LONDONMETRIC PROPERTY PLC

Real estate for reliable income

Annual Report and Accounts 2022

Image removed

FRIDAY

ABBO5TKW

A7 02/09/2022 #249

COMPANIES HOUSE

In this report

Strategic Report

An overview, purpose and strategy update
1

Image removed

LondonMetric is a FTSE 250 REIT that owns one of the UK's leading logistics platforms alongside a grocery-led long income portfolio. We own £3.6bn of assets across 17m sq ft with contracted rental income of £143m p.a.

// We have delivered a very strong set of results and the portfolio provides a solid foundation for future performance. //

Andrew Jones
Chief Executive

Own

Manage

Collaborate

Generate

Creating value
20

Total Accounting Return
+41.9%

Dividend Growth
+6.9%

A detailed analysis of our property activity
28

A review of our financial performance
42

A review of our risk
70

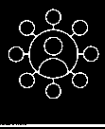
Image removed

// The Company has progressed earnings and NTA significantly, allowing us to grow the dividend further. //

Martin McGann
Finance Director

Our sustainability performance
49

Environmental


Social

Governance

Governance

How we govern the business
88

Remuneration
132

Patrick Vaughan
Chair

Image removed

Financial statements

Detailed financial performance
155

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.

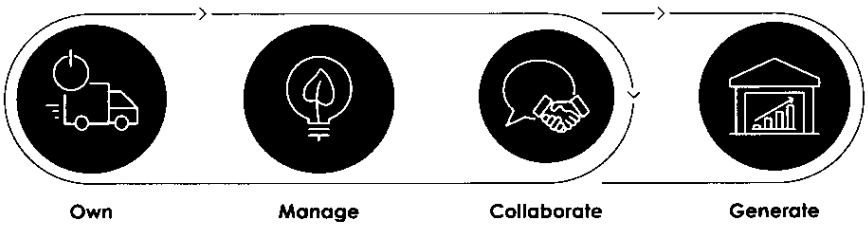


Image removed

Own desirable real estate that meets occupiers' needs.
p02

Image removed

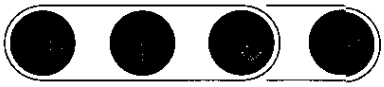
Manage and enhance responsibly to improve our assets and help occupiers thrive.
p04

Image removed

Maximise our expertise and relationships to build on our position as partner of choice.
p06

Image removed

Generate reliable, repetitive and growing income-led total returns.
p08



Own desirable real estate

Positioning the portfolio to benefit from the medium and long term drivers of return and meeting the needs of our occupiers.

What this means to our business

- Analysing and understanding the macro trends affecting real estate
- Implementing a range of investment strategies to ensure we own the right assets in the right locations that can deliver reliable, repetitive and growing income returns
- Employing the right people to identify and execute the right actions to create a superior portfolio

1

The portfolio's 74.6%* weighting towards logistics and 22.5%* weighting to long income is ensuring that our assets are benefitting from today's macro environment.

Image removed

Highlights

43.9%*
Urban logistics exposure as a proportion of our assets

£575m
Acquisitions in year

* Includes developments, based on value

// We are continually upscaling the quality of the portfolio to ensure future outperformance, with a strong focus on owning well located urban logistics. //

Valentine Beresford
Investment Director

+28%
Total property return in the year

Image removed

What we're proud of

— A highly disciplined acquisitions and disposals programme over many years to create a resilient portfolio that is fit for purpose

— Maintained consistently high occupancy and long average lease lengths through our investment, asset management and development actions

— Delivered strong total property return outperformance against our benchmark

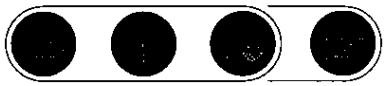
2

Why it matters to us

— Ensuring the portfolio is positioned for the future to benefit from macro trends

— Making the correct property decisions and acting on our experience and knowledge minimises future risk and ensures we own assets with enduring occupier appeal

3



Manage and enhance responsibly

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

Image removed

166

Occupier initiatives undertaken in the year helping to deliver 5.4% like for like income growth

Highlights in the year

+£10.5m

Additional income per annum from lettings and rent reviews

16 years

Average lease lengths on lettings signed

+1.2m sq ft

BREEAM Very Good / Excellent certified assets acquired or developed

What this means to our business

- Adopting the right approach and doing the right thing for our stakeholders and the environment
- Understanding and responding to the needs of our occupiers to help them thrive
- Protecting and improving our cash flow with long term planning and decision making

1

Why it matters to us

— Ensuring that the portfolio is fit for purpose and improve the resilience of our assets

— Maximising the opportunities to improve the cash flow and quality of our assets whilst being strong stewards of underinvested assets

— Minimising the environmental impact of our activities and enhancing the sustainability of our assets

3

What we're proud of

— Consistently delivering like for like income growth through our asset management approach

— Increasing the proportion of our portfolio with an EPC rating of A-C to 85%

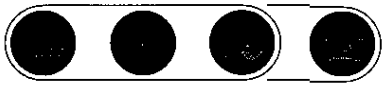
— Developing high quality assets which has helped to increase the proportion of our portfolio certified BREEAM Very Good or Excellent to 29%

2

Image removed

// We continue to adopt the right approach in managing and enhancing our assets to ensure they are fit for purpose and deliver sustainable and growing income streams. //

Mark Stirling
Asset Director



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.

What this means to our business

— Empowering some of the most talented minds in real estate with a combination of strong market insight, deep fundamental analysis and market leading relationships

— Adopting a 'partner of choice' approach, collaborating with all stakeholders

1

Highlights in the year

100%
of employees agreed that they enjoy working at LondonMetric

98.7%
Occupancy rate

8.5/10
Average score in occupier survey for whether our occupiers would recommend LondonMetric

Image removed

// 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

£175m

Equity raise in the year which was strongly supported by shareholders, allowing us to transact on a number of investments

Image removed

What we're proud of

— Consistently high occupancy and scores in our occupier survey

— Consistently high levels of staff satisfaction and scores in our staff survey

— Strong shareholder, property and financing relationships

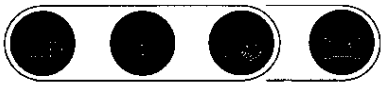
2

Why it matters to us

— Leveraging our highly talented, motivated and aligned team to make the right decisions and 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

3



Generate reliable, repetitive and growing income

A high quality real estate portfolio is the bedrock to delivering reliable, repetitive and growing income.

Image removed

+22.4%

Growth in open market rent reviews for urban logistics

Highlights in the year

£133m
Net rental income

+41.9%
Total accounting return

+5.5%
Growth in EPRA earnings per share

+6.9%
Growth in dividend per share

What this means to our business

— Delivering reliable, repetitive and growing income-led cash flows from fit for purpose assets

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

1

Why it matters to us

— Delivering on our progressive and covered dividend policy

— Outperforming our benchmarks consistently over the long term and winning with integrity

— Attracting and retaining some of the most talented people within real estate

3

What we're proud of

— Seven years of dividend progression

— 203% total accounting return over nine years

— 296% total shareholder return over nine years

2

Image removed

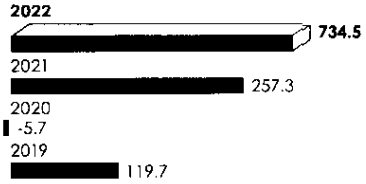
// Our income focus has seen our EPRA EPS increase 5.5% in the year, which has allowed us to progress our dividend for the seventh year in a row. //

Martin McGann
Finance Director

Performance highlights

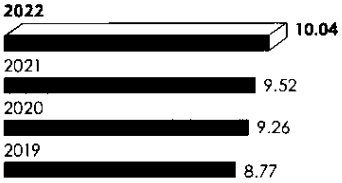
IFRS reported profit

£734.5m ▲185%



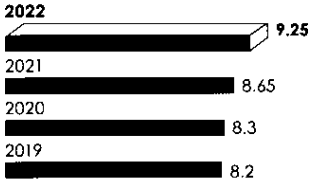
EPRA EPS[1]

10.04p ▲5.5%



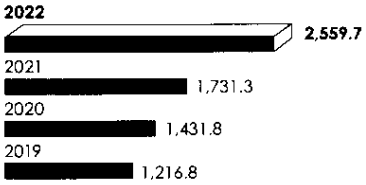
Dividend per share

9.25p ▲6.9%



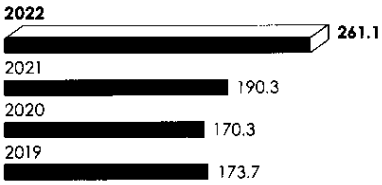
IFRS net assets

£2,559.7m ▲47.8%



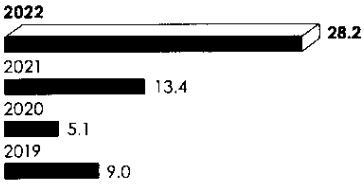
EPRA net tangible assets per share[1]

261.1p ▲37.2%



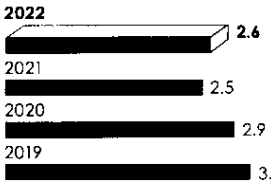
Total property return

28.2% ▲1480 bps



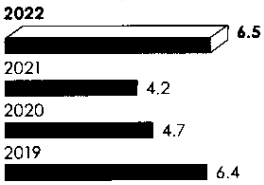
Cost of debt

2.6% ▲10bps



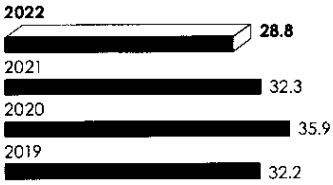
Average debt maturity

6.5 yrs ▲2.3 years



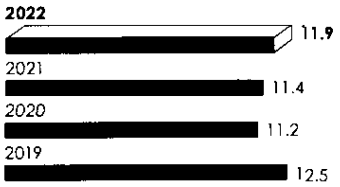
Loan to value ratio

28.8% ▼350 bps



WAULT

11.9 yrs ▲0.5 years



1 Alternative performance measures

The Group financial statements are prepared in accordance with IFRS where the Group's interests in joint ventures and any non-controlling interests are shown as a single line item on the consolidated income statement and balance sheet and all subsidiaries are consolidated at 100%.

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 on a line by line basis. The key financial performance indicators are also presented on this basis.

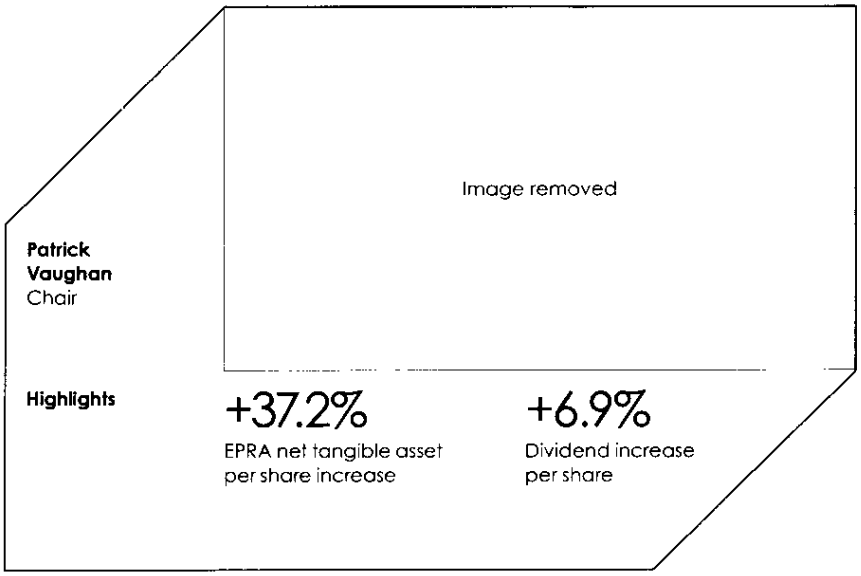
Alternative performance measures are financial measures which are not specified under IFRS but are used by management as they highlight the underlying performance of the Group's property rental business and are based on the EPRA Best Practice Recommendations (BPR) reporting framework which is widely recognised and used by public real estate companies.

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 and reconciliations between EPRA measures and IFRS equivalents can be found in the Financial review and in note 8 to the Group financial statements.

An overview, purpose and strategy update

Chair's statement



Patrick Vaughan
Chair

Highlights

+37.2%
EPRA net tangible asset per share increase

+6.9%
Dividend increase per share

Once again, it is time to write to you as shareholders of LondonMetric with my thoughts on the past year and our immediate future.

The first and most obvious item on which I must comment is the results achieved by the Company, especially the increase in our EPRA net tangible assets per share of 37.2%. In the 50 years in which I have been actively involved in the property industry, this year's total accounting return at 41.9% and our total property return at 28.2% are the highest I have ever been honoured to be associated with.

On your behalf, may I warmly thank the team at LondonMetric for their excellent execution of the Company's long term business plan. We did well during the pandemic with outstanding levels of rent collection reflecting the quality of our portfolio and our sector selections. Our 75% weighting towards distribution has put us in a very strong position and, like everyone with a high weighting to this sector, this has helped to deliver some fantastic returns over the last 12 months.

These returns have also been supported by our long income and other non-logistics calls, all of which have also performed well and helped to support a strong and rising dividend. With current nervousness about large distribution warehousing, shareholders will note our preference for and rebalancing of the portfolio in the past three years away from big box, which has shrunk from 23% to 12% of our assets, in favour of urban logistics which has grown from 27% to 44%.

Our focus on income has seen our EPRA earnings per share increase by 5.5% which has again given us confidence to increase our dividend per share for the seventh year in a row, up by 6.9% over the year and 109% covered by EPRA earnings. Over the nine years since our merger, we have delivered a total shareholder return of 296%, significantly outperforming the FTSE 350 Real Estate Super Sector average of 92%, as well as increasing our earnings by 157% to 10.0p per share.

Our long term track record and performance continues to support our standing in the equity markets. Our £175 million equity fundraising in the year attracted excellent and broad based support from shareholders, for which I thank you for your continued support. We were disciplined in our approach to ensure quick deployment into accretive opportunities and the fundraise has allowed us to make a number of very attractive investments which have enhanced our portfolio and helped it to grow from £2.6 billion to £3.6 billion over the year.

Whilst Covid-19 may thankfully be largely behind us and prospects have significantly improved, the world and the real estate sector continues to face a number of challenges. Economic growth is threatened by the highest inflation seen for decades, which is putting pressure on central banks to tighten monetary policy. The geopolitical tensions of the war in Ukraine, along with the further risk of escalation and its restraints to trade, have dampened confidence and pushed up energy, commodity and food prices. Supply chain issues have been further impacted by lockdowns in China.

Despite these challenges, we maintain that well managed real estate in structurally supported sectors is an asset class which offers an outstanding ability to provide reliable and growing dividends over the long term. We feel that we are well positioned thanks to our carefully selected portfolio, our ongoing discipline, inflation protection through a combination of inherent rental growth and index linked leases as well as our lower LTV level today, with much of our debt costs hedged.

We also have a strongly aligned and high class team who have excellent occupier and property relationships. On that note, I would again like to warmly thank the Board and all of our employees for their hard work in this exceptional year. I should also like to confirm that we have also strengthened our Board with the appointment of Alistair Elliott, who I would like to welcome on your behalf. Alistair brings an outstanding depth of property and leadership experience to our team.

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

Patrick Vaughan
Chair

26 May 2022

At a glance

Our portfolio is located in the UK and has grown from £1.2 billion in 2013 to £3.6 billion today. It has shifted significantly away from multi-let retail parks, offices and residential into distribution and grocery-led long income assets.

Our focus on logistics and long income

Chart removed

1 **Urban logistics**
43.9%

3 **Long Income**
22.5%

2 **Mega & Regional logistics**
30.7%

4 **Retail Parks & offices**
2.9%

* Includes development

Image removed

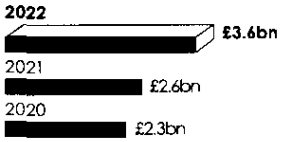
Mark Stirling
Asset Director

Learn more on page 28

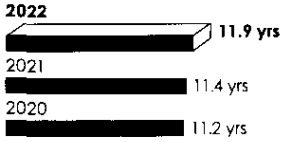
// Our property portfolio has performed exceptionally well in the year. //

Our portfolio

Property value
£3.6bn



WAULT
11.9 yrs



Total Property Return
28.2%

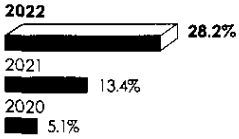


Image removed

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 has been our main conviction call.

127 assets
7.7m sq ft

Property value*
£1,577m

WAULT
8.6 yrs

Total property return
33.3%

Read more about urban logistics on page 33

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
6.1m sq ft

Property value*
£1,106m

WAULT
15.2 yrs

Total property return
28.2%

Read more about mega & regional distribution on page 33

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, 3 F&B sites and one development site.

132 assets
2.8m sq ft

Property value*
£809m

WAULT
14.1 yrs

Total property return
19.0%

Read more about long income on page 38

* Including developments

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

2022/23 priorities

Retain our over weight exposure to logistics with a preference for urban logistics

Remain highly disciplined to ensure each asset remains fit for purpose delivering attractive 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

2022/23 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

2022/23 priorities

Retain high levels of employee and occupier satisfaction

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

2022/23 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 update

Chief Executive's review

Image removed

Andrew Jones
Chief Executive

Highlights

97%
Portfolio's logistics and long income weighting

+28%
Total property return

The real estate sector continues to witness disruption and social change

We are operating in an ever changing macro environment. The conflict in Ukraine is adding to the geopolitical uncertainty which, together with the economic impact from a re-opening of the global economy and the lingering effects of Covid-19 lockdowns, has increased the cost of goods and resulted in elevated inflation and a cost of living squeeze.

These macro factors are having a profound impact on a real estate market that has already seen a significant acceleration of evolving consumer habits as a result of Covid-19, a number of which were already in the system: increased online shopping, greater convenience, better experiences and increased flexibility from working from home. This has led to a shift in demand and supply dynamics highlighting material polarisation in performances across various real estate subsectors; the gap between the winners and losers remains wide.

Many landlords have emerged from the pandemic realising that their assets are not fit for purpose. They will blame the pandemic for poor performances, dividend cuts, share price collapses and falling rental income, although the truth is that many failed to embrace a rapidly changing world and shift their portfolios to support these emerging trends. A quick look back shows that, as we emerged from the Global Financial Crisis, new structural trends in how we work, shop and interact with our friends and family began to surface, largely driven by the introduction of new technological innovations.

This is evidenced by the enormous rise in online sales penetration, from 9% a decade ago to 19% pre-pandemic and 26% today. This represents an extraordinary acceleration, and has meant that growth that was forecast to take five years has taken just two. However, it is unlikely to stop there with some of the strongest retailers seeing significantly higher online sales, including both John Lewis and Next who have reported online sales at around 70% and 65% respectively. Online grocery has also seen a significant rise, from 8% pre-pandemic to 13% today. Again, what was expected to take years has happened in a matter of months.

In all likelihood, this upward trend will be maintained as consumers' appreciation of online convenience, price transparency and quicker delivery times continues to grow. Demand for warehousing remains both broad and deep with online operations competing with businesses who are reacting to global trade disruptions by onshoring more of their operations and also holding higher inventory levels within the UK. We do believe that peak globalisation may have passed and localisation is emerging. It's no longer a case of just in time, but now just in case.

Conversely, physical retail assets face significant challenges with reduced demand and over supply as the consumer pivots towards a more omni-channel model, meaning that there are few hiding places for those without an online platform, with too many shops and behind the curve strategies. Department stores and over built shopping centres look particularly vulnerable with prime shopping centres not being the 'safe haven' that many management teams thought they would be. The effect has been witnessed in rising vacancies, falling rents, increasing obsolescence and almost universal value destruction.

Commentary from retailers, as well as evidence from property investment transactions, continues to highlight that the pricing power has firmly shifted away from traditional retail owners to the retailers, with rents continuing to fall and valuations continuing to drift downwards. However, there are some bright spots within the retail space with convenience, grocery and discount retailers outperforming as consumer shopping patterns continue to evolve.

In offices, it is hard to ignore that demand is facing structural disruption and continued uncertainty. Working from home during the pandemic has transformed employees' views on traditional working practices. Despite a strong re-opening and a 'buzz' returning to many city centres, there is increased demand from employees for greater flexibility leading to reduced office presence and occupancy settling well below pre-pandemic levels. This is making future office demand and rental growth harder to predict, and at a time when owners are having to retrofit their offices to meet new sustainability requirements.

Whilst the post-pandemic economic recovery is well underway, inflationary pressures arising from current macro events and the reopening of the global economy risk derailing this. We are now faced with constrained supply chains, surging commodity, energy and food prices which are leading to higher interest rates.

Consumers are having to adjust to higher household bills which will likely suppress non-essential expenditure. Experiential shopping increasingly feels like a luxury that few will be able to afford. We believe that all these factors will continue to drive the polarisation in performances across various real estate subsectors with legacy retail assets likely to experience further headwinds. After all, the macro trends accelerated by the pandemic will almost certainly outpace micro decisions.

An overview, purpose and strategy update

Chief Executive's review

Own desirable real estate

Our focus on the structural trends and disciplined investing are being rewarded

Link to strategic priorities:

Our very strong set of full year results, which has delivered a total property return of 28.2%, continues to reflect many years of forward planning that has seen us pivot into assets that benefit from the structural shifts in consumer behaviour, in order to deliver superior income growth.

Our real estate decisions continue to be influenced by trends that originate outside the property sector but that fundamentally shape its future. We pride ourselves on recognising new trends, identifying pricing inefficiencies and acting quickly to create new opportunities or exit old ones. We believe that there is no substitute for being aware, open minded and prepared to act. Our decision four years ago to focus on urban logistics and shift away from big box logistics has allowed us to capture strong rental growth, drastically reducing binary occupation risks and materially increasing our income granularity.

Our portfolio is firmly placed on the right side of structural change having recognised these macro trends early, tactically shifting away from the legacy real estate sectors of general merchandise retailing and offices into logistics and grocery-led long income assets which now account for 74.6% and 22.5% of our portfolio respectively. We remain highly confident that the portfolio provides a solid foundation for future performance and income progression, delivering on our 'collect, compound and compress' approach.

Our investment strategy is about owning quality assets in the best geographies and the winning sectors

Our long term view remains that owning strong assets, in the winning sectors and in the best geographies, allows us to avoid owning difficult assets and the valuable thinking time that comes with owning 'cheap' assets. When you choose real estate for its quality and location, you are more likely to be a price setter. Occupiers will need you more and you can attract quality companies, be more confident of future rental growth and feel safe in the knowledge that there is high intrinsic value to your land. We continue to believe that the importance of geography is wildly misunderstood by the markets, which fails to appreciate that great locations are more reliable when measuring returns over longer hold periods.

This rigorous approach tempers our acquisition activity, ensuring that we remain disciplined to pursue excellent returns and not just grow assets under management. Our investment activity is based on proper process, discipline and rationality. We remain obsessed with 'winning the losers game'; selling the laggards and running the winners.

In the year, we continued to align to our chosen sectors with £575 million of investments, 75% of which were logistics assets. These acquisitions were in strong geographies, with 57% located in London and the South East, a WAULT of 15 years and attractive income growth prospects.

Sales in the year of £208 million were higher than last year. Whilst we try not to trade unnecessarily, high investor demand for our assets persuaded us to monetise some of our investments. All of our sales have been characterised by a long period of attractive returns, and an assessment that the best returns have already been captured and that future returns may flatten.

The investment market for our assets remains extremely healthy and we continue to receive many approaches. We will sometimes react to these approaches and our decision post year end to sell our DHL asset in Reading was largely down to the fact that the sale price was far in excess of our perceived view of valuation. It is a good asset, but we achieved an excellent price and, whilst it will have a mildly dilutive impact on earnings, we will always prioritise the correct real estate decisions. We will now work harder to find more attractive opportunities to recycle the capital into.

Logistics continues to experience strong tailwinds from attractive demand/supply dynamics

UK logistics was once again the strongest performing property sector in the year, with favourable structural trends resulting in superior rental growth and further yield compression. As a result, investors continue to target the sector with investment volumes totalling an impressive £16 billion, assisted by both further rotation of capital out of legacy real estate and rising demand from overseas investors.

In my previous statements, I referenced that the UK would eventually run out of logistics warehousing. Recent supply and demand dynamics have certainly tested this prediction, with record take up and falling vacancy rates to just 1.6%. The first quarter of 2022 alone saw 10.4 million sq ft taken up and, whilst speculative supply has increased in response, pent up and new demand continues to absorb new product. Whilst Amazon recently announced that it was no longer chasing physical capacity, it has enjoyed phenomenal growth over the last 25 years, building its fulfilment network and then doubling that platform over the last two years. It has set a very high bar for customer expectations that their competitors are still trying to match.

Acquisitions

£575m

WAULT on acquisitions

14.9 yrs

Urban logistics exposure*

43.9%

* Including developments, based on value

Our exposure to urban logistics has increased further and is delivering strong returns

At 44% of our portfolio, urban logistics is our largest sub sector exposure, valued at £1.6 billion and up from £1.0 billion a year ago. It remains our strongest conviction call and despite fierce investment competition, we were able to acquire £243 million of high quality and fairly priced urban assets in the year, leveraging our occupier insights and sector contacts. Some of these acquisitions have given us exposure to occupiers in new, high growth sectors including dark kitchens, data centres and life sciences.

Urban warehouse demand has been rising for a number of years, accelerated by rapid growth in online shopping, growing customer expectations and the arrival of new industries such as Q-commerce and dark kitchens. Companies have been forced to evolve operationally by locating closer to their end customer, in order to minimise delivery times.

Strategic priorities

- Align portfolio to macro trends
- Focus on long-let property with rental growth
- Enhance asset value and cash flow
- Improve quality and sustainability of our assets
- Partner of choice mindset
- Use the team's expertise to make informed decisions
- Generate reliable, repetitive and growing income
- Deliver strong cash flows and attractive total returns

Own desirable real estate continued

We believe this demand is set to continue for a number of years due to an acute lack of supply, particularly in London, where alternative uses continue to diminish the supply of available industrial space. This is driving rents up as occupiers compete for suitable space. Over the year, our open market rent reviews on our urban logistics assets were 22% above previous passing rent and ERV growth over the year was 13%, with the most pronounced growth in London and the South East at 15%, where over half of our urban logistics portfolio is located. We believe that there is further rental growth in the system, particularly as the supply side of the equation continues to fall.

We remain confident that our investment in urban logistics across our chosen geographies gives us a greater degree of certainty of achieving income growth and benefiting from rising intrinsic values, where returns can be levered by time and compounding.

Long income assets continue to grow in appeal and our opportunistic approach continues to deliver strong 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 offer attractive propositions. These are well located assets, let on long leases to strong operators such as convenience grocers, discounters, home retailers and DIY stores. Most of these operators have resilient business models that stayed open, performed strongly during the various lockdowns and consistently paid their rents.

The consumer is more than ever driven by convenience and value, and their non-discretionary qualities and low susceptibility to online migration ensure that these assets remain desirable. As the cost of living crisis pushes shoppers to seek cheaper grocery options, Aldi and Lidl have continued to gain market share, with Aldi adding one million new customers in the last year. We also expect roadside and auto to perform well as the trend towards staycations remain and the lack of new car supply places a greater emphasis on car maintenance.

Unsurprisingly, their strong metrics are now being appreciated by real estate investors with yields for the very strongest and longest let assets seeing material yield compression. Our investment activity over the last few years has ensured that grocery and roadside assets (drive-thru and auto) now account for almost half of our long income portfolio; we refer to them as the 'retail winners'.

Our long income acquisitions in the year totalled £143 million, let on average for 11 years to strong credits such as Aldi, B&M, Dunelm, McDonalds, The Range and Screwfix, with half located in London and the South East. These acquisitions were partly offset by £59 million of long income disposals where values had reached a level that exceeded our own expectations. Post year end, we have sold a further £34.2 million (£25.2 million at share) which includes the sale of our Lidl in Ashford at a very low 3.0% NIY.

Our long income portfolio is 100% let off low and sustainable rents, offering a topped up NIY of 4.7%, a WAULT of 14 years and 68% of income subject to contractual rental uplifts. This offers a strong income bedrock benefiting from both capital and inflation protection characteristics.

Generate income

Our real estate strategy is underpinned by income to deliver highly attractive returns

Link to strategic priorities:

We continue to believe that income and income growth are the defining characteristics of today's investing environment and that real estate strategies focused on income-led total returns will deliver future outperformance.

Collecting and growing income is fundamental to successful long term 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.

Even with rising interest rates, real estate can offer excellent inflation protection and total returns significantly higher than many alternatives. We believe that certain subsectors of real estate, particularly convenience long income and urban logistics, can continue to perform well in the current economic environment.

Chief Executive's review

Manage and enhance

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

Link to strategic priorities: 3 4

The 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 98.7%, WAULT rising to 11.9 years and a gross to net income ratio of 98.8% that reflects our very low income leakage. 61% of our income benefits from contractual rental uplifts providing certainty of income growth.

During the year, 166 occupier initiatives added £10.5 million per annum of rent and delivered like for like income growth of 5.4%. Lettings across 1.3 million sq ft were signed on average lease lengths of 16 years. Rent reviews were agreed on 4.4 million sq ft, delivering a 13% uplift on a five yearly equivalent basis, with urban logistics open market reviews at 22%.

We completed two BREEAM Excellent developments in Bedford and Tyseley. At Bedford Link, we delivered 355,000 sq ft of space that was quickly let for 25 years to Movianto, a dedicated healthcare logistics company. At Tyseley, 120,000 sq ft was completed and let to Amazon for 15 years. Our development activity currently underway is 86% pre-let and represents £8.7 million of expected income per annum. These activities are increasing the quality of our portfolio and providing new and attractive future income streams.

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 shareholders. EPC ratings improved significantly over the year, with 85% now rated A-C compared to 74% last year and 89% of our current developments will be certified BREEAM Very Good, which is expected to increase the percentage of the portfolio that is certified BREEAM Very Good or Excellent to 29%. In addition, a further 0.9 MWp of solar PV was installed in the year.

We maintained our GRESB green star with a score of 65%, which is in line with the previous year and we continue to make good progress in implementing our Net Zero Carbon strategy.

Expertise and relationships

We continue to benefit from our strong team and their relationships

Link to strategic priorities: 1 2

Our team's strong 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.

In the year, £175 million of equity was raised through a significantly oversubscribed placing which enabled us to tap attractive property investments. Whilst size should always be the result of a successful strategy and not just an ambition in itself, our increased scale will deliver further efficiencies as our operationally light model allows us to sustain a larger portfolio without requiring additional resource. Reflecting this, our EPRA cost ratio fell by 110bps over the year to 12.5%.

The £780 million refinancing of debt facilities extended the maturity of our debt at attractive margins, further diversified our lending base and added a green financing framework to our borrowings. A further new £150 million credit facility strengthened our financing position and we have no material refinancing until the end of 2023.

Our recent employee survey again demonstrated our high levels of staff satisfaction, with all employees agreeing that they enjoy working at LondonMetric.

We continue to put our occupiers at the forefront of our decision making, and this is reflected in the strength of feedback from our recent occupier survey, where we achieved an average score of 8.5 out of 10.0 for whether occupiers would recommend LondonMetric as a landlord.

Outlook

As we continue to live in a period of increased uncertainty across the world, we believe that real estate can continue to deliver reliable, repetitive and growing income streams.

We have a high conviction that this thesis is more dependable within structurally supported sectors that are located in the strongest geographies. This is why we continue to pivot our portfolio to take advantage of the strongest demand/supply dynamics to deliver the most attractive income and rental growth.

Looking ahead, we retain our firm view that the logistics market will continue to offer attractive returns and we remain wide eyed for future opportunities that allow us to increase and improve our urban warehouse portfolio further. In the biggest cities, we are seeing very limited new land supply coming on stream to meet the rapidly changing behaviour and growing expectations of the UK consumer.

We have strengthened and enlarged our portfolio, selling our weaker assets and replacing them with better assets that are more fit for purpose through our acquisitions and developments.

Over the next 12 months we expect market volatility to offer up even more opportunities which will allow us, once again, to improve our financial and portfolio metrics as we continue to collect, grow and compound our rental income to deliver a progressive dividend. We believe that this is best achieved by investing in the winning sectors and owning the best buildings. After all, when you invest in quality, time will help you to create wealth.

An overview, purpose and strategy update

Our environmental focus

Upgrading assets through investment and development activity

Manage and enhance

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.

Image removed

120,000 sq ft urban warehouse development in Tyseley completed in the year which is let to Amazon and BREEAM Excellent certified with solar PV and EV charging.

Overview

Our strategy supports a low carbon approach

The portfolio is operationally light with a low carbon intensity

We are a strong steward of underinvested assets

Read more on page 57

Extending economic life of buildings through environmental improvements as well as helping to meet occupier 'E' requirements

Manage and enhance

Cost effective improvements such as LED lighting, new HVAC systems, removing gas, better insulation and glazing are helping to significantly improve EPC ratings.

Image removed

30,000 sq ft

refurbishment in Bicester which improved the EPC rating to 'A'. The addition of solar PV would enable the building to be Net Zero Carbon.

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.

Image removed

300 kWp

solar PV scheme in Milton Keynes, funded by LondonMetric.

Our markets

Real estate remains an attractive investment class that can generate reliable, repetitive and growing income. However, with a significant polarisation in performances and rapidly evolving mega trends, owning the right real estate in strong locations has never been more important.

Structural trends in real estate

Income from real estate is attractive

Image removed

The demand for real assets such as property which could deliver attractive income and income growth with a hedge against inflation remains attractive. In today's environment, despite global uncertainties, these assets remain highly desirable, particularly as the number of retirees who require reliable and repetitive income continues to grow rapidly.

We believe that real estate strategies focused on income-led total returns and supported by the macro trends are well placed to succeed.

Technology continues to disrupt

Image removed

Technology continues to power change across society in the way we work, live and shop. As we have emerged from the pandemic, it is clear that technology has been a true enabler to allow many to work from home and it has created a trend that is unlikely 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 only ten years ago. As a result, penetration and adoption of online shopping has never been higher and will continue to influence decisions and real estate portfolios into the future.

Demand for urban real estate increasing

Image removed

The continued migration to online shopping and services requires real estate infrastructure to meet consumer demands.

Competing land use creates supply pressures with scarce urban logistics real estate often commanding premium rental levels.

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.

Sustainability increasingly impacting decisions

Image removed

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.

Logistics

Elevated investment volumes
Investment volumes for UK logistics in 2021 were very strong at £16 billion. Driven by continued strong sector dynamics, logistics benefitted from further rotation of capital out of legacy real estate as well as an influx of overseas money.

As a result, yields have compressed significantly over the year with prime logistics yields at c.3.5%.

Strong occupational demand
Occupational take up in 2021 of 42 million sq ft significantly exceeded the long term average. Occupiers are continuing to focus on new stock, reflecting their need for quality accommodation.

Q1 2022 alone saw 10 million sq ft taken up, which has led to vacancy rates falling to just 1.6%. Whilst speculative supply has increased in response, pent up and new demand continues to absorb newly built product.

Urban logistics seeing strongest growth
Logistics continues to generate attractive rental growth but urban logistics is seeing the strongest 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 the highest rental growth.

Outlook remains highly supportive
The supportive trend for logistics is likely to be maintained as consumers' appreciation of online convenience, price transparency and quicker delivery times continues to grow. Demand for warehousing remains both broad and deep, with businesses continually having to improve online operations as well as react to global trade disruptions which are forcing higher inventory levels to be held within the UK.

Image removed

42m sq ft
Logistics take up in 2021, materially higher than the long term average

1.6%
Vacancy rate for logistics at the end of Q1 2022

Image removed

3.0%
Recent transactional yields on long-let, well located grocery

Long Income

Long income real estate in demand
Structurally supported long income assets with low operational requirements and let to high quality occupiers at yields significantly higher than Government bonds remain an attractive proposition in today's investment environment.

Grocery real estate, in particular, has seen significant investor demand with long-let grocery yields in good locations transacting at yields as lows as 3.0%. Similarly, discount/essential stores long-let to strong credits have seen an ever growing pool of investors appreciating their many qualities.

Consumers driven by convenience and value
The consumer is more than ever driven by convenience and value, and their non-discretionary qualities and low susceptibility to online migration ensure that our long income real estate remain desirable.

As the cost of living crisis pushes shoppers to seek cheaper grocery options, Aldi and Lidl have continued to gain market share. We expect grocery and discount retail to continue to perform well, with other sub sectors such as roadside and auto also delivering strong returns.

Creating value

Business model

Our key stakeholders are critical to our success

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.

Learn more on page 24

Our purpose drives our income growth and value creation

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.

28.2%
Total property return

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.

£10.5m
Additional income per annum from occupier transactions

Underpinned by our strategic priorities on page 14

Generating value and long-term returns

Collaborate

Generate

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

Income 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.

98.7%
Occupancy

£133.1m
Net rental income

See our principal risks on page 70

+41.9%
Total accounting return

+6.9%
Dividend growth

+1.2m sq ft
BREEAM Very Good / Excellent buildings added in year

Creating value

Engaging with stakeholders

Building and nurturing relationships with our stakeholders is integral to our business model and the way we work. We focus on understanding the views of our stakeholders and take account of what is important to them.

Our people

Our small and dedicated team of 35 employees is critical to our success and delivering our strategy. We strive to employ the best and motivate our people, providing opportunities to develop their careers.

// We hold staff group meetings annually to ensure high employee satisfaction. //

Andrew Livingston
Designated workforce Non Executive Director

How we engage

- Employee surveys
- Regular updates from CEO
- Designated work NED group meetings
- Inclusive culture
- Annual one to one appraisals

Read more in Responsible Business and ESG review page 60 and Governance page 100

Outcomes

- 6% average staff turnover
- High staff participation in LTIPs
- 100% of our people feel that they are proud to work for LondonMetric

Our occupiers

Our occupiers are at the heart of our purpose, and we are highly focused on understanding what they need and how to meet their requirements in order to successfully grow our partnership with them.

How we engage

- Regular liaison and meetings with all of our occupiers
- Annual occupier surveys

Read more in Responsible Business and ESG review page 59

Outcomes

98.7%
Occupancy rate across portfolio

8.3/10.0
Average property satisfaction score in occupier survey

8.5/10.0
Average landlord recommendation in occupier survey

// We work closely with occupiers to provide fit for purpose real estate that creates high occupational satisfaction. //

Mark Stirling
Asset Director

Our Investors

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

Investors value both meetings as well as site visits and we ensure we are fully engaged throughout the year.

How we engage

- Regular calls and briefings
- Annual General Meetings
- Annual and half year presentations and roadshows
- Investor surveys and visits
- Open dialogue with CEO, *Finance Director and Head* of IR and Sustainability

Outcomes

c.250
equity investors met in year

£175m
equity raised in year

£930m
new debt facilities completed in the year

Read more on in Responsible Business and ESG review page 63

Our communities

Considering and supporting communities local to where we work, along with focused charitable giving is important to us.

> We look to consider the needs of all communities close to our assets as well as involve all employees in our charitable activities.

Martin McGann
Head of charity and communities working group

How we engage

- Ongoing local community liaison
- Public consultations prior to and during developments
- Engagement with and support of schools, charities & organisations local to our assets
- Donations by the company and support for charitable staff activities

Outcomes

- £66,766 spent on charitable and community giving in year
- 32 charitable causes supported
- LandAid Foundation Partner
- Employee participation in charity events and fundraising

Our contractors and suppliers

We rely on the support of a diverse group of key suppliers including contractors, professional advisors and agents.

How we engage

- Day to day contact with our development/ contractor teams
- Annual contractor review and audits
- Health and safety policy and annual audits
- Regular presentations form external advisors to the Board

Outcomes

- 100% compliance with our RDR checklist
- Health and safety policy update
- Effective long-term partnerships

> We need contractors we can trust and work as an extension of our small team.

Nick Heath
Head of Development

Creating value

Key performance indicators

We continue to track seven 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.

- Align portfolio to macro trends
- Focus on long-let property with rental growth
- Enhance asset value and cash flow
- Improve quality and sustainability of our assets
- Partner of choice mindset
- Use the team's expertise to make informed decisions
- Generate reliable, repetitive and growing income
- Deliver strong cash flows and attractive total returns

Objective	Deliver long term shareholder returns	Maximise long term total accounting return	Maximise property portfolio returns
KPI	**Total shareholder return (%)** 2022: 33.7 2021: 28.7 2020: -7.6	**Total accounting return (%)** 2022: 41.9 2021: 16.7 2020: 2.9	**Total property return (%)** 2022: 28.2 2021: 13.4 2020: 5.1
Performance	Total Shareholder Return ('TSR'), being the share price movement together with the dividend, in the nine years post merger was 296%, over three times that of the FTSE 350 Real Estate Super Sector index movement of 92%. 12 month TSR delivered 33.7% compared to the FTSE 350 Real Estate Super Sector return of 20.8%.	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 41.9%. The full calculation can be found in Supplementary note viii on page 196.	Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by IPD. 12 months TPR delivered a return of 28.2% compared to the IPD All Property benchmark of 19.6%.
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 2018 LTIP award vested in full in the year and the TSR component of the 2019 LTIP award is expected to vest in full. The three year TSR for the 2019 LTIPs was 59.5% compared to the FTSE 350 Real Estate Super Sector excluding agencies and operators of 19.8%.	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 2018 LTIP award vested in full in the year and the TAR component of the 2019 LTIP award is expected to vest in full. The three year TAR for the 2019 LTIP was 65.1% compared to the FTSE 350 Real Estate Sector excluding agencies and operators of -0.2%.	35% of the annual bonus award is subject to TPR outperforming the IPD benchmark. This year TPR outperformed the IPD benchmark delivering a 72% bonus payout.
2022/23 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 IPD 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 42

Risk management

The achievement of our seven 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 page 70

Remuneration

The table on page 139 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.

Read more in Remuneration Committee report page 132

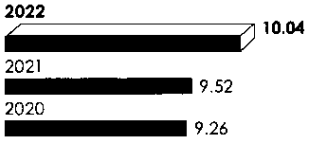
ESG and Sustainability

Our Responsible Business and ESG review on page 49 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 49

Deliver sustainable growth in EPRA earnings

EPRA earnings per share (p)



EPRA earnings per share from operational activities have grown by 5.5% over the last 12 months.

In the nine years post merger, EPRA earnings per share has grown by 157% from 3.9p to 10.04p per share.

35% of the annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a full bonus payout.

25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 100% of the EPRA EPS component of the 2018 LTIP award vested in the year and 83% of the EPRA EPS component of the 2019 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 5.4%.

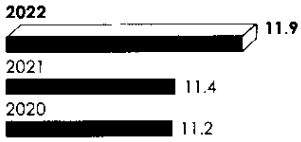
Additional income of £10.5 million was generated from asset management activity following lettings, regears and rent reviews.

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 ahead of inflation plus 1.5%.

Maintain a higher than market benchmark WAULT

WAULT (years)



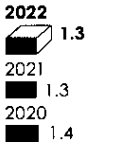
Weighted average unexpired lease term across the investment portfolio (excluding residential and development) of 11.9 years as at 31 March 2022.

Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.

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

Maintain strong occupier contentment

EPRA vacancy (%)



Occupancy rate of investment portfolio at 31 March 2022 was 98.7%, maintaining our vacancy at 1.3%.

Linked to individual personal objectives, representing 30% of the annual bonus performance conditions.

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

A detailed analysis of our property activity

Overview

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

Portfolio activity

Image removed

Highlights

Occupancy (portfolio)	WAULT (lettings)
99%	16 years

//
We continue to focus on strengthening our portfolio metrics and are signing long leases and delivering highly attractive rental growth. Our portfolio delivered a record total return in the year. //

Mark Stirling
Asset Director

Investment activity

Image removed

Highlights

Acquisitions & Disposals	WAULT (acquisitions)
£783m	15 years

//
Our acquisition activity has continued to focus on urban logistics where we believe demand/supply dynamics continue to offer strong long term growth prospects. //

Valentine Beresford
Investment Director

Delivering strong total property returns, driven by distribution

The portfolio delivered a strong total property return of 28.2% over the year, significantly outperforming the IPD All Property index of 19.6%:

- Distribution delivered 31.1% with urban and regional seeing the strongest performances; and
- Long income delivered 19.0%.

