# Real estate for reliable income

Annual Report and
Accounts 2024

LONDONMETRIC
PROPERTY PLC

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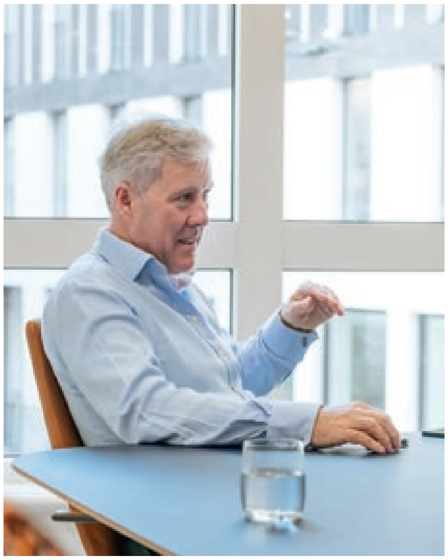
**Adapt & evolve**



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# LondonMetric

## is a real estate company that owns £6.0 billion of structurally supported assets. It is the UK's leading Triple Net Lease REIT with contracted rent of £340 million per annum.

**Our purpose** is to become the UK's most enduring real estate partner delivering dependable income.

**Our aim** is to build on our position as the UKs leading Triple Net Lease REIT. By investing in mission critical and key real estate assets that benefit from structural drivers, we will deliver reliable, repetitive and growing income over the long term.

**Our approach** focuses on our four strategic pillars of owning the right real estate, managing and enhancing our assets, collaborating with our stakeholders and generating strong income-led returns.

# Performance Highlights 2024

IFRS reported profit (for equity shareholders)

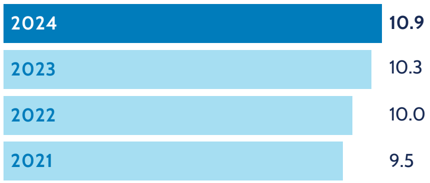
## £118.7m

↑ £625m

EPRA EPS

## 10.9p

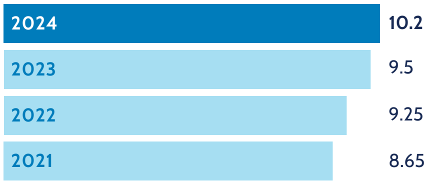
↑ 5.4%



Dividend per share

## 10.2p

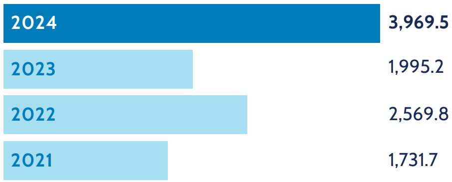
↑ 7.4%



IFRS net assets

## £3,969.5m

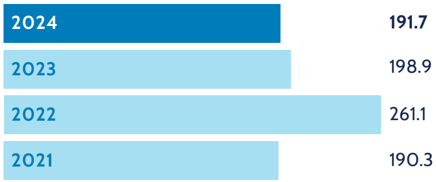
↑ 99%



EPRA net tangible assets per share

## 191.7p

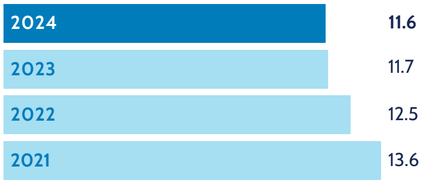
↓ 3.6%



EPRA cost ratio

## 11.6%

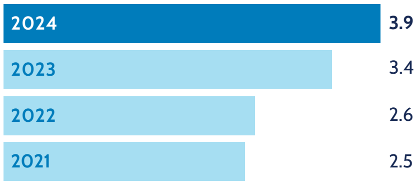
↓ 10bps



Cost of debt

## 3.9%

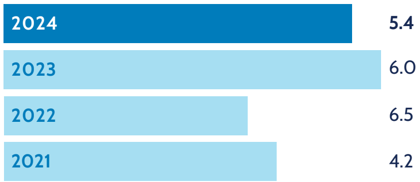
↑ 50bps



Average debt maturity

## 5.4 yrs

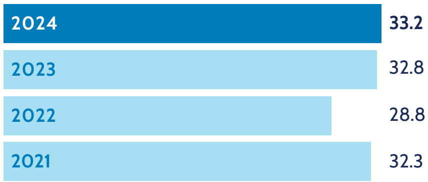
↓ 0.6 years



Loan to value ratio

## 33.2%

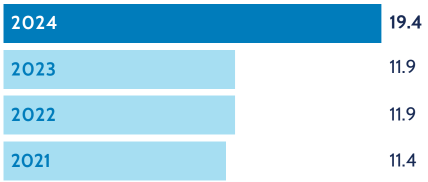
↑ 40bps



WAULT

## 19.4 yrs

↑ 7.5 yrs



Total property return

## 4.7%

↑ 1670bps

### Alternative performance measures

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

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

Therefore, unless specifically stated, the performance metrics and financial results reflected in the Strategic report and on this page, reflect the proportionately consolidated results of the Group and the EPRA BPR reporting framework. Further details can be found on page 48 of the Financial review and definitions are set out in the Glossary from page 212.

