration Committee may decide, at the vesting of an Award or at any time before, that the number of ordinary shares subject to the Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable in the following circumstances:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of an Award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine an Award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant; and/or
- where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the participant has caused wholly or in part a corporate failure of the Company.

The Remuneration Committee may apply clawback to all or part of a participant's Award in substantially the same circumstances as apply to malus (as described above) during the two years following the vesting of an Award. Clawback may be effected, among other means, by requiring the transfer of ordinary shares, payment of cash or reduction of Awards on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable.

(g) Individual limits
The aggregate market value of ordinary shares subject to Awards granted to an eligible employee under the Plan in any financial year will not exceed 225% of that person's gross annual salary (as at the date of grant) or 235% of that person's gross annual salary (as at the date of grant) in exceptional circumstances on recruitment. The Remuneration Committee has discretion to determine the size of an Award granted to any individual under the Plan within this maximum limit.

In applying the above limit, no account will be taken of ordinary shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of ordinary shares which are subject to a participant's Award and which have vested.

In order to calculate the size of an Award for the purposes of this limit, market value will be determined by reference to the Company's share price averaged over five dealing days prior to (but not including) the relevant date of grant, or such other basis as the Remuneration Committee (in its absolute discretion) sees fit.

(h) Plan limits
The number of ordinary shares in respect of which Awards to subscribe for ordinary shares may be granted on any date shall be limited so that the total number of ordinary shares issued and issuable in respect of Awards granted under the Plan (and any other executive (discretionary) share scheme operated by the Company) in any ten-year period is restricted to 5% of the Company's issued ordinary shares, calculated at the relevant time.

The number of ordinary shares in respect of which Awards to subscribe for ordinary shares may be granted on any date shall be limited so that the total number of ordinary shares issued and issuable in respect of Awards granted under the Plan (and any other share scheme operated by the Company) in any ten-year period is restricted to 10% of the Company's issued ordinary shares, calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Treasury shares will be treated as newly issued ordinary shares for the purposes of this limit for as long as this is required by institutional investor guidelines, but (for the avoidance of doubt) ordinary shares acquired in the market will not.

In addition, no account will be taken of ordinary shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of ordinary shares subject to the participant's Award which have vested.

(i) Manner of exercise/allotment
Within 30 days of vesting and/or the receipt of a notice of exercise (or 'call') of an Award, together with a payment (or arrangements to pay) for the aggregate exercise price due (if any) and a payment (or arrangements to pay) for any income tax and employee social security contributions (or similar liabilities) due, the ordinary shares in respect of which the Award has vested or been exercised must be issued by the Company or the Company must procure their transfer (which for the purposes of the Plan includes the transfer of ordinary shares out of treasury) to the participant or their nominee and shall issue a definitive certificate in respect of the ordinary shares allotted or transferred. Shares issued or transferred by the Company on the exercise and/or vesting of Awards will rank pari passu with existing ordinary shares.

(j) Termination of employment
Unvested Awards granted under the Plan will normally lapse on cessation of employment. However, if a participant is a 'good leaver' i.e. if they die or leave employment through injury, ill health or disability, redundancy, retirement or because their employing company or business in which they work is sold out of the Company's group or for any other reason approved by the Remuneration Committee (in its absolute discretion), then the Remuneration Committee may permit that participant (or their personal representatives as the case may be) to retain the unvested Award and permit vesting/exercise subject to the satisfaction of the performance conditions and a pro-rata reduction for the time that has elapsed since the relevant date of cessation. The Remuneration Committee also reserves the right to permit vesting/exercise subject to a lesser reduction (or none at all) than that calculated by applying a pro-rata reduction.

Alternatively, the Remuneration Committee may, in its discretion, permit some or all of the unvested Awards held by a 'good leaver' to immediately vest and/or be exercised during a limited period following cessation, having regard to the achievement of the performance conditions and the period of time that has passed since the relevant date of grant.

If a participant ceases employment in any circumstances other than the 'good leaver' circumstances described above then all their Awards (vested and unvested) will lapse on such cessation.

(k) Change of control
If a change of control event occurs, such as a takeover, or other capital event, the Remuneration Committee will determine the extent to which subsisting unvested Awards will vest and, in the case of options, become exercisable, by reference to the extent to which performance conditions have been satisfied (taking into account the reduced performance period) and pro-rating Awards to take into account the period which has elapsed since the date of grant.
The Remuneration Committee may, if it sees fit, permit vesting on an alternative basis, including, but not limited to, full vesting.

(l) Variation of ordinary share capital
In the event of a capitalisation issue or offer by way of rights (including an open offer), a special dividend or a demerger, or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of ordinary shares subject to an Award and/or the exercise price (if any) may be adjusted in such manner as the Remuneration Committee shall, in its opinion, consider fair and reasonable.

(m) Amendments and general
The Plan may be amended by the Board in any way provided that:

(i) no amendment, addition or deletion may normally be made to the Plan which would materially prejudice the interests of participants in relation to Awards already granted to them unless the sanction of at least 75% of the participants (by value of subsisting Awards) has been obtained; and

(ii) all amendments to the advantage of participants to the provisions relating to the definition of eligible employee, limits on the number of ordinary shares subject to the Plan, the maximum entitlement for any one participant or the basis for determining a participant's entitlement to and the terms of ordinary shares to be provided and adjustment thereof, if any, in the event of a capitalisation issue, rights issue, subdivision or consolidation of ordinary shares or reduction of capital or any other variation of capital will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration of the scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or a member of the Group.

The Board may amend the Plan by way of separate schedules to enable it to be operated overseas, provided that the terms of the separate schedules are not overall more favourable than the terms of the Plan.

Financial calendar

Announcement of results	24 May 2023
Annual General Meeting	12 July 2023

Shareholder information

Advisors to the Company

Financial Advisors and Brokers

Peel Hunt LLP
7th Floor
100 Liverpool Street
London EC2M 2AT

JP Morgan Securities Limited
25 Bank Street
Canary Wharf
London E14 5JP

Barclays Bank Plc
1 Churchill Place
London E14 5HP

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Property Valuers

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Savills (UK) Limited
33 Margaret Street
London W1G 0JD

Tax & Remuneration Advisors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Solicitors to the Company

CMS Cameron McKenna
Nabarro Olswang LLP
78 Cannon Place
Cannon Street
London EC4N 6AF

Registrar

Link Group
The Registry
Central square
29 Wellington Street
Leeds LS1 4DL

Secretary and Registered Address

Jadzia Duzniak
One Curzon Street
London W1J 5HB

www.londonmetric.com

REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions ('PIDs') and non PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Link Group. Tax vouchers will continue to be sent to the shareholder's registered address.

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Radley Yeldar – www.ry.com

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LondonMetric Property Plc
One Curzon Street
London W1J 5HB
United Kingdom

Telephone +44 (0) 20 7484 9000

Find us online
www.londonmetric.com

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One Curzon Street
London W1J 5HB
United Kingdom

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