Capital growth of 22.9% was driven by management actions, yield compression and rental growth:

- Distribution delivered a 26.5% capital return; and
- Long income delivered a 13.7% capital return.

The investment portfolio's EPRA topped up net initial yield is 3.7% and the equivalent yield is 4.4% with a like for like valuation yield compression of 61bps over the year.

ERV growth over the year was 10%, driven by distribution assets which increased by 14%.

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

The portfolio's WAULT increased from 11.4 years to 11.9 years, continuing to provide good income security with only 10.6% of income expiring within three years.

Occupancy remains high at 98.7% and our gross to net income ratio of 98.8% continues to reflect the portfolio's very low operational requirements.

Contractual rental uplifts apply to 60.9% of our income, which provides high certainty of income growth:

- 46.6% index linked: 30.2% RPI, 12.3% CPI or CPIH and 4.1% CPI+1 or CPIH+1; and
- 14.3% subject to fixed uplifts, with average uplifts of 2.1% 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. At 16% inflation over a five year period (equivalent to 3% p.a.), 99% of inflation is captured under our RPI linked rent reviews (100% for CPI reviews). At 22% inflation over a five year period (equivalent to 4% p.a.), 92% of inflation is captured under our RPI linked rent reviews (86% for CPI reviews).

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 the blended average rate over the five year period being within the cap and collar provisions.

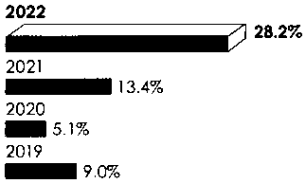
Our asset management activity added £10.5 million of rental income and further improved the quality of our income

During the year, we undertook 166 occupier initiatives adding £10.5 million per annum of rent and delivering like for like income growth of 5.4%. These consisted of:

- Leasing activity, where we signed 77 new leases and regears, mostly on logistics assets, delivering £8.5 million of increased rent with a WAULT of 16 years;
- Contractual rental uplifts, where 56 fixed and index linked reviews were settled delivering £1.3 million of increased rent at an average of 13% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where 33 reviews were settled delivering £0.7 million of increased rent at an average of 19% above passing. Open market reviews on urban logistics were particularly strong at 22% above passing.

Total property return

28.2%



Lease expiry profile

Chart removed

Income expiring within 3 yrs

10.6%

1	0-3 years	10.6%
2	4-10 years	36.7%
3	11-15 years	23.6%
4	16-20 years	16.2%
5	> 20 years	12.9%

Rent review profile

Chart removed

Contractual rental uplifts

60.9%

1	Fixed Uplift	14.3%
2	RPI Linked	30.2%
3	CPI Linked	16.4%
4	Market Review	39.1%

A detailed analysis of our property activity

Overview

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

During the year, we were a significant net acquirer of assets.

Acquisitions in the year totalled £575 million, with urban logistics warehousing accounting for nearly half of purchases. They had a WAULT of 14.9 years and were acquired at a NIY of 4.4% and a reversionary yield of 5.0%.

Reflecting our focus on income growth and strong geographies, 64.2% of the income was subject to contractual rental uplifts and 57.1% was located in London and the South East. 93.8% of acquisitions had an EPC rating of A-C.

Disposals in the year totalled £208 million and were transacted at a NIY of 5.2% and with a WAULT of 9.6 years. They were mostly located in the Midlands, North East and Yorkshire.

The largest disposal was a mega distribution warehouse let to Primark for £102 million whilst £59 million of sales from our long income portfolio accounted for the majority of the remaining disposals.

We also sold £38 million of non-core assets which consisted of:

- A retail park in Leeds sold for £25 million with a WAULT to first break of six years;
- Two offices in Birmingham and Solihull sold for £12 million with a WAULT of six years; and
- Four residential flats sold for £1 million at share, which completed the sale of our remaining residential flats.

Post year end, we have acquired a further £43 million of assets, with a WAULT of 13 years, and sold £86 million with a WAULT of 8 years.

Continued alignment to structurally supported distribution and long income

Assisted by a strong capital performance and significant net investment into the sector, our distribution portfolio increased in value to £2,684 million, representing 74.6% of the total portfolio, up from 70.8% at the start of the year. Our urban logistics weighting has grown to represent 43.9% of the portfolio, up from 38.5% at the start of the year.

Long income reduced to 22.5% of the portfolio, with grocery and roadside continuing to represent just under half of this segment.

The remaining 2.9% of the portfolio is deemed non-core and is split between five offices and four remaining retail parks.

Geographical focus

Our focus on owning assets in strong geographies, particularly around major urban conurbations, has increased the portfolio's London and South East weighting to 47.1% with the Midlands accounting for a further 31.4% of the portfolio.

£3.6bn portfolio*

Chart removed

Urban logistics

43.9%

1	Urban Logistics	43.9%
2	Regional Distribution	18.9%
3	Mega Distribution	11.8%
4	Long Income	22.5%
5	Retail Parks	2.0%
6	Offices & Residential	0.9%

* Including development, based on value

Investment activity in the year

Chart removed

Acquired*

£575m

1	Urban Logistics	£242.9m
2	Mega & Regional Distribution	£188.9m
3	Long Income – Other	£84.2m
4	Long Income – Grocery & Roadside	£59.2m

Chart removed

Disposed**

£208m

1	Mega Distribution	£102.0m
2	Long Income – Grocery & Roadside	£44.2m
3	Retail Parks	£25.2m
4	Long Income – Other	£14.6m
5	Office & Residential	£13.1m
6	Urban Logistics	£8.5m

* Excludes £35.7 million of acquisitions that exchanged in the previous year but completed in the year. Includes £72.4 million of acquisitions, predominantly urban logistics, that exchanged in the year but that complete post year end

** Excludes £15.2 million of disposals that exchanged in the previous year but completed in the year Includes £21.2 million of disposals that exchanged in the year but complete post year end

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 36% of income, spread across a broad range of sectors;
- Retail Logistics accounts for 21%;
- Third Party & Parcel Logistics accounts for 15%;
- Grocery & Roadside accounts for 12%;
- Electrical, Home & Discount Stores account for 11%; and
- Leisure and other sectors account for 5%.

Our top ten occupiers account for 29% of contracted income which is down from 51% in 2019 and 36% in 2021.

Contracted rent increased over the year from £124.3 million to £143.3 million.

Our latest occupier survey again demonstrated strong contentment

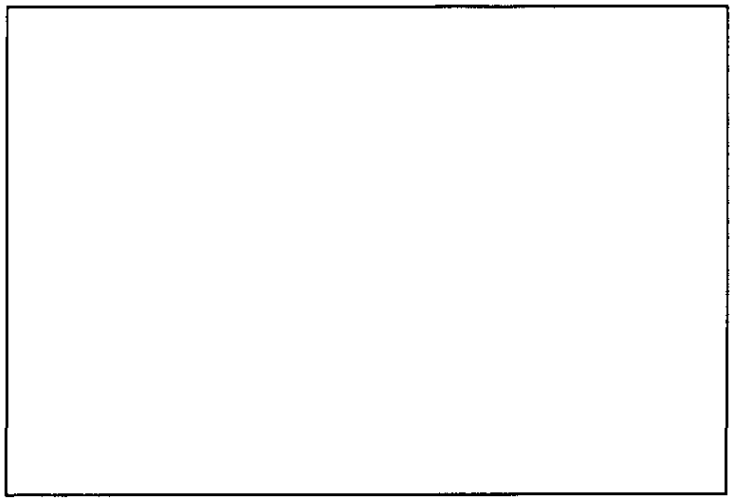
Our annual occupier survey was carried out in March 2022 and we continue to receive very good feedback.

138 occupiers representing 81% by income were contacted and responses were received from 55 occupiers representing 42% of income.

We scored an average of 8.5 out of 10.0 in terms of whether occupiers would recommend us as a landlord, with our top 10 occupiers scoring us higher at 9.1.

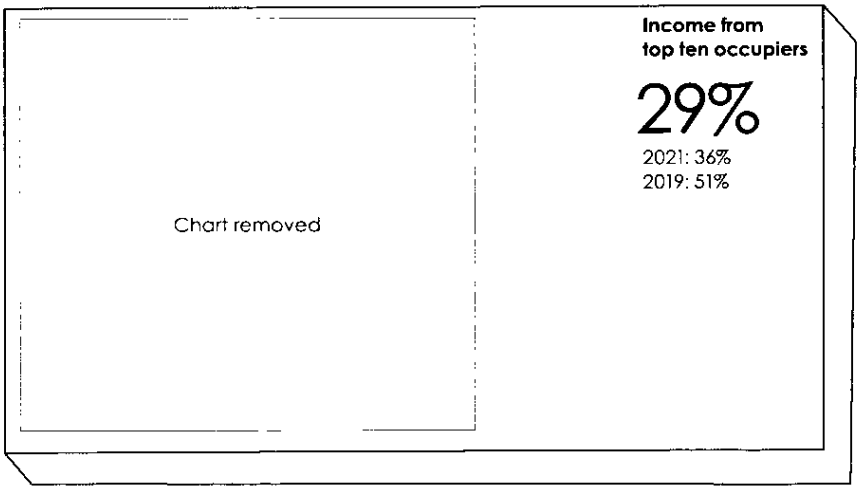
In terms of how well our properties meet our occupiers' needs, we scored 8.3 out of 10.0, which is in line with our 2021 survey score.

Occupier base by type of occupier (% of rental income)



1	**Business Services & Trade**	36%
	Manufacturing & Packaging	13%
	Building, Trade & DIY	5%
	Aerospace, Auto & Transport	6%
	TMT	5%
	Food, Healthcare & Chemicals	5%
	Education	2%
2	**Retail Logistics**	21%
	Online & Omni Retail	17%
	Store only Retail	4%
3	**Third Party & Parcel Logistics**	15%
4	**Grocery & Roadside**	12%
	Grocery	8%
	Roadside	4%
5	**Electrical, Home & Discount**	11%
	Electrical & Home	8%
	Essential/Discount	3%
6	**Leisure & Other**	5%
	Leisure	3%
	Other	2%

Top ten occupiers (%)



A detailed analysis of our property activity

Overview

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

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

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

- Undertook a comprehensive climate risk assessment;
- Progressed our Net Zero Carbon framework; and
- Completed on £450 million of debt facilities with a green financing framework.

Over the year, we maintained our Green Star status in the Global Real Estate Sustainability Benchmark ('GRESB') survey. Our score of 65% is unchanged but significantly up from the 34% score in 2014. We also maintained our:

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

Climate-related risks and opportunities

During the year, we undertook a comprehensive climate-related risk assessment, in which we identified our key physical and transition risks over the short, medium and long term. Key opportunities were also analysed as part of the assessment.

This was done at a portfolio level using different climate change scenarios and we also analysed climate-related risks on a number of representative assets.

The third party assessment concluded that our sustainability strategy is well positioned to manage climate-related risks and opportunities.

Our Net Zero Carbon ('NZC') framework

In the previous year, we set three specific NZC ambitions as part of our longer term target of becoming NZC:

1. Our operations will be NZC by 2023

Operationally, we continue to make good progress and have achieved a 92% reduction in our absolute landlord energy consumption since 2015.

We continue to reduce our own emissions where possible and ensure that our energy supplies are all from renewable sources, aligned to industry procurement best practice. From 2023 onwards, we have committed to offset residual carbon to ensure our operations are NZC and, during the year, we put in place a carbon offset strategy.

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

Our development activity continues to focus on building highly efficient buildings. All of our completed developments in the year totalling 475,000 sq ft were certified BREEAM Excellent and we will add a further 845,000 sq ft of BREEAM Very Good assets through our current development activity.

As part of our efforts to reduce carbon on developments, we continue to challenge our supply chains to minimise waste and select low carbon materials. At our recently completed Bedford Link development, we have reduced embodied carbon over the different phases of development by 27% through on site carbon reduction measures and amendments to material specification.

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

As part of our drive to upgrade the quality of our assets, we continue to invest in high quality buildings as well as progress energy efficiency and clean energy initiatives including solar PV, LED lighting upgrades, roof works and electric vehicle charging.

Our activity in the year has materially improved the proportion of our assets with an EPC 'A–C' rating from 74% to 85%. As covered more fully in the Distribution review section, we see the potential to upgrade the quality of our urban assets through relatively straightforward initiatives which can materially improve value, income and occupier appeal, particularly as we continue to focus on providing fit for purpose and NZC ready buildings.

In addition, following completion of developments underway, we expect to increase the proportion of assets built to a BREEAM Very Good or Excellent standard from 26% at the start of the year to 29%. Furthermore, in the year we added 0.9 MWp of solar PV and continue to engage with occupiers on adding further solar installations.

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings we own. In the year, we undertook NZC assessments on several assets. An important part of this focus is measuring emissions from all occupiers and, in the year, we increased occupier energy data coverage from 43% last year to 59%.

As we recognise the growing importance of clean energy and EV charging, we signed an EV framework agreement with Motor Fuel Group, which will see a programme of Ultra-Rapid 150kWh charging hubs installed across our assets. In addition, we continue to install EV charging on new developments and properties where we are undertaking asset management initiatives.

Further reporting on ESG is provided on pages 50 to 69

A detailed analysis of our property activity

Distribution

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

Strong performance from distribution

Our distribution assets are spread across the urban, regional and mega sub-sectors. Including developments, we increased our exposure to distribution over the year from £1,829 million to £2,684 million, accounting for 74.6% of our portfolio. The WAULT on these assets is 11.3 years and occupancy is high at 98.1%, with our mega and regional assets fully let. Our urban logistics occupancy remained at 96.9% and vacancies relate mainly to assets which we are improving.

Our distribution assets performed well over the year, delivering a total property return of 31.1% which was driven by continued strong yield compression, rental growth and further gains on developments. Urban and regional delivered 33.3% and 34.0% respectively, whilst mega delivered 20.7%.

Distribution acquisitions in the year totalled £432 million and were acquired with a WAULT of 16.7 years and a NIY of 4.1%, which is expected to rise to 4.7% after five years from expected income growth. Disposals totalled £111 million, reflecting a NIY of 4.1% and a WAULT of 10.7 years.

Post year end, in addition to further acquisitions, we sold a 229,000 sq ft regional warehouse let to DHL for a further 3.1 years for £61 million at a 20% premium to book value.

Increased weighting to urban logistics

In urban logistics, rental growth remains strongest, driven by severely restricted supply and strong occupier demand.

Urban logistics has been our strongest conviction call for several years and, over the year, our urban logistics portfolio increased from £994 million to £1,577 million across 127 locations, accounting for 58.8% of our distribution assets. Whilst the WAULT on these assets of nine years is lower than for mega or regional, these assets benefit from significant rental reversion, with average ERVs 17.3% above average rents.

Furthermore, with 53% of our urban portfolio located in London and the South East and a further 34% in the Midlands, we expect continued market rental growth in these areas to increase our urban portfolio's market rents.

Urban warehousing acquisitions totalled £243 million across 26 assets. 84% of assets by value were in London and the South East, demonstrating our continued focus on the best urban centres. The NIY on these investments was 4.0% but with contractual rental uplifts and embedded rental reversion, this is expected to rise to 4.7% over five years.

In the year, we sold one multi-let urban estate for £8.5 million, reflecting a NIY of 3.5%.

Selective investment activity in larger box

Whilst we continue to see better return prospects in urban logistics, we will always look at selective investment and forward funding opportunities in the larger distribution warehousing sector.

In the year, we acquired £189 million of regional and mega box warehouses across three assets at an attractive NIY of 4.1% rising to 4.6% over five years from inflation linked rental uplifts. These highly modern and well specified assets were acquired on long leases with a WAULT of 23 years and are all certified BREEAM Very Good.

The majority of this larger box investment activity was funded by the disposal of a 785,000 sq ft warehouse in Northamptonshire let to Primark for a further 11 years. The sale price of £102 million reflected a NIY of 4.1%. With fixed rental uplifts capped at 1.5% per annum and a declining lease length on an older property, we felt that future returns from the building would be limited.

As at 31 March 2022	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]	£1,577.3m	£681.2m	£425.2m
WAULT	8.6 yrs	13.7 yrs	17.8 yrs
Average rent (psf)	£7.50	£6.70	£5.80
ERV (psf)	£8.80	£8.00	£6.70
Topped up NIY	3.5%	3.4%	3.1%
Contractual uplifts	41.7%	82.1%	100.0%
Total property return in 2022	33.3%	34.0%	20.7%

Distribution Portfolio*

Chart removed

Distribution

£2,684m

1	Urban Logistics	59%
2	Regional Distribution	25%
3	Mega Distribution	16%

* Including developments

A detailed analysis of our property activity

Distribution

Distribution Acquisitions

In year

29 assets

2.4m sq ft

Value

£432m

WAULT

17 yrs

Image removed

Worthing

130,000 sq ft

Image removed

Waltham Cross

115,000 sq ft

- **686,000 sq ft** mega warehouse acquired for £97.0 million with a WAULT of 23 years, let to THG in Warrington*. The asset is reversionary and has further development potential of c.180,000 sq ft
- **345,000 sq ft** of urban logistics acquired for £86.2 million as part of the larger £122.2 million Savills IM acquisition
- **300,000 sq ft** new regional warehouse acquired for £53.4 million pre-let to AM Fresh for 25 years in Huntingdon*
- **296,000 sq ft** new regional warehouse acquired for £38.5 million, pre-let for 20 years to an ecommerce company and located at Port One Logistics Park in Ipswich*
- **168,000 sq ft** urban warehouse acquired for £15.5 million with redevelopment potential and located close to Luton town centre and the M1
- **130,000 sq ft** warehouse acquired for £19.0 million through a 15 year sale and lease back with Bowers & Wilkins in Worthing
- **119,000 sq ft** urban warehouse acquired for £11.1 million, let to Global Life Science Solutions, trading as Cytiva, for ten years in Cardiff
- **115,000 sq ft** urban warehouse acquired for £43.8 million, let for 23 years to Reynolds and located in Waltham Cross
- **50,000 sq ft** urban warehouse acquired for £10.3 million, let to John Lewis for a further 15 years in Uckfield
- **47,000 sq ft** urban warehouse acquired for £6.1 million with redevelopment potential, let to Jewson for a further 17 years in Exeter
- **43,000 sq ft** new urban warehouse acquired for £8.4 million in Preston, pre-let to Sainsbury's for 15 years*
- **34,000 sq ft** new urban warehouse in Ashford acquired for £7.2 million, pre-let to Blue Chyp for 15 years*
- **28,000 sq ft** highly reversionary urban warehouse acquired for £5.2 million, let to HTC Group for four years in Croydon
- **23,000 sq ft** urban warehouse acquired for £7.2 million in Tottenham with significant refurbishment plans
- **19,000 sq ft** urban warehouse acquired for £3.0 million and let to Deralam Laminates for four years in Dunstable
- **9,500 sq ft** urban warehouse acquired for £3.5 million, let to Pai Skincare in Acton
- **8,000 sq ft** urban warehouse acquired for £2.7 million in Thamesmead let to Archive UK on a new 10 year lease
- **9.25 acre** vehicle parking site with consent for development acquired for £9.2 million, let to Amazon in Droitwich
- **three urban sites** acquired in Walthamstow, Stockwell and Cardiff for £4.6 million with development potential

* denotes BREEAM Very Good certification

Post year end

6 assets

0.2m sq ft

Value

£43m

WAULT

13 yrs

- **125,000 sq ft** forward funding development in Leicester acquired for £19.6 million. 90,000 sq ft is pre-let on a new 15 year lease*
- **33,000 sq ft** urban warehouse let to Jewson with a WAULT of ten years acquired in Ipswich for £5.3 million
- **28,500 sq ft** urban warehouse in Canvey Island acquired for £5.4 million, let to a hygiene supplies company on a new 15 year lease
- **11,000 sq ft** urban warehouse in Stratford acquired for £6.0 million with vacant possession
- **11,000 sq ft** urban warehouse redevelopment in Colliers Wood acquired for £4.1 million with vacant possession
- **6,000 sq ft** urban warehouse acquired in Hackney for £2.6 million let to a dark kitchens operator on a 20 year lease

Acquisition case study – Savills IM portfolio

Overview highlights

15 assets

c.490,000 sq ft

WAULT

11 yrs

Contracted Rent

£5.4m

Portfolio overview

In December 2021 LondonMetric acquired Savills IM UK Income & Growth Fund in a corporate acquisition valued at £122.2 million.

This acquisition was in line with our strategy of acquiring urban logistics assets in strong locations at attractive yields and with good rental growth potential. The portfolio had a high weighting to London and the South East where we continue to see high occupier demand and diminishing supply drive rental growth.

Our strong credentials as well as our thorough and speedy due diligence process put us in a strong position to be the preferred bidder and acquire the portfolio.

The acquisition was a key pipeline asset for our £175 million equity placing and was transacted within a month of the raise.

Image removed

Attractive income with growth

The portfolio was acquired at a blended yield of 4.3% and a reversionary yield of 4.9%.

It has a WAULT of 11 years and generates £5.4m of rent per annum, with a diverse list of occupiers. 43% of the income benefits from contractual uplifts.

The assets are under-rented, offering significant rental growth prospects as well as other asset management potential through lease regears and refurbishment.

Key occupier activity

Logos removed

Graphic removed

Strong locations

74%

In London & the South East

74% of the assets are located in London & South East. Key locations including Croydon, Farnborough, Hounslow, Greenwich, Guildford, Maidstone and Stevenage. A further 12% is located in the Midlands.

A detailed analysis of our property activity

Distribution

Distribution asset management activity

Distribution lettings and regears

Distribution lettings and regears in the year were signed on 1.2 million sq ft, adding £6.9 million per annum of income, with a WAULT of 15.3 years:

- 355,000 sq ft letting to Movianto for 25 years at our recently completed regional warehouse at Bedford Link Logistics Park;
- 172,000 sq ft letting to Carlton Packaging for 15 years at Bedford Link;
- 116,000 sq ft of break removals with Grupo Antolin and DHL, extending term certain by an average of seven years;
- 86,000 sq ft letting to My 1st Years for 15 years at our recently refurbished warehouse in Grange Park, Northampton, where the rent increased 27% compared to previous passing;
- 121,000 sq ft of lettings and regears on multi-let warehousing with a WAULT of five years;
- 65,000 sq ft of regears at Crawley where leases were extended by five years;
- 62,000 sq ft of lettings at Mucklow Park, Tyseley with a WAULT of 10 years;
- 56,000 sq ft of lettings at Wednesbury One with a WAULT 11 years;
- 45,000 sq ft regear to Topgrade, increasing term certain to ten years;
- 30,000 sq ft letting to Greencore Construction for ten years in Bicester. The warehouse was refurbished to an enhanced specification which increased the EPC rating to 'A' from 'C'. Installation of a solar PV system would allow the building to become net zero. The new letting resulted in a 31% rental uplift compared to previous passing; and
- 16,000 sq ft of lettings with a WAULT of 17 years to Screwfix and Jacuna, a dark kitchens operator, at our substantially refurbished unit in Streatham.

As part of our focus on solar PV, we funded a 300 kWp installation at our asset in Milton Keynes let to Speedy Hire. Under the arrangement, LondonMetric will receive an RPI linked income strip, delivering a minimum 7% IRR. The EPC rating is expected to have increased from 'C' to 'A'.

Distribution rent reviews

Distribution rent reviews in the year were settled across 3.6 million sq ft, adding £1.4 million per annum of income at 13% above previous passing rent, on a five yearly equivalent basis.

37 urban reviews were settled at 20% above passing rent on a five yearly equivalent basis, with open market reviews achieving 22% uplifts on average and ranging from 7% to 88%.

Two fixed mega reviews settled at 8% above passing rent on a five yearly equivalent basis. Three index-linked regional reviews were settled at 16% above previous passing.

Distribution lettings and regears
(Additional Income p.a.)

+£6.9m

Distribution rent reviews
(Additional Income p.a.)

+£1.4m

Key occupier activity

Logos removed

Environmental asset management

See page 57

Milton Keynes

- 300 kWp solar PV
- Minimum 7% IRR
- EPC 'A' expected

Image removed

Streatham

- 19,000 sq ft refurbished
- EPC upgrade 'D' to 'B'
- Solar enabled roof

Image removed

Lettings case study – Bedford Link

Total lettings

715,000 sq ft

Income

£5.5m p.a.

Logos removed

Logo removed

Image removed

A high quality sustainable logistics park, let to strong and growing businesses

The high quality development was certified BREEAM Very Good or Excellent and consists of five buildings totalling 715,000 sq ft and ranging in size from 30,000 sq ft up to 355,000 sq ft.

The final stage of the phased development completed in December 2022 and, in the year, we let the two largest buildings totalling 527,000 sq ft.

This is LondonMetric's flagship asset and was built at a total cost of £68 million. It generates £5.5 million of rent per annum, which reflects a yield on cost of 7.4%, and has been let with an average lease length of 20 years to high quality occupiers.

Four of the occupiers are now operational, with Carlton Packaging the latest occupier to commence operations in April 2022 at its 172,000 sq ft warehouse (as pictured).

Image removed

Environmental considerations

- 100% certified BREEAM Very Good or Excellent and rated EPC A
- 450kWp of solar PV installed on two units with further potential
- 27% reduction in embodied carbon on last phase compared to first phase
- 30 EV charging points installed
- Building design facilitated Net Zero Carbon in operation
- High quality landscaping

Social considerations

- Creation of a softer and contemporary logistics park, respectful of local residents in layout and landscaping
- c.450 permanent jobs created locally with a strong focus on employee wellbeing: high quality staffing areas, green surroundings, enhanced cycle routes and footpaths
- High scoring of contractor on its local community activities
- Regular liaison with the local authority as well as various community and charity initiatives throughout the development

A detailed analysis of our property activity

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 increased from £635 million at the start of the year to £809 million, representing 22.5% of our total portfolio.

They are 100% let to strong occupiers with a WAULT of 14.1 years, average rents of £15.90 psf and a topped up NIY of 4.7%. Average asset size is c.£6 million with 68% of income subject to contractual rental uplifts.

Long income delivered a total property return of 19.0%. Strong performers were NNN Retail and Trade which delivered a return of 24.9% and 24.4% respectively.

Long income portfolio split*

Chart removed

Long income

£809m

1	Grocery & Roadside	45%
2	NNN Retail	27%
3	Trade, DIY & Other	17%
4	Leisure	11%

* Including development, based on value

Long income portfolio breakdown

As at 31 March 2022	1 Grocery & Roadside	2 NNN Retail	3 Trade, DIY & Other	
Value[1]	£362.9m	£221.0m	£137.9m	£86.7m
WAULT	16.2 years	10.2 years	13.6 years	18.3 years
Average rent (psf)	£18.80	£19.80	£7.90	£17.70
Topped up NIY	4.3%	5.5%	4.0%	6.3%
Contractual uplifts	86%	36%	66%	92%
Total property return in 2022	14.9%	24.9%	24.4%	11.0%

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

Grocery & Roadside

Grocery-led convenience forms c.65% of this segment with the remainder made up of convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes, all located in high density urban areas. We have been significant net acquirers in this segment.

Key occupiers

- Aldi
- BP
- Co-op
- Costco
- EG Group
- Lidl
- M&S
- Waitrose

Image removed

NNN Retail

These are primarily single or cluster assets let to discount, essential, electrical and home retail occupiers. 48% of the assets are located in London and the South East, with the largest located in New Malden, London. These assets typically benefit from high alternative use values.

Key occupiers

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

Image removed

Trade, DIY & Other

A significant proportion of this segment consists of assets that are trade/DIY focused. A recent addition to this sub-sector has been a portfolio of Halfords Autocentres situated around the South East.

Key occupiers

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

Image removed

Long income investment activity

Acquisitions

£143.4 million of long income assets were purchased at a NIY of 5.5% and a WAULT of 11 years. Half are in London and the South East:

- £36.0 million portfolio of grocery-led, trade/DIY and leisure assets as part of the £122.2 million Savills IM acquisition;
- £23.3 million portfolio of two NNN Retail assets in Burton and Evesham with a WAULT of six years;
- *£18.0 million grocery-led asset in South* Ruislip let to Aldi and B&M for a further nine years and located on a 3.5 acre site;
- £14.5 million grocery-led development funding in Uckfield pre-let to M&S and Home Bargains;

  £13.0 million site in Fulham with vacant possession and significant refurbishment plans;
- £8.0 million NNN retail asset in Birmingham let to Dunelm and Currys;
- £6.9 million portfolio of five drive thru McDonald's with a WAULT of 16 years;
- £6.6 million NNN retail asset in Truro let to The Range for a further ten years;
- £5.8 million sale and leaseback portfolio of four Halfords Autocentres with a WAULT of 15 years in the South East;
- £5.0 million roadside asset in Tonbridge, let to BP for a further nine years;
- £3.8 million NNN retail asset in Thanet, let to DFS for a further nine years; and
- £2.5 million trade park in Bognor with a WAULT of six years.

Disposals

£72.8 million (Group share: £58.8 million) was sold at a NIY of 5.9% and with a WAULT of ten years:

- £15.0 million car showroom in Solihull, Midlands, let to Johnsons VW for 17 years. This asset formed part of the Savills IM acquisition;
- £14.2 million (Group share: £7.1 million) portfolio of three properties, located in Speke, Barnsley and Beverley let to *Wickes and Dunelm with a WAULT of* ten years;
- £12.8 million grocery-led asset in Newport, let to M&S for five years;
- £11.9 million (Group share: £6.0 million) NNN retail asset in North Shields with a WAULT of five years;
- £10.2 million grocery asset in Liverpool let to Aldi and M&S with a WAULT of 13 years;
- £6.2 million grocery asset in Derby let to M&S for 15 years;
- £2.0 million (Group share: £1.0 million) NNN Retail asset in Inverness let for less than one year; and
- £0.5 million trade & DIY asset in Aylesford, let to Halfords for 14 years.

Long income acquisitions

£143m

Logos removed

Post year end

We sold £34.2 million (Group share: £25.2 million) of assets at a NIY of 4.4% and with a WAULT of 16 years:

- a grocery store in Ashford recently let to Lidl on a new 25 year lease;
- a NNN Retail asset in Cardiff with a WAULT of eight years;
- a pub in Greenwich, previously, part of the Savills IM portfolio; and

  a petrol filling station in Rushden.

Long income – asset management activity

Lettings and regears

In the year, we signed 12 lettings with a WAULT of 18 years adding £1.3 million of income.

These included:

- four pre-lets with Dunelm, B&M, McDonald's and Costa with a WAULT of 16 years at our Weymouth development;
- a 25 year letting with Lidl at Ashford, Middlesex, on a former 32,000 sq ft Hitchcock & King unit;
- a 20 year letting to Lidl at Totton to extend its representation to 21,000 sq ft, occupying space let to Poundstretcher;
- a regear with Co-op, where we extended the lease to 20 years;
- a 15 year pre-let of a new Costa; and
- two 30 year lease regears at a petrol *filling station and convenience store.*

Rent reviews

Rent reviews were settled on 44 assets in the year generating an uplift of £0.5 million at 15% above previous passing on a five yearly equivalent basis.

The largest review was on a Costco in Coventry where a five yearly fixed review increased the rent by £0.2 million. The remaining reviews were inflation linked or fixed uplifts, mostly relating to our Grocery and Roadside assets.

A detailed analysis of our property activity

Developments

In the year, we completed 0.5 million sq ft of BREEAM Excellent developments representing £4.5 million of rent per annum at a yield on cost of 7.0%. 0.9 million sq ft is under development which is expected to generate £8.7 million of rent per annum. 89% of developments underway are BREEAM Very Good.

Completed in the year

0.5m sq ft

100% BREEAM Excellent

Under construction

0.9m sq ft

89% BREEAM Very Good

Completed in year	Area sq ft '000	Income £m	Yield on cost %
Bedford (Unit 1)	355	2.9	7.8
Tyseley (Phase 2)	120	1.6	6.0
Total	475	4.5	7.0
Under construction			
Huntingdon[1]	300	2.0	3.7
Ipswich[1]	296	1.9	4.5
Leicester[1 2]	125	0.9	4.5
London redevelopments (x4)[2]	59	1.9	5.0
Weymouth	51	0.9	6.6
Preston[1 2]	43	0.3	3.9
Uckfield[1]	41	0.8	5.5

1 Forward fundings

2 Anticipated yield on cost and rents

Bedford
The 355,000 sq ft distribution development let to Movianto completed in December and is BREEAM Excellent certified with a 200 kWp solar PV scheme installed.

Tyseley
Construction of the 120,000 sq ft distribution warehouse completed in July and is let to Amazon on a 15 year lease. The building is BREEAM Excellent and a 105 kWp solar PV scheme was installed.

Huntingdon
Development of a 300,000 sq ft regional warehouse, pre-let for 25 years, is expected to complete in December 2022. The building is expected to be BREEAM Very Good with the benefit of solar PV.

Ipswich
Development of a 296,000 sq ft distribution warehouse, pre-let to an ecommerce company for 20 years, is expected to complete in June 2022. The building is expected to be BREEAM Very Good.

Leicester
Development of a 125,000 sq ft distribution warehouse is expected to complete at the start of 2023. The building is c.70% pre-let to EM Pharma and is expected to be BREEAM Very Good with the benefit of solar PV.

Weymouth
At our long income development site, construction of a further 51,000 sq ft expected to complete in October 2022. The BREEAM Very Good buildings are 100% pre-let with a WAULT of 16 years.

Preston
Development of a 43,000 sq ft distribution warehouse, pre-let to Sainsbury's for 15 years, which is expected to complete in the next 12 months. The building is expected to be 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 in Q1 2023.

London redevelopments
Following recent acquisitions, we are redeveloping or refurbishing four London sites, consisting of:

- 23,000 sq ft in Tottenham, which we have acquired vacant and are undertaking a comprehensive refurbishment;
- 21,000 sq ft in Fulham, which we acquired vacant and are comprehensively refurbishing with terms agreed on a letting;
- 11,000 sq ft in Colliers Wood, where we are redeveloping the site; and
- 4,000 sq ft in Stockwell, where we are undertaking a redevelopment of the site.

Pre-let development in Huntingdon

Logo removed

The 300,000 sq ft development was acquired during the year and represents a £53.4 million total investment for LondonMetric. It is located at Alconbury Weald, Huntingdon, on the A1(M), with the nearby A14 interchange providing a direct link to Felixstowe port.

The building is pre-let on a 25 year lease to AM Fresh, an international agri-tech company that supplies the majority of UK supermarkets. The rent is £2.0 million p.a. and has CPI+1 linked rent reviews.

Development is expected to complete in December 2022.

Development

300,000 sq ft

Pre-let lease

25 years

Building overview

- Occupies a 13 acre site with 46% site coverage. The building will have a minimum 12.5m eaves height
- Highly specified cold storage, production and logistics warehouse used to supply fresh fruit to UK food retailers and wholesalers
- Fitted out with market leading automation, including an innovation centre and incubator for agri-tech R&D

Image removed

Environmental features

- Icon removed BREEAM Very Good
- Icon removed Energy-efficient lighting, space and water heating
- Icon removed Roof designed to accommodate significant solar PVs
- Icon removed Water saving devices
- Icon removed 10 charging spaces for electric vehicles
- Icon removed Whole life carbon assessment undertaken
- Icon removed 18% reduction in carbon emissions rate against notional target emissions

Building features

- Icon removed Temperature controlled storage
- Icon removed Laboratory for R+D
- Icon removed 25 dock level doors
- Icon removed 6 level access doors

Image removed

A review of our financial performance

Financial review

Image removed

Martin McGann
Finance Director

Highlights

IFRS net assets
£2.6bn
2021: £1.7bn

IFRS reported profit
£734.5m
2021: £257.3m

Our strong performance delivered significant earnings and NAV progression, allowing us to continue to grow our dividend.

Our £380 million debt private placement and £175 million equity raise were significantly oversubscribed thanks to the support of our investors.

We have produced a very strong set of results, delivering significant earnings and NAV progression, allowing us to continue to grow our dividend by 6.9% for shareholders whilst maintaining strong cover of 109%.

Our financial position was strengthened by a £175 million equity placing in November that was significantly oversubscribed, and our strong banking relationships have enabled us to agree new debt facilities. This supported significant new investment into our preferred sectors of distribution and long income which have also seen substantial growth in value, increasing our portfolio by 39% to £3.6 billion.

Although we have returned to more normal conditions as we emerge from the Covid-19 pandemic, the macro environment is continually changing. Geopolitical risk, the conflict in Ukraine, elevated inflation and a cost of living squeeze create uncertainty.

However, we remain very well placed, with an enlarged portfolio of high quality assets in structurally supported sectors with robust financing metrics.

EPRA earnings increased by 9.2% to £93.5 million and by 5.5% on a per share basis to 10.04p, driven by a 7.9% increase in net rental income and supported by strong rent collection performance, with 99.5% of rent due in the year having been collected.

IFRS reported profit has almost trebled to £734.5 million and is predicated on an unprecedented valuation uplift of £632.2 million, driven by a 61 bps yield compression and 10% ERV growth.

IFRS net assets have increased by 47.8% to £2,559.7 million and 97.1% of our assets continue to be in our preferred sectors.

EPRA net tangible assets ('NTA') per share increased by 37.2% to 261.1p (2021: 190.3p) and our total accounting return was 41.9% (2021: 16.7%).

We completed new debt facilities of £930 million in the year, comprising a £380 million private debt placement and three unsecured credit facilities totalling £550 million.

Certain of these new facilities replaced existing short dated debt and increased maturity and hedging at the year end to 6.5 years (2021: 4.2 years) and 71% (2021: 45%) respectively, whilst maintaining a low average cost of 2.6% (2021: 2.5%).

Our loan to value has fallen to 28.8% (2021: 32.3%), providing flexibility to execute our property strategy whilst maintaining ample headroom under banking covenants.

Alongside this, we have significant available facilities and cash of £299 million providing capacity for further accretive investment and development opportunities.

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 2022 £m**	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	**131.5**	**4.5**	**(1.3)**	**134.7**	121.3	5.3	(1.5)	125.1
Property costs	**(1.5)**	**(0.1)**	**–**	**(1.6)**	(1.6)	(0.2)	–	(1.8)
Net rental income	**130.0**	**4.4**	**(1.3)**	**133.1**	119.7	5.1	(1.5)	123.3
Management fees	**1.3**	**(0.5)**	**–**	**0.8**	0.9	(0.4)	–	0.5
Other income	**0.4**	**–**	**–**	**0.4**	–	–	–	–
Administrative costs	**(16.0)**	**(0.1)**	**–**	**(16.1)**	(15.8)	–	–	(15.8)
Net finance costs	**(23.9)**	**(1.0)**	**0.2**	**(24.7)**	(21.5)	(1.2)	0.2	(22.5)
Tax	**(0.1)**	**–**	**0.1**	**–**	(0.1)	–	0.2	0.1
EPRA earnings	91.7	2.8	(1.0)	93.5	83.2	3.5	(1.1)	85.6

Net rental income

We continue to focus on growing our income to deliver earnings and dividend progression for our shareholders and once again we are pleased to report an increase of 7.9% in net rental income to £133.1 million. The detailed movements are reflected in the table opposite.

Income from lettings, rent reviews and regears of existing properties and completed developments generated significant additional rent of £6.7 million, offset by a reduction in surrender premiums received of £0.4 million. Income from net investment activity added a further £3.3 million and property cost savings of £0.2 million contributed to a further fall in our cost leakage ratio to 1.2% (2021: 1.4%).

EPRA earnings per share

10.04p

2021: 9.52p

Net rental income

£133.1m

2021: £123.3m

	£m	**£m**
Net rental income 2021		**123.3**
Additional rent from existing properties[1]		**2.7**
Additional rent from developments[1]		**4.0**
Movement in surrender premium income		**(0.4)**
Additional rent from acquisitions[1]	**15.2**	
Rent lost through disposals[1]	**(11.9)**	
Additional rent from net acquisitions		**3.3**
Movement in property costs		**0.2**
Net rental income 2022		133.1

1 Properties held, developments completed and acquisitions and disposals since 1 April 2020

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 in the Glossary.

A review of our financial performance

Financial review

Rent collection

As rent collection levels across the real estate sector are now reverting to pre-pandemic levels, our collection rates remain exceptionally strong, reflecting the quality of our covenants and efforts of our team. Very few occupiers are now asking for concessions beyond some requests for monthly payment arrangements.

We have collected 99.5% of rent due in the year and just 0.5% remains unpaid or has been forgiven.

We have assessed the recoverability of our year end trade debtor and lease incentive balances in accordance with IFRS 9 and have reduced our rent provisions for the Group and our share of joint ventures by £0.2 million to £1.2 million.

Administrative costs and EPRA cost ratio

Administrative costs have increased by £0.3 million to £16.1 million and are stated after capitalising staff costs of £2.5 million (2021: £2.2 million) in respect of time spent on development projects in the year.

Although inflationary cost increases are affecting not only our own staff costs but fees of advisors and contractors we work with, the EPRA cost ratio which we use to monitor and manage our operational costs has fallen 110 bps in the year to 12.5%. We have a low and transparent cost base and our EPRA cost ratio remains one of the lowest in our sector.

For the year to 31 March	**2022 %**	2021 %
EPRA cost ratio including direct vacancy costs	**12.5**	13.6
EPRA cost ratio excluding direct vacancy costs	**11.8**	13.0

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

Net finance costs

Net finance costs, excluding fair value movements in derivatives and financing break costs, were £24.7 million, an increase of £2.2 million over the year.

This reflected higher interest charges of £3.5 million due to higher average debt balances over the year compared to last year, and less interest receivable from forward funded investments of £0.1 million. This increase was offset by lower fees on new facilities of £1.1 million and higher amounts of interest capitalised on developments of £0.3 million.

The average interest rate payable over the year was broadly in line with last year.

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

Share of joint ventures

EPRA earnings from joint venture investments were £2.8 million, a decrease of £0.7 million over the year as reflected in the table below.

For the year to 31 March	**2022 £m**	2021 £m
Metric Income Plus Partnership (MIPP)	**2.8**	3.6
LSP London Residential Investments (Moore House)	–	(0.1)
EPRA earnings	2.8	3.5

Income from our MIPP joint venture fell by £0.8 million due to sales at the start of the year reducing rental income.

In October, the Group's residential JV disposed of its remaining four flats at Moore House.

In addition, the Group received net management fees of £0.8 million for acting as property advisor to each of its joint ventures, which have risen by £0.3 million as a result of additional sales fees and property valuation gains increasing NAV and therefore fees.

Taxation

As the Group is a UK REIT, any income and capital gains from our qualifying property rental business are exempt from UK corporation tax.

Any UK income that does not qualify as property income within the REIT regulations is subject to UK tax in the normal way.

The Group's tax strategy is compliance oriented; to account for tax on an accurate and timely basis and meet all REIT compliance and reporting obligations.

We seek to minimise the level of tax risk and to structure our affairs based on sound commercial principles.

We strive to maintain an open dialogue with HMRC with a view to identifying and solving issues as they arise. There were no issues raised in the year.

We continue to monitor and comfortably comply with the REIT balance of business tests and distribute as a Property Income Distribution ('PID') 90% of REIT relevant earnings to ensure our REIT status is maintained.

The Group paid the required PID for the year to 31 March 2021 ahead of the deadline of 31 March 2022 and has already paid a large part of its expected PID for the year to 31 March 2022. The balance is expected to be paid in July 2022 as part of the fourth quarterly dividend.

In accordance with REIT regulations, £8.7 million was withheld from distributions and paid directly to HMRC in the year.

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.