# Adapt & evolve

## The key to success.

In a dynamic world that is constantly changing, businesses that succeed are not necessarily the biggest, but the ones who continually adapt.

In real estate, this means that the shape and structure of the portfolio is continually focused on owning assets that have enduring occupier appeal.

| | |
|---|---|
| 2013 | £830m merger of London & Stamford and Metric Property creating LondonMetric Property |
| 2014-2017 | Portfolio repositioned away from offices and retail parks increase logistics exposure |
| 2018-2022 | Further repositioning of portfolio into logistics with strong emphasis on urban logistics, including the £413m merger with A&J Mucklow in 2019 |
| 2023-2024 | Disciplined approach to creating the UK's leading NNN lease REIT aligned to structurally supported sectors through LXi Merger and CT Property Trust acquisition |

**+46%**
Dividend per share growth since formation in 2013

**+157%**
Total Accounting Return since 2013

**+223%**
Total Shareholder Return since 2013

Adapt and evolve

# Reliable income, lowest cost.

## The Triple Net REIT advantage

A Real Estate Investment Trust that primarily invests in properties wholly leased to tenants where the occupier is responsible for paying the property's operating expenses including property taxes, insurance and maintenance costs in addition to rent.

A Triple Net REIT invests in long leases from creditworthy tenants where the building expenses are met by the occupier under the lease contract. This structure delivers stable returns with growing income through a combination of inflation-linked, fixed uplift or open market rent reviews to drive income and give the greatest potential for long term capital appreciation.

1

Reliable and growing income

2

High cost efficiency with low operating expenses

3

Long term leases with guaranteed rental growth

4

Creditworthy and structurally supported occupiers

Adapt and evolve

# Shaped by market trends.

## Continued focus on macro trends

Our focus on the macro trends and how they define the winners and losers in real estate has served us well over the years.

This continues to shape our business with the LXi merger doubling the value of our portfolio in mission critical assets that are aligned to long term structural drivers in the marketplace. The recent LXi merger gives us ownership of significant assets across sectors, but logistics remains a core focus.

## Logistics

### Urban

**-24%**

loss of industrial land in London to alternative uses over 20 years

### Mega & regional

**+22%**

growth in online sales penetration from 2022 to 2027

## Long income

### Entertainment & leisure

**+10%**

growth in spend on UK hospitality and leisure spend in 2023

### Convenience

**+24%**

growth in UK convenience channel spend over five years to 2028

### Healthcare & education

**+19%**

growth in over 60 year olds in the UK by 2030

## Adapt and evolve

# Fit for the future.

### Playing a leading role in decarbonising

Most stakeholders – from shareholders, to employees, to occupiers, to communities, and governments – now expect companies to act with integrity and long term vision.

Opinion and reputation can impact capital allocation decisions, and potentially even the long term value of a company. We look to bring together our approach, market trends and desirable assets to ensure reliable income and fit for the future assets.

### Our responsible approach

Where our actions take into consideration the long-term interests of all our stakeholders and ensure that we maintain a high standard of business conduct.

Read more Responsible Business and ESG review page 55

## Responsible focus

### #1 Own sustainable buildings

### #2 Collaborate with occupiers

### #3 Manage climate risks

An overview, purpose and strategy

# Chair's statement

**Alistair Elliott**
Chairman

> The Company has become the UK's leading Triple Net Lease REIT and the third largest UK REIT by market capitalisation."

**After nearly a year in my position as Chair of LondonMetric, it is with great privilege that I write to you for the first time. I would like to take this opportunity to thank my predecessor, Patrick Vaughan, for his long and successful leadership of the Company.**

The year has been exceptionally busy for LondonMetric following the merger with LXi REIT plc and the acquisition of CT Property Trust Limited. These are excellent transactions for the Company which have materially transformed the portfolio.

The ability of the management team to identify, execute and integrate these opportunities has been highly impressive and is a testament to the strength and depth of the wider team that has been built up.

The Company has become the UK's leading Triple Net Lease REIT and the third largest UK REIT by market capitalisation with a portfolio that has doubled in size over the year to £6.0 billion. In addition, the Company's credentials have been enhanced across key metrics which has resulted in an even stronger earnings and dividend growth outlook, greater certainty of income and income growth and a business model that is the most cost efficient in the sector.