Rent collection in the year
99.5%
2021: 98.1%

Dividend for the year
9.25p
2021: 8.65p

EPRA cost ratio
12.5%
2021: 13.6%

IFRS reported profit

A reconciliation between EPRA earnings and IFRS reported profit is reflected 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 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
EPRA earnings	**91.7**	**2.8**	**(1.0)**	**93.5**	83.2	3.5	(1.1)	85.6
Revaluation of property	**615.2**	**19.7**	**(2.7)**	**632.2**	169.9	3.4	0.4	173.7
Fair value of derivatives	**–**	**0.7**	**–**	**0.7**	4.7	0.1	–	4.8
Profit/(loss) on disposal	**8.0**	**0.2**	**–**	**8.2**	0.8	(0.1)	–	0.7
Debt/hedging costs	**–**	**(0.1)**	**–**	**(0.1)**	(7.5)	–	–	(7.5)
IFRS reported profit	**714.9**	**23.3**	**(3.7)**	**734.5**	251.1	6.9	(0.7)	257.3

The Group's reported profit for the year was £734.5 million compared with £257.3 million in the previous year. The £477.2 million increase was primarily due to the property revaluation gain being £458.5 million higher, increased profit from property disposals of £7.5 million and increased EPRA earnings of £7.9 million. Disposals are discussed in detail in the Property Review.

Last year, we cancelled all of our Group interest rate swaps and fully amortised finance costs prepaid on cancelled debt facilities at a total cost of £7.5 million. The Group continues to hedge its exposure to interest rate movements by way of fixed rate loans, which has increased to 71% of drawn debt as at the year end (2021: 45.0%).

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 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Investment property	**3,494.6**	**96.6**	**(15.1)**	**3,576.1**	2,504.6	94.4	(11.4)	2,587.6
Assets held for sale	**21.2**	**–**	**–**	**21.2**	–	–	–	–
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	3,516.9	**96.6**	**(15.1)**	**3,598.4**	2,505.7	94.4	(11.4)	2,588.7
Gross debt	**(1,027.2)**	**(26.5)**	**–**	**(1,053.7)**	(839.5)	(37.5)	–	(877.0)
Cash	**51.3**	**3.6**	**(0.6)**	**54.3**	51.4	3.4	(0.2)	54.6
Other net liabilities	**(43.8)**	**(1.2)**	**5.6**	**(39.4)**	(39.1)	(0.5)	5.2	(34.4)
EPRA NTA	**2,497.2**	**72.5**	**(10.1)**	**2,559.6**	1,678.5	59.8	(6.4)	1,731.9
Derivatives	**–**	**0.1**	**–**	**0.1**	–	(0.6)	–	(0.6)
IFRS net assets	**2,497.2**	**72.6**	**(10.1)**	**2,559.7**	1,678.5	59.2	(6.4)	1,731.3

Property portfolio
£3.6bn
2021: £2.6bn

Property revaluation
£632.2m
2021: £173.7m

New debt facilities
£930m
with £450m incorporating a Green use of proceeds or framework

A review of our financial performance

Financial review

Both IFRS reported net assets and EPRA NTA have increased by 47.8% over the year to £2.6 billion, largely due to the revaluation gain of £632.2 million and the net proceeds from the equity raise of £170.2 million.

The increase in IFRS NAV per share and EPRA NTA per share was 37.1% and 37.2% to 262.3p and 261.1p respectively. The movement in EPRA NTA and EPRA NTA per share is reflected in the table below.

	EPRA NTA £m	EPRA NTA p/share
EPRA NTA at 1 April 2021		
EPRA earnings		
Dividends[2]		
Property revaluation		
Equity raise		
Other movements[1]		
EPRA NTA at 31 March 2022	2,559.6	261.1

1 Other movements include profit on sales (£8.2 million), share based awards (£1.1 million) and scrip share issue savings (£4.2 million)

2 Dividend per share is based on the weighted average number of shares in the year. The actual dividend paid in the year was 8.85p as reflected in note 7 to the financial statements

The increase in EPRA NTA per share was principally due to the property revaluation gain of 67.9p, as EPRA earnings covered the dividend paid in the year.

The movement in EPRA NTA per share, together with the dividend paid in the year, results in a total accounting return of 79.7p per share or 41.9% which is significantly ahead of last year's return of 16.7%. Total accounting return is a key performance indicator and component of the variable element of Directors' remuneration arrangements. The full calculation can be found in Supplementary note viii.

Equity raise

In November 2021, we successfully raised gross proceeds of £175 million through an equity placing that was substantially oversubscribed.

A total of 67.3 million new ordinary shares were issued at a price of 260.0p per share, representing a discount of 3.0% to the previous day's closing share price.

The net proceeds after issue costs of £170.2 million were deployed within three months to acquire income producing assets as set out in the Property review.

Dividend

Throughout the year, we have continued to declare quarterly dividends and offer shareholders a scrip alternative to cash payments. The dividend remains well covered by EPRA earnings and our policy of paying a sustainable and progressive dividend remains unchanged.

In the year to 31 March 2022, the Company paid the third and fourth quarterly dividends for the year to 31 March 2021 and the first two quarterly dividends for the year to 31 March 2022, at a total cost of £81.7 million or 8.85p per share as reflected in note 7 to the financial statements. The Company issued 1.7 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £4.2 million to £77.5 million.

The first two quarterly payments for the current year of 4.4p per share were paid as a Property Income Distributions (PIDs) in the year. The third quarterly dividend of 2.2p was paid as a PID in April 2022 and the Company has approved a fourth quarterly payment of 2.65p in July 2022, of which 1.15p will be a PID.

The total dividend payable for 2022 of 9.25p represents an increase of 6.9% 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 2022; and
- The outlook for 2023.

At the year end the Company had distributable reserves of £1,136.7 million (2021: £1,006.7 million), providing substantial cover for the dividend payable for the year.

When required and at least six monthly, the Company receives dividends from its subsidiaries which increase distributable reserves.

Portfolio valuation

Our portfolio including share of joint ventures grew by over £1 billion or 39.0% in the year to £3.6 billion 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	2022 £m	2021 £m
Opening valuation	**2,500.6**	**94.4**	**(11.4)**	**2,583.6**	2,346.5
Acquisitions[1]	**457.5**	**–**	**–**	**457.5**	212.4
Developments[2]	**88.9**	**–**	**–**	**88.9**	38.1
Capital expenditure[3]	**16.0**	**1.1**	**(1.0)**	**16.1**	12.2
Disposals	**(165.8)**	**(18.6)**	**–**	**(184.4)**	(199.3)
Revaluation	**615.2**	**19.7**	**(2.7)**	**632.2**	173.7
Property portfolio value	3,512.4	96.6	(15.1)	3,593.9	2,583.6
Head lease and right of use assets	**4.5**	**–**	**–**	**4.5**	5.1
Closing valuation	3,516.9	96.6	(15.1)	3,598.4	2,588.7

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 movements in lease incentives on properties under development as reflected in note 9

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

We invested £457.5 million into distribution and long income assets, which included a corporate portfolio acquisition of 15 assets for £122.2 million and a distribution warehouse in Warrington let to THG for £97.0 million. We sold 21 assets generating net proceeds of £199.8 million at share and reducing the book value of property by £191.6 million (including the cost of lease incentives written off for the Group of £6.7 million and its share of joint ventures of £0.5 million). The disposals included our last four residential flats at Moore House for £2.4 million (£1.0 million at share). We also exchanged to sell assets totalling £21.2 million and to acquire assets for £72.4 million in the year. These transactions will be accounted for on completion next year.

Four disposals which generated net proceeds of £15.2 million and three acquisitions for £35.7 million had exchanged last year.

Property values increased by £632.2 million this year, driven by yield compression, rental growth and management actions, largely on distribution assets.

The portfolio has delivered a strong total property return of 28.2%, significantly outperforming the IPD All Property index of 19.6%, with distribution assets again delivering the largest increase of 31.1%. A breakdown of the property portfolio by sector is reflected in the table below.

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Mega distribution	**425.2**	**11.8**	351.9	13.6
Regional distribution	**665.3**	**18.5**	483.5	18.7
Urban logistics	**1,551.5**	**43.2**	941.9	36.5
Distribution	**2,642.0**	**73.5**	1,777.3	68.8
Long income	**785.3**	**21.8**	629.4	24.3
Retail Parks	**70.6**	**2.0**	73.9	2.9
Offices	**27.3**	**0.8**	41.1	1.6
Investment portfolio	**3,525.2**	**98.1**	2,521.7	97.6
Development[1]	**67.8**	**1.9**	59.8	2.3
Residential	**0.9**	**–**	2.1	0.1
Property portfolio value	**3,593.9**	**100.0**	2,583.6	100.0
Head lease and right of use assets	**4.5**		5.1	
	3,598.4		2,588.7	

1 Represents 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%) at 31 March 2022. Split of prior year comparatives was urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%)

£3.6bn portfolio

Chart removed

Urban logistics

43.9%

1	Urban Logistics	43.9%
2	Regional Distribution	18.9%
3	Mega Distribution	11.8%
4	Long Income	22.5%
5	Retail Parks	2.0%
6	Offices & Residential	0.9%

* Including development, based on value

Assisted by strong capital growth and net acquisitions, investment in our preferred sectors of distribution and long income has increased further to 97.1% from 95.3% in March 2021, with our distribution exposure increasing from 70.8% to 74.6%.

Having completed our developments at Bedford and Tyseley in the year, our development exposure remains modest at 1.9% of the portfolio and includes forward funded acquisitions in Huntingdon and Preston of £23.7 million as well as urban developments in London of £30.1 million.

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	2022 £m	2021 £m
Gross debt	**1,053.7**	877.0
Cash	**54.3**	54.6
Net debt	**999.4**	822.4
Loan to value[1]	**28.8%**	32.3%
Cost of debt[2]	**2.6%**	2.5%
Undrawn facilities	**245.0**	170.5
Average debt maturity	**6.5 years**	4.2 years
Hedging[3]	**71%**	45%

1 LTV at 31 March 2022 includes the impact of sales and acquisitions that exchanged in the year and will complete next year of £21.2 million and £72.4 million respectively (2021: £15.2 million and £35.7 million respectively), and excludes the fair value debt adjustment of £2.2 million (2021: £2.5 million) See Supplementary note xviii for detailed calculations

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

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

Net debt has increased by £177.0 million in the year to fund net property acquisitions and our development programme. Loan to value has fallen to 28.8% (2021: 32.3%) and our average debt cost remains low at 2.6% (2021: 2.5%).

We completed four new unsecured debt facilities in the year totalling £930 million, comprising a £380 million private debt placement, two revolving credit facilities for £400 million and a new £150 million short term facility.

The private placement and revolving credit facilities replaced existing short dated debt, which was partly unsecured, allowing us to increase debt maturity to 6.5 years from 4.2 years at the start of the year despite the passage of time, as well as our flexibility to execute transactions.

As part of the £380 million private debt placement, we agreed a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. Post year end, expenditure has been allocated to this green tranche. The green notes were priced two basis points inside the equivalent non green 15 year tranche and represented the first of its kind announced by a UK REIT.

A review of our financial performance

Financial review

The two revolving credit facilities also incorporate a green framework and preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. These targets will be tested following the announcement of these results and are expected to be achieved. Margin savings will be added to funds allocated for charitable giving. We have recently agreed the first one year extension for these two revolving credit facilities.

Our most recent credit facility for £150 million was drawn immediately to fund acquisitions.

The new credit facilities in the year are all on a SONIA basis and in January 2022, we transitioned our MIPP joint venture loan from a LIBOR to a SONIA basis with minimal impact on pricing and cost.

At 31 March 2022, the Group had headroom available from undrawn facilities and cash balances held of £299 million, providing ample cover for its contracted capital commitments of £127.4 million and optionality for further investment opportunities.

The Group has comfortably complied throughout the year with the financial covenants contained in its debt funding arrangements and has substantial levels of headroom within these. Covenant compliance is regularly stress tested for changes in capital values and income. The Group's unsecured facilities and private placement loan notes, which together account for 92% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2022, the Group's gearing ratio as defined within its private placement and RCF funding arrangements was 39%, which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 5.2 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 49% and rents by 64% before banking covenants are breached.

The Group's policy is to de-risk the impact of movements in interest rates by entering into hedging and fixed rate arrangements. Following the refinancing this year, the proportion of debt hedged by fixed coupon private placement facilities and existing fixed rate debt has increased to 71% (2021: 45%).

We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

Cash flow

During the year, the Group's cash balances decreased by £0.1 million as reflected in the table below.

For the year to 31 March	**2022 £m**	2021 £m
Net cash from operating activities	**119.5**	99.6
Net cash used in investing activities	**(367.2)**	(46.4)
Net cash from/(used in) financing activities	**247.6**	(83.6)
Net decrease in cash and cash equivalents	**(0.1)**	(30.4)

The net cash inflow from operating activities of £119.5 million reflects an increase of £19.9 million compared to last year, which was due to increased net rents received and changes in working capital.

The Group spent £500.6 million acquiring property in the year and received net cash proceeds of £189.7 million from property disposals and joint ventures. Capital expenditure on asset management, developments and other investments cost the Group £56.3 million.

Cash inflows from financing activities reflect new borrowing of £188.0 million and net proceeds from the equity raise of £170.2 million, offset by dividend payments of £77.5 million, financing costs of £30.8 million and share purchases and awards of £2.3 million.

Further detail is provided in the Group cash flow statement.

Average debt maturity

Chart removed

6.5 yrs

1	Debt expiring within 0-2 years	23%
2	Debt expiring within 3-10 years	50%
3	Debt expiring 10+ years	27%

Total facilities

Chart removed

£1.3bn

1	Private Placement	51%
2	Unsecured facilities	42%
3	Secured SWIP fixed rate debt	5%
4	MIPP joint venture	2%

Responsible Business and ESG review

Overview of Responsibility 50
Environment 52
Society 58
Governance and TCFD disclosure 65

Image removed

Our Responsible Business activities are embedded into our investment, asset management, development and corporate activities and aim to deliver on our ESG targets. We work with all our stakeholders to bring benefits to society more widely.

Martin McGann
Finance Director & Responsible Business Board representative

Our sustainability performance

Responsible Business and ESG review

Our Responsible Business activities aim to address the material ESG risks and opportunities that impact our business.

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 assets based on environmental attributes.

Our Responsible Business framework guides us in mitigating climate change 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 with a policy in place and ESG targets set every year.

Progress against targets is monitored at Working Group meetings held several times a year and attended by key business representatives, a Board member and our external sustainability advisor.

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.

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.

Key progress in 2022

- Material improvement in portfolio's EPC rating and a number of environmental initiatives implemented
- Carbon offset strategy formalised and climate risk assessment undertaken
- 100% of main developments BREEAM Very Good/Excellent
- Significant reduction in embodied carbon seen on developments

Read more on pages 52 to 57

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.

Key progress in 2022

- Green debt financing completed post year end and reporting obligations met
- Strong occupier feedback from survey
- Continued high staff satisfaction levels from employee survey
- Continued charitable and local community focus

Read more on pages 58 to 64

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.

Key progress in 2022

- Full TCFD compliance and climate risk governance gap analysis undertaken
- 100% compliance by contractors with our contractor development checklist
- Health and safety audits undertaken on projects
- Annual contractor compliance audit

Read more on pages 65 to 69

Our sustainability benchmarking, targets and financing

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

External benchmarking

Logo removed

Maintained our Green Star

Achieved a score of 65% in the 2021 Global Real Estate Sustainability Benchmark survey, maintaining our Green Star status. This score is up from 34% in 2014 and unchanged on the prior year.

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 and continue to be included in the index.

Logo removed

BBB rating

In the latest assessment we continued to be rated BBB, which is in line with the sector average.

Logo removed

Maintained our Gold

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

Logo removed

Improved our score

We continued to respond and improve our score over the year from D to C-, above the peer group average.

ESG targets

Targets achieved in 2022

81%

with the remainder partially achieved or in progress

Our 16 Responsible Business targets in the year focused on:

- Further reducing our energy usage, environmental improvements to our buildings and greater scrutiny on physical climate and transition risks;
- Formalising a carbon offset strategy as part of our net zero carbon framework;
- Working in partnership with occupiers to reduce their energy consumption and improve their occupational satisfaction;
- Ensuring developments are built to a high environmental standard and our supply chain acts in accordance with our procedures and policies;
- Developing community and other stakeholder relationships; and
- Climate change risks and opportunities assessment undertaken.

We made good progress against these targets with 81% achieved and the remainder partially achieved or in progress.

A full review of performance against our 2022 targets will be detailed in our separate Responsible Business and ESG report which will be made available on our website.

Many of the targets remain relevant for next year and will be rolled forward with modifications to further align with our Net Zero Carbon framework. Once set, these updated targets will be available on our website.

Green financing

Sustainability linked refinancing

£450m

Over the year, we completed significant debt refinancings across our debt facilities.

£50 million of Green Notes

As part of a £380 million private debt placement with UK and US investors, a £50 million green tranche was put in place with a 15 year term maturity. This tranche is subject to a green framework under which spend has been allocated to buildings which have high sustainability standards.

The green notes were priced two basis points inside the equivalent non green 15 year tranche.

£400 million of new revolving credit facilities completed with a green framework

Simultaneously with the completion of the private placement, we completed two new revolving credit facilities totalling £400 million.

These facilities have a green framework 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 focus on:

- Improvements in EPC ratings;
- Renewable installations; and
- Developments meeting a minimum BREEAM Very Good standard.

The pricing of the facilities is subject to a two basis point adjustment for compliance/non compliance with the Targets which is tested 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 charity giving.

We continue to look at further green financing facilities.

Responsible Business and ESG review

Environmental

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.

Net Zero Carbon

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 the previous year, we formalised our Net Zero Carbon Framework through internal workshops and adviser input. Net Zero Carbon is a rapidly evolving area and, during this year, as well as preparing to be fully Net Zero from our operations in 2023, we also analysed the Net Zero potential across several assets.

Climate risk

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

Net Zero Carbon ('NZC') ambitions:

1. Our operations will be net zero by 2023*
2. We will continue to reduce emissions from developments which will be fully net zero by 2030**
3. We will work with our occupiers to ensure our buildings are net zero by 2035***

* Encompasses Scope 1,2 and 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

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

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

Climate risk assessment

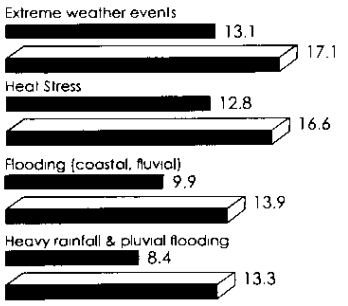
As covered in more detail on pages 67 to 68, we undertook an assessment of our climate-related risks, assessing our resilience to these risks at the portfolio and asset level.

For the portfolio, 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.

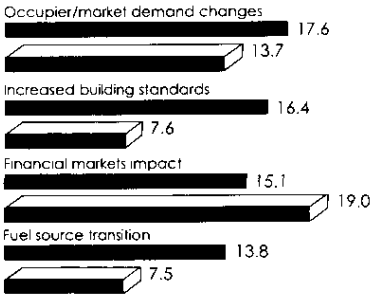
The table below shows that under the less extreme scenario (RCP4.5), transition risks are the most significant, whereas under the more extreme scenario (RCP8.5), physical risks are the most prevalent.

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.

Physical risks (risk scoring on key risks)



Transition risks* (risk scoring on key risks)



IPCC RCP4.5 global emissions scenario (1.7-3.2°C of warming by 2100)

IPCC RCP8.5 global emissions scenario (3.2-5.4°C of warming by 2100)

* 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

1

Our operations will be net zero by 2023*

Our operations will be NZC by 2023, with all residual carbon offset.

Our environmental performance

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 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, along with 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 726 MWh despite the portfolio's area increasing by nearly 60% over that period. In the year, consumption fell by 33% from 1,081 MWh to 726 MWh.

Excluding void assets, consumption fell by 10% over the year from 664 MWh to 599 MWh and, on a like for like basis, consumption was 8% lower.

The high level of green tariff supplies now in place have seen our GHG emissions remain low at 1tCO_2e per £million net income or 5tCO_2e per million sq ft.

With only a small proportion of the portfolio now 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 operational Net Zero in 2023, we put in place a carbon offset strategy as described below.

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

NZC – Progress to date

- **92% reduction** in absolute energy consumption since 2015.
- **100% of our landlord supplies** from renewable sources.
- **Significant like for like energy reductions**, mainly from external LED lighting replacement programmes.
- **Nearly eliminated** landlord water, waste and gas consumption.

NZC – Future actions

- **Extract further energy efficiencies** across our estate where there is landlord consumption, extending smart metering coverage.
- **Ensure energy supplies are from renewable sources** (including for void assets) aligned to industry procurement best practice.
- **Look to install solar PVs** to meet our direct electricity consumption and explore PPA opportunities.
- **Offset all residual carbon** through recognised offset schemes.

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		●

Energy consumption (MWh)

Chart removed

Carbon offset strategy

During the year, we considered the best way to offset residual carbon that cannot be mitigated. We looked at both our near term and medium term needs and concluded that we should adopt a carbon removal scheme with long lived storage that is in line with the Oxford Principles for Net Zero Aligned Carbon Offsetting, achieving the Gold Standard accreditation.

Looking forward, there is a risk that the price of carbon credits will rise and so we recognise that we should fully consider insetting schemes where we take active control of carbon credits as opposed to an 'off the shelf' package.

Therefore, in addition to looking at commercial opportunities, we will review the International Carbon Reduction & Offsetting Alliance (ICROA).

Responsible Business and ESG review

Environmental

Environmental performance highlights for 2022

Energy consumption

-8%

Over the year on a like for like basis

Energy consumption fell 8% to 171MWh on assets that were owned during both the 2020/21 and 2021/22 periods. The reductions can be attributed to the ongoing asset upgrades to incorporate energy efficiency measures. Absolute energy consumption across the whole portfolio decreased by 33%.

Greenhouse gas (GHG) emissions

-16%

Over the year on a like for like basis

Emissions fell by 16% on assets that were owned during both the 2020/21 and 2021/22 periods. All of these assets have a renewable energy tariff and so market based emissions is $0tCO_2e$.

Absolute emissions have decreased overall from $47tCO_2e$ to $40tCO_2e$.

Sources of greenhouse gas emissions[3]		2021/22		2020/21	
		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	**16**	**16**	12	12
Void Energy	Void asset gas	**5**	**5**	31	31
Fugitive emissions	Refrigerant emissions	**De minimis**	**De minimis**	De minimis	De minimis
Scope 2					
Energy	Landlord-controlled electricity	**34**	**15**	62	20
Void Energy	Void asset electricity	**36**	**23**	70	42
Scope 3					
Energy	Transmission and distribution losses	**11**	**0**	17	0
Tenant Energy	Landlord-obtained energy sub-metered to tenants	**60**	**0**	66	0
Travel	Emissions from employee business travel for which the company does not own or control	**4**	**4**	3	3
Total		**166**	**63**	260	108
Total (Ex voids)		**131**	**40**	190	66
Intensity (Scope 1 & 2)					
tCO2e/£m net income after administration costs		**0.79**	**0.51**	1.66	1.00

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 were used

2 For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for, resulting in a significant reduction in the Company's carbon footprint in practice

3 Disclosed emissions are 100% UK based

Data qualifying notes

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

Data for the year to 31 March 2020/21 has been restated, including associated intensity metrics, as additional energy consumption data has been obtained since the previous report was published.

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 were used

For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for, resulting in a significant reduction in the Company's carbon footprint in practice.

Emissions from employee business travel (by vehicle) have been calculated and reported under Scope 3 emissions for the second time. 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.

2

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

We will reduce emissions from developments and offset residual carbon to ensure developments are fully NZC by 2030.

Percentage of developments completed that were BREEAM Excellent

100%

Our development performance

Our development activity continues to focus on building highly efficient buildings. All of our main completed developments in the year were certified as BREEAM Excellent.

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.

At Bedford Link, we have seen progressive reductions in embodied carbon over each of the development phases. We applied learning from the initial phase of construction to the second and third phase of the project which totalled 0.5 million sq ft.

This resulted in a 27% reduction in carbon across the final phase compared to the first phase.

As part of our letting of the second and third phase, we have installed 450 kWp of solar PV capacity as part of tenant incentive arrangements. This is beneficial in enabling the unit to achieve EPC A+ as well as NZC in operations. Across the completed units at Bedford, we have installed energy monitoring systems to allow us to monitor energy performance post construction and are reviewing performance.

In the year, and in line with our shadow pricing initiative, the carbon offset cost associated with the second and third phase at Bedford Link has been re-invested into green initiatives on the portfolio.

* 1 Offset through recognised offset schemes
2 Initiatives across LondonMetric's portfolio that reduce either landlord or occupier operational carbon

NZC – Progress to date

Measuring embodied carbon, with significant reductions seen since 2019 on our phased Bedford Link project.

Encouraging refurbishment instead of redevelopment.

Challenging supply chains to minimise waste and select low carbon materials.

Minimum BREEAM Very Good target and, where possible, looking to demonstrate operational NZC ready buildings.

NZC – Current and future action

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 such that carbon is either offset or an equivalent value is reinvested into green initiatives.

Carbon reduction at Bedford Link

Image removed

Through on-site reduction measures and material specification amendments to more carbon friendly methods, we have achieved a 27% reduction in carbon across the last phase of our Bedford Link development. Carbon reductions have been achieved mainly from better selection of steel and plasterboard supplies.

The percentage of recycled materials has increased across the phases. The first phase saw c.15% of recycled materials used and this has increased to 23% on the last phase.

Similarly, whereas we achieved a c.15% improvement on Building Emission Rates against Building Regulations on the first phase, on the last phase we achieved a 25% improvement.

Responsible Business and ESG review

Environmental

3

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

We will assist our occupiers to help them meet their NZC targets and focus on providing NZC ready buildings. From 2035, we will aim to offset occupier residual carbon.

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 EV charging points all of which we consider as part of leasing and regears to enhance our properties, extend their economic life, increase occupier contentment and ultimately allow 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 questions, 82% of those that responded reported that they have now installed LED lighting in their buildings, compared to 73% in last year's survey. Our own analysis suggests that occupier energy consumption can be reduced by up to 40% and EPC ratings improved from an E to as high as a B just as a result of LED lighting upgrades.

We will use the survey results to help our continual efforts to engage with our occupiers on environmental improvements.

EPC rating of portfolio

We are conscious of the regulatory changes to EPCs and are actively targeting a minimum C rating on all assets.

85% of our assets have an EPC rating of 'A'-'C', which is up materially 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 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.

BREEAM rating and solar PV

The proportion of assets built to a BREEAM Very Good or Excellent standard is currently 26%, which is up from 10% in 2015 and unchanged on last year. This is expected to increase further to over 29% once current developments are complete.

In the year, 0.9MWp of solar PV was added which increased our built solar capacity across the portfolio to 3.4MWp.

Net Zero Carbon in operation

As part of progressing our NZC targets, we are increasingly focused on understanding how we can increase the number of NZC ready buildings that we own. In the year, we undertook NZC assessments on several assets.

An important part of this focus is measuring emissions from all of our occupiers and, in the year, we increased occupier energy data coverage from 43% to 59%. It is encouraging to see a much greater interest and willingness to engage from occupiers on how we can help them to become NZC in operation.

EPC	2022	2021
A	29.5%	23.3%
B	17.6%	28.5%
C	37.7%	22.2%
D	9.7%	10.5%
E	2.7%	2.6%
Below E	0.0%	0.0%
Unknown/Expired	1.1%	12.9%

NZC – Progress to date

Upgrading quality of our assets through investment and development activity, owning more energy efficient buildings.

Improving buildings' energy efficiency through refurbishment and better internal fit out such as LED lighting and sensors.

Engaging with occupiers to understand their energy usage in our buildings and how we can assist in reducing their carbon footprint.

Implementing solar PV installations and EV charge point opportunities.

NZC – Future actions

Measure emissions across all of the portfolio by increasing occupier data coverage (where possible through green leases) and estimating where data is unavailable.

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.

Continue to progress renewable, EV and battery storage opportunities with occupiers.

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

Improving the quality of our assets

With a portfolio aligned to distribution, our assets have a much lower carbon intensity than other real estate such as offices, residential and shopping centres. As we have significantly increased our urban logistics exposure, our asset base has moved away from larger and newer big box logistics to well located but typically older urban 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 completely redeveloping the asset, which also reduces LondonMetric's embodied carbon emissions.

We also see investment activity as a key way of upgrading our assets. Through our acquisition process and disposals analysis we factor in environmental considerations.

BREEAM Very Good/ Excellent standard

29%

of portfolio (including developments underway) up from 10% in 2015

Occupier Energy Data collected on

59%

Image removed

Solar PV installations

In the year, 0.9MWp capacity of solar PV was installed taking our total portfolio solar capacity to 3.4MWp. A third of this added capacity related to a 300kWp installation in Milton Keynes which we funded and where, under the arrangement with the occupier, LondonMetric will receive an income strip for the remainder of the lease.

We are looking at further solar opportunities at several of our current developments as well as across our existing estate.

Image removed

Improving energy efficiency at Bicester

We continue to improve buildings through accretive expenditure. At our 30,000 sq ft asset in Bicester (opposite), following the occupier vacating, we refurbished the warehouse to an enhanced specification, including removal of gas heating, installation of electrical mechanical ventilation cooling and heating, air source heat pump and improvements to roofing and office space. As a result, the EPC rating improved from a C to an A. Installation of a solar PV system would allow the building to be Net Zero.

Image removed

EV car charging

As we recognise the growing importance of EV charging, we signed an EV partnership deal with Motor Fuel Group which will see a programme of Ultra-Rapid 150kWh charging hubs installed across a number of our assets.

In addition, we continue to install EV charging points on new developments and properties where we are undertaking significant asset management activities.

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 to 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.

Fluvial/coastal flood risk level	% of assets by value
High risk	1%
Medium risk	15%
Low risk	84%

Responsible Business and ESG review

Social

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

1
Occupiers
We work closely with our occupiers to create high occupational contentment

2
People
Our team of 35 employees is critical to our success and delivering on our strategy

3
Contractors and Advisers
We rely on the support of a diverse group of contractors and advisers

4
Investors
Strong relationships with our investors are critical to us accessing capital efficiently

5
Communities
Supporting local communities and charitable causes is highly important to us

Image removed

1 Occupiers

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. Following surveys in 2018, 2019 and 2021, we undertook a further survey in March 2022.

Responses were received from occupiers representing 42% of our income and the feedback continued to be strong with an average score of 8.5 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord.

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

> Our occupier relationships are crucial to the success of LondonMetric. We work closely with our occupiers to understand their requirements and our ambition is to be their real estate partner of choice.

Mark Stirling
Asset Director at LondonMetric

Image removed

Occupier survey (March 2022)

138 of our occupiers were surveyed, representing 81% of rent. Responses were received from 55 occupiers representing 42% 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 asked specific environmental questions and for some occupiers we asked enhanced environmental questions that went into greater detail about their property.

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

Recommend LondonMetric as a landlord

Chart removed

Average
8.5/10

We scored an average of 8.5 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord. For our top 10 occupiers, the average was higher at 9.1, which is in line with our 2021 score.

Satisfaction with our properties

Chart removed

Average
8.3/10

We scored an average of 8.3 out of 10.0 for satisfaction with our properties. This score was in line with the 2021 result.

Responsible Business and ESG review

Social

2 People

Our people are critical to the success of the Company

The Company is highly focused with 35 employees and seven Non Executive Directors. Since merger in 2013, employee and Director 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:

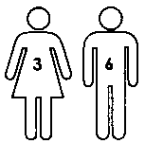
- Culture of empowerment, inclusion, openness and teamwork;
- Fair and performance based remuneration; and
- Small number of staff, which allows a flexible and individual approach.

How we continue to improve our approach to our people

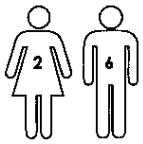
Inclusion and communication	We have a flat management structure with clear responsibilities. We strongly encourage input on decision making from all staff and wide participation in committee meetings. There is strong collaboration across teams which enables good sharing of information and ideas. Regular strategy and performance updates are provided to employees from the Executive Directors.
Working practices	We have implemented more flexible working arrangements covering dress code, holiday buy back, improved systems to enable home working and a core hours policy.
Fair remuneration	Employee remuneration is aligned to personal and Company performance with longer term incentivisation plans in place that replicate arrangements for Executive Directors. All employees receive a pension contribution of 10% of salary, medical insurance with access to childcare and cycle to work vouchers. In the year, we put in place a company car scheme with Tusker which allows employees to access electric and hybrid vehicles.
Diversity and equal opportunity	We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Our female Board representation is now 33% and, in the year, we made several female appointments in our property team including a recent graduate who we are now supporting as she gains her relevant real estate qualifications. Recognising the significant diversity imbalance in the real estate sector, we continue to support the Real Estate Balance group to further promotion of diversity both internally and externally.
Employee development and training	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.
Health and safety	In 2016, we formalised a policy to provide and maintain safe and healthy working conditions for all employees, providing appropriate equipment, workplace assessments, operational processes and safe systems of work. See page 65 for further details on health and safety.
Wellbeing and employee satisfaction	Over recent years, we have significantly reduced our office space, undertaken a major office refurbishment and modernisation, as well as carried out a wellbeing review of our office and employees. The results of our 2022 employee survey are shown on the next page and reflect continued high levels of employee satisfaction. Andrew Livingston, the Company's designated workforce Non Executive Director, continues to be closely involved in monitoring employee satisfaction.

Employee gender diversity

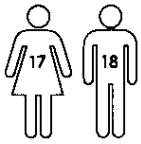
Directors
The number of Directors by gender:



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



All employees
The number of employees by gender:



Overview of satisfaction survey

In February 2022, we undertook our fifth annual employee survey to track changes in staff satisfaction.

In total, we asked 40 questions receiving responses from all employees on an anonymous basis. The survey focused on three key areas being: the company; the working environment and the individual. In total we had 30 responses across the organisation with an engagement of 94%.

Results of survey

Overall the survey was very positive with 100% of employees responding that they continue to enjoy working at LondonMetric.

Employees remain highly supportive of the Company as a whole and, in the year, we saw the highest scores in:

- They have confidence in the decisions made by the senior management team (score of 93%); and
- They feel informed on relevant business activity to do their job (score of 90%).

In terms of home working, the office continues to be seen as a desirable place of work with the office environment getting 83% positive feedback. 100% of respondents confirmed they valued flexible working.

The company has been very successful in getting everyone back into the office and have enjoyed the benefits this brings. Overall, we believe we are stronger together, but people are empowered to work from home where it is good for the business.

Board consideration

Andrew Livingston is the designated workforce Non Executive Director.

In the year, he considered the survey results and held an informal session with a select number of employees from different areas of the Company to discuss the survey feedback and wider employee thoughts in more depth.

Andrew updated the Board on the survey results and feedback from the session.

Image removed

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

Chart removed

Responsible Business and ESG review

Social

3 Contractors

Contractor compliance

100%

with our Responsible Development Requirements checklist

Our Responsible Procurement Policy

This 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.

Managing Agents and other suppliers

Managing Agents are an important part of the supply chain on our assets where there are multiple occupiers in place. We select a few and 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.

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.

We also rely on many other adviser relationships as part of our activities.

Responsible development at Weymouth

As part of our responsible development at Weymouth where we are building out the second phase totalling 51,000 sq ft of NNN Retail space, our development teams and contractors have incorporated a number of ecological initiatives into the development.

A specialist ecology team visited the site 67 times during the summer of 2021, during which a total of 368 slow worms, 11 common lizards and 4 grass snakes were captured and relocated by hand to a receptor area. This also included the construction of hibernacula to provide a reptile suitable environment and the creation of a meadow mix and tussocky grass. A small number of mammals including shrews, voles and wood mice were also relocated.

Where trees were removed, the timber has been retained on site in the ecological areas to create habitats with replacement trees planted. Further biodiversity enhancement works undertaken during the development of the site include the installation of bird and bat boxes, insect nesting boxes and hedgehog domes with log piles and compost heaps to enhance the natural environment for wildlife.

Surface water is now channelled into swales and a new open pond that was formed in discussions with the local authority to enhance the ecological environment but also to provide resilience to flooding and climate change.

Image removed

4 Investors

Equity investors met during the year

c.250

shareholders, analysts and potential investors

Equity Investors

We value our good relationships with our shareholders.

Over the year, as covered in detail on pages 109 to 111, we met with c.250 equity investors through individual and group virtual meetings. Feedback remains very supportive of our strategy and there has been an increasing focus from equity investors on ESG matters.

As Covid-19 restrictions have now been fully lifted, this is allowing us to undertake more face to face meetings, conferences and site visits.

In addition to our regular investor contact during our half and full year reporting periods, we undertook extensive pre-marketing ahead of our £175 million equity placing in November 2021.

The fundraising was very well received and supported which allowed the placing to be priced at a tight discount with a strong aftermarket following completion of the raise.

Investor ESG survey

As shareholder expectations on corporate governance and sustainability increase, we continue to engage with our investors on ESG matters.

In the previous year, we undertook our second ESG survey of investors, following on from our previous survey in 2018. In the 2021 survey, we engaged with our top ten investors representing nearly 40% of our shareholder register and shared our Net Zero Carbon framework with them. Feedback was very positive with our ESG performance to date seen as either good or very good and our disclosure in line with expectations. We will undertake our next survey at the start of 2023.

Following on from feedback from the last survey and subsequent follow up discussions, we have decided to provide a summary of our compliance with CDP reporting in our upcoming Responsible Business Report.

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.

In the year, we completed a £780 million debt financing which involved five banks and 11 other debt investors. The refinancing added six new lending or debt investor relationships with most of our existing lending base actively involved. As set out in more detail on page 51, for the first time, we incorporated a green framework in respect of £450 million out of the £780 million refinanced. We have complied with reporting requirements under the green framework and will complete our compliance reporting over the coming months.

In addition, we completed a further £150 million short term debt facility, which was drawn immediately, to fund acquisitions. We also continue to engage on further green financing opportunities.

North Circular, Brent Cross, investor site visit (2022)

As part of a conference organised by one of our brokers, we recently undertook an investor site visit for c.15 investors to an asset that we had recently purchased near Brent Cross, London.

The 18,000 sq ft warehouse visited is let to Jacuna and will accommodate up to 37 dark kitchens once operational. In addition to a walk round the unit, an update was provided on LondonMetric's urban acquisition and redevelopment strategy, with Jacuna also presenting their strategy and business.

The visit was very well received with good feedback on Jacuna, the dark kitchens concept and LondonMetric's innovative approach to accessing this market.

As part of the conference, LondonMetric's CEO also hosted a discussion on listed property companies with a panel of fund managers, all of whom are shareholders.

Image removed

Responsible Business and ESG review

Social

5 Communities

We recognise the importance of supporting our local communities and engaging with all local stakeholders. Our published Communities 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. LondonMetric aims to allocate £100,000 per year for charitable giving.

At the start of the year, we set out a four pillar plan to allocate that money, which consisted of a budget for:

- Employees to either support a charitable cause of their choice or receive funds to match their own charitable activity;
- Development linked giving, supporting causes near our development activity;
- Occupier or asset related giving, supporting causes in conjunction with occupiers or near our local assets; and
- Specific causes identified at a corporate level.

Over the year, we spent £66,766 on charitable and local community initiatives. Further donations in respect of our 2022 charitable allocation are in process.

Highlight charitable activity in the year

Logo removed

As part of our development at Bedford Link, we contributed £12,000 to the Forest of Marston Vale, a community forest between Bedford and Milton Keynes. Along with our development contractor, we funded various works to improve footpaths, signage and seating on Marston Vale land that adjoins our development.

Logo removed

We continue to support LandAid and contributed £10,000 to LandAid in the year. Our participation in various LandAid initiatives allowed us to become a Foundation Partner. Most notably, 85% of our employees participated in LandAid's Steptober event, taking 5.1 million steps for the challenge. We also were active in LandAid's 'Live and Work' Village project (see below).

Logo removed

As part of our focus on youth and inclusion, five employees from different areas of our business hosted an online teach in for senior school pupils. The event was organised by Speakers for Schools and we had a number of children from different schools join the event to better understand what property companies do, what LondonMetric's focus is and how they can start a career in the property industry.

Logo removed

Throughout the year we donated £6,000 to food banks in communities local to our assets and people including in Kingston, Tyseley, Weymouth and Dagenham. As the cost of living challenge grows, we will continue to support a number of foodbanks.

Logo removed

In support of the Ukraine humanitarian crisis, we donated £15,000 including to the Goods for Goods charity which set up a UK Humanitarian Aid Hub at one of our occupier's warehouses in Northampton.

Logo removed

We continue to support employee chosen charitable causes, including Macmillan Cancer Support and football kits for young teams.

Logo removed

This year, we commenced support for Project Turn-Over, a charity that supports 'at risk' youth groups via three month programmes combining rugby, sports and life skills. They help children return to school full time as well as young adults access job opportunities.

St Basils 'Live and Work' Scheme

St Basils works with valuable support from LandAid to prevent youth homelessness. It offer apprenticeships and affordable rents to young people in the West Midlands area.

Our asset manager local to the area has had close contact with the organisation and recently visited their West Bromwich facility. St Basils are currently raising funds to develop phase two of the scheme, which LondonMetric are supporting and consists of a Young Workers' Village across three further buildings on St Basils' existing site.

The refurbishment works complete in 12 months' time and will be capable of providing entirely self-contained accommodation and support for a further 54 young people.

Logo removed

Image removed

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. In the year, we appointed RP&P to undertake Covid-19 risk assessments at our offices and implemented a policy accordingly which is reviewed regularly.

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 2022

- Quarterly internal meetings
- Half yearly project audits at Weymouth and Derby
- Two reportable incidents on projects
- Zero accident rate for employees
- No health and safety prosecutions or enforcements
- Health and safety policy updated and published

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 2022, as part of our annual contractor compliance audit, we reviewed Mildren Construction, one of our key contractors in the South, to ensure that they were adhering to our requirements. A particular emphasis was placed on their compliance with our supply chain standards, including matters related to modern slavery and anti-bribery.

TCFD Recommendation and Alignment

In our previous year's Annual Report, we stated that we would aim to ensure full TCFD alignment in our 2022 disclosure. This year, we are able to confirm that our TCFD Statement, provided below, is consistent with the TCFD Recommendations and Recommended Disclosures.

Governance	
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 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 feeds back on climate-related issues facilitating proactive climate-related risk management. During Board meetings, risks are considered at a strategic level, including via a high-level dashboard which ensures that new and emerging risks, inclusive of those which are climate-related, are identified and appropriate action is taken to remove or reduce their likelihood and impact. For wider corporate governance reporting see page 88
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 risks are monitored and managed, including those which are climate-related. 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 meets once a month and is responsible for ongoing risk identification, as well as the design, implementation and maintenance of internal controls to mitigate identified risks. The Working Group supports the Senior Team in identifying climate-related risks by escalating potential risks. 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 during the year in alignment with the TCFD recommendations. This analysis, undertaken by JLL, will help us ensure that proper governance structures are in place to manage and oversee climate-related risks across the business into the future. For more information on the Audit Committee see page 124

Strategy

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

As part of the comprehensive climate risk assessment, we have identified the potential climate risks and opportunities facing our business. The table below outlines the key physical and transition risks we have identified over the short term (2022-2023), medium term (2023-2030) and long term (>2035). Our heightened understanding of our climate-related risks will enable us to robustly manage them and address their potential impact. We will be working to further improve our risk management processes in line with these findings.

Timescale	Risk	Description
Short term (2022-2023)	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.
	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.
Medium term (2023-2030)	Financial market impacts	As markets shift in favour of low-carbon solutions and climate resilience, failure to adapt could create competitive risk. Climate events could also harm market conditions.
	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.
	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.
Long term (2035 and beyond)	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.
	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.

■ Transition risks ■ Physical risks

Key opportunities have been identified as: securing premium tenants, 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. 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 and subsequently securing our long-term sustainability.

TCFD Recommendation and Alignment

Strategy continued	
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 in conducting these activities. A key aspect of LondonMetric's asset management strategy is sustainability performance improvement. We improve existing assets to make them more resilient to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy, which help to mitigate both physical and transition risks material to LondonMetric, as outlined above. During our investment process we assess flood risk, along with building fabric and the energy efficiency of assets to understand the climate and carbon related risks and costs involved in mitigating those risks. Furthermore, as we implement our Net Zero Carbon strategy, the robustness of this approach in mitigating climate-related risks will improve as we implement further efficiency upgrades, ensure energy sources are from certified renewable sources or generated renewably on-site and offset remaining consumption. As part of this strategy, we are collaborating with occupiers to assist them in mitigating their own exposure to climate-risks, through measures such as greater encouragement towards green lease agreements and improved awareness of their own practices at our assets. Whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments as part of our Net Zero Carbon strategy, which will see us undertake whole life embodied carbon assessments, minimise embodied carbon and offset remaining emissions. 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, commanding higher rents and enhancing the value of our assets. Having conducted a comprehensive climate risk assessment in the year, we are well-positioned 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 begin implementing further climate resilience planning and continue with our Net Zero Carbon 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 52
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Our strategy is to be agile in response to shifting market conditions. This approach is conducive to improving our climate resilience as the prominence of climate-related issues grow. 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 has upscaled the quality of our portfolio. Where we have acquired lower energy efficiency assets, 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. The detailed climate risk assessment we undertook in the year has resulted in a thorough understanding of our material climate-related risk and provided us with awareness of the mitigation measures required to reduce our vulnerability and exposure to these risks, which will enable us to proactively manage them. Additionally, a number of climate-related risks (transition climate risks as well as heat stress) will be mitigated as we implement our Net Zero Carbon strategy, in which we aim to reach zero carbon in operation by 2023, in development by 2030 and in tenant emissions by 2035.
Describe the organisation's processes for identifying and assessing climate-related risks	In the year, we undertook two climate-related risk exercises, carried out by JLL, applying two key IPCC RCP scenarios. 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 (2022-2023), medium (2023-2030) and long term (2035 and beyond). 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. 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. Both exercises were then used to identify robust risk management recommendations.

Risk management continued	
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 incoming tightening of EPC requirements as outlined in the Minimum Energy Efficiency Standards (MEES), we continue to proactively undertake EPC reviews across our portfolio, to ensure that the business is well prepared for the new standards. Our Net Zero Carbon 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. The climate risk assessment we have undertaken, as described above, has informed detailed risk management recommendations that we will assess over the year and look 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 70
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	The inclusion of physical climate change and transition risk 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. Over the forthcoming year, we will be looking to integrate the outputs of the climate risk assessments into our risk management framework. For responsible business risks see page 78
Metrics & targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We report in line with EPRA Best Practice Recommendations on Sustainability Reporting and issue our EPRA tables on our website: www.londonmetric.com/sustainability. We inform our stakeholders about climate-related performance by reporting on energy, carbon, water, EPC and BREEAM ratings as follows: Energy consumption - Absolute (MWh and % change) and like-for-like (% change); Scope 1, 2 and 3 GHG emissions - Absolute (tCO_2e and % change) and like-for-like (tCO_2e and % change); Water consumption - Absolute (m^3) and like-for-like (m^3); EPC - % A-C; BREEAM - % Very Good/ Excellent. Although not publicly reported, we additionally seek to maximise tenant energy (absolute MWh), water (absolute m3) and waste (tonnes) data collection to assess climate-related risks and opportunities. For EPC table see page 56
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	We disclose Scope 1, 2 and 3 greenhouse gas emissions on page 54. Emissions are compared against 20/21 to allow for comparison with the year prior and assess progress. 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. For GHG emissions table see page 54
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	16 ESG related targets were set in the year and these can be found at www.londonmetric.com/sustainability/policies-documentsreporting. Eight 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); 2) increasing renewable energy tariffs to cover 100% of landlord controlled electricity consumption; 3) putting in place a carbon offset strategy 4) tracking and upgrading environmental performance of assets including increasing the percentage of the portfolio with an EPC rating of C or above, and better understanding the potential for our occupiers to become operationally Net Zero; 5) continuing to explore renewable energy installations with occupiers; 6) increasing occupier engagement more widely, collecting more of their energy data (Scope 3); 7) Demonstrating sustainability considerations on developments, including matters relating to climate change adaptation, energy efficiency and use of low carbon material; and 8) applying higher development standards, including the targeting of a minimum BREEAM Very Good/Excellent certification on newly built assets. For target reporting see page 51

A review of our risk

Risk management

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

Our risk management approach

Our risk management structure is illustrated below.

Structure 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 and consider risk as part of 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 and viability.
- Report to the Board on the effectiveness of risk management processes and controls.

Senior Leadership Team

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

The Board's risk management responsibility

The Board has overall responsibility for establishing and maintaining a risk management framework which is critical to its decision making process and key to the long term success of the business. This framework gives the Board confidence that risks inherent in running the business are successfully being identified and mitigated to the extent possible to safeguard stakeholders' interests and achievement of the Company's strategic goals.

The Board considers risk in all the decisions it takes. A high-level dashboard is used at every meeting to monitor material issues, identify new and emerging risks and promote regular discussion of risk at Board level. The Chief Executive also provides an informative market overview at each meeting covering overarching or longer term themes and evolving trends within the sector, the wider economy and the risk environment that provides context for responsive strategic decision making. Detailed papers are provided on matters reserved for the Board's attention that highlight areas of risk and also provide the basis for discussion. Similar papers are circulated on matters requiring a decision outside of the Board's regular forum. These papers usually relate to specific investment decisions and Non Executive Directors are provided with an opportunity to discuss the proposals with the Executive Directors or Senior Leadership Team members prior to approval. Such decisions are later ratified by the Board as a whole.

The Audit Committee's oversight role

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

The Senior Leadership Team, identify, implement and monitor

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

Our risk register

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

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

How the effectiveness of the Company's risk management and internal control systems have been reviewed and the outcome of those reviews

The Board has performed a robust assessment of the principal and emerging risks facing the Group. During the year the Audit Committee carried out the following risk, internal control and thematic reviews on behalf of the Board. Based on its review and assessment, the Committee is satisfied that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings have been reported to and discussed with the Board.

Risks considered	What was considered and the outcome
January 2022	
ESG focused meeting (attended by all Non Executive 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 reporting and investor feedback on ESG matters. Members were satisfied ESG is a key focus for management and a vast amount of work is being undertaken and progress made. Key action points arising out of the meeting were circulated to attendees.
March 2022	
The Company's detailed risk register	Review of the updated register. 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. More frequent health and safety reporting was requested at Board level.
Internal controls evaluation report	Review of management's assessment of the existence and effectiveness of key internal controls. Based on their review and assessment, 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 the work undertaken and reported on by the Company's auditor.
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 satisfied themselves that this risk continues to be actively but pragmatically monitored and managed and staff training raises awareness of emerging issues and practices.
Credit analysis report	Key information on the top 20 occupiers, new tenant due diligence undertaken and ongoing credit analysis processes. Update on 'watch list' tenants. Members were satisfied management have appropriate processes in place which aren't heavily reliant on historic data. They noted that whilst concerns around rent payment due to the pandemic have waned, the current high inflationary environment will add new pressure on occupiers in the form of rising supply chain costs and consumers reducing their spending in certain areas. They were satisfied management remain vigilant to this risk particularly for potential and existing tenants who may be due material rent increases in the coming years. It was agreed that a tenant who was 75% Russian owned and not currently subject to UK sanctions at the time would be closely monitored. Subsequently, the Russian interest has been bought out freeing the tenant from any type of international sanctions. No other tenants were a cause for concern.

How the Board determines appropriate risk appetite levels

The Board establishes the extent to which it is willing to accept some level of risk in achieving its strategic goals whilst ensuring stakeholder interests are protected. It has a low risk appetite in respect of these objectives but acknowledges that no system can eliminate risk entirely.

Assessing risk appetite

Pages 74 to 85 contain details of the Board's risk appetite pertinent to each principal risk. The Board's aim is to maintain a low risk appetite overall, whilst balancing commercial considerations.

At each meeting, the Board carefully considers and debates a wide range of factors including, but not limited to market overview, political and economic risks, portfolio composition, capital markets, stakeholder sentiment and the emergence of new risks. Such 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. For example, on the major refinancing undertaken during the year the Board considered its exposure to interest rate risk taking into account factors such as the quantum and profile of fixed debt raised, forecast investment and drawn debt levels and the forward looking interest rate curve. Discussions were also held on development exposure, particularly speculative development risk following the completion and successful letting of Bedford Link and the portfolio split between distribution and long income assets.

A review of our risk

Risk management

- New
- No significant change
- Increased risk
- Decreased risk

Changes in risk appetite

After due consideration there were no material changes in risk appetite recorded during the year.

Principal risks

Our principal risks and uncertainties are identified and reported on in pages 74 to 85. 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.

Identifying emerging risk

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

From a property perspective, deep occupier relationships inform management and help them to understand tenants' needs and contentment and gain insights into tenants' 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.

Changes in risk factors

Major event

This year the new principal risk category of Major Event has been introduced. It is intended to capture 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.

The war in Ukraine falls within the above category as an emerging risk. At present it is too early to tell how long the war and resulting uncertainty will last and whether the conflict will spread. The impact on the economy and tenants of higher and longer inflation and power and supply chain disruption are also currently unknown. Our strong occupier relationships provide market intelligence and will help us to better understand the impact over time. The Board believe that a portfolio firmly placed on the right side of structural change, with more companies holding greater inventories within the UK, and granularity of income, provide a high level of resilience to any shocks.

The Board will continue to monitor events and are mindful of the increased risk of cyber attacks seeking to target the UK economy and companies in retaliation for sanctions imposed on Russia.

The Board also remain vigilant to the risks posed by Covid-19 variants but consider this risk has reduced due to the Company's experience of operating over the last two years and the efficacy of vaccines and treatments.

Brexit risk has been removed from the risk register.

Investment risk

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

1 Corporate risks

Strategy, market, systems, employees, wider stakeholders, regulatory, social and environmental responsibilities

These relate to the entire Group

2 Property risks

Portfolio composition and management, developments, valuation and occupiers

These focus on our core business

3 Financing risk

Investors, joint ventures, debt and cash management

These focus on how business operations are funded

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. More information can be found on our responsible business objectives, initiatives undertaken and progress against targets in our Responsible Business and ESG review on pages 49 to 69.

Capital and finance risk ↓

Our significant refinancing activity over the year which extended debt maturity and a successful, oversubscribed £175 million equity placing have reduced this principal risk.

Further information can be found in the Financial review on pages 42 to 48.

Post mitigation residual risk

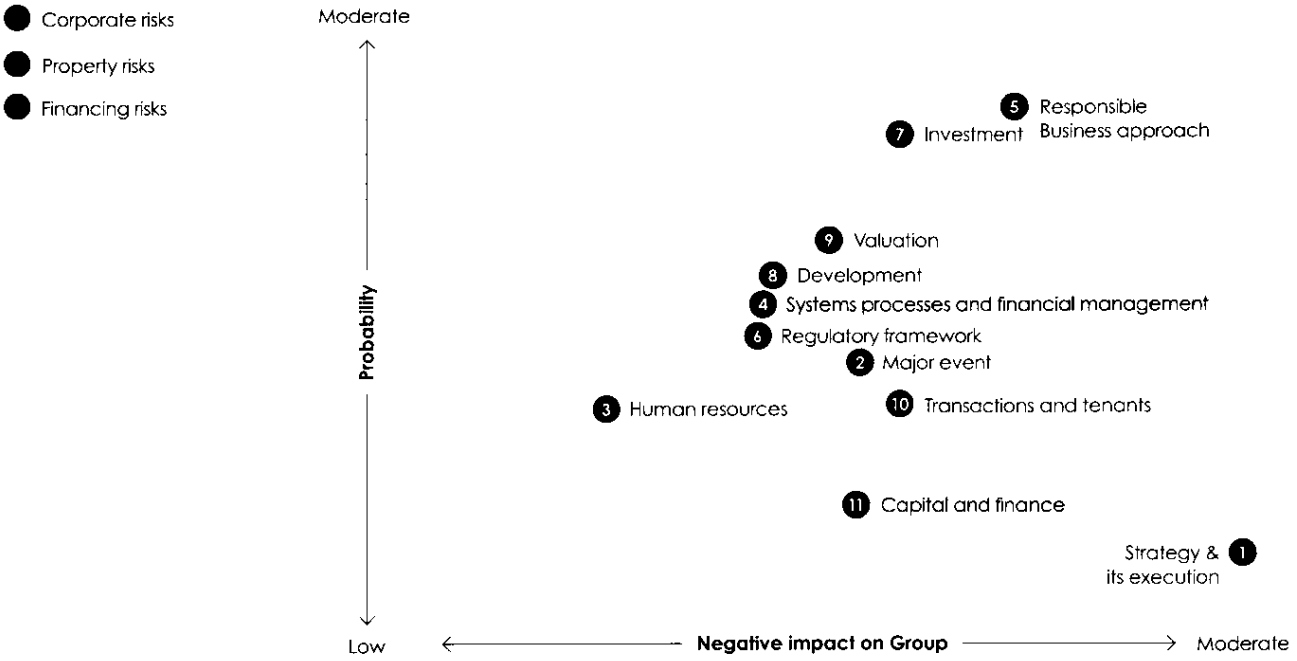
The chart below illustrates the probability and post mitigation residual risk level of the principal risks which have been identified.

They are categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting.

Read more on the future outlook in the Chief Executive's review on Page 15

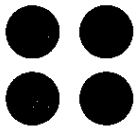
Read more on risk management and internal control in the Audit Committee report on Page 124

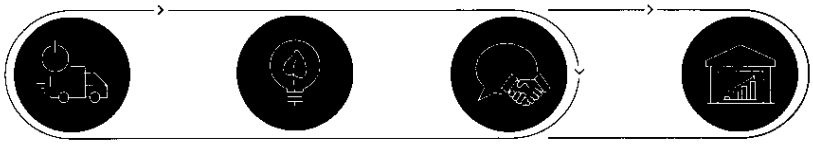
Post mitigation residual risk



Principal risks

Corporate risks

	Risk	Impact	Mitigation
1. Strategy and its execution	Strategic objectives may be: – Inappropriate for the current economic climate or market cycle – Not achieved due to external factors or poor implementation	– Suboptimal returns for shareholders – Missed opportunities – Ineffective threat management – Wrong balance of skills and resources for ongoing success **Impact on strategy** 	– 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 Senior Leadership Team 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 major decisions – We remain alert to potentially disruptive technological advancement
2. Major event	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	– Revenue impairment – Occupier demand may decrease – Asset liquidity and value may reduce – Debt markets may be impacted – Workforce resilience may be impacted **Impact on strategy** 	– We remain focused on what we can control within the business. This includes maintaining a high WAULT and low vacancy on a portfolio of well located, UK only assets in structurally supported sectors and a broad tenant base – Our strong occupier relationships provide market intelligence and help us better understand our tenants' businesses, their covenants, needs, emerging trends and risks – We limit development exposure – We have flexible funding arrangements from a diverse pool of lenders with significant covenant headroom and we regularly review financing strategy – We nurture relationships with new and existing debt and equity providers – We reforecast on a regular basis – We test our business continuity plan and seek to ensure the integrity of our IT systems and cyber security through third party specialists and training – We maintain adequate insurance cover



- Align portfolio to macro trends
- Focus on long-let property with rental growth
- Enhance asset value and cash flow
- Improve quality and sustainability of our assets
- Partner of choice mindset
- Use the team's expertise to make informed decisions
- Generate reliable, repetitive and growing income
- Deliver strong cash flows and attractive total returns

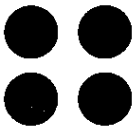
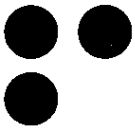
New
No significant change
Increased risk
Decreased risk

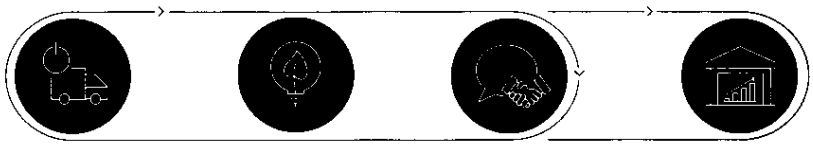
Commentary	Appetite	Change in the year
– Investor demand for distribution continues unabated attracted by the occupational demand supply imbalance which is driving rental growth. During the year we invested £432 million in predominantly urban logistics where supply is most constrained and rental growth prospects strongest, increasing our sector weighting to 44%. We also sold an older mega distribution warehouse for £102 million replacing it with a newer, more modern and better located one for £97 million and a 12 year longer WAULT – Investor demand for long income with defensive and rental growth characteristics has also intensified. Long income acquisitions let to high quality occupiers were £143 million in the year – Our dividend has increased and cover remains strong at 1.09 times EPRA earnings per share – Our property cost leakage at 1.2% continues to be low within the sector as our assets are operationally light and portfolio vacancy low	The Board continue to view the Company's strategic priorities as fundamental to its business and reputation. Its appetite for this risk is low.	**No significant change** We have continued to focus investment and asset management activity on improving the quality of our portfolio to provide reliable, repetitive and growing income whilst providing strong intrinsic value and capital protection. We anticipate no significant change in this risk over the next 12 months. Read more in Chief Executive's review page 15 Property review page 28 Financial review page 42

Commentary	Appetite	Change in the year
– 97.1% of our portfolio is weighted towards the structurally supported sectors of distribution (74.6%) and long income (22.5%) which are performing in line or significantly ahead of expectations – We are monitoring the uncertainty and impact resulting from the war in the Ukraine on our economy 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 – We remain mindful of the risks posed by Covid-19 variants but consider this risk has reduced due to our experience over the last two years and the efficacy of vaccines and treatments – Brexit risk has been removed from our risk register	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.	**New** Recent events in Ukraine have increased uncertainty and this risk. We continue to monitor the situation but have not experienced a significant negative impact to date. We anticipate this risk will remain high over the next 12 months. Read more in Chief Executive's review page 15 Property review page 28

Principal risks

Corporate risks

	Risk	Impact	Mitigation
3. Human resources	There may be an inability to attract, motivate and retain high calibre employees in the small team.	The business may lack the skill set to establish and deliver strategy and maintain a competitive advantage. **Impact on strategy** 	– 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	Controls for safeguarding assets and supporting strategy may be weak.	– Compromised asset security – Suboptimal returns for shareholders – Decisions made on inaccurate information **Impact on strategy** 	– 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 – Our property assets are safeguarded by appropriate insurance – We have safety and security arrangements in place on our developments, multi-let and vacant properties – Appropriate data capture procedures ensure the accuracy of the property database and 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



- 1 Align portfolio to macro trends
- 2 Focus on long-let property with rental growth
- 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

- New
- No significant change
- Increased risk
- Decreased risk

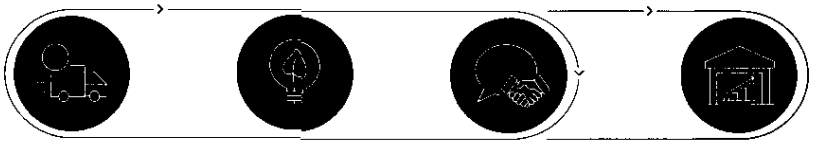
Commentary	Appetite	Change in the year
– The Senior Leadership Team promotes talent development below Board level – The appointment of Alistair Elliott, former Senior Partner and Group Chair of Knight Frank, brings significant property and leadership experience to the Board and supports longer term succession planning – We are appointing a search agency to find suitable replacements for long service Non Executive Directors – The staff survey responses were again extremely positive with respondents proud and happy to be working for LondonMetric and highly confident in the decisions being made by senior management – Our designated workforce Non Executive Director hosted a round table meeting with a cross section of employees in the year to hear their views and concerns – Staff turnover remains low at only 6% since the merger in 2013 – 60% of employees participated in the 2022 LTIP	The Board believes it is vitally important that the Company has the appropriate level of leadership, expertise and experience to deliver its objectives and adapt to change. Its appetite for this risk is therefore low.	**No significant change** There has been no significant change in perceived risk. We anticipate no significant change in this risk over the next 12 months. Read more in Employee engagement page 106 Management team page 94 Our people pages 24, 60 and 100 Nomination Committee report page 116 Remuneration Committee report page 132

Commentary	Appetite	Change in the year
– 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 upgraded and implemented additional security measures and tested our resilience to cyber attacks through penetration testing to ensure they continue to provide a strong level of protection. Compulsory cyber awareness training was also provided to all staff	The Board's appetite for such risk is low and management continually strives to monitor and improve processes.	**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 124

Principal risks

Corporate risks

	Risk	Impact	Mitigation
5. Responsible business and sustainability	Non-compliance with Responsible Business practices.	– Reputational damage – Suboptimal returns for shareholders – Asset liquidity may be impacted – Reduced access to debt and capital markets – Poor relationships with stakeholders **Impact on strategy**	– 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 Senior Leadership Team members – A Responsible Business Working Group meets at least three times a year and reports to the Board – Staff training is provided – EPC rating benchmarks are set to 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 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	Non-compliance with legal or regulatory obligations.	– Reputational damage – Increased costs – Reduced access to debt and capital markets – Fines, penalties, sanctions **Impact on strategy**	– We monitor regulatory changes that impact our business assisted by specialist support providers – We consider the impact of legislative changes on strategy – We have allocated responsibility for specific obligations to individuals within the Senior Leadership Team – Our health and safety handbook is regularly updated and audits are carried out on developments to monitor compliance – Our procurement and supply chain policy sets standards for areas such as labour, human rights, pollution risk and community – Staff training is provided on wide ranging issues – External tax specialists provide advice and REIT compliance is monitored



- Align portfolio to macro trends
- Focus on long-let property with rental growth
- Enhance asset value and cash flow
- Improve quality and sustainability of our assets
- Partner of choice mindset
- Use the team's expertise to make informed decisions
- Generate reliable, repetitive and growing income
- Deliver strong cash flows and attractive total returns

- New
- No significant change
- Increased risk
- Decreased risk

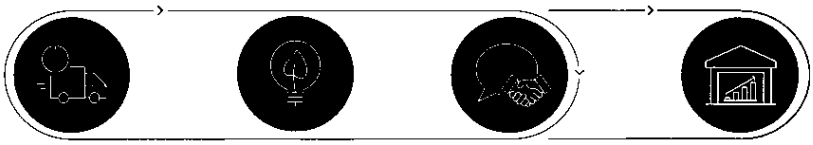
Commentary	Appetite	Change in the year
– We held meetings with c.250 investors and potential investors over the year – We continue to score well in ESG benchmarks – 29% of our portfolio by area is rated BREEAM Very Good or Excellent, an increase from 26% in 2021 – 85% of our portfolio has an EPC rating of A-C and we are targeting a minimum C rating on all assets by 2027 – Our Net Zero Carbon framework published last May sets out our ambitions to become a zero carbon business and we have undertaken Net Zero Carbon studies on various assets along with reviewing our approach to carbon offsets – Our new revolving credit facilities incorporate a green framework with a £50 million green private placement tranche also put in place – We continue to score highly in stakeholder surveys with 8.5 out of 10.0 occupiers recommending us as a landlord in our latest occupier survey – Our Communities and Charity Committee has spent £66,766 in the year – ESG targets have been embedded into the wider staff performance criteria – We have undertaken a full TCFD analysis of the Company and some of our assets to better understand how we can continue to address our climate change risks and opportunities	The Board has a low tolerance for non-compliance with risks that adversely impact reputation, stakeholder sentiment and asset liquidity.	**Increased risk** ESG significance continues to increase for stakeholders, particularly in relation to climate change. We anticipate this risk will continue to increase over the next 12 months. Read more in Responsible Business and ESG review page 49 Shareholder engagement page 109 TCFD page 66 Nomination Committee report page 116 Responsible Business report www.londonmetric.com

Commentary	Appetite	Change in the year
– No significant new regulatory changes have impacted the business this year outside of TCFD where we have fully disclosed against the TCFD recommendations after undertaking a TCFD gap analysis exercise – We continued to undertake health and safety site audits on our developments assisted by external specialists. This year this included our developments at Derby and Weymouth. Feedback has been positive and no significant issues were identified	The Board has no appetite where non-compliance risks injury or damage to its broad range of stakeholders, assets and reputation.	**No significant change** There has been no significant change in perceived risk. New regulations and evolving best practice will continue to impact the business. We anticipate no significant change in this risk over the next 12 months. Read more in Responsible Business and ESG review page 49

Principal risks

Property risks

	Risk	Impact	Mitigation
7. Investment risk	We may be unable to source rationally priced investment opportunities	Ability to implement strategy and deploy capital into value and earnings accretive investments is at risk. **Impact on strategy**	– Management's extensive experience and their strong network of relationships provide insight into the property market and opportunities
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	– Poorer than expected performance – Reputational damage **Impact on strategy**	– 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



1 Align portfolio to macro trends
2 Focus on long-let property with rental growth
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

New
No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
– We continue to build on our strong occupier, developer and industry relationships and attract off market opportunities through these – Despite highly competitive market conditions, we acquired £575 million of assets in the year at a NIY of 4.4% – Post year end, we have invested a further £43 million in urban logistics assets – Whilst we are keen to seek further investment opportunities, we are not obsessed with growing the portfolio for the sake of size. Senior management's high share ownership aligns their interests with shareholders meaning we remain disciplined and rational as we look to invest at a fair price for the long term and improve the quality and resilience of our assets	The Board continues to focus on having the right people and funding in place to take advantage of opportunities as they arise. The Board's aim is to minimise this risk to the extent possible.	**Increased risk** The past 12 months have seen record investment volumes and tighter yields in the distribution sector with a further influx of overseas money into the market. We anticipate this risk will remain high over the next 12 months. Read more in Property review page 28

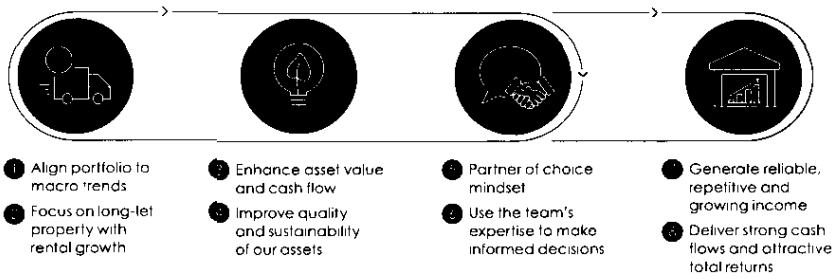
Commentary	Appetite	Change in the year
– Having completed our developments at Tyseley and Bedford Link in the year, current development exposure is only 1.9% of the portfolio and predominantly pre-let – Inflation has increased significantly over the last 12 months whilst supply chain disruption and labour shortages have persisted. By partnering with a limited number of contractors, where subcontractor supply chains are key, we mitigate supply risk to the extent possible and stay close to our contractors' operations – Increased competition for good geographies has made it increasingly difficult to access potential development sites, but we have been more successful in identifying accretive forward funding opportunities where development risk is mitigated	The Board takes on limited speculative development, although its overall tolerance for this risk is low.	**No significant change** Our development exposure remains limited meaning there has been no significant change in perceived risk during the year. More generally, high inflation, supply chain disruption and labour shortages in the market are expected to continue over the next 12 months and may impact future developments. Read more in Developments page 40 Lettings case study – Bedford Link page 37 Tyseley development page 19 Pre-let development in Huntingdon page 41

Principal risks

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



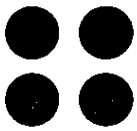
- New
- No significant change
- Increased risk
- Decreased risk

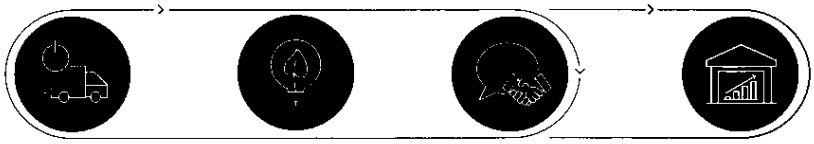
Commentary	Appetite	Change in the year
– Portfolio resilience is demonstrated by the unprecedented valuation increase of £632.2 million in the year, with distribution the strongest contributor – 47.1% of our portfolio is in the high growth regions of London and the South East of England – 60.9% of income has contractual uplifts. 46.6% of these are index linked, however, with RPI or CPIH caps typically at 4% and therefore below the current inflationary level – Our portfolio metrics continue to be strong with a WAULT of 11.9 years and only 10.6% of rent expiring within three years – Portfolio occupancy is 98.7% – 166 occupier initiatives added £10.5 million to contracted rent delivering like for like income growth of 5.4%	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.	**Decreased risk** The portfolio remains strategically aligned to structurally supported sectors where investor demand is high and the prospects for value preservation and further growth are significant. We anticipate no significant change in this risk over the next 12 months, however, we expect more muted valuation increases with rental growth, not yield compression, the key driver. Read more in Chief Executive's review page 15 Property review page 28

Commentary	Appetite	Change in the year
– Rent collection has remained high at 99.5% for the year – Through our strong tenant relationships we are monitoring the impact on our top occupiers of high inflation and potential supply chain disruption stemming from the continuing effects of the pandemic and more recently the war in Ukraine – We have no exposure to Russian owned tenants who may become subject to UK sanctions as a result of the war in Ukraine – The granularity of our income has increased reducing dependency on our top 10 occupiers to 28.5% from 36% a year ago. No single tenant accounts for more than 4.1% of income, down from 8.2% last year	The Board has no appetite for risk arising out of poor due diligence processes on acquisitions, disposals and lettings. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.	**No significant change** Portfolio resilience has been demonstrated through our rent collection statistics. We anticipate no significant change in this risk over the next 12 months but will continue to monitor the effects of recent events in Ukraine. Read more in Chief Executive's review page 15 Property review page 28 Financial review page 42

Principal risks

Financing risks

	Risk	Impact	Mitigation
11. Capital and finance risk	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



1 Align portfolio to macro trends
2 Focus on long-let property with rental growth
4 Enhance asset value and cash flow
5 Improve quality and sustainability of our assets
6 Partner of choice mindset
3 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

New
No significant change
Increased risk
Decreased risk

Commentary	Appetite	Change in the year
– We raised £175 million through an oversubscribed equity placing in November deploying the proceeds in investment opportunities in less than three months – We completed three new debt facilities last spring totalling £780 million comprising an oversubscribed £380 million private debt placement and two revolving credit facilities totalling £400 million. These facilities replaced short dated facilities and enabled us to increase our debt maturity – In November we entered into a further £150 million unsecured debt facility to increase short term headroom and accelerate an investment pipeline – We have substantial headroom under our loan covenants. Loan to value is 28.8%. Interest cover on unsecured facilities is 5.2 times	The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines. The Board has some appetite for interest rate risk. Loans are not fully hedged. This follows cost benefit assessment and takes into account that not all loans are fully drawn all the time.	**Decreased risk** Our significant refinancing activity has extended debt maturity. There is significant upward pressure on interest rates, but with no immediate financing requirement following activity in the year, and drawn fixed rate debt of £720 million we anticipate no significant change in this risk over the next 12 months. Read more in Financial review page 42 Viability Statement page 87

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 2025.

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 2025 as required by the 'Viability Statement' provision.

Short term assessment

The Directors' going concern assessment included consideration of the following:

- Principal risks and uncertainties facing the Group as discussed in the Risk management section of this report on pages 70 to 85;
- The business strategy and outlook as discussed throughout the Strategic report;
- The economic impact of global issues such as the pandemic and war in Ukraine, including the impact of higher inflation, interest rates and supply chain disruption;
- The economic consequences of potential rental defaults, vacancy costs and letting defaults;
- The Group's short term cash flow forecast which is reviewed regularly by the Senior Leadership Team;
- Rent collection rates, which are circulated weekly to the Executive Directors and senior managers; and
- The financial position and liquidity including available cash and undrawn facilities, access to debt facilities and headroom under financial loan covenants.

As reported in the Financial review, the Group's financial position was strengthened in the year by a £175 million equity raise that was significantly oversubscribed and was deployed quickly into investment opportunities. The Group also entered into new debt facilities of £930 million in the year, and at 31 March 2022, had available cash and undrawn facilities of £299 million and significant headroom under financial loan covenants.

At 31 March 2022, the Group's gearing ratio as defined within its unsecured facilities and private placement loan notes, which together account for 92% of debt drawn, was 39% (maximum 125%) and interest cover was 5.2 times (minimum 1.5 times).

Rent collection rates continue to be exceptionally strong with 99.5% of rent due in the year collected.

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 2022.

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 2025 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 at Bedford, Tyseley and Derby was ten months;
- The weighted average debt maturity at 31 March 2022 was 6.5 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 Directors conducted this review taking account of the Group's business strategy, principal risks, financial position and outlook as discussed throughout the Strategic review.

The Group's strategy is reviewed by the Board at each meeting and in depth on an annual basis, when one meeting is dedicated entirely to strategy and the Board receives a presentation from the Strategy Director, as discussed on page 111.

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

The Senior Leadership Team provides regular strategic input to the financial forecasts covering investment, divestment and development plans and 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 61% of the Group's rental income benefiting from contractual uplifts;
- Income diversity, with 28.5% of rent due from our top ten occupiers, falling from 51% in 2019 and 36% last year;
- Strong support from equity investors evidenced by the oversubscribed £175 million equity raise in the year;
- Strong relationships with debt providers, evidenced by the £930 million debt facilities completed in the year;
- Substantial liquidity with undrawn debt facilities and cash of £299 million at the year end; and
- The Company's proven track record of executing transactions, making good sector choices and growing income even through periods of significant uncertainty including the Covid-19 pandemic.

In addition, the business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including:

- Changes to macro-economic conditions, reducing rent and property values;
- Changes in the 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.

Our scenario testing considered the longer term economic impact of global issues such as the pandemic and war in Ukraine, including the impact of higher inflation and interest rates, and supply chain disruption.

Reverse stress testing was also undertaken, which considered the amount by which property values and rents would need to fall before loan covenants were breached.

Property values would need to fall by approximately 49% and rental income by 64% to breach the gearing and interest cover covenants under the Group's unsecured and private placement debt facilities, that together account for 92% of the Group's borrowing including its share of joint ventures.

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 110 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 2025.

Governance overview

This report sets out the Company's governance policies and practices and explains how the Board discharges its duties, applies the principles and complies with the provisions of the Code.

Statement of compliance

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 for Provision 19 relating to the tenure of the Chair, which is fully explained in the Nomination Committee report on page 117 and Provision 38 in relation to pension contributions as explained in the Remuneration Committee report on page 133.

Pension contributions for the current Executive Directors will be aligned with the all employee rate from June 2022.

p90-111

Board leadership and Company purpose

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

Highlights of the year

Image removed

p112-115

Division of responsibilities

Sets out the leadership framework and roles of Board members.

Image removed

p116-123

Composition, succession and evaluation

Sets out the practices in place which ensure the Board and its Committees have the appropriate balance of skills to govern the business and operate effectively.

Highlights of the year

p124-131

Audit, risk and internal control

Sets out how we monitor the integrity of the financial statements and oversee risk management and internal control.

Highlights of the year

Image removed

p132-149

Remuneration

Sets out our Remuneration Policy on executive pay and its alignment with strategy and the wider workforce.

Highlights of the year

Image removed

p150-154

Report of the Directors

Sets out our regulatory compliance and provides details of the 2022 Annual General Meeting.

Image removed

Board leadership and Company purpose

Chair's introduction

Image removed

Patrick Vaughan
Chair

> The strong governance framework that underpins the way we do business was once again critical this year, as we continued to navigate our way through the challenges imposed by the Covid-19 pandemic and our return to normality.

The dedication and commitment of our close-knit entrepreneurial team has helped us to make the right decisions and play our part in a responsible and considered way for the benefit of our stakeholders. We have prioritised the wellbeing of our employees and other stakeholders whilst protecting the interests of our shareholders, and have been rewarded by a set of exceptional results and strong support from our equity investors and debt providers over the year.

Despite the operational challenges we have faced, with restrictions affecting the economy and with homeworking guidance for a large part of the year, your Board has continued to operate as normal, meeting remotely and safely where necessary to maintain close oversight of the business and its operations.

The Executive Directors and Senior Leadership Team has worked tirelessly to protect and motivate staff, consider the needs of our occupiers and execute our business strategy, and I would like to congratulate them on their achievements this year. Our £175 million equity raise in November was significantly oversubscribed, and we were quick to deploy this into attractive investments which have enhanced our portfolio and helped it grow.

Board changes and succession

Our work on succession planning has continued this year and I am very pleased to announce and welcome Alistair Elliott to the Board post year end as a Non Executive Director. As former Senior Partner and Group Chair of Knight Frank, Alistair brings a nearly unique mix of both property and leadership skills and the right personal qualities to complement and enhance the existing skill set of the Board.

This appointment supports our longer term succession planning for the Board, which includes myself as your Chair and my colleague James Dean, both of us having now served for 12 years as Board members. Both James and I will continue as Non Executive Directors in the short term to help ensure an orderly transition. In addition we will require a suitable replacement for Rosalyn Wilton, our Audit Committee Chair, whose tenure is approaching nine years. We are appointing an external agency to help with our search and will report on the results of this in due course.

Culture, Stakeholders and S172

Our culture defines how we do things and behave. This is explained in detail on page 96. Supporting this culture through the challenges of remote working has been extremely important, and we have been briefed regularly by the Executive Directors on sentiment within the business and the wellbeing of employees.

Critical to our longer term success is the strength of our stakeholder relationships. We are here not only to generate financial returns for shareholders but also to act responsibly and in the best interests of all of our stakeholders, the communities in which we operate and wider society. The 2018 Corporate Governance Code requires us to demonstrate how we have discharged our duty under S172 Companies Act 2006 and report our compliance formally in a statement, which we have set out on page 104.

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 page 100 along with the impact of this engagement on the decisions we make.

Our successful equity raise demonstrated the support of our investors, which is testament to the extensive shareholder engagement undertaken by the Executive Directors and our comprehensive investor relations programme, which is described in detail on pages 109 to 111 and something we are proud of. This offer was extended to retail shareholders following previous feedback we had received.

Our strong banking relationships helped us secure new debt facilities in the year totalling £930 million. Our most recent credit facility for £150 million was drawn immediately to fund acquisitions.

The £380 million private placement, which was also oversubscribed, included a £50 million green tranche, and £400 million revolving credit facilities incorporated a green framework and preferential pricing, as discussed in detail in the Financial review on page 42.

Whilst we were unable to invite shareholders to attend the AGM last year, we offered them the opportunity to listen in and ask questions. This year, we are returning to an in person meeting that shareholders can attend and details can be found in the Notice of AGM on page 202.

Read more in the Notice of AGM on page 202

Diversity and inclusion

We look to employ and retain a diverse group of talented individuals with a wide range of skills, expertise and beliefs, and to operate in a working environment free of discrimination. We recognise that a diverse organisation brings a wide range of perspectives and avoids narrow thinking.

We continue to support initiatives including Real Estate Balance, to promote gender diversity in the real estate sector and throughout the year under review, have met the Hampton Alexander target of 33% female representation on the Board. To the extent that we have the opportunity, we are committed to improving diversity in its widest sense at all levels throughout the organisation.

Read more on diversity and inclusion in the Nomination Committee report page 120

Internal Board evaluation

This year our performance evaluation was undertaken internally, and 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. I would like to thank my fellow Board members for their support and expertise this past year and for the valuable contribution they make.

The findings and recommendations of this year's review and progress against the recommendations made last year are summarised in the Nomination Committee report on page 122.

Read more in the Nomination Committee report on page 122

Our ESG journey

A priority this year for the Board has been to ensure that the ESG targets and ambitions outlined in the Responsible Business and ESG review have continued to be progressed, communicated and embedded into the Company's day to day activities. To this end, the Audit Committee held an additional meeting in the year to focus solely on ESG matters, to which all Board members were invited to attend, and received a presentation from the Head of Investor Relations and Sustainability and Strategy Director. We continue to see greater focus from investors on ESG matters and have undertaken an in depth training session for staff to raise awareness and progress specific initiatives and projects in hand.

Our statement on TCFD, which is mandatory this year, is set out on page 66. We remain committed to reducing carbon emissions and understand the importance of addressing climate change. We continue to assist our occupiers by providing buildings that can meet their net zero targets and seek to reduce emissions from our developments. Our progress on this journey is outlined on pages 49 to 69 of the Responsible Business and ESG review.

Read more in the Responsible Business and ESG review on page 49

Looking ahead

Our work on succession planning will continue and we remain mindful of the benefits of diversity in all respects as we search for suitably experienced and independent Directors.

We continue to focus on the resilience of our business to challenges in the economic and political landscape both in the UK and globally. Whilst Covid-19 may thankfully be largely behind us, we continue to face economic challenges with the highest inflation rates seen for decades and geopolitical tensions including the war in Ukraine.

Our success depends on a small, close-knit and committed team of individuals led by a dynamic Chief Executive, who I would like to personally thank for embracing and adapting to the challenges we have faced this past year and for delivering another very impressive set of financial results. I believe that our portfolio is stronger than ever, and look forward to the opportunities that lie ahead.

Patrick Vaughan
Chair

Board leadership and company purpose

Board of Directors

Patrick Vaughan
Chair of the Board and
Nomination Committee
Appointed: 13 January 2010

N

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: None

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

Suzanne Avery
Independent Director
Appointed: 22 March 2018

A N R

Suzanne was appointed to the Board in March 2018. She has 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, Funds and London based private property companies together with the sustainability strategy.

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

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

A N R

Robert was appointed to the Board in January 2019. He has over 35 years' experience in real estate and is a Chartered Surveyor. He was head of real estate investment banking at J.P. Morgan Cazenove until 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.

The Board provides leadership and direction to the business, establishes and fosters the culture, values and ethics within the organisation and independently oversees management's execution of strategy with appropriate challenge and support, taking into account the interests of its stakeholders when making decisions.

Image removed

Left to right
Patrick Vaughan, Andrew Jones, James Dean, Rosalyn Wilton,

Committee membership

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

Board independence	Female representation	Board meeting attendance
+75%	+33%	100%

Katerina Patmore (Kitty)
Independent Director
Appointed: 28 January 2021

(A)

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 and Chair of IPF's Finance Group.

Rosalyn Wilton
Independent Director and Chair of Audit Committee
Appointed: 25 March 2014

(A) (R)

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.

James Dean
Independent 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.

Andrew Livingston
Independent Director
Appointed: 31 May 2016

(N) (R)

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.

Alistair Elliott
Independent Director
Appointed: 26 May 2022

Alistair was appointed to the Board on 26 May 2022. He retired recently as 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. Non Executive Director to the Board of Grosvenor Great Britain and Ireland.

Image removed

Left to right
Suzanne Avery, Robert Fowlds, Andrew Livingston, Katerina Patmore, Martin McGann

Management team

The Senior Leadership Team operates under the direction and leadership of the Chief Executive to deliver the approved strategic objectives and manage the day to day running of the business.

Committee membership

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

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

It provides feedback and makes recommendations to the Board and is responsible for identifying and assessing risk and implementing and monitoring mitigation processes.

Following the departure of Nick Minto in October 2021, we redistributed work without the need for a direct replacement, which meant that female representation of the Senior Leadership Team increased to 25% excluding Executive Directors.

The team meet to discuss the key operational and financial aspects integral to the management of the business, and through periods of enforced home working in the year, this continued remotely.

Regular meetings facilitate talent development below Board level and help promote an integrated and inclusive culture throughout the organisation, 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.

Image removed

Andrew Jones
Chief Executive

A I F

Read Andrew's full biography on page 92

Image removed

Martin McGann
Finance Director

F

Read Martin's full biography on page 92

Image removed

Valentine Beresford
Investment Director
Joined: 25 January 2013

I

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

Mark Stirling
Asset Director
Joined: 25 January 2013

A

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.

Responsibilities of the Senior Leadership Team

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

Female representation*
25%

* Excluding Executive Directors

Image removed

Andrew Smith
Strategy Director
Joined: 6 May 2014

A I

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

Jackie Jessop
Head of Finance
Joined: 1 March 2006

F

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

Will Evers
Head of Long Income
Joined: 17 May 2010

I

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

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

F

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

Ritesh Patel
Forecasting and Corporate Finance
Joined: 21 November 2011

F

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

Image removed

Jadzia Duzniak
Company Secretary
Joined: 23 April 2007

F

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 purpose, values, strategy and culture

Our **purpose** sets out to employees, occupiers and other stakeholders what we do and why. It underpins our strategic priorities and long term direction set by the Board and guides our decisions regarding transactions and capital allocation. We see the progression of our ESG agenda as a fundamental component of our strategy and long term success.

Our **values** articulate what we believe in and set our responsible approach to business. Our **culture** guides the way we work and the way we interact with our stakeholders. This is set out below with links to further reading.

Our vision

Our purpose

Learn more on page 1

What we do and why

Being a leading income-led focused UK REIT.

To own and manage desirable real estate that meets occupiers demands, delivering reliable, repetitive and growing income-led returns and outperforms over the long term.

Our strategy

How we achieve this through our strategic priorities

[illegible]

Our values

	Own	Manage	Collaborate	Generate
What we believe in and why it matters	– Portfolio positioning for the future to benefit from *macro trends* – Minimising risk and owning assets with occupier appeal	– Fit for purpose, resilient portfolio – Improving the quality of assets – Minimising the environmental impact of our activities	– Motivating our team to deliver long term *outperformance* – Working with a wide range of stakeholders to understand needs	– A covered and progressive dividend – Outperforming benchmarks – Attracting and retaining talent
What we are proud of	– Resilient portfolio – Occupancy – WAULT – TPR	– LFL income growth – EPC rating – BREEAM rating	– Employee and occupier survey results – Strong shareholder and financing relationships	– Dividend progression – TSR – TAR
	Read more on pages 2-3	Read more on pages 4-5	Read more on pages 6-7	Read more on pages 8-9

Our culture

Our culture is a combination of our approach, encompassing our values and what we believe in

Learn more on page 97

The way we work

We are a small highly focused and motivated team. Our real estate knowledge and the relationships we build with occupiers set us apart and make us a partner of choice.

We nurture open and collaborative communications with all stakeholders and believe in a 'can do' attitude and will always aim to do the right thing.

How the Board monitors culture

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 a 'can do' attitude, doing the right thing for the long term, through empowerment, inclusion, openness and teamwork.

The Board believes that this culture drives the right behaviours and is therefore key to our long term success. It recognises the importance of monitoring the alignment of culture to our strategy and ultimately our purpose in order to highlight and address any instances of misalignment.

The Chair is responsible for setting the 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 behaviour that underpin our culture.

We firmly believe that our culture is a key strength and has enabled us to perform exceptionally well in these challenging times, and we are proud of our high staff retention rates and contented workforce.

If the Board is concerned that policy, practices or behaviour are not in line with the Company purpose, values or strategy it will seek assurance from the Senior Leadership Team that it has taken corrective action. There were no concerns raised in this regard in the year.

Throughout the disruption caused by the Covid-19 pandemic, staff have been encouraged and supported by a dedicated Senior Leadership Team, who have fostered an inclusive working environment through virtual team meetings to ensure that employees stayed connected and informed. This inclusive and cohesive culture was reinforced by regular updates to all staff from the Chief Executive on transactions and operational matters including any proposed changes to working arrangements.

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

- Inclusion of culture and value-led questions within employee surveys
- Regular reporting and feedback from the Executive Directors and designated workforce NED following staff surveys, highlighting what we do well and where improvements can be made
- 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
- Involvement of staff in the induction and training sessions for new Board members which this year will follow the appointment of Alistair Elliott as a new Non Executive Director
- Feedback from other stakeholder engagement programmes including our annual occupier survey and bi-annual investor survey, which helps the Board to assess our interactions with third parties
- Monitoring of staff turnover rates, whistleblowing and health and safety incidents

Staff wellbeing and engagement has been a top priority. Going forward, we will look to learn from the changes made to our business operations as a result of the Covid-19 pandemic, including the ability to successfully work remotely, as a result of improvements to the IT infrastructure and widespread use of virtual meeting platforms.

Our fifth all employee survey was completed by 94% of staff in February. The feedback continued to be very positive, as discussed in detail on page 61. Key themes arising were the importance of flexible working and staff training and development.

The responses were discussed by the Strategy Director with Andrew Livingston as designated workforce NED, who relayed the results of the survey, along with non attributable feedback from his annual staff meeting, to the Board at their next meeting.

Andrew Livingston has continued his work as designated workforce NED and this year hosted an in person and off site meeting for a small group of employees from across the business functions, providing a forum for staff to share their views, raise any concerns and improve links between employees and the Board. This was also attended by the Remuneration Committee Chair who welcomed questions and explained how executive pay was determined.

In response to the feedback received from the staff survey and the designated workforce NED's meeting of employees, the Board will focus on the following key action points in order 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 arrangement where it is good for the business
- Keep working arrangements under review including hybrid/ flexible working patterns to best accommodate team working and collaboration alongside flexibility

Further details of employee engagement and the work of the designated workforce NED can be found in this Governance report on pages 106 to 108, the Strategic report on page 24 and in the Responsible Business and ESG review on pages 60 to 61.

Staff turnover

6%

since merger in 2013

2022 staff survey

100%

enjoy working at London Metric

Our activities

How the Board spent its time in 2022

Strategy and operations

- Review of strategy at each meeting and the need for any change as a result of investor feedback, occupier sentiment and market conditions including the pandemic, post-lockdown recovery and war in Ukraine
- Approved capital allocation for property acquisitions and disposals in excess of £10 million including the corporate acquisition of the Savills UK Income and Growth Fund comprising 15 assets for £122 million, the acquisition of the THG mega distribution warehouse in Warrington for £97 million and the disposal of our mega distribution warehouse in Thrapston let to Primark for £102 million
- Approved forward funded development commitment in Huntingdon for £53 million and pre-let to AM Fresh, and the second phase of our pre-let development in Weymouth

Finance and risk

- Approved the full year and half year results, the Annual Report and Viability Statement
- Scrutinised the interim and annual property valuations
- Annual review of the internal control framework, risk register and mitigation strategies
- Approved £175 million equity placing
- Approved £930 million private placement and unsecured credit facilities

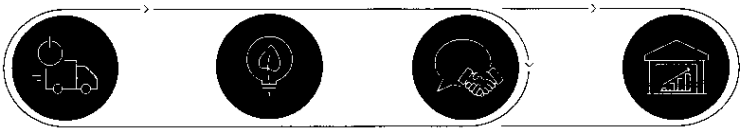
Governance, leadership & regulatory

- Approved appointment of Alistair Elliott as a new Non Executive Director
- Reviewed succession planning for Non Executive Directors and are appointing an external agency to commence a transparent and open search for replacements
- Reviewed the results of the internal Board and Committee performance evaluation
- Considered new TCFD disclosure requirement and climate risk assessment
- Adopted the use of Sharepoint for Board papers to improve security of information

People and operations

- Continued to monitor culture by considering the results of the fifth annual staff survey
- Andrew Livingston continued proactive engagement as designated workforce Non Executive Director by hosting an in person meeting for a small group of employees. Also attended by the Remuneration Committee Chair to welcome questions and explain the components and determination of executive pay
- Regular all staff updates were provided by the Chief Executive on transactions, results and operations
- Considered workforce remuneration policies and packages and alignment to Executive Directors
- Greater involvement of the management team below the Board in Committee meetings, increasing interaction with the Non Executive team and progressing development
- Improved cyber security with the implementation of additional measures and tested resilience through penetration testing and an all employee cyber awareness workshop

Our strategic priorities



1. Align portfolio to macro trends
2. Focus on long-let property with rental growth
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

Other stakeholders

- Considered feedback from Executive Directors following shareholder meetings, roadshows and results presentations
- Executive Directors met with c.250 equity investors
- Held virtual and in person presentations and calls with existing and new lenders in connection with the new debt facilities and equity placing
- Received a presentation from members of the Senior Leadership Team on the Company's ESG framework, ambitions, initiatives and pathway in response to increased investor focus
- Considered feedback from investor and occupier surveys
- Reviewed and approved S172 Statement and Directors' duty to stakeholders

In addition to the work of the Board noted on pages 98 and 99, regular matters are discussed at each meeting including:

- Property market trends focusing on logistics and long income sectors, as well as the economic and political backdrop including the Covid-19 pandemic and war in Ukraine
- 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 and the continued application of the dividend policy

Key focus in 2023

- Continue work on succession planning and Non Executive Director recruitment
- Continued focus on ESG journey
- Continue to develop talent below the Board and increase interaction with the Board
- Promote diversity at all levels throughout the organisation and be mindful of Parker Review recommendation
- Audit tender for 2024 year end
- Remuneration Policy review for approval at 2023 AGM
- Internal Board and Committee performance evaluation

Board attendance during the year

Member	Date appointed	Tenure (years)[3]	Independent	Board[2]
Chair				
Patrick Vaughan	13/1/2010	12	n/a	6 (6)
Executive Directors				
Andrew Jones	25/1/2013	9	No	6 (6)
Martin McGann	13/1/2010	12	No	6 (6)
Non Executive Directors				
Suzanne Avery	22/3/2018	4	Yes	6 (6)
James Dean[4]	29/7/2010	12	Yes	6 (6)
Robert Fowlds	31/1/2019	3	Yes	6 (6)
Andrew Livingston	31/5/2016	6	Yes	6 (6)
Kitty Patmore	28/1/2021	1	Yes	6 (6)
Rosalyn Wilton	25/3/2014	8	Yes	6 (6)
Percentage independent[1]			**75%**	

1 Based on Board members as at 31 March 2022
2 Bracketed numbers indicate the number of meetings the member was eligible to attend
3 Tenure is measured from the date of appointment to the LondonMetric Board and as at 31 March 2022, rounded to the nearest whole year
4 Although having served for 12 years, the Board continues to value James's in-depth property expertise and sound judgement and believes he acts in an independent manner at all times

Board leadership and Company purpose

Our stakeholders and the Board's engagement

In order to generate long term sustainable returns, we need to understand the views and take account of what is important to our key stakeholders. We do this through proactive engagement and by nurturing the relationships we have built with them.

We set out on pages 24 to 25 of the Strategic report how the executive team has engaged with our stakeholders, setting out 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. When making decisions, the Board considered each of its duties under S172 as listed on page 104.*

Our people

A small talented, committed and diverse team of individuals.

Image removed

Why they are important to us

- Delivery of strategy
- Key to long term success
- Responsibility towards their wellbeing, safety and development

What is important to them

- Flexibility, wellbeing and safety
- Progression and career development
- Reward and recognition
- Fairness and equality

Board engagement and oversight

The Covid-19 pandemic caused understandable concerns over safety when returning to the office.

Direct feedback to the Board through the close involvement of the Executive Directors and information received from the Senior Leadership Team, and the designated workforce NED following his annual staff meeting.

Results of fifth employee survey were discussed with the designated workforce NED who fed back to the Board.

Attendance by staff below Board at meetings and accompanying property tours facilitates interaction and engagement.

Staff pay awards reviewed by the Remuneration Committee.

Board's response and impact on decisions

More stringent rules were applied to close Covid contacts than the government guidance to protect staff.

A careful return to the office when restrictions were lifted, with minimal external visitors and most meetings held remotely over Microsoft teams. Hybrid working enabled staff to balance home needs and remain safe.

Results of employee survey and designated NED staff meeting led to focus on flexibility of working arrangements alongside the benefits of team collaboration.

Clear communication and regular email updates to all staff by the Chief Executive.

Significant staff participation in the 2022 LTIP approved.

Outcomes

- 6% staff turnover since merger in 2013
- 100% of staff feel proud to work for the Company
- Employee survey results page 61
- 60% employee participation in 2022 LTIP page 140

Read more on Employee engagements on page 106

Our occupiers

The customers we provide real estate solutions to.

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

Acceptable lease terms

Well designed and sustainable buildings

Good tenant/landlord relationship

Board engagement and oversight

Proactive engagement by asset managers identified tenants experiencing financial difficulty through the pandemic and sought solutions at an early stage. Chief Executive involved in all decisions.

Chief Executive receives weekly rent collection reports and feeds back to the Board.

Results of the annual occupier survey presented to Audit Committee.

Site visits provide an opportunity for the Board to engage with customers.

Board's response and impact on decisions

Chief Executive involvement facilitated quick decision-making to grant concessions or deferral solutions for tenants with compensating asset management initiatives, protecting the Group's income.

Occupier survey results help guide longer term planning.

We have worked with occupiers to add solar PV, progressing NZC and mitigating energy costs.

Property visit to the Bedford development site attended by Robert Fowlds and Suzanne Avery.

Outcomes

98.7% portfolio occupancy

8.5/10.0 landlord recommendation score

Occupier survey results page 59

99.5% of rent collected in the year

Read more on page 59

Our contractors and suppliers

The businesses we work with.

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 partnership

Board engagement and oversight

The Board or its Committees receive regular presentations and reports from its advisors including external auditors, valuers and remuneration consultants, who also regularly attend Committee meetings.

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

Board's response and impact on decisions

Received a Corporate Governance update from Deloitte. Presentations keep the Board up to date on market trends and regulatory requirements.

Received feedback from PwC on Executive Director peer group pay comparatives to assist with setting remuneration.

Considered Deloitte partner rotation and appointment of new Engagement Partner.

Outcomes

Average payment term of 14 days

100% compliance with Responsible Development checklist by contractors page 62

Read more on page 62

Our stakeholders and the Board's engagement

Our investors

Shareholders, debt providers and joint venture partners.

Image removed

Why they are important to us

- Continued investment
- Continued financial support
- Future capital requirements

What is important to them

- Financial performance and progression
- Well covered dividend/interest
- Clear strategy, execution and reporting
- ESG targets and progression

Board engagement and oversight

The pandemic led to understandable investor uncertainty over rent collection and dividend payments.

The Board received briefing papers and a presentation from brokers on the proposed equity placing and discussed the inclusion of PrimaryBid to facilitate participation by retail shareholders following feedback from shareholders after previous equity raises.

Comprehensive investor relations programme undertaken by the Executive Directors and reported to the Board at all meetings, with c.250 equity investor meetings in the year, both virtually and in person. Investor tours arranged where possible.

Virtual AGM in 2021 gave shareholders the opportunity to submit questions.

The Board received an update from the Finance Director on the new private placement debt and unsecured credit facilities and considered the capital funding allocation.

Board's response and impact on decisions

Significant shareholder contact throughout the pandemic providing additional trading and rent collection updates.

Successful and oversubscribed £175 million equity placing in November 2021.

Approved PrimaryBid participation in equity placing to increase retail shareholding, which represented 2% of the shares issued.

Focus on ESG following feedback from investor meetings with a dedicated meeting of the Audit Committee, attended by all Board members, to discuss our ESG journey and initiatives.

Approved a new £380 million private placement which incorporated a £50 million tranche subject to a green use of proceeds framework, two revolving credit facilities totalling £400 million which incorporated a green framework and a £150 million short term unsecured credit facility which was drawn immediately as discussed in detail in the Financial review on page 42.

Outcomes

- £175 million equity raise
- £930 million debt facilities completed
- 6.9% dividend progression
- PrimaryBid participation in equity raise
- Investor site visit to Brent Cross, London as discussed on page 63

Read more on Shareholder engagement on page 109

Our communities

The local interests with which we work including businesses, residents and authorities.

Image removed

Why they are important to us

Supporting the communities within which we work underpins our responsible approach to doing business and delivering our strategy

What is important to them

Environmental impact

Disruption to daily lives and business operations

Employment opportunities

Board engagement and oversight

Particular focus on ESG this year resulted in a separate meeting of the Audit Committee that was dedicated to a presentation by two members of the Senior Leadership Team on the Company's ESG journey, providing a forum for discussion and debate and raised awareness of ESG matters at Board level.

ESG working group which included the Finance Director met several times during the year.

The working group supports charitable donations and organisations local to assets alongside support for staff fundraising.

Relationships with planning authorities are key for the delivery of our asset management and development plans. Engagement and updates on planning and community consultations are reported at Board Meetings.

Investment acquisition summary briefing papers contain ESG credentials including EPC ratings and BREEAM certification.

Board's response and impact on decisions

ESG actions following dedicated meeting arising included:

- Tracking of indices used by investors to assess ESG performance
- Embedding data capture obligations into leases going forward where possible
- Considering whether ESG quantifiable measures could be incorporated into personal objectives

Completed final phases of development at Bedford and Tyseley, certified BREEAM Excellent in the year.

Approved the acquisition of a pre-let development opportunity for £53.4 million which will be certified BREEAM Very Good.

Formalised carbon offset strategy and undertook a climate risk assessment in the year to support TCFD disclosure.

New electric company car leasing scheme for employees approved by the Board and established, benefiting employees and the environment.

Outcomes

£66,766 charitable donations

Portfolio EPC rating of A-C increased to 85%

29% of portfolio certified BREEAM Very Good or Excellent

Read more on page 64

Read more on engaging with stakeholders on pages 24 to 25 of the Strategic report and throughout the Responsible Business and ESG review on pages 58 to 64. Further detail on engagement with employees and shareholders can be found on pages 106 to 111 of this Governance report.

Board leadership and Company purpose

Companies Act 2006 Section 172 Statement

We are supportive of the emphasis the Code places on stakeholders and our duty under Section 172 of the Companies Act 2006 to act in good faith, and in a way that 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 employees;
- The Company's relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The Company's reputation and maintaining high standards of business conduct; and
- The need to act fairly as between members of the Company.

Identifying the relevant issues and 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 100 to 103.

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.

Methods used by the Board to perform their S172 duties

Methods used by the Board to perform their S172 duties include the following:

- Oversight of the Company's purpose, values, strategy and alignment with culture;
- Consideration of the Group's principal risks and mitigation strategies;
- Its annual review of strategy and long-term sustainable success;
- Direct and indirect stakeholder engagement; and
- ESG oversight and dedicated focus this year by the Audit Committee.

Methods of 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, which throughout the pandemic have continued uninterrupted through the use of virtual platforms, regular liaison, formal employee appraisals and customer, investor and employee surveys.

On pages 24 to 25 of the Strategic report, we outline the ways the executive team has engaged with our stakeholder groups this year regarding day to day operations, the feedback received and the outcomes and actions arising. On pages 100 to 103, we set out the Board's engagement and oversight and the impact this has had on some of the decisions they have made.

Impact on decisions made in the year

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 on pages 100 to 103 and key decisions made are summarised below:

1. £175 million equity placing for investment opportunities approved and the appointment of PrimaryBid to facilitate participation by retail shareholders, following feedback received from investors following previous equity raises.
2. £122 million corporate acquisition of the Savills UK Income and Growth Fund, comprising 15 predominantly logistics assets, creating long term value and growth for shareholders in our preferred sectors.
3. THG mega distribution warehouse acquisition in Warrington for £97 million approved, replacing income lost through sales with a newer, more modern and well located asset.
4. Disposal of a mega distribution warehouse in Thrapston let to Primark for £102 million approved, demonstrating our commitment to recycle capital out of mature assets to provide funding for future investments and developments and deliver further value for shareholders.
5. £780 million debt refinancing approved which lengthened debt maturity, increased hedging, diversified our lending base and reduced future refinancing risk, whilst incorporating a green framework.
6. Acquisition of a pre-let development opportunity for £53.4 million approved, which is expected to be certified BREEAM Very Good.
7. Completed the final phases of our developments at Bedford and Tyseley in the year, both certified as BREEAM Excellent. Environmental considerations at Bedford included solar PV and EV charging point installations, alongside community considerations including the creation of permanent local jobs and charity initiatives.
8. Continued to provide assistance to customers most affected by Covid-19 disruption, including permitting monthly payment plans, short term deferral arrangements and rent concessions in return for asset management initiatives.
9. New electric company car leasing scheme for employees approved, benefiting employees and the environment.
10. Responsible development of 51,000 sq ft at Weymouth incorporating a number of ecological initiatives and biodiversity enhancement works.

Conclusion

After due consideration, we believe that the Board has taken into account the views, interests and impact on key stakeholders in its decisions made during the year.

Image removed

Learn more about our £122m Savills portfolio acquisition on page 35

Image removed

Learn more about our responsible development in Weymouth on page 62

Image removed

Learn more about our development in Huntingdon pre-let to AM Fresh on page 41

Image removed

Learn more about our development at Bedford Link on page 37

Further reading on our approach to S172 and stakeholder engagement can be found as follows:

S172 consideration	Disclosure	
The likely consequence of decisions in the long term	– Chief Executive's review	Learn more on page 15
	– Promoting long term success	Learn more on page 110
	– Strategic priorities and long term strategy	Learn more on page 14
	– Focus on strategy	Learn more on page 111
Interests of its employees	– Our people	Learn more on page 60
	– Employee engagement	Learn more on page 106
The Company's relationships with suppliers, customers and the environment	– Engaging with stakeholders	Learn more on page 24
	– Our stakeholders and the Board's engagement	Learn more on page 100
	– Social considerations	Learn more on page 58
Impact of the Company's operations on the community and the environment	– Environmental considerations	Learn more on page 52
	– Communities	Learn more on page 64
	– TCFD Recommendation and Alignment	Learn more on page 66
The Company's reputation and maintaining high standards of business conduct	– How the Board monitors culture	Learn more on page 97
	– GRESB & FTSE4Good	Learn more on page 51
The need to act fairly between members of the Company	– Shareholder engagement	Learn more on page 109

Board leadership and Company purpose

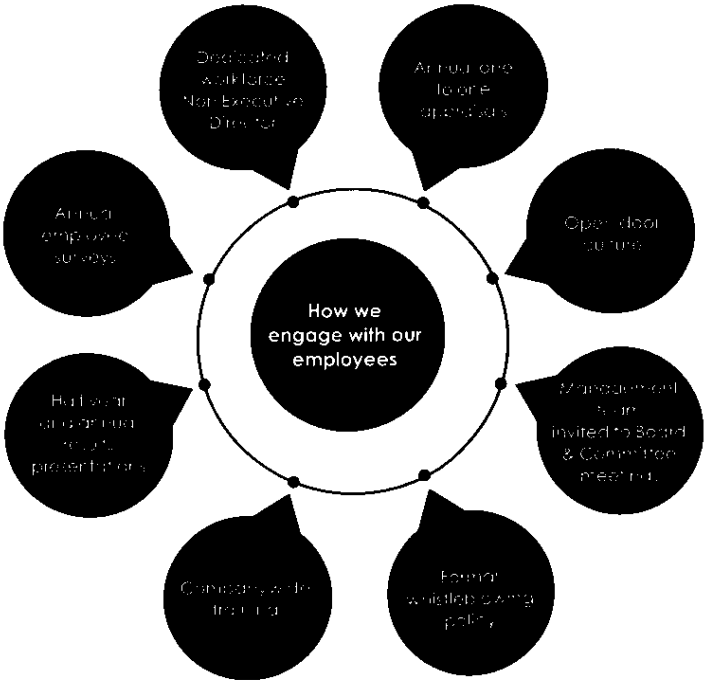
Employee engagement

We are a small team of just 35 talented and dedicated individuals who work closely together alongside the Executive Directors in day to day activities. Our continual low staff turnover rates are testament to an extremely loyal and happy workforce.

As a small team, there is significant interaction and visibility between the Board and employees. More formally, the Board has engaged with employees during the year through the following methods:

- Andrew Livingston continued in his role as designated workforce Non Executive Director as described in detail on page 108. This is one of the three specific employee engagement methods referred to in the Code.
- Remuneration Committee oversight of workforce remuneration and engagement by Chair with staff as detailed on page 140.
- Through the annual staff survey as described in detail on page 61.
- Through the induction of new Board members, which this year will include Alistair Elliott as reported in the Nomination Committee report on page 119.
- Though joining property visits and investor presentations that other staff members are attending. Unfortunately, due to the pandemic, only one property tour was arranged during the year, where Suzanne Avery and Robert Fowlds accompanied staff to the development site in Bedford. These visits are an opportunity for the Board to meet staff and also occupiers and to discuss property and other matters in an informal setting.
- The Executive Directors encourage their teams to present at and join Board and Committee meetings. During the year, the Committees heard from employees including the Strategy Director, the Head of Investor Relations and Sustainability and the Head of Finance on strategy, the ESG journey, cyber security and the occupier survey. In addition, the Investment and Asset Directors provided valuable transactional updates at Board meetings.
- Annual one to one staff appraisals undertaken by the Executive Directors and Senior Leadership Team members provided an opportunity for staff to freely discuss career opportunities and progression, training and development and wellbeing.
- Companywide presentation of half year and annual results to all staff.
- Regular email updates to all staff from the Chief Executive.

Image removed



Pandemic support and employee wellbeing

Whilst restrictions were in place due to the Covid-19 pandemic, we remained fully operational albeit remotely, assisted by improvements to the IT infrastructure and virtual meeting platforms.

We introduced a gradual return to the office as soon as restrictions were eased, initially on a completely voluntary basis, prioritising the safety and wellbeing of staff with enforced lateral flow testing. Our two offices are now fully open and staff have enjoyed returning to a more social working environment that facilitates better sharing of ideas and supports our creative and collaborative culture. We firmly believe that the sum of the whole is greater than the sum of the individual parts and the office environment is an incredible source of inspiration, where we are better able to exchange ideas and thrive. However, we acknowledge the tremendous success and effectiveness of home working and the benefits of flexible working practices and will continue hybrid arrangements for some roles and situations.

During our periods of remote working, virtual meetings of the various leadership teams increased in frequency, ensuring the whole office stayed connected and felt included, reinforcing our cohesive working culture. The Chief Executive continued to send regular email updates to all staff throughout the year, helping to keep everyone abreast of business developments and transactions and informed about proposed changes to working arrangements.

Employee engagement survey

We undertook our fifth annual employee satisfaction survey in February this year. The feedback continued to be very positive with all employees enjoying and feeling proud to work for LondonMetric. Staff have confidence in the decisions made by the Senior Leadership Team and remain highly supportive of the Group's strategy. This year there was more focus on working arrangements and the benefits of flexibility.

As in previous years, the survey covered three key areas:

- The Company
- The working environment
- The individual

Image removed

All employees enjoyed working for the Company and 93% have confidence in the decisions made by senior management.

This year the survey focused on flexible working arrangements as opposed to home working and 83% of staff agreed that systems and processes were working effectively. The office continues to be seen as a desirable place to work with the office environment, receiving 83% positive feedback, although all respondents valued flexible working.

The main areas identified for further monitoring and improvement were flexible working arrangements and staff training and development.

Andrew Livingston, the designated workforce Non Executive Director, reviewed the results with the Strategy Director and, following his annual meeting with staff, fed back to the Board. The Board acknowledged that home working can be productive and benefit the business, but also noted the importance of collaboration and the strength of teamwork. As a result, it decided to retain a flexible arrangement where it is good for the business.

In addition, the Board agreed to further promote training and learning over the coming year.

Further details on employee wellbeing, engagement and the annual staff survey can be found on pages 60 to 61.

2022 staff survey

100%

enjoy and are proud to work at LondonMetric

100%

value flexible working

94%

staff engagement in the survey

93%

have confidence in the decisions made by senior management

90%

feel informed on business activity relevant to their job

83%

of staff agreed that systems and processes were working effectively

83%

positive feedback on the office environment

Employee engagement

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 and so was well placed for the role. His work 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 session for a select group of employees which last year was held virtually. This year, he held an in person and off site meeting with a cross section of eight employees from across all disciplines of the Company that he had not included in previous years, to allow more staff to share their views. This year, 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 return to the office and preferred working arrangements, the benefits of flexibility, training and development opportunities, the appraisal process and the benefits of teamwork.

Non attributable feedback was relayed to the Board at its next meeting.

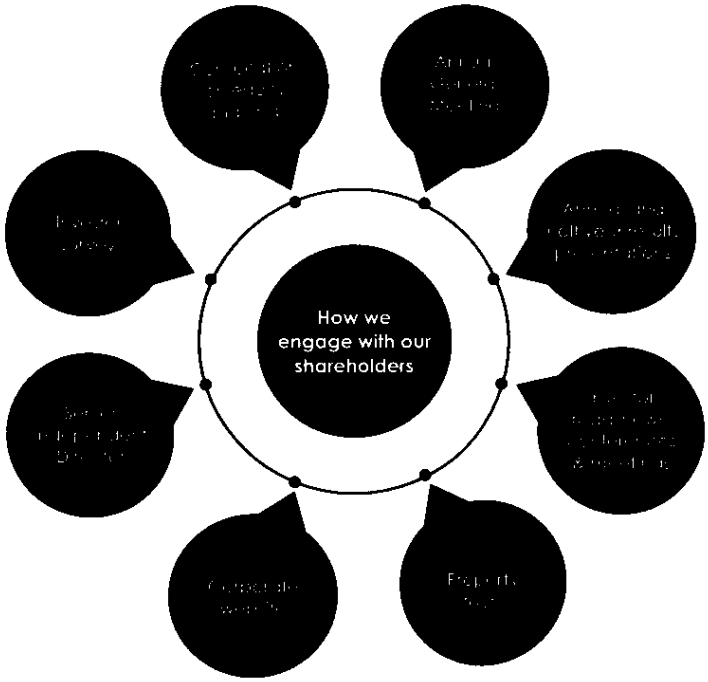
As a result of this feedback and subsequent discussion, alongside the results of the annual staff survey which Andrew also fed back, the Board will focus on the following action points to drive the right behaviour and support the wellbeing of employees:

- Provide training and development opportunities for staff, both professionally and personally
- Retain a flexible working arrangement where it is good for the business
- Keep working arrangements under review to best accommodate team working and collaboration alongside flexibility

Board leadership and Company purpose

Shareholder engagement

Understanding the views of investors continues to be a top priority for the Board and vital to the Company's strategic direction and success.



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 to communicate the Company's strategy and performance.

The Senior Independent Director, Robert Fowlds, also attended six investor meetings following the year end and half year results announcements.

We continue to enjoy strong analyst coverage with 13 brokers, which is unchanged on the prior year.

Investor meetings

The framework of investor relations is set around the financial reporting calendar and at other times outside of half yearly results announcements in response to ad hoc requests and investor conferences.

Equity Investors met by type of Investor

Chart removed

1	Private wealth	57%
2	Specialists	23%
3	Generalists	17%
4	Brokers	3%

Despite the continued impact of the pandemic and our limited ability to physically meet investors in the year, we met with c.250 UK and overseas shareholders, analysts and potential investors virtually or in person.

The Executive Directors presented our annual results via a live video webcast and Q&A sessions for analysts and returned to an in person presentation following the announcement of our half year results. As part of these meetings, we consulted with 17 investors ahead of our equity placing and attended six conferences. A breakdown by type of investor seen is shown in the chart opposite.

The Company continues to place great importance on and engage with its private wealth shareholders, which represented over half of all shareholders met during the year.

Meetings and roadshows seek to keep investors informed of the Company's performance and plans, answer questions they may have and understand their views.

Specific topics discussed include the development and implementation of strategy, financial and operational performance, property transactions, the strength of our underlying occupiers and rent collection, our debt structure and ESG considerations, which continue to be at the top of investors' priority lists.

Investor site visits

Tours provide an opportunity to see our assets, understand strategy and meet other members of staff. However once again this year, due to restrictions imposed by the Covid-19 pandemic, we did not arrange any shareholder property visits. Post year end, an investor visit to one of our recently acquired assets near Brent Cross was attended by 15 investors alongside staff as discussed on page 63.

Board leadership and Company purpose

Shareholder engagement

Investor feedback

Investor feedback is provided by the Chief Executive to the Board at scheduled meetings, together with published analyst comments and reporting on the largest shareholdings, top movements and analysts' estimates.

Feedback received continues to be very supportive of the Company's strategy, performance, management and future direction.

ESG is a particular focus attracting lots of questions, most commonly on the EPC rating of assets and the Company's delivery of environmental improvements across the portfolio.

Last year, as part of its ongoing shareholder engagement, the Company conducted its second bi-annual ESG survey of investors and shared its draft Net Zero Carbon framework in advance of formalising it. The feedback continued to be very supportive of our ESG strategy and achievements.

Public communication

Shareholders are kept informed of the Company's progress through results statements and other announcements released through the London Stock Exchange. Company announcements are made available on the website affording all shareholders full access to material information.

The website also includes a comprehensive investor relations section containing all RNS announcements, share price information, investor presentations and factsheets, half year results and Annual Reports available for downloading.

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 with the Company at any time through a facility on the website.

This year we are required to comply with the European Single Electronic Format (ESEF) regulations for filing our Annual Report and tagging our primary statements.

Scrip dividend

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. There is a resolution to renew the scheme for a further three years in the Notice of AGM on page 202.

Equity placing

In November 2021, we successfully raised gross proceeds of £175 million through an equity placing that was significantly oversubscribed. A total of 67.3 million new ordinary shares were issued at a price of 260.0p per share, representing a discount of 3.0% to the previous day's closing share price. The net proceeds after issue costs of £170.2 million were used to acquire income producing assets. For the first time, we undertook a retail offer through PrimaryBid to allow private retail investors to participate directly in the placing.

Annual General Meeting

Shareholders are encouraged to participate in the Annual General Meeting ('AGM') of the Company, which provides a forum for communication with both private and institutional shareholders alike.

The AGM held last year was convened with the minimum quorum of shareholders present and voting was exercised in advance by proxy. Shareholders were able to listen in by conference call facilities and submit questions.

This year, our AGM will be held at the Connaught Hotel, Carlos Place, Mayfair, London, W1K 2AL, for shareholders to attend in person. The whole Board will be in attendance and available to answer shareholder questions.

Details of the resolutions to be proposed and voting details can be found in the Notice of AGM on pages 202 to 207. Details of the number of proxy votes for, against and withheld for each resolution will be disclosed in the AGM RNS announcement and on our website.

The Senior Independent Director is available for shareholders to contact if other channels of communication with the Company are not available or appropriate.

Promoting long term success

The Board is collectively responsible for the long term success of the business, having due regard to the views of its stakeholders and the environment within which it operates.

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 and are updated monthly and reported quarterly to the Board;
- One Board meeting each year focuses on the Group's longer term strategy;
- 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; and
- Significant corporate acquisitions and property disposals in the year which further the Company's long-term strategy and value creation.

Despite the challenges of the pandemic over the last two years, we have continued to deliver strong financial results and portfolio metrics. The portfolio has grown by 39% and looking ahead, the combination of additional income from our development programme, asset management initiatives and acquisitions help to support sustainable earnings and dividends.

Our strategy, activities and financial results are set out in the Strategic report on pages 1 to 87 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 26 respectively.

Key shareholders events this year

Q1	Q2	Q3	Q4
Full year 2021 results and virtual analysts presentation	Annual General Meeting of shareholders	Half year results, in person analysts presentation and investor roadshow	Private Wealth updates for regional and London investors
Investor full year roadshow	Private Wealth conference	£175 million equity placing	Two London based investor conferences
Quarterly dividend payment	Quarterly dividend payment	Quarterly dividend payment	Quarterly dividend payment

Focus on strategy

Throughout the uncertainty and disruption to operations over the last year, we have kept our strategy and direction under constant review and at the forefront of our mind. Strategy was discussed at every Board meeting in the year alongside a market update covering longer term themes, evolving trends and a trading feedback from occupiers. In addition, one Board meeting was dedicated to a presentation by the Strategy Director and subsequent discussion and challenge by the Board. The focus was on the following:

Image removed

Andrew Smith
Strategy Director

The four key trends that impact our investment decisions

- Technology and continued online growth
- Urbanisation with population growth and on demand lifestyles
- Convenience factor, with pandemic induced lifestyles
- Sustainability and wellbeing

Where we are today

Our strategic calls over the last few years into logistics and long income have played out well and the pandemic has accelerated those calls, delivering strong shareholder returns and reflecting wider macro trends

Strategic considerations

- Sectors that benefit from structural trends
- Optimal portfolio composition
- Income focus and future growth opportunities

Where next?

- Retain hybrid model of logistics and long income to deliver income focused total returns
- Remain highly disciplined with an obsession on owning the right assets in the right sectors
- Remain alert and agile, retaining optionality to deliver market leading shareholder returns

Division of responsibilities

Leadership framework

Board of Directors

Chair: Patrick Vaughan

The Board is collectively responsible for the long term success of the business, having due regard to the views of its stakeholders and the environment within which it operates. In a year of continued uncertainty, the Board has provided leadership and direction and worked with management to provide oversight and challenge to drive positive outcomes, whilst maintaining effective governance.

The Board establishes and fosters the culture, values and ethics of the organisation, and independently oversees management's execution of strategy within an acceptable risk management and internal control framework.

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 from page 1.

Read more on
Our activities page 98
Board biographies pages 92 – 93
Leadership roles & responsibilities page 113

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.

Audit Committee

Chair: Rosalyn Wilton

The Audit Committee has oversight of the Group's financial reporting processes and monitors the integrity of the financial statements

- *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 124

Remuneration Committee

Chair: Robert Fowlds

The Remuneration Committee determines and implements 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 132

Nomination Committee

Chair: Patrick Vaughan

The Nomination Committee ensures 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 116

Management Committees

Senior Leadership Team

Operates under the direction and leadership of the Chief Executive to deliver the approved strategic objectives and manage the day to day running of the business. 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 94

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

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, approved annually and are available on the Company's website at www.londonmetric.com.

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
Chief Executive Andrew Jones	– Manages dialogue and communication with shareholders and key stakeholders and relays 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 and risk management
Non Executive Directors Suzanne Avery James Dean Alistair Elliott Robert Fowlds Andrew Livingston 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 hosted an offsite dinner for the Non Executive Directors without the Executive Directors present to promote collaboration, discussion and debate in an informal setting.

Division of responsibilities

Leadership roles and responsibilities

Board meetings

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. The attendance record of Directors at Board meetings during the year is reflected in the table on page 99.

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 and Head of Finance attended Committee meetings to discuss relevant operational topics including strategy, ESG, the occupier survey and cyber security.

	Nomination Committee	Audit Committee	Remuneration Committee
Patrick Vaughan	√ Chair		
Suzanne Avery	√	√	√
Robert Fowlds	√	√	√ Chair
Andrew Livingston	√		√
Kitty Patmore		√	
Rosalyn Wilton		√ Chair	√
Total membership	4	4	4

In addition, the Investment and Asset Directors provided valuable transactional updates at Board meetings.

Whilst strategy is considered at every Board meeting encompassing topics such as market conditions and outlook, investment opportunities, capital allocation and emerging risks, one meeting each year focuses on strategy to ensure it remains relevant and adapts to changing economic, political and environmental conditions. See Focus on strategy on page 111.

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.

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 operations and debates.

Each of the Non Executive Directors, other than the Chair, 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 calls or meetings following the announcement of results and the in person half year results presentation to investors. 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 explore and challenge large and complex transactions and as part of each Director's contribution to the delivery of strategy.

This ad hoc communication is supplemented by property visits wherever possible and provides further opportunity to mix with other members of staff.

Due to Covid restrictions this year, only one property tour was arranged in April 2021. Robert Fowlds and Suzanne Avery accompanied the Chief Executive, Asset Director and two managers to our development site in Bedford. This provided insight into the strong relationship management has with occupiers and any issues they may be facing which helps drive strategy.

Robert also provided reassurance to the Board following the investor calls and meetings he attended, that the feedback provided by the Executive Directors was reflective of these meetings and noted the support of the shareholders.

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.

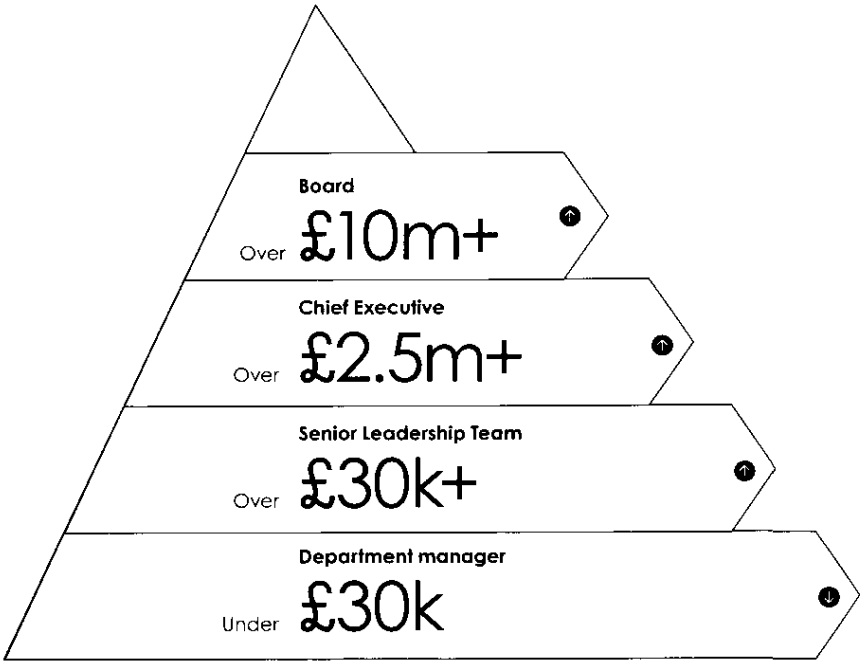
Specific briefing papers were provided to the Board and its Committees on strategy, the equity placing, debt refinancing, the ESG agenda, cyber security and tenant covenants.

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

Patrick Vaughan
Nomination Committee Chair

Image removed

Our focus this year has been the composition of the Board and its performance, and I am pleased to welcome Alistair Elliott as a Non Executive Director.

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	9	3 (3)
Andrew Livingston	19/9/2018	4	3 (3)
Suzanne Avery	31/1/2019	3	3 (3)
Robert Fowlds	28/1/2021	1	3 (3)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2022, rounded to the nearest whole year

2 Bracketed numbers indicate the number of meetings the member was eligible to attend

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 117 - 119

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

See pages 120 - 121

Performance evaluation
- Lead the Board and Committee performance evaluation exercise

See pages 121 - 123

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

See page 123

What the Committee did in 2022

- Considered Board succession and recommended the appointment of Alistair Elliott as a Non Executive Director
- Led the internal Board and Committee performance evaluation
- Commenced the search for an external agency to assist with further NED recruitment
- Reviewed its Terms of Reference which are available on our website

Dear Shareholder,

As Chair of the Nomination Committee, I am pleased to present our report for the year to 31 March 2022.

Long term succession planning at both Board and executive level remains a top priority for the Committee. Our work this year has focused on Non Executive Director succession planning and Board tenure, which led to the appointment of Alistair Elliott as a new Non Executive Director of the Board, as announced today.

The Committee also led its annual evaluation of Board and Committee performance, which this year was undertaken internally as described on pages 121 to 123.

The findings concluded that the Board and its Committees continued to operate to a high standard and work very well together and furthermore, no significant matters were raised. I would like to thank my fellow Board members for their honest and valuable input to this exercise.

Looking forward, our focus will be on Non Executive Director recruitment, as James Dean and I have now served for 12 years on your Board and Ros Wilton approaches the ninth anniversary of her appointment. The search process is underway and we will continue to promote diversity in its widest sense, not limited to gender, as we search for suitably experienced replacements.

Role of the Committee

Our role is to ensure the Board and its Committees continue to be well equipped with 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, succession and talent development

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 116 provides an overview of the composition of the Board's three Committees as at 31 March 2022.

Information on the Board's diversity is on page 118 and biographies are on pages 92 to 93.

Our work on succession planning has continued this year and I am very pleased to announce and welcome Alistair Elliott to the Board post year end as a Non Executive Director. As former Senior Partner and Group Chair of Knight Frank, Alistair brings a nearly unique mix of both property and leadership skills and the right personal qualities to complement and enhance the existing skill set of the Board.

This appointment supports our longer term succession planning for the Board, which includes myself as your Chair, and my colleague James Dean, both of us having now served for 12 years as Board members. Both James and I will continue as Non Executive Directors in the short term to help ensure an orderly transition.

In addition we will require a suitable replacement for Rosalyn Wilton, our Audit Committee Chair, whose tenure is approaching nine years.

We are appointing an external agency to help with our search and will report on the results of this in due course.

We are mindful of Provision 10 of the Corporate Governance Code relating to tenure and independence as James Dean has served on the Board for over ten years. However, the Committee and Board continues to believe that James acts in an independent manner at all times and adds great value to the Board with his in-depth property expertise and sound judgement. We also acknowledge that as I have served as Chair for 12 years, the length of my tenure does not comply with Provision 19 of the Code, as set out in the Statement of Compliance on page 88.

The Nomination Committee and Board felt that the disruption and uncertainty caused by the Covid-19 pandemic meant that it was more important than ever to maintain stability in the leadership team, and therefore in the best interests of the Company and shareholders for me to continue in office. Accordingly, my Contract for Services has been extended to 31 March 2023 and my fellow Directors have advised me that they do not believe my independence, objectivity and judgement is compromised by the length of my service.

As we emerge from the pandemic and learn to live with Covid-19 in our everyday lives, the search for my successor has resumed. The priority will be to appoint the right candidate with the necessary expertise, character and personal attributes to complement and lead the team. I will remain in office as long as necessary in order to facilitate an orderly and planned succession with minimal business disruption.

From a governance perspective, at 31 March 2022, 75% of the Board excluding the Chair comprises independent Non Executive Directors in accordance with the Code.

Composition, succession and evaluation

Nomination Committee report

Executive succession planning

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.

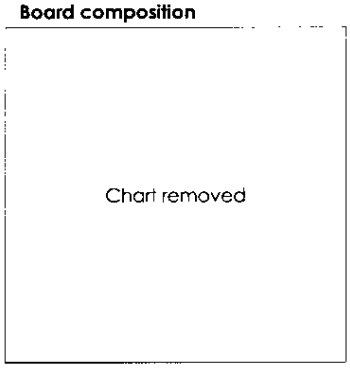
Staff appraisals are undertaken on an annual basis and provide a forum to discuss targets, progress and future prospects. Regular contact with Board members is encouraged, both in and outside of meetings, through presentations, property tours and at other times to discuss specific issues. Training needs and requests can be raised and discussed through the annual appraisal process or at other times with line managers. The Company has supported one female member of staff through the RICS professional qualification and has agreed support for another through 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 a number of external appointments and internal promotions including:

- The recruitment of one male and one female qualified chartered surveyor to support the investment team;
- The internal promotion of a female trainee surveyor following qualification to support the investment team; and
- The recruitment of an investment analyst and qualified accountant as positions became vacant.

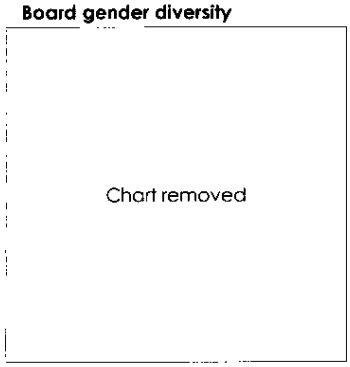
A balanced Board*

Board composition



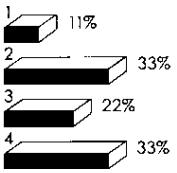
1	Chair	1	11%
2	Independent Non Executive Directors	6	67%
3	Executive Directors	2	22%
	Total	9	100%

Board gender diversity



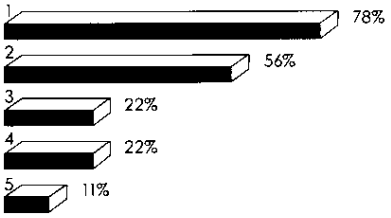
1	Male	6	67%
2	Female	3	33%
	Total	9	100%

Board Tenure



1	0-3 years	1	11%
2	3-6 years	3	33%
3	6-9 years	2	22%
4	10+ years	3	33%
	Total	9	100%

Board skills (%)**



1	Property	7	78%
2	Finance & banking	5	56%
3	Risk management	2	22%
4	Sustainability	2	22%
5	Retail	1	11%

* Based on Board composition as at 31 March 2022

** Some Directors are represented in more than one category in terms of their experience

Board appointment and induction

Alistair Elliott
Non Executive Director

Image removed

Appointment process

1. Committee discussion of candidate specification and required skill set
2. Prepare a comprehensive role brief with input from search agencies as required
3. Consider recommendations through Board contacts and advisors and/or search agency
4. Review a shortlist of potential candidates for initial interviews with Executive Directors, the Senior Independent Director and Nomination Committee
5. Final proposal circulated with CV for consideration
6. Committee recommends candidate to the Board
7. Induction programme organised by the Finance Director
8. Proposed election by shareholders at the first AGM following appointment

Board appointment

We are responsible for identifying and recommending candidates to fill Board vacancies and lead the selection process, ensuring it is formal, rigorous and transparent.

The usual selection process for new appointments to the Board is set out in the flow chart opposite.

We only work with search agencies that adopt the Voluntary Code of Conduct for Executive Search firms on gender and ethnic diversity and best practice. Search agencies are challenged to produce a long list of high quality candidates from a broad range of potential sources of talent.

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.

Alistair was introduced to the Chair as having extensive and relevant experience as Senior Partner and Chair at Knight Frank. The Chair raised this with his fellow Board members and following meetings with the Executive Directors and Senior Independent Director it was agreed that he would join the Board.

Board Induction

Key induction events planned for Alistair include 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 and regulatory matters;
  - shareholder engagement; and
  - our ESG targets and journey so far.
- Provision of past Board and Committee papers, 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

Role requirements for a new Non Executive Director

The Board considered and discussed the role specification and personal attributes required of a new Non Executive Director to replace Rosalyn Wilton. The role requires the ability to foster open and inclusive discussion and provide constructive challenge, as well as contributing to the formulation of strategy and upholding best practice corporate governance. The skills required include but are not limited to operating at a senior level, most likely to be a member of an Executive Committee past or present, and ideally in a listed environment. The Board's diversity is a crucial consideration in this appointment.

Composition, succession and evaluation

Nomination Committee report

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.

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, ESG, cyber security and tenant covenants.

Diversity and inclusion

The Board recognises the importance of diversity and the benefits it brings to the organisation in terms of skills and experience, differing perspectives, fresh ideas and constructive challenge to established behaviours, which ultimately leads to better decision making.

The Board strives to operate in a working environment of equal opportunity and promotes a culture of mutual respect and inclusion throughout the organisation. It acknowledges that performance is, to a large extent, determined by the quality of recruitment, and the development, commitment and retention of employees. However, it realises that the diversity of recruitment will be subject to the availability of suitable candidates and vacancies within the organisation.

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. This Policy was updated in April 2021 and is publicly available on our website.

We promote diversity throughout the workforce and the elimination of discrimination. Current and potential employees are offered the same opportunities, including pay, benefits, training and promotion, regardless of background, gender, age, religion, disability, nationality, ethnicity, sexual orientation or marital status.

Gender balance & Hampton Alexander

Board

Chart removed

1	Male	6	67%
2	Female	3	33%
	Total	9	100%

Senior leadership team

Chart removed

1	Male	6	75%
2	Female	2	25%
	Total	8	100%

Senior leadership team and direct reports

Chart removed

1	Male	16	70%
2	Female	7	30%
	Total	23	100%

Group Diversity

Gender

Chart removed

1	Male	18	51%
2	Female	17	49%
	Total	35	100%

Age (years)

Chart removed

1	20-30	4	12%
2	31-40	7	20%
3	41-50	12	34%
4	51-60	12	34%
	Total	35	100%

Length of service (years)

Chart removed

1	0-5	13	37%
2	6-10	14	40%
3	11-15	7	20%
4	16+	1	3%
	Total	35	100%

We actively engage with recruiters to promote a diverse candidate selection and will ensure that any executive search agency we engage has signed up to the Voluntary Code of Conduct for Executive Search Firms, which addresses gender and ethnic diversity. We expect our search consultants to ensure, where possible, a gender-balanced and ethnic-balanced list of potential candidates, in line with our intention to improve diversity across the business.

The Board acknowledges the challenges faced by the real estate sector in improving gender diversity and continues 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. The Board also recognises that diversity is not limited to just gender and supports the Parker Review recommendation that FTSE 250 boards should have at least one director from an ethnic minority background by 2024.

However, it does not believe quotas are appropriate given the size of the Company and has chosen not to set formal targets. Ultimately, all appointments to the Board and throughout the Company are based on merit and suitability for the role, 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 nine years, signifies a loyal and content workforce but recognise that this also constrains the pace of change.

The charts on page 120 reflect the gender diversity of the Board, Senior Leadership Team and across the Company.

There has been an ongoing commitment to strengthen female representation at Board level, and we are pleased that we have met the Hampton Alexander target of 33% female representation on FTSE 350 Boards throughout the year.

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. The departure of Nick Minto in October 2021 provided an opportunity to redistribute work without the need to recruit a direct replacement, which meant that female representation of the Senior Leadership Team below Board increased to 25%.

We will continue to work towards compliance with the Hampton Alexander targets but acknowledge that gender balance is likely to remain a challenge, as increasing its size is not considered an effective solution and there are no known natural succession changes anticipated at the present time. In the wider organisation, 49% of all employees are female and the culture of the organisation promotes inclusion and equal opportunity. The latest staff survey results which included questions on inclusion and wellbeing, as discussed on page 61, reinforces this culture with all employees feeling proud and happy to work at LondonMetric.

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 60 and in the Employee engagement section of this report on pages 106 to 108.

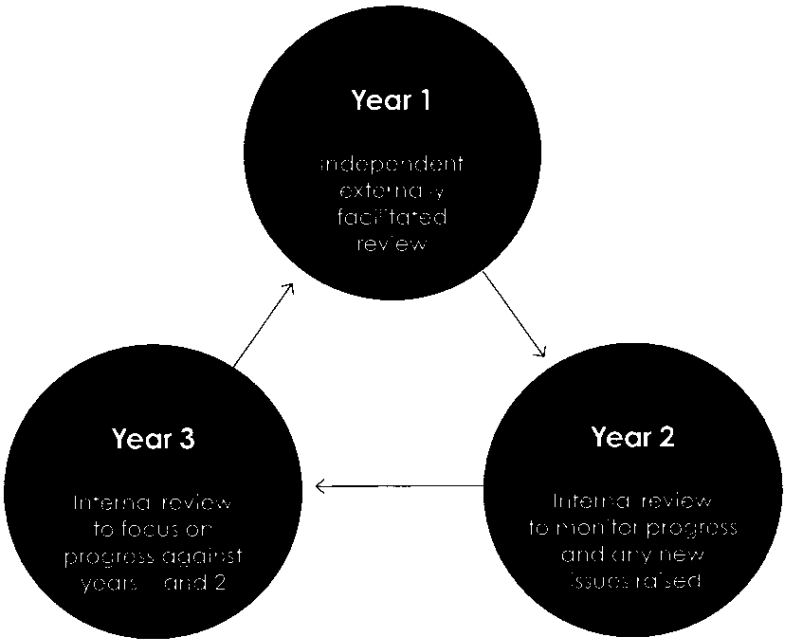
Board performance evaluation

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.

Last year, the Committee appointed Independent Audit Limited to undertake the annual performance evaluation. Progress against targets set last year is set out on page 123. This year, an internal questionnaire based evaluation was led by this Committee. The findings were collated and summarised by the Company Secretary and tabled for discussion by the Committee in February. The key findings and recommendations are summarised on page 122.

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.



Composition, succession and evaluation

Nomination Committee report

2022 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 2022 performance evaluation review are listed below.

Key findings

- The Board has a clear, dynamic strategy and set of objectives which is supported by all Directors and agreed with management, and spends a high proportion of its time reviewing and assessing strategy at meetings
- The business has performed extremely well in the challenging Covid-19 environment and measures adopted by the Board and management have been appropriately focused on what matters most, such as rent collection and staff welfare
- Shareholder relationships are a key focus for the Executive Directors and strong investor sentiment towards the Company is positive and highly supportive of strategy as reflected by strong share price performance
- The Board is risk aware and responds well to problems and crises as evidenced during the pandemic. NEDs receive comprehensive updates and 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
- The Board is cohesive with a complimentary range of expertise, skills and personalities. It combines management support together with appropriate challenge
- Board discussions are open and transparent and attendance of senior management at meetings is helpful and welcome
- The Board is well balanced and considered to have a good breadth and depth of experience to allow it to effectively discharge its responsibilities and to face current and future challenges. As a serving finance director, Kitty Patmore is seen as a strong addition to the Board
- 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
- Committees have the right balance of skills and all have been enhanced with the appointments of Kitty Patmore and Robert Fowlds and are very well 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
- Non Executive Director only dinners or lunches are welcomed to exchange views, consider issues or concerns without the Executive Directors present and are beneficial for developing NED relationships

Recommendations

- Encourage the inclusion of wider management team members in strategy and other discussions
- At least one annual strategy focused discussion is a good discipline to facilitate a deeper review which may not be practical at every meeting
- More in-depth investor feedback would be welcomed periodically as well as more frequent circulation of analysts' notes
- Climate risk reporting is an area to watch given the pace of change and ever increasing focus
- The schedule of matters reserved for the Board should be expanded to include specific references to the Board's ESG responsibilities. The Board should keep under review how best to ensure focus on ESG
- In person attendance at meetings is encouraged following easing of Covid-19 restrictions to generate increased energy, collaborative spirit and exchange of ideas
- Directors should update the Board in respect of bilateral challenges and debates held outside of 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
- 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
- The Nomination Committee should have regard to the Parker Review recommendation for one ethnic minority Board member from 2024
- Continue to provide greater visibility and focus on succession planning for the Chair

Progress against the key points arising from last year's review is reflected in the table on page 123.

In addition, as Chair, I conducted one to one meetings with each of the Non Executive Directors to provide feedback and discuss their contribution and any future expectations.

Recommendation in 2021	Progress in 2022
Ensure the process for sourcing new Non Executive Directors continues to promote fresh perspectives and diversity of thought and ethnicity	Appointment of Alistair Elliott brings fresh views and perspectives. Commenced the search for an external agency to assist with further Non Executive Director recruitment
Increase opportunities for high potential managers to participate in Boardroom discussions and regularly interact with Non Executive Directors	Board and Committee meetings regularly attended by Investment and Asset Directors, Strategy Director, Head of Investor Relations and Sustainability, Head of Finance and other finance team members
Ensure Board debates continue to be focused and current including topics such as ESG and employee engagement and undertake more "deep dives" on relevant themes	One meeting in the year dedicated to strategy and increasing focus of Audit Committee on ESG
Consider a new innovative approach to the annual discussion on strategy, refreshing the format and location to stimulate debate on the future of the business	Not possible given the restrictions imposed by the pandemic this year
Keep the tenure of the Chair under review and put in place a plan to ensure a smooth succession when the time is right	As we emerge from the pandemic, the search for a successor to the Chair has resumed, alongside other Non Executive Directors

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. Alistair Elliott has two other material engagements, with Grosvenor Great Britain and Ireland and The Duchy of Cornwall, which were considered by the Nomination Committee and cleared before recommending his 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.

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.

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. The Committee considers the time commitment required of the Directors and other external appointments they have.

All Directors will offer themselves for election and re-election at the forthcoming AGM on 13 July 2022 and I encourage shareholders to support us and vote in favour of these resolutions.

Patrick Vaughan
Chair of the Nomination Committee
26 May 2022

Audit Committee report

Rosalyn Wilton
Audit Committee Chair

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.

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	8	6 (6)
Suzanne Avery	22/3/2018	4	6 (6)
Robert Fowlds	31/3/2019	3	6 (6)
Kitty Patmore	28/1/2021	1	6 (6)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2022, rounded to the nearest whole year

2 Bracketed numbers indicate the number of meetings the member was eligible to attend

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 126 – 127

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 pages 128 – 129

External auditor
- Review the performance, independence and effectiveness of the external auditor and audit process

See pages 129 – 130

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 130 – 131

What the Committee did in 2022

- Considered the need for a separate ESG Committee
- Dedicated one meeting to ESG matters and received an update on the Company's ambitions and performance
- Received a technical update from Deloitte on corporate governance including the BEIS consultation and reforms
- Oversight of new reporting requirements including TCFD and ESEF
- Considered the rotation of the audit partner for next year
- Considered cyber security, emerging risks and tenant covenant analysis
- Reviewed investor and occupier survey results

Dear Shareholder,

As Chair of the Committee, I am pleased to present our report which describes the key areas of focus and work we have undertaken this year. The Committee consisted throughout the year of four members who attended all meetings either in person or remotely.

We continue to play a key assurance role for the Board, which is to independently oversee and challenge the integrity of the financial reporting processes which support the accuracy of the financial results. We have discussed with management and the external auditors the key transactions in the year as set out in the Strategic report and have challenged the significant judgements as reported on page 127. Alongside this, one of our top priorities each year is to review the risk management framework and internal control procedures, to ensure they remain relevant, robust and are implemented effectively. I am pleased to report that following our comprehensive review of principal and emerging risks, which included the impact of the war in Ukraine, cyber security processes given the increase in remote and hybrid working and climate change, no significant weaknesses were identified. Further details of this review can be found on pages 70 to 85.

Of particular focus this year, was the Company's ESG ambitions including its Net Zero Carbon pathway as reported last year, and its TCFD obligations. Two members of the Senior Leadership Team presented to the Committee at a separate meeting outside of the usual schedule. All other Non Executive Directors were invited and attended.

The presentation covered the Company's ESG framework, the Board's responsibilities, external benchmarking, net zero ambitions, specific initiatives and targets, TCFD reporting and feedback on ESG matters. A list of action points was compiled to follow up on TCFD workflows, investor performance indices and carbon offsetting.

The Committee was satisfied that ESG is a key focus for management and is embedded into operations. The Committee also agreed to hold a dedicated ESG update meeting on an annual basis and to incorporate ESG responsibilities into its terms of reference, rather than establishing a separate ESG Committee given the size of the Board.

In addition to recurring business, the Committee also received briefing papers and considered cyber security, tax strategy, corporate governance, the occupier survey results and portfolio credit analysis, which noted the pressures on occupiers of the current high inflationary environment and considered whether the current UK economic sanctions on Russia applied to any of the Company's tenants, as discussed on page 71.

Each year we also consider the independence and effectiveness of the external auditors to ensure they provide the appropriate level of challenge and expertise. Following our review, we have recommended the reappointment of Deloitte LLP ('Deloitte') at the AGM in July. Deloitte have been in office for nine years now and we will be re-tendering ahead of the 2024 year end. In addition, the current Audit Partner will have served for five years after the conclusion of this year's audit and in line with best practice recommendations will be stepping down and handing over to Rachel Argyle next year. On behalf of the Committee and Board, I would like to thank Georgina for her support and expertise over the last five years.

During the year, the Company received a letter from the FRC following their review of the 2021 Annual Report. The objective of the review was not to verify that the information in the Annual Report was correct but rather to consider compliance with reporting requirements. I am pleased to report that no queries or questions were raised, and no response was required. The minor disclosure recommendations that were noted have been taken into consideration in the preparation of this year's Annual Report.

Membership

The Committee comprised throughout the year of four independent Non Executive Directors, with 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 to the Committee 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 92 to 93.

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 such as 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. This year, the Head of Investor Relations and Sustainability and the Strategy Director presented an update on ESG and the Head of Finance discussed significant accounting matters and cyber security. 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 and challenge. With the easing of restrictions, we have returned to face-to face meetings, but recognise the benefits of remote attendance and will continue with hybrid meetings where we feel it necessary and beneficial.

Audit, risk and internal control

Audit Committee report

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 121 to 123. 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.

Our work in 2022

Throughout the year, the Committee acted in accordance with its terms of reference, which were last reviewed and updated in March 2022 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 including property valuations and corporate acquisitions – 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 including cyber security and the war in Ukraine – 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 – Reappointment of Deloitte LLP as external auditor – Rotation of Audit Partner and consideration and approval of incoming Audit Partner – Non audit services and ratio of fees
Regulatory compliance	– Committee's composition, performance, terms of reference and constitution – S172 Statement, occupier survey and other legislative requirements including TCFD and ESEF – ESG matters including Net Zero Carbon ambition – Tax strategy

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.

The significant matters considered by the Committee, discussed with the external auditor and addressed during the year are set out on page 127 and are consistent with previous years. Further details can be found in note 1 to the financial statements on pages 168 to 169.

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 156.

In addition to the significant matters discussed opposite, 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.

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 a disrupted and 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 section on pages 70 to 85.

The Group and its share of joint ventures has property assets of £3.6 billion as reflected in the Financial review and as detailed in Supplementary note ix on page 197.

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 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 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 transactions

Reporting Issue

The Group transacted on £783 million of property acquisitions and sales in the year, as discussed in detail in the Property review on pages 29 to 41. 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.

This year the Group acquired £227 million of assets through corporate transactions. Other complexities considered included forward funded developments and deferred completion arrangements.

The Committee's role

The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to the corporate acquisition and other significant transactions to the extent that there were unusual terms and conditions or judgement.

This year the Group acquired the Savills UK Income & Growth Fund for £122 million, which comprised 15 property assets. In addition, it acquired assets totalling £105 million through two further corporate acquisitions.

Minimal assets were acquired other than the property portfolio, and there were no employees or drawn debt balances.

Therefore, all transactions were considered to be property acquisitions and disposals of less complexity and not business combinations in accordance with IFRS 3.

Conclusion

The Committee concurred with the approach adopted by management in each case.

Audit Committee report

Risk management and internal control

Risk management remains a top priority for the Board and one it takes seriously. The Board is ultimately responsible for identifying the principal and emerging risks which may affect its strategic objectives and for monitoring the risk management controls in place. It recognises that risk is inherent in running the business and understands that effective risk management is key to long term sustainable success and growth.

The Board has delegated responsibility for reviewing the effectiveness of the risk management framework and internal control environment to the Audit Committee. Each year the Committee carries out an in-depth review of the risk register and reports its findings to the Board. The risk register was last updated and presented to the Audit Committee in March 2022.

There is a culture of risk awareness embedded into the decision making process and robust processes are in place to support the identification and management of risk.

The Board considers risk at a strategic level each meeting via a high level dashboard, which ensures that new and emerging risks are identified early on with appropriate action taken to remove or reduce their likelihood and impact.

The Chief Executive also provides an informative market overview at each meeting covering longer term themes and evolving trends that provide context for responsive strategic decision-making.

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

A new principal risk category of Major Event has been added this year, to capture risks associated with external factors such as the pandemic, acts of terrorism or conflict.

The Covid-19 pandemic presented challenges to the business and its stakeholders, including the security of remote working, office safety, the financial stability of tenants and the availability of contractual supplies for development projects. The Board remain vigilant to the risks posed by Covid-19 variants but consider this risk has reduced due to the Company's experience of operating over the last two years and the efficacy of vaccines and treatments.

The war in Ukraine has been identified as a new emerging risk in the Major Event category, although at present it is too early to tell how long the war and resulting uncertainty will last and whether the conflict will spread. The impact on the economy and tenants of higher and longer inflation and power and supply chain disruption are also currently unknown. Our strong occupier relationships provide market intelligence and will help us to better understand the impact over time.

The Board believe that a portfolio firmly placed on the right side of structural change, with more companies holding greater inventories within the UK, and granularity of income, provide a high level of resilience to any shocks. These risks are discussed in detail in the Risk management section on pages 70 to 85.

The risk management framework and ongoing processes in place to identify, evaluate and manage the principal risks and uncertainties facing the Group are described in the Risk management section on pages 70 to 85.

As well as its review of the risk register, the Committee received a cyber security update paper from the Finance Director, which highlighted the increased risk of cyber threats linked to extensive periods of remote and hybrid working and listed the improvements made in the year. These included the implementation of improved threat detection and prevention software, cyber awareness training for all staff, penetration testing on existing systems and the implementation of an electronic approval system for purchase invoices. Further details can be found in the Risk management section on page 70.

Risk register

As in previous years, the risk register identifies the following for each corporate, property and financial risk facing the business:

- Significance and probability of each risk;
- Controls and safeguards in place to manage and minimise each risk;
- Movements in the Group's exposure to the risk since the last review; and
- Allocated owner of the risk and management of safeguards.

Internal control framework

The Committee also reviews the effectiveness of the Group's internal controls including all material financial, operational and compliance controls, and received an updated internal control evaluation report from the Finance Director in March 2022.

The key elements of the Group's internal control framework are as follows:

- 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 Senior Leadership Team;
- 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 Senior Leadership Team 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; and
- A formal whistleblowing policy and annual performance reviews to enable staff to voice concerns.

Based on its review and assessment, the Audit Committee is satisfied that no significant weaknesses in the Group's internal control structure were identified during the year and an effective risk management system is in place and has reported these findings to the Board.

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.

External audit

The Committee has continued to have a constructive working relationship with the external auditor and its lead partner Georgina Robb, who was first appointed for the 2018 year end. 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. Therefore, Georgina will be stepping down following the conclusion of this year's audit and Rachel Argyle has been appointed as her successor. Deloitte has been the external auditor for the past nine years since 2013 and therefore we will undertake a formal tender process for the audit ahead of the 2024 year end.

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 areas consistent with previous years as property valuations and accounting for significant transactions. The level of audit materiality was also discussed and agreed. Their detailed audit findings were presented 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 Committee report

Audit and non audit fees

Year to 31 March	2022 £000	2021 £000	2020 £000
Audit fees	225	201	184
Review of interim results	38	35	30
Other non audit fees	–	–	–
Total	263	236	214
Ratio of non audit fees (including interim review) to audit fees	17%	17%	16%

* Audit fees paid to the external auditor in respect of joint ventures totalled £13,500 at share (2021: £12,100 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 continue to provide the appropriate level of professional challenge and remain objective and independent and as such the Committee has recommended to the Board that Deloitte be appointed for another year. A resolution to this effect will be proposed at the AGM in July.

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.

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 current economic challenges of higher inflation and interest rates and supply chain disruption on our occupiers, and the impact to the Group of 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 confirmation on going concern and its Viability Statement is set out on pages 86 and 87.

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 consideration of stakeholders is set out on pages 100 to 103 and the Section 172 statement is on page 104.

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 131;
- 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 86 and the Board's Viability Statement is on page 87; and
- Ensuring the Company's risk management framework is sufficiently robust to safeguard its future for the benefit of its stakeholders.

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 considered the process in place and adopted by management in preparing the Annual Report, 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;
- Regular team liaison during the drafting stages to ensure consistency of tone and message, balanced content and appropriate linking of the various sections;
- A technical briefing update given by the external auditor covering corporate governance and accounting regulations attended by relevant staff and the Audit Committee in January 2022;
- 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.

Climate related disclosures

The Committee considered the new requirement this year for disclosure, on a comply or explain basis, on the recommendations of the Task Force on Climate-related Financial Disclosure ('TCFD'). During the year the Company undertook a comprehensive climate risk assessment with its external advisors as reported on page 52.

The Committee received an update from management on the assessment undertaken and the new TCFD disclosure which can be found in the Responsible Business and ESG review on pages 66 to 69.

In carrying out its review, the Committee had considered the following:

Fair

- Does it include relevant transactions and balances?
- Does it include the required regulatory disclosures?
- Does it provide shareholders information to assess the Group's position and performance, business model and strategy?
- Is it honest, reporting success and opportunities alongside challenges to the business?

Balanced

- 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 154.

ESEF reporting

The Committee also considered the new requirement to prepare the Company's consolidated financial statements in digital form under the European Single Electronic Format regulatory standard ('ESEF'). The Committee reviewed management's process for completing the ESEF submission, including the appointment of a qualified provider for the preparation of the ESEF report and is satisfied with the procedures in place.

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. 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.

As reported throughout this Annual Report, it has been another very successful and busy year for the Company. I would like to extend my thanks to my fellow Committee members, wider management team and Deloitte for their continued support and valued contribution. This year, our AGM will be held at the Connaught Hotel in Mayfair for shareholders to attend and I will be in attendance and available to answer any questions.

Rosalyn Wilton
Chair of the Audit Committee

26 May 2022

Remuneration Committee report

Robert Fowlds
Remuneration Committee Chair

Image removed

The overriding objective of our remuneration framework is to operate a fair and transparent Remuneration Policy which motivates and retains individuals of the highest calibre and rewards exceptional performance for the delivery of the Group's strategic goals.

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	3	4 (4)
Rosalyn Wilton	14/7/2016	6	4 (4)
Suzanne Avery	19/9/2018	4	4 (4)
Andrew Livingston	28/1/2021	1	4 (4)

1 Tenure is measured from date of appointment to the Committee and as at 31 March 2022, rounded to the nearest whole year

2 Bracketed numbers indicate the number of meetings the member was eligible to attend

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 138 – 140

Remuneration packages and payouts
- Determine and review individual remuneration packages
- Approve salaries, bonuses and LTIP awards

See pages 141 – 149

Variable incentives
- Determine and review the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements
- Approve targets and outcomes

See pages 141 – 149

What the Committee did in 2022

- Set targets for the year
- 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 variable elements of the annual bonus and LTIP performance against targets set
- Approved the extension of the Board Chair's letter of appointment for 12 months to 31 March 2023

Remuneration

Chair's introduction

This report is structured as follows:

- Chair's introduction page 133
- Directors' Remuneration at a glance page 135
- Implementation of Policy next year page 136
- Directors' Remuneration Policy page 138
- Annual Report on Remuneration page 141

I am very pleased to present the Remuneration Committee's report on Directors' remuneration for the year to 31 March 2022. Our Remuneration Policy was approved for three years at the 2020 AGM by over 95% of votes in favour. The Policy is designed to be simple and transparent and *one which aligns executive pay with the* Company's strategic goals, wider workforce pay arrangements and shareholder interests and one which rewards exceptional overall and individual performance. A summary of the Policy is provided on pages 138 to 140 and the full Policy can be found on our website at www.londonmetric.com.

There have been no changes to the Committee's membership or primary role this year, which is to determine and recommend a fair reward structure that incentivises the Executive Directors to deliver the Group's strategy whilst maintaining stability in the management of its long term business.

Our Annual Report on Remuneration on page 141 contains details of payments during the financial year and how we intend to implement the Remuneration Policy for the next financial year. This part of the report is subject to an advisory vote at the forthcoming AGM.

Remuneration aligned to purpose and strategy

Our remuneration framework is strongly aligned with the Company's purpose, strategy and performance as well as the interests of our shareholders as reflected in the chart on page135.

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').

Performance during the year

The Company has delivered another very strong set of results this year despite the continued economic and political challenges and uncertainty posed by Covid-19 and more recently the war in Ukraine. It has delivered growth in earnings of 9.2% and a progressive and well covered dividend to shareholders of 9.25p, a 6.9% increase on last year.

IFRS reported profit of £734.5 million, almost trebled over the year, and was predicated on a £632.2 million valuation gain. EPRA net tangible assets per share has increased 37.2% to 261.1p and total property return at 28.2% significantly outperformed the IPD All Property index of 19.6%. The Company's £3.6 billion portfolio is well positioned with 97.1% of assets in the structurally supported distribution and long income sectors.

Shareholder support for the Company's investment strategy was evidenced by the successful and over-subscribed £175 million equity raise in November 2021 and the strength of banking relationships were instrumental in securing new private placement and unsecured credit facilities totalling £930 million in the year.

Given this exceptional performance and the continued progressive returns enjoyed by its 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

This year, the Committee approved an 8.4% increase for Executive Director salaries in line with the average increase for the wider workforce. In assessing the appropriateness of this increase, the Committee also noted that:

- While the Company has grown significantly in size and complexity since its inception, the Committee demonstrated considerable restraint around fixed levels of remuneration, such that in every year since 2014 the Executive Directors have received increases either equal to or below that of the average employee increase; and
- Corporate and individual performance has been exceptional as demonstrated by the bonus and LTIP outcomes and the shareholder experience (33.7% TSR this year).

The increases will apply from 1 June 2022.

Pension alignment

As reported last year, the Executive Directors' pension contributions will be reduced from the existing level of 12.5% of salary to 10% of salary on 1 June 2022 to align with the rate available to the wider workforce in accordance with our 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 2022 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.

Notwithstanding the challenging operating environment, the EPS growth measure was achieved in full as EPRA EPS of 10.04p significantly exceeded the maximum target of 9.68p. To put this into context, the Company started the year with substantial non-core property sales completed or agreed, such that the 9.68p target was effectively a 9% increase in the underlying earnings in a very competitive property investment market. Management delivered significant accretive acquisitions outperforming the target.

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 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 72% of maximum.

Chair's introduction

The Committee also assessed that performance against personal objectives would pay out in full this year reflecting the strong strategic, financial and ESG progress made as set out on pages 143 to 144.

Overall, the Committee has calculated annual bonuses for the Chief Executive and Finance Director to be at 90% of their respective maximum levels. The Directors have decided to opt out of the annual bonus deferral provision in accordance with the Remuneration Policy, as they have exceeded the minimum shareholding requirement of 700% of salary.

LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2019 is dependent on Company performance over the three years to 31 March 2022. Performance is measured by reference to TAR and TSR relative to the FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% weighting each) and EPRA EPS growth (25% weighting).

The Committee assessed relative TAR and TSR performance over the three year period with both being in the top quartile of the measurement index leading to full vesting for these elements.

The EPRA EPS growth targets are set with reference to RPI measured on a spot to spot basis over the three financial years ending 31st March 2022. Given the unforeseen and exceptional increase in RPI in recent months driven by external geopolitical and macroeconomic factors, the Committee determined to cap the RPI rate at which the EPS growth targets were to be assessed. In determining an RPI cap of 7% per annum the Committee took into account the following factors:

- Inflation rates when the targets were set;
- Inflation rates over the three financial years;
- The lease structures of our customers, many of which contain an annual increase cap significantly below current RPI;
- The other 15 recipients of the LTIP award; and
- EPS performance over the three financial years.

Based on this approach and an actual EPRA EPS outturn for FY2022 of 10.04p per share, vesting for this element is 83%. The Committee considered the calculation methodology fair and reasonable for the Executive Directors and also for the 15 LTIP participants in the wider workforce and generated an outcome aligned with the Company's strong corporate performance and the shareholder experience.

Overall, 95.8% of the 2019 LTIP will vest in June 2022, 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 719,877 share awards were granted to the Executive Directors and 982,483 LTIP awards vested.

The Directors disposed of 463,157 shares to settle tax liabilities and retained the remaining 519,326 shares which increased their holding in the Company to a total of 8.1 million shares as reflected in the table on page 147.

Looking forward

The Committee will continue to monitor emerging trends and best practice in corporate governance ahead of its third policy review in 2023, to ensure the remuneration arrangements continue to incentivise and motivate management.

Finally, I would like to thank my colleagues on the Remuneration Committee for their high quality input and support over the last year.

Robert Fowlds
Chair of the Remuneration Committee

26 May 2022

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 2022 of 6.9%
- The financial results were also reflected in strong share price growth which led to TSR growth of 33.7% over the year and 59.5% TSR growth over the three years to 31 March 2022
- Continued realignment of the portfolio towards urban logistics and long income: urban logistics is now 44% of the portfolio and logistics and long income is now 97% of the portfolio
- Continued improvement in the quality of the portfolio through an increased WAULT to 11.9 years and occupancy maintained at 99%
- The equity raise during the year was five times oversubscribed
- Improvement in EPC ratings, with 85% assets rated A to C (2021: 74%)
- All employees received an annual bonus and the Committee is delighted that 60% of our employees will benefit from the 2022 LTIP award
- Finally, the Company has not taken advantage of any UK government support schemes or loans during the pandemic.

The Committee is satisfied that the remuneration policy operated as intended in the year to 31 March 2022.

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 2022[2] £000**	Total 2021 £000	Illustrative change in value of shares owned and outstanding share awards £000
Andrew Jones	565	26	73	847	1,524	**3,035**	2,998	655
Martin McGann	378	29	49	480	840	**1,776**	1,737	403

1 Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 285.2p and the lowest closing price was 216.0p. The number of shares and share awards was calculated based on the year end total

2 Full details of Directors' remuneration for the year can be found in the table on page 142

3 2019 LTIP awards expected to vest in June 2022

Annual bonus plan – targets and outcomes

Performance measure	Payout target 25%	50%	100%	Actual	% awarded
EPRA EPS	9.52p	9.57p	9.68p	10.04p	**100%**
TPR (3 year All Property)	6.4%	7.1%	7.7%	15.1%	**100%**
TPR (1 year All Property)	19.6%	21.6%	23.5%	28.2%	**100%**
TPR (3 year reweighted)	12.8%	14.1%	15.4%	15.1%	**89%**
TPR (1 year reweighted)	31.4%	34.5%	37.6%	28.2%	–

Combining these outcomes with the personal objectives gives the following payouts:	£000	% of maximum
Andrew Jones	847	**90**
Martin McGann	480	**90**

2019 LTIPs vesting – targets and outcomes

Performance measure	Payout target 25%	100%	Actual	% awarded
TSR	19.8%	32.4%	59.5%	**100%**
TAR	-0.2%	25.4%	65.1%	**100%**
EPRA EPS	9.77p	10.12p	10.04p	**83%**

The estimated number of shares vesting are as follows:	Number
Andrew Jones	574,459
Martin McGann	316,896

The level of LTIP vesting in 2022 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%	4 June 2021	484,839	234.7p	1,138
Martin McGann	145%	4 June 2021	235,038	234.7p	552

Shareholding of the Executive Directors

Chart removed

Remuneration

Implementation of policy next year

Summary of Policy	Implementation in the year to 31 March 2023
Base salary [illegible]	The Committee has approved salary increases for the Executive Directors in line with the workforce average increase of 8.4%.

Executive Director	Base salary from 1 June 2022	Base salary from 1 June 2021
Andrew Jones	£616,569	£569,007
Martin McGann	£412,273	£380,470

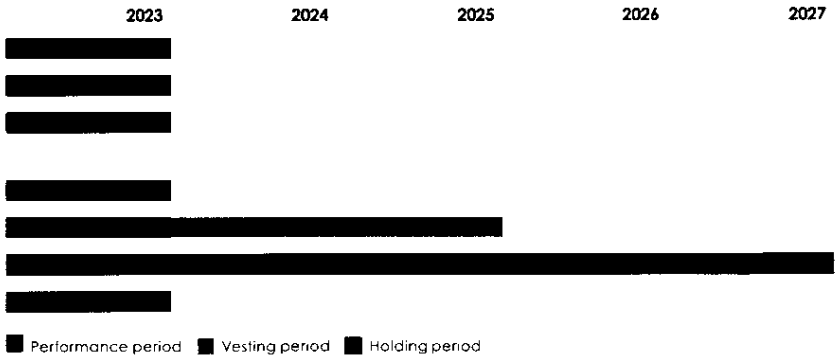
Pension [illegible]	Executive Directors will receive the 12.5% of salary supplement in lieu of pension until 31 May 2022. Thereafter, pension contributions will reduce in accordance with the Remuneration Policy to 10%.
Benefits [illegible]	In line with the Policy, each Executive Director receives: - Car allowance - Private medical insurance - Life insurance - Permanent health insurance
Annual bonus [illegible]	The maximum bonus opportunity will remain at 165% of salary for the Chief Executive and 140% 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	35%	Growth in Company's EPRA EPS against a range of challenging targets
Growth in total property return ('TPR')	35%	Growth in Company's TPR against IPD All Property Index and the index for the Group's portfolio of assets, on a multi-year basis; Full payout if growth is 120% of the index; 50% payout if growth is 110% of the index; 25% payout if growth matches the index; Straight line interpolation between limits; No payout if TPR is negative
Personal objectives	30%	Vary between individuals and include portfolio management, financial and people management, investor relations, Responsible Business and regulatory compliance

The Committee believes that the EPRA EPS target and details of the personal objectives 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.

Summary of Policy	Implementation in the year to 31 March 2023
Long Term Incentive Plan Annual award of up to 200% of salary for the Chief Executive and 165% of salary for the other Executive Directors. Awards will normally vest at the end of a three year period subject to: – The Executive Directors' 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, in its absolute discretion, determine 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 measured against the FTSE 350 Real Estate Sector excluding agencies and operators ('the Index'). Under the TSR element, there will be no payout if TSR is negative. The Committee determined that the indices would not be weighted. For the EPRA EPS growth targets, the out-performance of inflation for full vesting has been increased to 4.5% to take account of the differential between RPI and CPIH. For new awards, RPI which is due to be phased out, has been replaced by CPIH. Awards granted in 2022 to the Finance Director will be based on 155% of salary to allow better alignment with senior managers below the Board.
Shareholding requirement Executive Directors are required to build up a shareholding equivalent to a percentage of their salary. Executive Directors who have not yet retained at least 55% of the net amount vested from incentive plans will be required to retain shares in perpetuity. The post cessation shareholding requirement (200%) should be in place for a period of one year.	The shareholding requirement is: – Chief Executive – 700% of salary – Other Executive Directors and certain members of the Senior Leadership Team – 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 three year 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 or 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

Key elements and time period



Directors' Remuneration Policy

The Remuneration Policy for the Group was approved by shareholders at the 2020 AGM on 22 July 2020 for a period of three years. This section is an extract from the full Remuneration Policy, which is available on our website at www.londonmetric.com.

Details of the core elements of the Policy can be found in the Implementation of Policy next year section on page 136.

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 property 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.

Alignment of Policy with the 2018 Corporate Governance Code

Under the headings prescribed under provision 40 of the 2018 Code, the following table shows the alignment between the Policy and Code.

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 the FTSE 350 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.

Illustration of application of Remuneration Policy

The charts below show the application of the Remuneration Policy 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 target scenarios assume 50% payout of the maximum opportunity under the annual bonus and 25% (being threshold vesting) of the LTIP. In line with the changes to the regulations, we have also shown the maximum scenario with the impact of 50% share price appreciation over three years. For comparison, we have also shown the actual single figure for the year to 31 March 2022.

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 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.

	Link to remuneration		
Key performance indicators	**Annual bonus**	**LTIP**	**Link to strategy**
Total shareholder return		37.5%	
Total accounting return		37.5%	
EPRA earnings per share	35%	25%	
Total property return	35%		

Our strategic priorities

- 1 Align portfolio to macro trends
- 2 Focus on long-let property with rental growth
- 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

Directors' Remuneration Policy

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. None of the Executive Directors held external appointments during the year.

Employee considerations

Chief Executive

Salary increase in 2022
+8.4%

Bonus movement in 2022
-3.2%

Of salary held in Company shares
2380%

Pension contribution from 1 June 2022 in line with workforce
10%

Wider workforce

Average salary increase in 2022
+8.4%

Average bonus movement in 2022
-0.9%

Of employees received a bonus in 2022
100%

Of employees participate in the LTIP in 2022
60%

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 property 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 all staff continued to be very proud to be part of the LondonMetric team. Further details are provided on pages 107 to 109.

In addition this year, the Remuneration Committee Chair attended the annual meeting held by the designated workforce NED with a small 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 the importance of the pay cascades in the organisation as reflected in the table opposite.

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 2022. 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		
Element of pay	Chief Executive	Finance Director	Senior Leadership Team
LTIP	200% of salary	155% of salary	39% to 155% of salary
Annual bonus	149% of salary	126% of salary	66% to 126% of salary
Pension	12.5% of salary	12.5% of salary	10% to 12.5% of salary

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 5.0% to £52,760 from 1 June 2022. The Chair's new letter of appointment set his fees for the period to 31 March 2023.

Chair	£210,000
Base Non Executive Director fee	£52,760
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

Remuneration

Annual Report on Remuneration

On the following pages we set out the Annual Report on Remuneration for the year ending 31 March 2022 which provides details of how the Remuneration Policy was applied and how we intend to apply the Policy for the year ahead to 31 March 2023.

The Annual Report on Remuneration including the Chair's introduction, Remuneration at a Glance, and Implementation of the Policy sections are subject to an advisory vote at the forthcoming AGM on 13 July 2022 and 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 £81,500 calculated on both hourly and fixed fee bases. 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 four 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 2021 LTIP awards granted and annual bonus for the year to 31 March 2022 Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2021 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 2022
Salary	Reviewed and approved annual salary increases effective from 1 June 2022
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

Annual Report on Remuneration

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	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Executive																
Andrew Jones	**565**	519	**26**	26	**73**	82	**664**	627	**847**	876	**1,524**	1,495	**2,371**	2,371	**3,035**	2,998
Martin McGann	**378**	347	**29**	29	**49**	55	**456**	431	**480**	497	**840**	809	**1,320**	1,306	**1,776**	1,737
Non Executive																
Patrick Vaughan	**216**	206	**–**	–	**–**	–	**216**	206	**–**	–	**–**	–	**–**	–	**216**	206
Suzanne Avery	**60**	57	**–**	–	**–**	–	**60**	57	**–**	–	**–**	–	**–**	–	**60**	57
James Dean	**50**	51	**–**	–	**–**	–	**50**	51	**–**	–	**–**	–	**–**	–	**50**	51
Robert Fowlds	**75**	68	**–**	–	**–**	–	**75**	68	**–**	–	**–**	–	**–**	–	**75**	68
Andrew Livingston	**55**	52	**–**	–	**–**	–	**55**	52	**–**	–	**–**	–	**–**	–	**55**	52
Kitty Patmore	**55**	10	**–**	–	**–**	–	**55**	10	**–**	–	**–**	–	**–**	–	**55**	10
Rosalyn Wilton	**70**	66	**–**	–	**–**	–	**70**	66	**–**	–	**–**	–	**–**	–	**70**	66

1 Taxable benefits include the provision of a car allowance for Executive Directors and private medical insurance

2 Pension contribution is 12.5% of salary (excluding any salary sacrifice) and may be taken partly or entirely in cash

3 Annual bonus payable in respect of the financial year ending 31 March 2022 paid fully in cash as minimum shareholding requirements met

4 2019 LTIP awards expected to vest in June 2022 for the performance period to 31 March 2022. 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 2022. 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 growth between grant and 31 March 2022 accounts for £351,000 for Andrew Jones and £193,000 for Martin McGann as reflected in the table on page 146. The estimated figures disclosed in the previous Annual Report for 2021 vesting have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used was 222.0p and the actual share price on vesting was 234.5p. The differences in value were £94,000 for Andrew Jones and £50,000 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 is a key facet of the Company's Remuneration Policy.

Annual bonus outcome for the year ended 31 March 2022

The annual bonus performance targets set for the year to 31 March 2022 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 financial performance element measures growth in EPRA EPS and TPR relative to the IPD 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. In line with best practice, TPR has been measured on a multi-year basis (over one and three years). The 2022 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	Individual objectives	Bonus % of maximum	Bonus % of salary	**Total bonus £000**
Andrew Jones	60%	30%	90%	149%	**847**
Martin McGann	60%	30%	90%	126%	**480**

Group financial targets

Performance measure	Weighting	Basis of calculation	Range (0%)	(25%)	(50%)	Maximum (100%)	**Actual performance**	**% awarded**
EPRA EPS	35%	Growth in EPRA EPS against a challenging target	<9.52p	9.52p	9.57p	9.68p	**10.04p**	**100%**
Total property return ('TPR')	35%	Growth in TPR against IPD benchmark	Positive growth	TPR matches index	TPR is 1.1 times index	TPR is 1.2 times index	**See below**	**72%**
		3 year All Property		6.4%	7.1%	7.7%	**15.1%**	**100%**
		1 year All Property		19.6%	21.6%	23.5%	**28.2%**	**100%**
		3 year reweighted		12.8%	14.1%	15.4%	**15.1%**	**89%**
		1 year reweighted		31.4%	34.5%	37.6%	**28.2%**	**–**

Individual non financial targets

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 achieved their individual personal objectives and approved full payouts for both, taking into account the overall strong corporate performance and shareholder experience.

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 2022.

Objective	Assessments
Andrew Jones	
Portfolio & financial	
Portfolio focus to maximise both EPS and NAV growth	– Increase in EPRA EPS from 9.52p to 10.04p, providing cover for an increase in the dividend for the year – Increase in EPRA NTA per share from 190.3p to 261.1p largely due to revaluation gain of £632 million
Recycling capital with set down of non core assets	– Investment in preferred urban logistics sector increased from 38.5% to 43.9% in the year – Reduced exposure to non core offices and residential assets, from 1.7% to 0.8%
Focus on income quality to deliver opportunities for sustainable and progressive earnings	– Growth in EPRA earnings per share in the year of 5.5%, supporting a continuation in dividend progression – Increase of 15% in contracted rent to £143.3 million
To provide oversight to the delivery of development schemes during the year	– Completion of 0.5 million sq ft of development during the year producing £4.5 million of annual rent with a further 0.9 million sq ft under construction
Reinforce the position of the Company as leading investor/partner of choice in logistics	– Reinforcement of growth characteristics of urban logistics continues to be well received in the market and by stakeholders
ESG	
Position the Company as an employer of choice and continue to generate positive employee feedback, very low staff turnover and an inclusive corporate culture	– Fifth staff survey undertaken in February with very positive results – 100% of staff enjoy and are proud to work for the Company – 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. Additional investment support recruited this year
Lengthen and strengthen relationships with key stakeholders: institutional shareholders or/and client wealth managers ("PCM") occupiers and analysts	– c.250 investors met in the year, good investor feedback and strong share price performance – Continuing focus on private wealth managers and funds which account for c.25% of the register – Strong portfolio metrics and results from the latest occupier survey demonstrate contentment, with occupancy of 98.7% and a landlord recommendation score of 8.5/10.0
Optimise our EPRA/GRESB sustainability rankings	– GRESB Green Star, EPRA sustainability Gold Award – GRESB score of 65%
Demonstrate sustainable improvement in buildings across the portfolio, as measured by EPC ratings, BREEAM and renewable energy installations	– BREEAM Very Good or Excellent assets represent 29% of portfolio once current developments complete – EPC A-C rated assets increased from 74% to 85% in the year – 0.9 MW of solar installed on portfolio with further opportunities identified

Annual Report on Remuneration

Objective	Assessments
Martin McGann	
Portfolio & financial	
Optimising the funding structure to support the real estate strategy	– New £380 million private placement with a £50 million green tranche – Three new unsecured credit facilities completed in the year for £550 million, £400 million subject to a green framework and preferential pricing – Existing short dated facilities repaid and maturity extended via long dated private placement – £175 million equity placing in November 2021, significantly oversubscribed
Focus on income quality to deliver growth in our sustainable earnings	– Growth in EPRA EPS in the year of 5.5%, supporting a continuation in dividend progression – Increase of 15% in contracted rent to £143.3 million
Delivery of development schemes on schedule and on budget, and within agreed timescales and in line with BREEAM	– Completion of 0.5 million sq ft of development during the year producing £4.5 million of annual rent with a further 0.9 million sq ft under construction
Maintain appropriate LTV, cost of finance and debt maturity metrics	– Continued low average cost of debt of 2.6% (2021: 2.5%) – Lower LTV of 28.8% (2021: 32.3%) – Increased hedging post refinancing from 45% to 71%
ESG	
Deliver Responsible Business agenda to increasing satisfaction of stakeholders including investors, tenants, suppliers, our staff and the local communities within which we operate	– Net Zero Carbon ambition progressed – Occupier survey undertaken with high level of satisfaction – Continue to monitor ESG objectives across Company – Investor feedback demonstrated we are meeting their ESG expectations on performance and disclosure – Charitable donation fund maintained and distributed
Position the Company as an employer of choice and continue to generate positive employee feedback, very low staff turnover and an inclusive corporate culture	– Fifth staff survey undertaken in February with very positive results – 100% of staff enjoy and are proud to work for the Company – Very low staff turnover rate of 6%
Optimise our EPRA/GRESB sustainability rankings	– GRESB Green Star, EPRA sustainability Gold Award – GRESB score of 65%
Demonstrate sustainable improvement in buildings across the portfolio, as measured by EPC ratings, BREEAM and renewable energy installations	– BREEAM Very Good or Excellent assets represent 29% of portfolio once current developments complete – EPC A-C rated assets increased from 74% to 85% in the year – 0.9 MW of solar installed on portfolio with further opportunities identified

Deferred Bonus Plan

The 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.

Long Term Incentive Plan

Awards granted in the year to 31 March 2022 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**
Andrew Jones	200%	4 June 2021	484,839	234.7p	**1,138**
Martin McGann	145%	4 June 2021	235,038	234.7p	**552**

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.

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	25%
TSR between index and upper quartile ranked company in the index	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	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 RPI (25% of award)	
Less than base plus RPI plus 0% over 3 years	0%
Base plus RPI plus 0% over 3 years	25%
Base plus RPI plus between 0% and 4% over 3 years	Pro rata on a straight line basis between 25% and 100%
Base plus RPI plus 4% 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 2019, 1 April 2020 and 1 April 2021 has been set at 8.77p, 9.26p and 9.52p respectively. 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.

Awards expected to vest in the year to 31 March 2022 in relation to the three year performance period commencing 1 April 2019 are summarised on page 146. No discretion has been exercised as the payout is in line with underlying corporate performance.

Annual Report on Remuneration

Performance measure	Weighting	Basis of calculation	Range (0%)	(25%)	(100%)	Actual performance	% awarded
Total shareholder return ('TSR')	37.5%	Growth in TSR against FTSE 350 Real Estate Index	<19.8%	19.8%	32.4%	**59.5%**	**100%**
Total accounting return ('TAR')	37.5%	Growth in TAR against FTSE 350 Real Estate Index	<-0.2%	-0.2%	25.4%	**65.1%**	**100%**
EPRA EPS	25%	Growth in EPRA EPS against a challenging base target[1]	<9.77p	9.77p	10.12p	**10.04p**	**83%**

1 RPI was capped at 7% for the current year in the calculation of the EPS targets as set out in the Chair's statement on page 134

Director	Maximum number of shares	LTIP % of maximum	Estimated number of shares	Face value at grant £000	Share price appreciation £000	Total estimated face value of award[1] £000
Andrew Jones	599,644	95.8%	574,459	1,173	351	**1,524**
Martin McGann	330,789	95.8%	316,896	647	193	**840**

1 The face value is based on the average share price for the three months to 31 March 2022 of 265.2p

Outstanding LTIP awards held by the Executive Directors are set out in the table below.

Director	Date of grant	Face value on grant	At 1 April 2021	Granted in year	Notional dividend shares	Vested in year	Lapsed in year	Number of shares under award[1] At 31 March 2022	Performance period
Andrew Jones	15.6.2018	189.5p	631,098	–	6,294	(637,392)	–	**–**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	579,164	–	20,480	–	–	**599,644**	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	529,653	–	18,729	–	–	**548,382**	1.4.2020 to 31.3.2023
	4.6.2021	234.7p	–	484,839	12,187	–	–	**497,026**	1.4.2021 to 31.3.2024
Martin McGann	15.6.2018	189.5p	341,681	–	3,410	(345,091)	–	**–**	1.4.2018 to 31.3.2021
	5.6.2019	204.2p	319,491	–	11,298	–	–	**330,789**	1.4.2019 to 31.3.2022
	17.6.2020	212.0p	274,471	–	9,706	–	–	**284,177**	1.4.2020 to 31.3.2023
	4.6.2021	234.7p	–	235,038	5,908	–	–	**240,946**	1.4.2021 to 31.3.2024

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 147.

There were no movements in Directors' shareholdings between 31 March 2022 and the date of this report.

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 2022 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 2022 Ordinary shares of 10p each	Overall beneficial interest 31 March 2021 Ordinary shares of 10p each	LTIP shares subject to performance conditions	Deferred bonus shares	**Total interests as at 31 March 2022**	Share ownership as % of salary[1]	Shareholding guideline met	Number of shares pledged as at 31 March 2022
Executive Directors								
Andrew Jones	**4,909,823**	4,572,907	1,645,052	–	**6,554,875**	2380%	Yes	3,446,072
Martin McGann	**3,171,897**	2,989,487	855,912	–	**4,027,809**	2299%	Yes	2,341,585
Non Executive Directors								
Patrick Vaughan	**10,277,000**	11,693,000						
Suzanne Avery	**22,750**	22,750						
James Dean	**20,000**	20,000						
Robert Fowlds	**104,000**	104,000						
Andrew Livingston	**106,830**	106,830						
Kitty Patmore	**5,000**	–						
Rosalyn Wilton	**100,000**	100,000						

1 Based on the Company's share price at 31 March 2022 of 275.8p and the beneficial interests of the Directors

Performance graph

The first graph below shows the Group's total shareholder return ('TSR') for the period from 1 October 2010, when the Company listed on the main market of the London Stock Exchange, to 31 March 2022, 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.

The starting point required by the remuneration regulations was close to the bottom of the property cycle where a number of property companies launched rights issues while the Company did not. The Company's share price had not fallen as much as the average share price of the FTSE Real Estate sector prior to this starting point, thereby setting a higher initial base price for this graph.

Total shareholder return measures share price growth with dividends deemed to be reinvested on the ex-dividend date.

The Company's total shareholder return over the period since merger in 2013 has outperformed all indices as shown in the second graph below.

Chart removed

Chart removed

Annual Report on Remuneration

Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive for the period from the Company's listing on the main market of the London Stock Exchange on 1 October 2010 to 31 March 2022.

Year to 31 March	Total remuneration £000	Annual bonus (as a % of the maximum payout)	LTIP vesting (as a % of the maximum opportunity)
2022	3,035	90	100
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	–
2013 (Andrew Jones)[1]	166	100	–
2013 (Patrick Vaughan)[1]	583	100	–
2012	664	100	–
2011[2]	323	100	–

1 Andrew Jones became Chief Executive and Patrick Vaughan became Chair on 25 January 2013 following the merger of the Company with Metric Property Investments plc
2 For the six months from the Company's listing on 1 October 2010 to 31 March 2011

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:

	2022 % change			2021 % change		
	Salary and fees	**Taxable benefits**	**Annual bonus**	Salary and fees	Taxable benefits	Annual bonus
Andrew Jones	**8.4%**	**2%**	**-3.2%**	4.2%	-3%	-0.2%
Martin McGann	**8.4%**	**3%**	**-3.2%**	4.2%	14%	2.4%
Patrick Vaughan	**–**	**n/a**	**n/a**	–	n/a	n/a
Suzanne Avery	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
James Dean	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
Robert Fowlds	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
Andrew Livingston	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
Kitty Patmore	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
Rosalyn Wilton	**5.0%**	**n/a**	**n/a**	1.5%	n/a	n/a
Other employees (excluding Directors)	**8.4%**	**3%**	**-0.9%**	4.2%	-5%	10.0%

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	25th percentile	50th percentile	75th percentile
2022	43:1	22:1	8:1
2021	34:1	13:1	7:1
2020	42:1	16:1	8:1

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 148. 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.

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.

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 2018 LTIP awards made to Valentine Beresford and Mark Stirling when they were Directors vested during the year on 15 June 2021 in line with the outcomes for the current Executive Directors with no discretion applied. Upon vesting, Messrs Beresford and Stirling each received 363,393 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.

	2022 £m	2021 £m	% change
Employee costs[1]	**11.5**	10.8	6.5%
Dividends[2]	**81.7**	75.6	8.1%

1 Figures taken from note 4 Administrative costs on page 173 and are stated before any amounts capitalised and exclude share scheme costs

2 Figures taken from note 7 Dividends on page 175

Statement of voting at AGM

At the AGM on 13 July 2021, the Annual Report on Remuneration was approved with votes from shareholders representing 76% 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.

	2021 Annual Report on Remuneration		2020 Directors' Remuneration Policy	
	Votes cast	%	Votes cast	%
For	628,851,592	91.67	636,778,186	95.40
Against	57,161,087	8.33	30,689,708	4.60
Withheld	6,527,664		32,932,457	
Total	**692,540,343**		**700,400,351**	

On the basis of the strong support for our remuneration policy and its implementation at the 2020 and 2021 AGMs, the Committee deemed that it was not necessary to engage with shareholders on executive pay during the year to 31 March 2022.

Statement of implementation of Remuneration Policy for the year ending 31 March 2022

The table on pages 136 to 137 illustrates how we intend to implement our Policy over the next financial year and gives details of remuneration payments and targets. The Committee does not expect to deviate from the Remuneration Policy in the year to 31 March 2022.

I am always available to shareholders to discuss the Remuneration Policy and can be contacted through the Company Secretary. I look forward to the support of shareholders at this year's AGM.

Robert Fowlds
Chair of the Remuneration Committee
26 May 2022

Report of the Directors

Image removed

Martin McGann
Finance Director

"I am pleased to present the Report of the Directors together with the audited financial statements for the year ended 31 March 2022."

Annual General Meeting

I am pleased to be able to report that, this year, our Annual General Meeting will revert to the pre-pandemic format of an in-person meeting for shareholders. The AGM will be held on 13 July 2022 at 11 am at The Connaught, Carlos Place, Mayfair, London, W1K 2AL.

Whilst there are not expected to be any government restrictions on public gatherings at the time of the AGM, shareholders are asked to exercise good judgement and not to attend the AGM in person if they have recently tested positive for COVID-19, are exhibiting any symptoms of COVID-19 and/or are living with someone who has recently tested positive for COVID-19. Instead, such shareholders are encouraged to submit a proxy vote in advance of the AGM. Any changes to the arrangements for the AGM will be communicated to shareholders before the meeting via our website.

The Notice of AGM on pages 202 to 207 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 18,717,300 shares representing approximately 1.9% of the existing issued ordinary share capital of the Company as at 25 May 2022.

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 104
Principal risks	Strategic report – Risk management	Page 70
Greenhouse gas emissions	Strategic report – Responsible Business and ESG review	Page 49
Internal financial control	Governance – Audit Committee report	Page 124
Diversity and inclusion	Governance – Nomination Committee report	Page 116
Viability Statement	Strategic report – Risk management	Page 70
Financial instruments	Financial statements – note 14	Page 184
Directors' details	Governance – biographies	Page 92
Financial risk management policies	Financial statements – note 14	Page 183
Directors' interests	Governance – Remuneration Committee report	Page 132
Interest capitalised	Financial statements – note 5	Page 174
Long term incentive schemes	Governance – Remuneration Committee report	Page 132
Related party transactions	Financial statements – note 19	Page 187
Stakeholder engagement	Strategic report – Responsible Business and ESG review	Page 49
	Governance – Shareholder engagement	Page 109
Post balance sheet events	Financial statements – note 20	Page 187

All other subsections of LR 9.8.4R are not applicable

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 provision 19 of the Code and we will only become fully compliant with provision 38 on 1 June 2022. Our explanations for the departures are contained in the compliance statement on page 88 and in the Nomination Committee report on page 116. Further details on how we have applied the Code can be found in the Governance section on pages 88 to 154 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 87 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.

Results and dividends

The Group reported a profit for the year attributable to equity shareholders of £734.5 million (2021: £257.3 million). The first two quarterly dividends for 2022 totalling 4.4p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 2.2p was paid following the year end on 12 April 2022 as a PID. The Directors have approved a fourth quarterly dividend of 2.65p per share payable on 13 July 2022 to shareholders on the register at the close of business on 10 June 2022, of which 1.15p will be paid as a PID.

The total dividend charge for the year to 31 March 2022 was 9.25p per share, an increase of 6.9% over the previous year. Of this, 7.75p 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 1.5p 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 2022 was undertaken by CBRE Limited and Savills (UK) Limited on the basis of fair value which amounted to £3,593.9 million (2021: £2,583.6 million including the Group's share of joint venture property as reflected in the Financial review on page 42 and note 2 to the financial statements on page 172.

Share capital

As at 31 March 2022, there were 978,607,507 ordinary shares of 10p in issue, each carrying one vote and all fully paid.

The Company issued 67,307,693 new ordinary shares in connection with an equity placing in November 2021 that raised gross proceeds of £175 million at an issue price of 260.0p per share. The price reflected a 3.0% discount to the previous day's share price and a discount of 1.8% to the intra-day price of 264.8p at the time the placing price was agreed. 65,957,693 shares were issued pursuant to the placing and 1,350,000 were issued pursuant to a retail offer.

At the AGM in 2021, the Company was granted authority to allot shares up to a maximum amount of £30,325,397, representing approximately 33.3% of the Company's issued ordinary share capital and to allot shares up to a maximum nominal value of £4,548,810, (representing approximately 5% of the Company's issued share capital) without having to first offer those shares to existing shareholders (the 'General Authority'). The Company was also granted authority to allot further shares up to a maximum nominal value of £4,548,810, (representing approximately 5% of the Company's issued share capital) without having to first offer those shares to existing shareholders, where such authority is used in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment (the 'Additional Authority'). The Company used the full Additional Authority granted to it to issue the shares in connection with the placing, with the remaining placing shares issued under the General Authority.

The shares issued in connection with the placing represented a 7.4% increase to the issued share capital of the Company prior to the placing and, combined with the previous placing effected in May 2020, a 14.7% increase to the issued share capital of the Company using non pre-emptive allotment authorities in the three year period preceding the placing.

In accordance with the Pre-Emption Group's Statement of Principles, this equates to a 2.4% increase to the issued share capital of the Company prior to the placing (using the General Authority) and a 5.11% increase to the issued share capital of the Company in the three year period preceding the placing (using the General Authority and the equivalent authority granted at the AGM in 2019) and is therefore below the level stipulated by the Pre-Emption Group.

Report of the Directors

In addition, the Company issued 1,656,774 ordinary shares under the terms of its Scrip Dividend Scheme. Since the year end the Company issued a further 1,536,819 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 2021 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 2022, the Trustees of the LondonMetric Long Term Incentive Plan held 2,662,621 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	94,943,609	9.67
Norges Bank	60,981,764	6.22
The Vanguard Group Inc	48,633,255	4.96
Rathbones	46,526,033	4.75
State Street Global Advisors	33,465,474	3.41
Troy Asset Management	30,707,861	3.13
APG Asset Management	29,649,952	3.03

Directors

The present membership of the Board and biographical details of Directors are set out on pages 92 and 93.

The interests of the Directors and their families in the shares of the Company are set out in the Remuneration Committee report on page 147.

In accordance with the UK Corporate Governance Code and in line with previous years, all of the Directors will offer themselves for election and re-election by the shareholders at the forthcoming AGM on 13 July 2022.

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 Governance report on pages 100 to 103, 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 2022 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 Governance section of this report on page 108.

Further details of how we engage with employees can be found in the Governance report on pages 106 to 107, the Strategic report on page 24 and the Responsible Business and ESG review on pages 60 to 61.

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 49 to 69 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 54.

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 2022 was 14 days (2021: 12 days).

Charitable and political contributions

In response to the Covid-19 pandemic last year, we provided assistance to our occupiers and significantly increased our funding for local community charities located close to our assets and developments.

This year we set a budget of £100,000 for charitable funding as set out on page 64 of the Responsible Business and ESG review, and have made donations of £66,766 (2021: £114,365). No political donations were made during the year (2021: £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

Deloitte LLP is willing to be reappointed as the external auditor to the Company and Group. Their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the AGM on 13 July 2022.

By order of the Board

Martin McGann
Finance Director

26 May 2022

Report of the Directors

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 IASB. 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

Martin McGann
Finance Director
26 May 2022

Andrew Jones
Chief Executive
26 May 2022

Financial statements

[illegible]

Image removed

//

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 156. //

Martin McGann
Finance Director

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 2022 and of the Group's profit 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 and i to xi for Company only.

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 listed public interest 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 and development property Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £51.3 million which was determined on the basis of 2% of shareholder's equity at 31 March 2022. For testing balances that impacted EPRA earnings we used a lower materiality of £4.7 million, which was based on 5% of EPRA earnings for the year end 31 March 2022.
Scoping	The Group is subject to a full scope audit on 100% 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 2022 and 2023 cash flow forecasts based on actual cash flow performance in 2021 and the 2022 financial year;
- Agreeing the level of committed, undrawn facilities of £245m to signed facility agreements;
- Recalculating the headroom within the forecasts based on the cash flow forecasts and the undrawn committed facilities;
- Recalculating covenant 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 page 70 to 85 of the Annual Report & Accounts and impact on covenants; and
- 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.

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.

To the members of LondonMetric Property Plc

Independent Auditor's 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 and development property

Key audit matter description	The Group owns a portfolio of largely distribution property assets, which is valued at £3,495 million (2021: £2,505 million) as at 31 March 2022. 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 with reference to development properties, costs to complete, 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 that there is a potential fraud risk in the balance. Refer to page 127 (Audit Committee report), page 168 (accounting policy) and note 9 on page 178 (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 internal 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 yields; – Considered the changes made to key valuation input assumptions at a macro-level in light of the political situation in Ukraine and ongoing effects of the Covid-19 pandemic on the properties held by the Group and benchmarked these against changes being made in the wider market and against relevant market evidence including specific property sales and other external data; – 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; – Met with the external valuers of the portfolio to discuss the results of their work and, for a sample of properties of audit interest, we further challenged the yield assumptions and valuation by benchmarking it to the market, including where relevant the impact of Covid-19 on the sector and asset and the valuation adjustments reflected as a result; – 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; and – Tested a sample of the costs to complete in relation to the development properties via challenging the assumptions by benchmarking against the market or agreeing to supporting documentation such as construction contracts.
Key observations	We considered the assumptions applied in arriving at the fair value of the Group's property portfolio to be appropriate.

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	£51.3 million (2021: £32.2 million) We consider EPRA Earnings as a critical performance measure for the Group and we applied a lower threshold of £4.6 million (2021: £4.2 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 and impairment of goodwill.	£33.3 million (2021: £27.6 million)
Basis for determining materiality	Materiality for the Group is based on 2% (2021: 2%) of shareholders' equity at 31 March 2022. For EPRA Earnings the basis used is 5% of EPRA earnings (2021: 5% EPRA earnings) of that measure.	Materiality for the Company is based on 2% of net assets (2021: 2% of net assets).
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 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.

To the members of LondonMetric Property Plc

Independent Auditor's report

Chart removed

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% (2021: 70%) of Group materiality	70% (2021: 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 £2.6 million (2021: £1.6 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 100% (2021: 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 have decided not to rely on controls as the Group does not perform significant automated processing of large volumes of data and the control environment is predominantly manual in nature.

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.

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 and the Audit Committee about their own identification and assessment of the risks of irregularities;
- 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;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, and industry 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.

To the members of LondonMetric Property Plc

Independent Auditor's report

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 Annual Report on Remuneration 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 86;
- 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 86;
- the Directors' statement on fair, balanced and understandable set out on page 154;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 70;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 70; and
- the section describing the work of the Audit Committee set out on page 124.

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 Annual Report on Remuneration 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 LondonMetric Property Plc 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 9 years, covering the years ending 31 March 2014 to 31 March 2022.

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 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.

Georgina Robb, FCA
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

26 May 2022

Group income statement

For the yeaar ended 31 March

	Note	**2022 £m**	2021 £m
Revenue	3	**133.2**	122.2
Cost of sales		**(1.5)**	(1.6)
Net income		**131.7**	120.6
Administrative costs	4	**(16.0)**	(15.8)
Profit on revaluation of investment properties	9	**615.2**	169.9
Profit on sale of investment properties		**8.0**	0.8
Share of profits of joint ventures	10	**23.3**	6.9
Operating profit		**762.2**	282.4
Finance income		**0.5**	0.6
Finance costs	5	**(24.4)**	(24.9)
Profit before tax		**738.3**	258.1
Taxation	6	**(0.1)**	(0.1)
Profit for the year and total comprehensive income		**738.2**	258.0
Attributable to:			
Equity shareholders		**734.5**	257.3
Non-controlling interest	19	**3.7**	0.7
Earnings per share			
Basic	8	**78.8p**	28.6p
Diluted	8	**78.4p**	28.5p

All amounts relate to continuing activities.

The notes on pages 168 to 187 form part of these financial statements.

Group balance sheet

As at 31 March

	Note	2022 £m	2021 £m
Non current assets			
Investment properties	9	**3,494.6**	2,504.6
Investment in equity accounted joint ventures	10	**72.6**	59.2
Other investments and tangible assets		**1.3**	0.3
		3,568.5	2,564.1
Current assets			
Assets held for sale		**21.2**	–
Trading properties		**1.1**	1.1
Trade and other receivables	11	**13.1**	9.8
Cash and cash equivalents	12	**51.3**	51.4
		86.7	62.3
Total assets		**3,655.2**	2,626.4
Current liabilities			
Trade and other payables	13	**59.4**	46.0
Non current liabilities			
Borrowings	14	**1,021.4**	837.5
Lease liabilities	15	**4.6**	5.2
		1,026.0	842.7
Total liabilities		**1,085.4**	888.7
Net assets		**2,569.8**	1,737.7
Equity			
Called up share capital	16	**97.9**	91.0
Share premium	17	**386.8**	219.3
Capital redemption reserve	17	**9.6**	9.6
Other reserve	17	**491.1**	487.7
Retained earnings	17	**1,574.3**	923.7
Equity shareholders' funds		**2,559.7**	1,731.3
Non-controlling interest		**10.1**	6.4
Total equity		**2,569.8**	1,737.7
IFRS net asset value per share	8	**262.3p**	191.3p

The financial statements were approved and authorised for issue by the Board of Directors on 26 May 2022 and were signed on its behalf by:

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 168 to 187 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 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**

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

The notes on pages 168 to 187 form part of these financial statements.

Group cash flow statement

For the year ended 31 March

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit before tax		**738.3**	258.1
Adjustments for non cash items:			
Profit on revaluation of investment properties		**(615.2)**	(169.9)
Profit on sale of investment properties		**(8.0)**	(0.8)
Share of post tax profit of joint ventures		**(23.3)**	(6.9)
Movement in lease incentives		**(8.9)**	(11.3)
Share based payment		**3.5**	3.8
Net finance costs		**23.9**	24.3
Cash flows from operations before changes in working capital		**110.3**	97.3
Change in trade and other receivables		**(2.6)**	(1.9)
Change in trade and other payables		**11.5**	4.5
Cash flows from operations		**119.2**	99.9
Tax received/(paid)		**0.3**	(0.3)
Cash flows from operating activities		**119.5**	99.6
Investing activities			
Purchase of investment properties		**(500.6)**	(229.0)
Capital expenditure on investment properties		**(51.0)**	(25.6)
Purchase of investments		**(1.1)**	–
Lease incentives paid		**(4.2)**	(2.1)
Sale of investment properties		**179.8**	208.4
Investments in joint ventures		**–**	(4.7)
Distributions from joint ventures		**9.9**	6.5
Interest received		**–**	0.1
Net cash used in investing activities		**(367.2)**	(46.4)
Financing activities			
Dividends paid		**(77.5)**	(72.4)
Distribution to non-controlling interest		**–**	(1.4)
Proceeds from issue of ordinary shares		**170.2**	116.6
Purchase of shares held in Employee Benefit Trust		**(1.5)**	(5.5)
Vesting of shares held in Employee Benefit Trust		**(0.8)**	(0.3)
New borrowings and amounts drawn down	18	**1,059.0**	316.0
Repayment of loan facilities	18	**(871.0)**	(409.0)
Financial arrangement fees and break costs		**(6.6)**	(7.5)
Interest paid		**(24.2)**	(20.1)
Net cash from/ (used in) financing activities		**247.6**	(83.6)
Net decrease in cash and cash equivalents	18	**(0.1)**	(30.4)
Opening cash and cash equivalents		**51.4**	81.8
Closing cash and cash equivalents		**51.3**	51.4

The notes on pages 168 to 187 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2022

1 Significant accounting policies

a) General information

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 208. 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 87.

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. The financial statements also comply 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 86.

The assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in detail on pages 70 to 85 of the Strategic report.

A key consideration is the Group's financial position, cash flows and liquidity, including its continued access to debt facilities and its headroom under financial loan covenants, which is discussed in detail in the Financial review on page 42.

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 124 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 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.

1 Significant accounting policies (continued)

Management applied judgement to three corporate acquisitions made during the year to 31 March 2022 and determined that they were all asset acquisitions rather than business combinations, as minimal assets were acquired other than the property portfolio, there were no employees or drawn 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
IFRS 16	Covid-related rent concessions
IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16 (amendments)	Interest Rate Benchmark Reform – phase 2

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 Initial application of IFRS 17 and IFRS 9 – Comparative Information
IFRS 16	Covid-related rent concessions beyond 30 June 2021
IFRS 3	References to the conceptual framework
IAS 16	Property, plant and equipment – proceeds before intended use
IAS 37	Onerous contracts
IAS 1 (amendments)	Classification of Liabilities as Current or Non Current – Deferral of Effective Date Disclosure of Accounting Policies
IAS 8	Definition of accounting estimates
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction
IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9
Annual improvements to IFRSs: 2018 -2020 cycle	Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

e) Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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 an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets.

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

Notes forming part of the Group financial statements

For the year ended 31 March 2022

1 Significant accounting policies (continued)

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 43.

v) Business combinations

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

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

f) Property portfolio

i) Investment properties

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

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

Investment property is recognised as an asset when:

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

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

ii) Assets held for sale

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

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

iii) Tenant leases

Leases – the Group as a lessor

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

Leases – the Group as lessee

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

iv) Net rental income

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

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

Surrender premiums receivable are recognised on completion of the surrender.

Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

Lease incentives and costs associated with entering into tenant leases are amortised over the period from the date of lease commencement to the earlier of the first break option or the lease termination date.

1 Significant accounting policies (continued)

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 weighted average cost of borrowings.

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

Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively.

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

For the year ended 31 March 2022

2 Segmental information

As at 31 March	2022				2021			
Property value	**100% owned[1] £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**2,642.0**	**–**	**–**	**2,642.0**	1,777.3	–	–	1,777.3
Long income	**703.8**	**96.6**	**(15.1)**	**785.3**	547.6	93.2	(11.4)	629.4
Retail parks	**70.6**	**–**	**–**	**70.6**	73.9	–	–	73.9
Office	**27.3**	**–**	**–**	**27.3**	41.1	–	–	41.1
Residential	**0.9**	**–**	**–**	**0.9**	0.9	1.2	–	2.1
Development	**67.8**	**–**	**–**	**67.8**	59.8	–	–	59.8
	3,512.4	**96.6**	**(15.1)**	**3,593.9**	2,500.6	94.4	(11.4)	2,583.6
Head lease and right of use assets				**4.5**				5.1
				3,598.4				2,588.7

1 Includes trading property of £1.1 million and assets held for sale of £21.2 million

For the year to 31 March	2022				2021			
Gross rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**88.7**	**–**	**–**	**88.7**	78.1	–	(0.1)	78.0
Long income	**35.9**	**4.5**	**(1.3)**	**39.1**	34.7	5.3	(1.4)	38.6
Retail parks	**4.4**	**–**	**–**	**4.4**	4.7	–	–	4.7
Office	**2.3**	**–**	**–**	**2.3**	3.5	–	–	3.5
Residential	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Development	**0.1**	**–**	**–**	**0.1**	0.2	–	–	0.2
	131.5	**4.5**	**(1.3)**	**134.7**	121.3	5.3	(1.5)	125.1

For the year to 31 March	2022				2021			
Net rental income	**100% owned £m**	**Share of JV £m**	**NCI £m**	**Total £m**	100% owned £m	Share of JV £m	NCI £m	Total £m
Distribution	**87.5**	**–**	**–**	**87.5**	77.2	–	(0.1)	77.1
Long income	**35.8**	**4.4**	**(1.3)**	**38.9**	34.5	5.2	(1.4)	38.3
Retail parks	**4.5**	**–**	**–**	**4.5**	4.3	–	–	4.3
Office	**2.0**	**–**	**–**	**2.0**	3.4	–	–	3.4
Residential	**0.1**	**–**	**–**	**0.1**	0.1	(0.1)	–	–
Development	**0.1**	**–**	**–**	**0.1**	0.2	–	–	0.2
	130.0	**4.4**	**(1.3)**	**133.1**	119.7	5.1	(1.5)	123.3

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 33 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	2022 £m	2021 £m
Gross rental income	**131.5**	121.3
Property management fee income	**1.3**	0.9
Other income	**0.4**	–
Revenue	**133.2**	122.2

For the year to 31 March	2022 £m	2021 £m
Gross rental income	**131.5**	121.3
Cost of sales – property operating expenses	**(1.5)**	(1.6)
Net rental income	**130.0**	119.7

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 on page 199.

4 Administrative costs

a) Total administrative costs

For the year to 31 March	2022 £m	2021 £m
Staff costs	**12.5**	12.4
Auditor's remuneration	**0.3**	0.2
Depreciation	**0.6**	0.7
Other administrative costs	**2.6**	2.5
	16.0	15.8

b) Staff costs

For the year to 31 March	2022 £m	2021 £m
Employee costs, including those of Directors, comprise the following:		
Wages and salaries	**10.5**	9.8
Less staff costs capitalised in respect of development projects	**(2.5)**	(2.2)
	8.0	7.6
Social security costs	**0.8**	0.8
Pension costs	**0.2**	0.2
Share based payment	**3.5**	3.8
	12.5	12.4

The long term share incentive plan ('LTIP') that was created in 2013 allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £3.5 million (2021: £3.8 million). The cost of acquiring the shares expected to vest under the LTIP of £1.5 million has been charged to reserves this year (2021: £5.5 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 132 to 149.

For the year to 31 March	2022 £m	2021 £m
Remuneration for management services	**2.9**	2.8
Entitlement to pension scheme contributions	**0.1**	0.1
	3.0	2.9

Notes forming part of the Group financial statements

For the year ended 31 March 2022

4 Administrative costs (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	2022 £m	2021 £m
Short term employee benefits	**9.0**	8.7
Share based payments	**1.8**	2.5
	10.8	11.2

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 132 to 149 on the basis of materiality.

c) Staff numbers

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

	2022 Number	2021 Number
Property and administration	**32**	32

d) Auditor's remuneration

For the year to 31 March	2022 £000	2021 £000
Audit services:		
Audit of the Group and Company financial statements, pursuant to legislation	**225**	201
Other fees:		
Audit related assurance services	**38**	35
Total fees for audit and other services	**263**	236

In addition to the above audit fees, £27,000 (2021: £24,200) 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 £38,000 (2021: £36,500).

5 Finance costs

For the year to 31 March	2022 £m	2021 £m
Interest payable on bank loans and related derivatives	**23.1**	19.4
Unwinding of discount on fixed rate debt acquired	**(0.2)**	(0.2)
Debt and hedging early close out costs	**–**	7.5
Amortisation of loan issue costs	**1.2**	1.8
Interest on lease liabilities	**0.1**	0.1
Commitment fees and other finance costs	**1.6**	2.1
Total borrowing costs	**25.8**	30.7
Less amounts capitalised on developments	**(1.4)**	(1.1)
Net borrowing costs	**24.4**	29.6
Fair value gain on derivative financial instruments	**–**	(4.7)
Total finance costs	**24.4**	24.9

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii include interest receivable of £0.5 million (2021: £0.6 million) as reflected in the income statement and exclude the fair value gain on derivative financial instruments of £4.7 million and early close out costs of £7.5 million in the comparative period.

6 Taxation

For the year to 31 March	2022 £m	2021 £m
Current tax		
UK tax charge on profit	**0.1**	0.1

6 Taxation (continued)

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	2022 £m	2021 £m
Profit before tax	**738.3**	258.1
Tax charge at the standard rate of corporation tax in the UK of 19% (2021: 19%)	**140.3**	49.0
Effects of:		
Tax effect of income not subject to tax	**(135.8)**	(47.6)
Share of post tax profits of joint ventures	**(4.4)**	(1.3)
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. As the Group is a UK REIT there is no provision for deferred tax arising on the revaluation of properties or other temporary differences.

7 Dividends

For the year to 31 March	2022 £m	2021 £m
Ordinary dividends paid		
2020 Third quarterly interim dividend: 2.0p per share	–	16.7
2020 Fourth quarterly interim dividend: 2.3p per share	–	20.8
2021 First quarterly interim dividend: 2.1p per share	–	19.0
2021 Second quarterly interim dividend: 2.1p per share	–	19.1
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**	–
	81.7	75.6
Quarterly dividend payable		
2022 Third quarterly interim dividend: 2.2p per share	**21.5**	
2022 Fourth quarterly interim dividend: 2.65p per share	**25.9**	

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2022 of 2.2p per share, wholly as a Property Income Distribution ('PID'), on 12 April 2022 to ordinary shareholders on the register at the close of business on 11 March 2022.

The fourth quarterly interim dividend for 2022 of 2.65p per share, of which 1.15p is payable as a PID, will be payable on 13 July 2022 to shareholders on the register at the close of business on 10 June 2022. 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 2023.

During the year the Company issued 1.7 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £4.2 million to £77.5 million.

8 Earnings and net assets per share

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

The basic earnings per share calculation uses the weighted average number of ordinary shares during the year and excludes the average number of shares held by the Employee Benefit Trust for the year. The 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 194 to 199.

Notes forming part of the Group financial statements

For the year ended 31 March 2022

8 Earnings and net assets per share (continued)

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	2022 £m	100% owned £m	JV £m	NCI £m	2021 £m
Gross rental income	**131.5**	**4.5**	**(1.3)**	**134.7**	121.3	5.3	(1.5)	125.1
Property costs	**(1.5)**	**(0.1)**	**–**	**(1.6)**	(1.6)	(0.2)	–	(1.8)
Net rental income	**130.0**	**4.4**	**(1.3)**	**133.1**	119.7	5.1	(1.5)	123.3
Management fees	**1.3**	**(0.5)**	**–**	**0.8**	0.9	(0.4)	–	0.5
Other income	**0.4**	**–**	**–**	**0.4**	–	–	–	–
Administrative costs	**(16.0)**	**(0.1)**	**–**	**(16.1)**	(15.8)	–	–	(15.8)
Net finance costs[1]	**(23.9)**	**(1.0)**	**0.2**	**(24.7)**	(21.5)	(1.2)	0.2	(22.5)
Tax	**(0.1)**	**–**	**0.1**	**–**	(0.1)	–	0.2	0.1
EPRA earnings	**91.7**	**2.8**	**(1.0)**	**93.5**	83.2	3.5	(1.1)	85.6

1 Group net finance costs reflect total finance costs of £24.4 million (note 5) less finance income of £0.5 million

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

For the year to 31 March	100% owned £m	JV £m	NCI £m	2022 £m	100% owned £m	JV £m	NCI £m	2021 £m
EPRA earnings	**91.7**	**2.8**	**(1.0)**	**93.5**	83.2	3.5	(1.1)	85.6
Revaluation of property	**615.2**	**19.7**	**(2.7)**	**632.2**	169.9	3.4	0.4	173.7
Fair value of derivatives	**–**	**0.7**	**–**	**0.7**	4.7	0.1	–	4.8
Profit/(loss) on disposal	**8.0**	**0.2**	**–**	**8.2**	0.8	(0.1)	–	0.7
Debt/hedging costs	**–**	**(0.1)**	**–**	**(0.1)**	(7.5)	–	–	(7.5)
IFRS reported profit	**714.9**	**23.3**	**(3.7)**	**734.5**	251.1	6.9	(0.7)	257.3

b) Earnings per ordinary share attributable to equity shareholders

For the year to 31 March	2022 £m	2021 £m
Basic and diluted earnings	**734.5**	257.3
EPRA adjustments above	**(641.0)**	(171.7)
EPRA earnings	**93.5**	85.6

For the year to 31 March	2022 Number of shares (millions)	2021 Number of shares (millions)
Ordinary share capital	**934.2**	901.9
Shares held in the Employee Benefit Trust	**(2.7)**	(2.8)
Weighted average number of ordinary shares – basic	**931.5**	899.1
Employee share schemes	**4.8**	4.8
Weighted average number of ordinary shares – fully diluted	**936.3**	903.9
Earnings per share		
Basic	**78.84p**	28.61p
Diluted	**78.44p**	28.46p
EPRA earnings per share		
Basic	**10.04p**	9.52p
Diluted	**9.99p**	9.47p

8 Earnings and net assets per share (continued)

c) Net assets per share attributable to equity shareholders

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

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

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[1]	**–**	**–**	**202.0**
EPRA net asset value	**2,559.6**	**2,571.0**	**2,761.6**

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

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

As at 31 March	**2022 Number of shares (millions)**	2021 Number of shares (millions)
Ordinary share capital	**978.6**	909.6
Shares held in Employee Benefit Trust	**(2.7)**	(4.4)
Number of ordinary shares – basic	**975.9**	905.2
Employee share schemes	**4.5**	4.7
Number of ordinary shares – fully diluted	**980.4**	909.9

IFRS net asset value per share	**262.3p**	191.3p
EPRA net tangible assets per share	**261.1p**	190.3p
EPRA net disposal value per share	**262.2p**	189.7p
EPRA net reinstatement value per share	**281.7p**	209.7p

Notes forming part of the Group financial statements

For the year ended 31 March 2022

9 Investment properties

a) Investment properties

As at 31 March	Completed £m	Under development £m	2022 Total £m	Completed £m	Under development £m	2021 Total £m
Opening balance	**2,440.8**	**58.7**	**2,499.5**	2,212.0	55.9	2,267.9
Acquisitions	**457.5**	**43.5**	**501.0**	212.4	16.8	229.2
Capital expenditure	**10.4**	**44.6**	**55.0**	4.9	21.1	26.0
Disposals	**(162.4)**	**(3.4)**	**(165.8)**	(200.8)	–	(200.8)
Property transfers[1]	**73.1**	**(94.3)**	**(21.2)**	55.5	(55.5)	–
Revaluation movement	**598.4**	**16.8**	**615.2**	149.7	20.2	169.9
Movement in tenant incentives and rent free uplifts	**5.6**	**0.8**	**6.4**	7.1	0.2	7.3
Property portfolio	**3,423.4**	**66.7**	**3,490.1**	2,440.8	58.7	2,499.5
Head lease and right of use assets	**4.5**	**–**	**4.5**	5.1	–	5.1
	3,427.9	**66.7**	**3,494.6**	2,445.9	58.7	2,504.6

1 Properties totalling £21.2 million have been separately disclosed as assets held for sale as reflected in note 9b

Investment properties are held at fair value as at 31 March 2022 based on external valuations performed by professionally qualified 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. However, this year Savills have increased their portfolio coverage and Cushman & Wakefield have stepped down.

Long term leasehold values included within investment properties amount to £169.7 million (2021: £148.7 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2022 was £2,358.4 million (2021: £1,948.2 million).

Included within the investment property valuation is £85.8 million (2021: £79.4 million) in respect of unamortised lease incentives and rent free periods. The movement in the year reflects lease incentives paid of £4.2 million (2021: £2.1 million) and rent free and amortisation movements of £8.9 million (2021: £11.3 million), offset by incentives written off on disposal of £6.7 million (2021: £6.1 million).

Capital commitments have been entered into amounting to £127.4 million (2021: £93.3million) which have not been provided for in the financial statements. Internal staff costs of the development team of £2.5 million (2021: £2.2 million) have been capitalised, being directly attributable to the development projects in progress.

Forward funded development costs of £13.2 million (2021: £15.5 million) have been classified within investment property as acquisitions.

At 31 March 2022, investment properties included £4.5 million for the head lease right of use assets in accordance with IFRS 16 (2021: £5.1 million).

b) Assets held for sale

The valuation of property held for sale at 31 March 2022 was £21.2 million (2021: £22.4 million), representing long income assets which are expected to complete within the next six months. The prior year comparatives have not been separately disclosed on the face of the balance sheet and have been classified within investment properties.

c) Valuation technique and quantitative information

				ERV	Net initial yield		Reversionary yield	
Asset type	Fair value 2022[1] £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

1 As reflected in note 2 and including assets held for sale of £21.2 million but excluding trading properties classified as development of £1.1 million

9 Investment properties (continued)

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

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 fair value measurement. There have been no transfers of properties between Levels 1, 2 and 3 during the year ended 31 March 2022. The fair value at 31 March 2022 represents the highest and best use.

i) Technique

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

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

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

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

ii) Sensitivity

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group's investment properties by £107.2 million or £105.7 million respectively.

An increase or decrease of 25 bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £236.0 million or £191.5 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 2022, the following principal property interests, being jointly controlled entities, have been equity accounted for in these financial statements:

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

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

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

LSP London Residential Investments Limited disposed of its remaining four residential flats at Moore House in October 2021 for £2.4 million (Group share: £1.0 million).

Notes forming part of the Group financial statements

For the year ended 31 March 2022

10 Investment in joint ventures (continued)

The Metric Income Plus Partnership ('MIPP'), in which the Company has a 50% interest, sold six properties in the year for £37.3 million (Group share: £18.6 million). Post period end, it has exchanged to sell a property in Ashford let to Lidl for £18.0 million (Group share: £9.0 million).

At 31 March 2022, the investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers, CBRE. There was no property held for sale by joint ventures at 31 March 2022 (2021: £21.1 million and Group share £10.6 million). The movement in the carrying value of joint venture interests in the year is summarised as follows:

As at 31 March	2022 £m	2021 £m
Opening balance	**59.2**	54.1
Additions at cost	**–**	4.7
Share of profit in the year	**23.3**	6.9
Distributions received	**(9.9)**	(6.5)
	72.6	59.2

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 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**	

10 Investment in joint ventures (continued)

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

11 Trade and other receivables

As at 31 March	**2022 £m**	2021 £m
Trade receivables	**5.7**	4.8
Prepayments and accrued income	**6.2**	3.5
Other receivables	**1.2**	1.5
	13.1	9.8

All amounts fall due for payment in less than one year. Trade receivables comprise rental income which is due on contractual payment days with no credit period. At 31 March 2022, trade receivables of £125,800 were overdue and considered at risk (2021: £159,200). Based on the IFRS 9 expected credit loss model, an impairment provision of £1.1 million (2021: £0.8 million) has also been made against trade receivables.

12 Cash and cash equivalents

Cash and cash equivalents include £7.4 million (2021: £10.7 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

Notes forming part of the Group financial statements

For the year ended 31 March 2022

13 Trade and other payables

As at 31 March	2022 £m	2021 £m
Trade payables	**12.2**	4.6
Amounts payable on property acquisitions and disposals	**1.0**	1.3
Rent received in advance	**24.6**	22.6
Accrued interest	**1.0**	1.3
Other payables	**7.1**	5.3
Other accruals and deferred income	**13.5**	10.9
	59.4	46.0

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

14 Borrowings and financial instruments

a) Non current financial liabilities

As at 31 March	2022 £m	2021 £m
Secured bank loans	**62.2**	192.5
Unsecured bank loans	**965.0**	647.0
	1,027.2	839.5
Unamortised finance costs	**(5.8)**	(2.0)
	1,021.4	837.5

Certain bank loans at 31 March 2022 are secured by fixed charges over Group investment properties with a carrying value of £284.7 million (2021: £584.9 million).

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

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

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

14 Borrowings and financial instruments (continued)

As part of the new £380 million private debt placement, we agreed a £50 million green tranche to fund qualifying expenditure on buildings which have high sustainability standards. Post year end, expenditure has been allocated to this green tranche. The two new revolving credit facilities also incorporate a green framework and preferential pricing for compliance with ESG targets linked to EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. Margin savings will be added to funds allocated for charitable giving. Post year end, we have recently agreed the first one year extension for these two revolving credit facilities.

b) Financial risk management

Financial risk factors

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

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

i) Credit risk

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

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

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

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

ii) Liquidity risk

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

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

The Group had cash reserves of £51.3 million (2021: £51.4 million) and available and undrawn bank loan facilities at 31 March 2022 of £245.0 million (2021: £170.5 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 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**

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

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.

During the year, in preparation for the cessation of LIBOR, the benchmark rate of the existing joint venture floating rate loan was transitioned onto a SONIA basis. All new credit facilities entered into during the year reference SONIA rates and the Group's debt arrangements have no remaining exposure to LIBOR.

Notes forming part of the Group financial statements

For the year ended 31 March 2022

14 Borrowings and financial instruments (continued)

At 31 March 2022, 71% of the Group's (including share of joint ventures) debt drawn was hedged, mainly through fixed coupon debt arrangements. The average interest rate payable by the Group (including share of joint ventures) on all bank borrowings at 31 March 2022 including the cost of amortising finance arrangement fees, was 2.6% (2021: 2.5%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £2.6 million or £0.4 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	**2022 £m**	2021 £m
Net debt	**975.7**	792.6
Shareholders' equity	**2,559.7**	1,731.3
	3,535.4	2,523.9

c) Financial instruments

i) Categories of financial instruments

	Measured at amortised cost		**Measured at fair value**	
As at 31 March	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Current assets				
Cash and cash equivalents (note 12)	**51.3**	51.4	**–**	–
Trade receivables (note 11)	**5.7**	4.8	**–**	–
Other receivables (note 11)	**1.2**	1.5	**–**	–
	58.2	57.7	**–**	–
Non current liabilities				
Derivative financial instruments (see 14c (iii))	**–**	–	**–**	–
Borrowings (note 14a)	**1,021.4**	837.5	**–**	–
Lease liabilities (note 15)	**4.6**	5.2	**–**	–
Current liabilities				
Trade payables (note 13)	**12.2**	4.6	**–**	–
Accrued interest (note 13)	**1.0**	1.3	–	–
	1,039.2	848.6	–	–

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 2022.

iii) Derivative financial instruments

Details of the fair value of the Group's derivative financial instruments that were in place at 31 March 2022 are provided below:

As at 31 March	**Average rate**		**Notional amount**		**Fair value**	
Interest rate caps – expiry	**2022 %**	2021 %	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Less than one year	**–**	2.0	**–**	19.6	**–**	–

14 Borrowings and financial instruments (continued)

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

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

15 Leases

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

As at 31 March	**2022 £m**	2021 £m
Less than one year	**135.0**	114.2
Between one and five years	**485.2**	416.8
Between six and ten years	**465.6**	392.6
Between 11 and 15 years	**334.7**	265.8
Between 16 and 20 years	**192.8**	129.4
Over 20 years	**68.6**	25.3
	1,681.9	1,344.1

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 2022 £m**	Present value of minimum lease payments 2021 £m
Less than one year	**0.7**	**(0.1)**	**0.6**	0.6
Between one and two years	**0.3**	**(0.1)**	**0.2**	0.6
Between two and five years	**0.3**	**(0.2)**	**0.1**	0.3
Over five years	**7.2**	**(3.5)**	**3.7**	3.7
	8.5	**(3.9)**	**4.6**	5.2

16 Share capital

As at 31 March **Issued, called up and fully paid**	**2022 Number**	**2022 £m**	2021 Number	2021 £m
Ordinary shares of 10p each	**978,607,507**	**97.9**	909,643,040	91.0

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

Share capital issued, called up and fully paid	**Ordinary shares Number**	**Ordinary shares £m**	**Share premium £m**
At 1 April 2020	841,498,022	84.2	106.3
Issued under equity placing	66,666,666	6.6	110.0
Issued under scrip share scheme	1,478,352	0.2	3.0
At 31 March 2021	909,643,040	91.0	219.3
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**

Notes forming part of the Group financial statements

For the year ended 31 March 2022

16 Share capital (continued)

On 22 November 2021, the Company issued 67,307,693 new ordinary shares in connection with an equity placing that raised gross proceeds of £175 million at an issue price of 260.0p per share. In addition, the Company issued 1,656,774 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 1,536,819 ordinary shares under the terms of its Scrip Dividend Scheme.

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

Shares held by the Employee Benefit Trust	Ordinary shares Number	Ordinary shares £m
At 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**

In June 2021, the Company granted options over 1,822,860 ordinary shares under its Long Term Incentive Plan. In addition, 2,339,267 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 234.5p.

As at 31 March 2022, the Company's Employee Benefit Trust held 2,662,621 shares in the Company to satisfy awards under the Company's Long Term Incentive Plan.

17 Reserves

The Group statement of changes in equity is shown on page 166. 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 193.
Retained earnings	The cumulative profits and losses after the payment of dividends.

As at 31 March	Merger reserve £m	Employee Benefit Trust shares £m	2022 Total other reserves £m	Merger reserve £m	Employee Benefit Trust shares £m	2021 Total other reserves £m
Opening balance	**497.4**	**(9.7)**	**487.7**	497.4	(9.0)	488.4
Employee share schemes:						
Purchase of shares	**–**	**(1.5)**	**(1.5)**	–	(5.5)	(5.5)
Vesting of shares	**–**	**4.9**	**4.9**	–	4.8	4.8
Closing balance	**497.4**	**(6.3)**	**491.1**	497.4	(9.7)	487.7

18 Analysis of movement in net debt

	1 April 2021 £m	Financing cash flows £m	Other cash flows £m	Non cash movements: Impact of issue and arrangement costs £m	Non cash movements: Early close out costs £m	Non cash movements: 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**

18 Analysis of movement in net debt (continued)

As at	1 April 2020 £m	Financing cash flows £m	Other cash flows £m	Non cash movements: Impact of issue and arrangement costs £m	Non cash movements: Early close out costs £m	Non cash movements: Interest charge and unwinding of discount £m	31 March 2021 £m
Bank loans and derivatives	937.4	(97.9)	–	–	–	–	839.5
Unamortised finance costs	(6.0)	–	–	1.4	2.6	–	(2.0)
Interest payable and fees	1.9	(22.7)	–	2.7	–	19.4	1.3
Lease liabilities	5.9	–	–	–	–	(0.7)	5.2
Total liabilities from financing activities	939.2	(120.6)	–	4.1	2.6	18.7	844.0
Cash and cash equivalents	(81.8)	–	30.4	–	–	–	(51.4)
Net debt	857.4	(120.6)	30.4	4.1	2.6	18.7	792.6

19 Related party transactions

a) Joint ventures

Management fees and distributions receivable from the Group's joint venture arrangements and non-controlling interest during the year were as follows:

For the year to 31 March	Group interest	Management fees 2022 £m	Management fees 2021 £m	Distributions 2022 £m	Distributions 2021 £m
LSP London Residential Investments	40%	–	0.1	**2.0**	2.8
LMP Retail Warehouse JV Holdings Limited	82%	**0.1**	–	**–**	1.4
Metric Income Plus Partnership	50%	**1.2**	0.8	**7.9**	3.7
		1.3	0.9	**9.9**	7.9

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 an 18% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of DFS assets. The Group's interest in LMP Retail Warehouse JV Holdings Limited is 82%, requiring it to consolidate the results and net assets of its subsidiary in these financial statements and reflect the non-controlling share as a deduction in the consolidated income statement and consolidated balance sheet. As at the year end, the non-controlling interest share of profits and net assets was £3.7 million and £10.1 million respectively, and no distributions were paid during the year.

20 Post balance sheet events

We exchanged to buy £72.4 million of assets in the year which will complete next year. We have also exchanged or completed further acquisitions totalling £43.0 million since the year end. In addition, we exchanged in the year to sell assets totalling £21.2 million, of which £15.0 million completed post year end, and we have also exchanged or completed a further £85.8 million of asset sales post year end.

Company balance sheet

As at 31 March

	Note	2022 £m	2021 £m
Non current assets			
Investment in subsidiaries and joint ventures	iii	**1,524.7**	1,333.8
Investment properties	iv	**0.8**	1.4
Amounts due from subsidiary undertakings		**28.8**	29.2
Other investments and tangible assets		**1.2**	0.2
		1,555.5	1,364.6
Current assets			
Trade and other receivables	v	**1,049.0**	635.9
Cash at bank		**35.4**	34.8
		1,084.4	670.7
Total assets		**2,639.9**	2,035.3
Current liabilities			
Trade and other payables	vi	**11.7**	9.9
Non current liabilities			
Borrowings	vii	**960.0**	645.8
Lease liabilities	viii	**0.8**	1.5
		960.8	647.3
Total liabilities		**972.5**	657.2
Net assets		**1,667.4**	1,378.1
Equity			
Called up share capital		**97.9**	91.0
Share premium		**386.8**	219.3
Capital redemption reserve		**9.6**	9.6
Other reserve		**36.4**	51.5
Retained earnings		**1,136.7**	1,006.7
Equity shareholders' funds		**1,667.4**	1,378.1

The Company reported a profit for the financial year to 31 March 2022 of £195.4 million (2021: £122.5 million).

The financial statements were approved and authorised for issue by the Board of Directors on 26 May 2022 and were signed on its behalf by:

Martin McGann
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 190 to 193 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 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**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2020	84.2	106.3	9.6	176.5	836.8	1,213.4
Profit for the year	–	–	–	–	122.5	122.5
Share issue on acquisition	6.6	110.0	–	–	–	116.6
Purchase of shares held in employee benefit trust	–	–	–	(5.5)	–	(5.5)
Vesting of shares held in employee benefit trust	–	–	–	4.8	(5.1)	(0.3)
Share based awards	–	–	–	–	3.8	3.8
Reserve transfer of impairment in subsidiary	–	–	–	(124.3)	124.3	–
Dividends	0.2	3.0	–	–	(75.6)	(72.4)
At 31 March 2021	91.0	219.3	9.6	51.5	1,006.7	1,378.1

The notes on pages 190 to 193 form part of these financial statements.

Notes forming part of the Group financial statements

For the year ended 31 March 2022

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 £195.4 million (2021: £122.5 million).

Audit fees in relation to the Company only were £225,000 in the year (2021: £200,700).

iii Fixed asset investments

	Subsidiary Cost £m	Subsidiary impairment £m	Joint venture Cost £m	Joint venture impairment £m	Total undertakings £m
At 1 April 2021	**1,793.6**	**(462.1)**	**16.7**	**(14.4)**	**1,333.8**
Additions	**238.5**	**–**	**–**	**–**	**238.5**
Disposals	**(30.9)**	**1.8**	**–**	**–**	**(29.1)**
Impairment of investment	**–**	**(16.3)**	**–**	**(2.2)**	**(18.5)**
At 31 March 2022	**2,001.2**	**(476.6)**	**16.7**	**(16.6)**	**1,524.7**

The carrying value of the Company's investments was impaired by £18.5 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 £1,524.6 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
LSI (Investments) Limited	England	03539331	Property investment
LondonMetric Saturn Limited	England	08336260	Property investment
LondonMetric Saturn II Limited	England	08565264	Property investment

iii Fixed asset investments (continued)

Subsidiaries for which Section 479A Companies Act 2006 exemption taken	Country of incorporation or registration	Companies House registered number	Nature of business
LondonMetric Retail Distribution I Limited	England	08524540	Property investment
LondonMetric Retail Distribution II Limited	England	08644584	Property investment
LondonMetric Liverpool Limited[3]	England	09335885	Property investment
LondonMetric Swindon Limited	England	08989820	Property investment
LondonMetric Distribution Limited	England	09269541	Property investment
LondonMetric Retail Limited	England	09062484	Property investment
LondonMetric Derby Limited	England	08568072	Property investment
LondonMetric Crawley Limited	England	10120420	Property investment
LondonMetric Leisure Limited	England	11357686	Property investment
Metric Property Coventry Limited	England	07347027	Property investment
Metric Property Kirkstall Limited[1]	England	07455382	Property investment
LondonMetric Logistics Limited	England	10882805	Property investment
LondonMetric Bognor Regis Limited	England	09409081	Property investment
LondonMetric Urban Limited	England	13249056	Property investment
LondonMetric Development Limited	England	13481500	Property investment
MCL Omega PropCo Limited	England	12133819	Property investment
A & J Mucklow (Properties) Limited[1]	England	00758764	Property investment
A & J Mucklow (Halesowen) Limited[1]	England	04848576	Property investment
LondonMetric Unitholder 2 Limited	England	13743626	Unitholder
Metric Property Investments Limited	England	07172804	Intermediate holding company
Metric Property Finance 1 Limited	England	07403434	Intermediate holding company
Metric LP Income Plus Limited[1]	England	07780077	Intermediate holding company
A & J Mucklow Group Limited	England	00717658	Intermediate holding company
A & J Mucklow (Nominees) Limited[1]	England	01232337	Administrative company
A & J Mucklow & Co Limited[1]	England	00384508	Property trading

Subsidiaries for which Section 479A Companies Act 2006 exemption not taken	Country of incorporation or registration	Nature of business
Penbrick Limited[1]	England	Property investment
A & J Mucklow (Investments) Limited[1]	England	Property investment
LondonMetric Milton Keynes Limited	England	Property investment
LondonMetric Droitwich Limited	England	Property investment
LMP Steel LP[1,2]	England	Property investment
Metric Income Plus Limited Partnership[1,6]	England	Property investment
LMP Steel GP LLP[2]	England	Limited partner
Metric GP Income Plus Limited[1,6]	England	Intermediate holding company
Metric Income Plus Nominees Limited[1,6]	England	Administrative company
Barr's Industrial Limited[1,2]	England	Dormant
Belfont Homes (Birmingham) Limited[1,2]	England	Dormant
A & J Mucklow (Birmingham) Limited[1,2]	England	Dormant
A and J Mucklow (Lands) 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 & J Mucklow (Callowbrook Estate) Limited[1,2]	England	Dormant
Goresbrook Property Limited[2]	England	Dormant
Metric Property Finance 2 Limited[2]	England	Dormant
THG Omega Limited[2]	Guernsey	Dormant
LondonMetric Management Limited	Guernsey	Management company
LMP Omega II Limited[2]	Guernsey	Property investment
L&S Highbury Limited[2]	Guernsey	Property investment
LMP Green Park Cinemas Limited[2]	Guernsey	Property investment

Notes forming part of the Group financial statements

For the year ended 31 March 2022

iii Fixed asset investments (continued)

Subsidiaries for which Section 479A Companies Act 2006 exemption not taken	*Country of* Incorporation or registration	Nature of business
LMP Thrapston Limited[2]	Guernsey	Property investment
LMP Bell Farm Limited[2]	Guernsey	Property investment
LMP Dagenham Limited[2]	Guernsey	Property investment
LMP Retail Warehouse JV Holdings Limited[2 4]	Guernsey	Property investment
LSP RI Moore House Limited[5]	Guernsey	Property investment
LSP London Residential Investments Limited[5]	Guernsey	Intermediate holding company
LSP London Residential Holdings Limited[5]	Guernsey	Intermediate holding company
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 81.88% 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 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR.

iv Investment property

At 31 March 2022, investment properties included £0.8 million (2021: £1.4 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	**2022 £m**	2021 £m
Prepayments and accrued income	**2.0**	0.5
Amounts due from subsidiary undertakings	**1,047.0**	635.4
	1,049.0	635.9

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	**2022 £m**	2021 £m
Trade payables	**1.1**	0.1
Other accruals and deferred income	**7.8**	7.0
Other payables	**2.8**	2.8
	11.7	9.9

Included within other accruals and deferred income is accrued interest payable of £0.6 million (2021: £0.4 million).

vii Borrowings and financial instruments

Non current financial liabilities

As at 31 March	**2022 £m**	2021 £m
Unsecured bank loans	**965.0**	647.0
Unamortised finance costs	**(5.0)**	(1.2)
	960.0	645.8

vii Borrowings and financial instruments (continued)

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 2022, 68% of the Company's debt drawn was hedged through fixed coupon debt arrangements.

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**	**2022 £m**	2021 £m
Less than one year	**48.7**	**0.6**	**49.3**	0.1
One to five years	**357.5**	**–**	**357.5**	471.2
More than five years	**553.8**	**–**	**553.8**	174.9
	960.0	**0.6**	**960.6**	646.2

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. At 31 March 2022, all of the Company's hedging was through fixed coupon debt arrangements.

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.

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 2022 £m**	Present value of minimum lease payments 2021 £m
Less than one year	**0.6**	**–**	**0.6**	0.6
Between one and five years	**0.2**	–	**0.2**	0.9
	0.8	**–**	**0.8**	1.5

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 189. The nature and purpose of each reserve within equity is described in note 17 to the Group financial statements.

As at 31 March	**Merger reserve £m**	**Employee Benefit Trust shares £m**	**Total other reserves 2022 £m**	Merger reserve £m	Employee Benefit Trust shares £m	Total other reserves 2021 £m
Opening balance	**61.2**	**(9.7)**	**51.5**	185.5	(9.0)	176.5
Employee share schemes:						
Purchase of shares	**–**	**(1.5)**	**(1.5)**	–	(5.5)	(5.5)
Vesting of shares	**–**	**4.9**	**4.9**	–	4.8	4.8
Impairment in subsidiary	**(18.5)**	**–**	**(18.5)**	(124.3)	–	(124.3)
Closing balance	**42.7**	**(6.3)**	**36.4**	61.2	(9.7)	51.5

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 185.

Supplementary information (not audited)

i EPRA summary table

	2022	2021
EPRA earnings per share	**10.04p**	9.52p
EPRA net tangible assets per share	**261.1p**	190.3p
EPRA net disposal value per share	**262.2p**	189.7p
EPRA net reinstatement value per share	**281.7p**	209.7p
EPRA vacancy rate	**1.3%**	1.3%
EPRA cost ratio (including vacant property costs)	**12.5%**	13.6%
EPRA cost ratio (excluding vacant property costs)	**11.8%**	13.0%
EPRA net initial yield	**3.4%**	4.3%
EPRA 'topped up' net initial yield	**3.7%**	4.6%

The definition of these measures can be found in the Glossary on page 200.

ii EPRA proportionally consolidated income statement

For the year to 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Gross rental income	**131.5**	**4.5**	**(1.3)**	**134.7**	121.3	5.3	(1.5)	125.1
Property costs	**(1.5)**	**(0.1)**	**–**	**(1.6)**	(1.6)	(0.2)	–	(1.8)
Net rental income	**130.0**	**4.4**	**(1.3)**	**133.1**	119.7	5.1	(1.5)	123.3
Management fees	**1.3**	**(0.5)**	**–**	**0.8**	0.9	(0.4)	–	0.5
Other income	**0.4**	**–**	**–**	**0.4**	–	–	–	–
Administrative costs	**(16.0)**	**(0.1)**	**–**	**(16.1)**	(15.8)	–	–	(15.8)
Net finance costs	**(23.9)**	**(1.0)**	**0.2**	**(24.7)**	(21.5)	(1.2)	0.2	(22.5)
Tax	**(0.1)**	**–**	**0.1**	**–**	(0.1)	–	0.2	0.1
EPRA earnings	**91.7**	**2.8**	**(1.0)**	**93.5**	83.2	3.5	(1.1)	85.6

iii EPRA proportionally consolidated balance sheet

As at 31 March	100% owned £m	JV £m	NCI £m	Total 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Investment property	**3,494.6**	**96.6**	**(15.1)**	**3,576.1**	2,504.6	94.4	(11.4)	2,587.6
Assets held for sale	**21.2**	**–**	**–**	**21.2**	–	–	–	–
Trading property	**1.1**	**–**	**–**	**1.1**	1.1	–	–	1.1
	3,516.9	**96.6**	**(15.1)**	**3,598.4**	2,505.7	94.4	(11.4)	2,588.7
Gross debt	**(1,027.2)**	**(26.5)**	**–**	**(1,053.7)**	(839.5)	(37.5)	–	(877.0)
Cash	**51.3**	**3.6**	**(0.6)**	**54.3**	51.4	3.4	(0.2)	54.6
Other net liabilities	**(43.8)**	**(1.2)**	**5.6**	**(39.4)**	(39.1)	(0.5)	5.2	(34.4)
EPRA net tangible assets	**2,497.2**	**72.5**	**(10.1)**	**2,559.6**	1,678.5	59.8	(6.4)	1,731.9
Derivatives	**–**	**0.1**	**–**	**0.1**	–	(0.6)	–	(0.6)
IFRS net assets	**2,497.2**	**72.6**	**(10.1)**	**2,559.7**	1,678.5	59.2	(6.4)	1,731.3
Loan to value	**28.9%**	**24.3%**	**–**	**28.8%**	32.2%	32.8%	–	32.3%
Cost of debt	**2.6%**	**3.4%**	**–**	**2.6%**	2.5%	3.0%	–	2.5%
Undrawn facilities	**245.0**	**–**	**–**	**245.0**	170.5	–	–	170.5

iv EPRA cost ratio

For the year to 31 March	2022 £m	2021 £m
Property operating expenses	**1.5**	1.6
Administrative costs	**16.0**	15.8
Share of joint venture property costs, administrative costs and management fees	**0.7**	0.6
Less:		
Joint venture property management fee income	**(1.3)**	(0.9)
Ground rents	**(0.1)**	(0.1)
Total costs including vacant property costs (A)	**16.8**	17.0
Group vacant property costs	**(0.9)**	(0.7)
Total costs excluding vacant property costs (B)	**15.9**	16.3
Gross rental income	**131.5**	121.3
Share of joint venture gross rental income	**4.5**	5.3
Share of non-controlling interest gross rental income	**(1.3)**	(1.5)
	134.7	125.1
Less:		
Ground rents	**(0.1)**	(0.1)
Total gross rental income (C)	**134.6**	125.0
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**12.5%**	13.6%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**11.8%**	13.0%

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

As at 31 March	2022 £m	2021 £m
Investment property – wholly owned	**3,511.3**	2,499.5
Investment property – share of joint ventures	**96.6**	94.4
Trading property	**1.1**	1.1
Less development properties	**(67.8)**	(59.8)
Less residential properties	**(0.9)**	(2.1)
Less non-controlling interest	**(15.1)**	(11.4)
Completed property portfolio	**3,525.2**	2,521.7
Allowance for:		
Estimated purchasers' costs	**239.7**	171.5
Estimated costs to complete	**33.7**	14.7
EPRA property portfolio valuation (A)	**3,798.6**	2,707.9
Annualised passing rental income	**129.4**	112.6
Share of joint ventures	**4.5**	6.2
Less development properties	**(3.3)**	(2.3)
Annualised net rents (B)	**130.6**	116.5
Contractual rental increase across the portfolio	**11.5**	7.7
'Topped up' net annualised rent (C)	**142.1**	124.2
EPRA net initial yield (B/A)	**3.4%**	4.3%
EPRA 'topped up' net initial yield (C/A)	**3.7%**	4.6%

Supplementary information (not audited)

vi EPRA vacancy rate

As at 31 March	2022 £m	2021 £m
Annualised estimated rental value of vacant premises	**2.1**	1.7
Portfolio estimated rental value[1]	**157.1**	127.7
EPRA vacancy rate	**1.3%**	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 2022 £m	100% owned £m	JV £m	NCI £m	Total 2021 £m
Opening valuation	**2,505.7**	**94.4**	**(11.4)**	**2,588.7**	2,274.7	92.4	(14.9)	2,352.2
Acquisitions[1]	**457.5**	–	–	**457.5**	212.4	–	–	212.4
Developments[2]	**87.8**	–	–	**87.8**	37.0	–	–	37.0
Investment properties								
– incremental lettable space[3]	**4.5**	–	**(0.7)**	**3.8**	0.6	–	(0.1)	0.5
– no incremental lettable space[3]	**5.6**	**1.6**	–	**7.2**	4.3	0.3	–	4.6
– tenant incentives	**5.6**	**(0.5)**	**(0.3)**	**4.8**	7.1	0.1	(0.1)	7.1
Capitalised interest[4]	**1.4**	–	–	**1.4**	1.1	–	–	1.1
Total EPRA capex	**562.4**	**1.1**	**(1.0)**	**562.5**	262.5	0.4	(0.2)	262.7
Disposals	**(165.8)**	**(18.6)**	–	**(184.4)**	(200.8)	(1.8)	3.3	(199.3)
Revaluation	**615.2**	**19.7**	**(2.7)**	**632.2**	169.9	3.4	0.4	173.7
ROU asset	**(0.6)**	–	–	**(0.6)**	(0.6)	–	–	(0.6)
Closing valuation	**3,516.9**	**96.6**	**(15.1)**	**3,598.4**	2,505.7	94.4	(11.4)	2,588.7

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
3 Group capital expenditure on completed properties, as reflected in note 9 to the financial statements after including capitalised interest noted in footnote 4 below
4 Capitalised interest on investment properties of £0.3 million (2021: nil) and development properties of £1.1 million (2021: £1.1 million)
5 Including trading property of £1.1 million and assets held for sale of £21.2 million

viii Total accounting return

For the year to 31 March	2022 pence per share	2021 pence per share
EPRA net tangible assets per share		
– at end of year	**261.1**	190.3
– at start of year	**190.3**	170.3
Increase	**70.8**	20.0
Dividend paid	**8.9**	8.5
Total increase	**79.7**	28.5
Total accounting return	**41.9%**	16.7%

ix Portfolio split and valuation

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Mega distribution	**425.2**	**11.8**	351.9	13.6
Regional distribution	**665.3**	**18.5**	483.5	18.7
Urban logistics	**1,551.5**	**43.2**	941.9	36.5
Distribution	**2,642.0**	**73.5**	1,777.3	68.8
Long income	**785.3**	**21.8**	629.4	24.3
Retail parks	**70.6**	**2.0**	73.9	2.9
Offices	**27.3**	**0.8**	41.1	1.6
Investment portfolio	**3,525.2**	**98.1**	2,521.7	97.6
Development[1]	**67.8**	**1.9**	59.8	2.3
Residential	**0.9**	**–**	2.1	0.1
Total portfolio	**3,593.9**	**100.0**	2,583.6	100.0
Head lease and right of use assets	**4.5**		5.1	
	3,598.4		2,588.7	

1 *Represents 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%) at 31 March 2022. Split of prior year comparatives was urban logistics £51.8 million (2.0%), long income £5.8 million (0.2%), office and other land £2.2 million (0.1%)*

x Investment portfolio yields

As at 31 March	2022 EPRA NIY %	2022 EPRA topped up NIY %	2022 Equivalent yield %	2021 EPRA NIY %	2021 EPRA topped up NIY %	2021 Equivalent yield %
Distribution	**3.0**	**3.4**	**4.1**	3.8	4.1	4.7
Long income	**4.6**	**4.7**	**5.1**	5.2	5.4	5.7
Retail parks	**4.5**	**4.9**	**4.8**	7.1	7.6	7.1
Offices	**6.4**	**6.4**	**6.5**	4.9	6.0	6.5
Investment portfolio	**3.4**	**3.7**	**4.4**	4.3	4.6	5.1

xi Investment portfolio – Key statistics

As at 31 March 2022	Area '000 sq ft	WAULT to expiry years	WAULT to first break years	Occupancy %	Average rent £ per sq ft
Distribution	**13,773**	**11.3**	**10.2**	**98.1**	**7.00**
Long income	**2,771**	**14.1**	**12.9**	**99.9**	**15.90**
Retail parks	**258**	**7.2**	**6.5**	**100.0**	**14.10**
Offices	**118**	**3.9**	**3.9**	**89.5**	**17.60**
Investment portfolio	**16,920**	**11.9**	**10.8**	**98.7**	**8.50**

xii Total property returns

For the year to 31 March	All property 2022 %	All property 2021 %
Capital return	**22.9**	8.0
Income return	**4.4**	5.1
Total return	**28.2**	13.4

Supplementary information (not audited)

xiii Contracted rental income

As at 31 March	2022 £m	2021 £m
Distribution	95.6	77.6
Long income	38.9	35.8
Retail parks	3.6	6.0
Offices	1.9	2.6
Investment portfolio	140.0	122.0
Development – distribution	2.4	1.7
Development – long income	0.9	0.6
Total portfolio	143.3	124.3

xiv Rent subject to expiry

As at 31 March 2022	Within 3 years %	Within 5 years %	Within 10 years %	Within 15 years %	Within 20 years %	Over 20 years %
Distribution	12.6	21.5	50.8	73.4	83.9	100.0
Offices	31.8	69.6	100.0	100.0	100.0	100.0
Long income	3.7	8.9	31.2	60.6	93.2	100.0
Retail parks	21.3	26.0	84.2	100.0	100.0	100.0
Total portfolio	10.6	18.8	46.8	70.9	87.1	100.0

xv Contracted rent subject to inflationary or fixed uplifts

As at 31 March	2022 £m	2022 %	2021 £m	2021 %
Distribution	60.0	61.2	46.2	58.2
Long income	27.0	67.7	22.9	63.1
Retail parks	0.3	9.2	0.8	14.0
Offices	–	–	0.6	22.5
Total portfolio	87.3	60.9	70.5	56.8

xvi Top ten assets (by value)

As at 31 March 2022	Area '000 sq ft	Contracted rent £m	Occupancy %	WAULT to expiry years	WAULT to first break years
Primark, T2, Islip	1,062	5.8	100	18.5	18.5
Eddie Stobart, Dagenham	454	4.1	100	21.5	21.5
Argos, Bedford	658	4.1	100	12.0	12.0
THG, Warrington	686	4.1	100	22.7	22.7
Tesco, Croydon	191	1.9	100	6.1	6.1
Movianto, Bedford	356	2.8	100	24.7	24.7
Amazon, Warrington	357	2.4	100	9.7	9.7
Reynolds, Waltham Cross	115	1.6	100	22.1	22.1
Clipper, Ollerton	364	2.1	100	15.5	15.5
DHL, Reading	230	2.3	100	3.3	3.3

xvii Top ten occupiers

As at 31 March 2022	Contracted rental income £m	Contracted rental income %
Primark	**5.8**	**4.1**
Amazon	**4.9**	**3.4**
Argos	**4.2**	**2.9**
THG	**4.1**	**2.9**
Eddie Stobart	**4.1**	**2.8**
DFS	**3.9**	**2.7**
DHL	**3.6**	**2.5**
Currys	**3.6**	**2.5**
Odeon	**3.5**	**2.4**
Waitrose	**3.3**	**2.3**
Top ten	**41.0**	**28.5**

xviii Loan to value

	2022 £m	2021 £m
Gross debt	**1,053.7**	877.0
less: Fair value adjustments	**(2.2)**	(2.5)
less: Cash balances	**(54.3)**	(54.6)
Net debt	**997.2**	819.9
Acquisitions exchanged in the year	**72.4**	35.7
Disposals exchanged in the year	**(21.2)**	(15.2)
Adjusted net debt (A)	**1,048.4**	840.4
Total property portfolio	**3,593.9**	2,583.6
Acquisitions exchanged in the year	**72.4**	35.7
Disposals exchanged in the year	**(21.2)**	(15.2)
Adjusted property portfolio (B)	**3,645.1**	2,604.1
Loan to value (A)/(B)	**28.8%**	32.3%

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 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.

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

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

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

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

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

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

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

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

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

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

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 13 July 2022 at 11.00 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 2022 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 2022 be approved.
3. 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.
4. That the Directors be authorised to determine the remuneration of the auditor.
5. That Patrick Vaughan be re-elected as a Director.
6. That Andrew Jones be re-elected as a Director.
7. That Martin McGann be re-elected as a Director.
8. That James Dean be re-elected as a Director.
9. That Rosalyn Wilton 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 Alistair Elliott 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') up to an aggregate nominal amount of £32,671,477 (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 £32,671,478; and
    b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to a maximum aggregate nominal amount of £65,342,954 (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, subject to the passing of resolution 15 and in accordance with Article 145 of the Company's Articles of Association (as varied and amended from time to time), the Directors be and are hereby authorised, for the period of three years from the date of the passing of this resolution, to offer to any holder of ordinary shares in the Company, the right to elect to receive ordinary shares credited as fully paid, instead of cash in respect of the whole (or part, to be determined by the Directors) of all or any dividend on such terms as the Directors shall determine (subject to the terms provided in the Articles of Association of the Company) from time to time.
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) up to an *aggregate nominal amount of £4,900,720.*

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 up to an aggregate nominal amount of £4,900,720; 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 98,014,433;

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;

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.

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 of the Company.

By order of the Board

Jadzia Duzniak
Company Secretary
26 May 2022

Notice of Annual General Meeting

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 11.00 am on 11 July 2022 (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 enquiries@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 11.00 am on 11 July 2022 (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 11.00 am on 11 July 2022 (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.

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: enquiries@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 11 July 2022. 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 11.00 am on 11 July 2022 (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 25 May 2022 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 980,144,326 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. The AGM will be held in person and will be continually monitored given the continuing uncertainty in respect to COVID-19. Whilst there are not expected to be any government restrictions on public gatherings at the time of the AGM, shareholders are asked to exercise good judgement and not to attend the AGM in person if they have recently tested positive for COVID-19, are exhibiting any symptoms of COVID-19 and/or are living with someone who has recently tested positive for COVID-19. Instead, shareholders are encouraged to submit a proxy vote in advance of the AGM.

Notice of Annual General Meeting

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 2022 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 2022.

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 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.

Resolutions 3 and 4 – Reappointment of auditors
Resolution 3 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 4 authorises the Directors to set their remuneration.

Resolutions 5 to 14 – Re-election and election of Directors
Resolutions 5 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 92 and 93 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.

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 £32,671,477 (representing approximately one third of the Company's issued ordinary share capital as at 25 May 2022) 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 £65,342,954, representing approximately two thirds of the issued ordinary share capital of the Company as at 25 May 2022.

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.

Resolution 16 – Authority to offer scrip dividend
Under the Articles of Association of the Company, the Board may, with the prior authority of an ordinary resolution of the Company, offer holders of any particular class of shares who have elected to receive them paid up ordinary shares instead of cash in respect of all or part of a dividend or dividends specified by the ordinary resolution.

Under a scrip dividend programme, shareholders who elect to do so will be able to receive ordinary shares in the Company in lieu of future cash dividends. In addition to the benefit to shareholders of allowing them to increase their shareholdings without incurring costs (such as stamp duty or dealing costs), a scrip dividend programme will allow the Company to retain the proceeds which would otherwise be paid out as dividends.

Authority was previously granted on 11 July 2019 and that authority expires after three years. This resolution renews that authority. A Scrip Circular setting out the terms and conditions and instructions on how to participate is available on the Company's website. In line with investor protection guidelines the authority contained in resolution 16 is sought for three years

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 (i) £4,900,720 (representing 49,007,200 shares.). This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company as at 25 May 2022.

Taking into account the template resolutions published by the UK Pre-Emption Group in May 2016, the authority set out in Resolution 18 is limited to allotments or sales of up to an aggregate nominal amount of (i) £4,900,720 (representing 49,007,200 shares) in addition to the authority set out in Resolution 17 which are 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 dis-applying pre-emption rights most recently published by the UK Pre-Emption Group prior to the date of this Notice.

This aggregate nominal amount represents approximately an additional 5% of the issued ordinary share capital of the Company as at 25 May 2022.

The Directors also confirm their intention to follow the provisions of the UK Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three year period where the Principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above.

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 98,014,433 shares (representing approximately 10% of the Company's issued ordinary share capital as at 25 May 2022 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 25 May 2022 (the latest practicable date before publication of this Notice), there were share awards over 5,547,196 ordinary shares in the capital of the Company representing approximately 0.57% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these awards would represent approximately 0.63% of the Company's issued ordinary share capital.

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.

Financial calendar

Announcement of results	26 May 2022
Annual General Meeting	13 July 2022

Shareholder information

Advisors to the Company

Joint 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

Auditor
Deloitte LLP
1 New Street Square
London EC4A 3HQ

Property Valuers
CBRE Limited
St Martin's Court
10 Paternoster Row
London EC4M 7HP

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 Company is exempt from corporation tax on rental income and capital gains. Dividend payments to qualifying shareholders are Property Income Distributions (PID) and non-PID.

For most shareholders, PIDs will not be taxed as ordinary income, although certain shareholders (such as UK individuals and companies, UK pension funds and companies and manages of SAs, PEPs and ISAs) will be taxed on PIDs at the relevant higher rate. UK individual shareholders who are basic rate taxpayers will be taxed at the 20% rate. UK pension funds will be taxed at the 20% rate. UK companies will be taxed at their marginal rate. Non-UK shareholders may be subject to withholding tax.

Payment of dividends
Shareholders can choose to receive dividends electronically rather than by cheque. Shareholders who choose to receive dividends electronically will receive a tax voucher by e-mail. Payment will be made on the payment date.

Design and production

[illegible]

[illegible]

[illegible]

LondonMetric Property Plc
One Curzon Street
London W1J 5HB
United Kingdom

Telephone +44 (0) 20 7484 9000
Fax +44 (0) 20 7484 9001

Find us online
www.londonmetric.com