We were highly appreciative of the overwhelming shareholder support that we received for the LXi deal and the trust that shareholders have put in the LondonMetric team to deliver on the transaction.
The structurally supported portfolio we acquired is very strong and the team has already set to work in implementing asset management plans across the LXi assets as well as readying certain non core assets for sale to ensure that the Company remains aligned to the winning sectors and the best assets.

Over the last five years, excluding the two mergers this year, LondonMetric has bought and sold £2.5 billion of assets, proving its ability to monetise ex-growth and non core assets and recycle capital into higher growth opportunities. The scale of the Company today should provide it with an even better platform to access attractive deals – finding and transacting on attractive opportunities is in the management's DNA.

Our financial results for the year to 31 March 2024 again reflect the strength of the portfolio, the efficiency with which it is run and our focus on income growth and cost control.

Net rental income was up 20.6% whilst our EPRA earnings per share increased by 5.4% to 10.9 pence, which is a material increase from 3.9 pence at the time of our formation in 2013 and represents a 10% compounded annual growth rate.

This has given us confidence to increase our dividend per share for the ninth year in a row, up 7.4% on 2023 to 10.2p which is 107% covered by EPRA earnings per share. Furthermore, reflecting the material earnings growth that we expect from the LXi transaction, we have indicated that our first quarterly dividend for the next financial year will be 19% higher than the prior year comparative, in line with our target of paying a 12 pence per share dividend for the full year.

Over the year, our portfolio's valuations were largely flat, but our strong income performance enabled us to deliver a total property return of 4.7% which represents a 570 bps outperformance of MSCI All Property.

Whilst EPRA NTA per share fell by 3.6% over the year, this was largely down to one off transaction costs associated with the merger activity and we still reported a positive total accounting return of 1.3% and, over a longer term, the Company has delivered a TAR of 35.3% over five years and 126.5% over ten years.

From a financing perspective, we have continued to strengthen our debt facilities by improving flexibility, increasing duration and looking for cost efficiencies. We signed a new £700 million unsecured bank facility to refinance £625 million of LXi secured bank facilities and extended the term on £675 million of pre-existing LondonMetric debt. In addition to strong support from existing LondonMetric lenders, we are benefiting from new lending relationships gained as part of the process.

As a result, our debt metrics are in great shape and we have been able to report at the year end a debt maturity of 5.4 years, an average cost of debt of 3.9% and significant undrawn facilities. We also continue to maintain a conservative LTV of 33.2% post the merger.

I have enjoyed working with the team over the last year. It is clear to me that we have a well aligned and high-grade management team with strong occupier and property relationships.

I would like to thank all of our employees and the Board for their hard work and dedication over the past year.

We have strengthened the Board over the year with the appointment of Nick Leslau and Sandy Gumm, who I would like to welcome on your behalf. Their insight to the portfolio and broader industry is undoubted, as is their alignment with shareholders having rolled all of their LXi shares into LondonMetric. Their shareholding is significant and increases management's overall shareholding to 3.1% of the Company. In addition, Suzy Neubert has been appointed as Senior Independent Director.

I would also like to thank both James Dean and Rosalyn Wilton who retired as Non Executive Directors in the year. Their contribution to the Company was invaluable and we are delighted that James will be continuing in his role as a consultant to the Company.

I am genuinely excited by the prospects for the Company which I believe is very well placed to deliver reliable and growing dividends over the long term from its high class portfolio, long leases and guaranteed rental growth.

**Alistair Elliott**
Chair
4 June 2024

> “I am genuinely excited by the prospects for the Company, which I believe is very well placed to deliver reliable and growing dividends.”

An overview, purpose and strategy

# At a glance

LondonMetric is the UK's leading Triple Net REIT with a portfolio aligned to structurally supported sectors of logistics, convenience, entertainment & leisure and healthcare & education[1].

## Key Facts

| Asset value | Assets | Sq ft |
|---|---|---|
| £6.0bn | 572 | 26m |

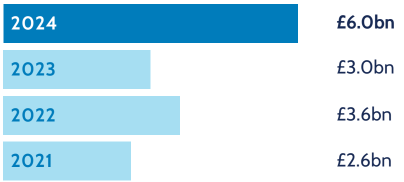
| WAULT | Occupancy | Employees |
|---|---|---|
| 19.4 yrs | 99% | 47 |

## A portfolio aligned to structurally supported real estate

### Our portfolio

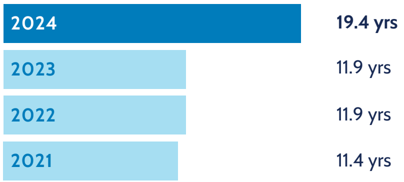
Property value

£6.0bn



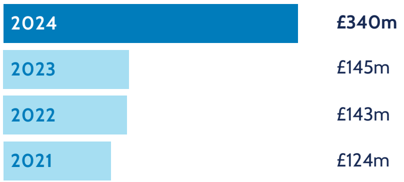
WAULT

19.4 yrs



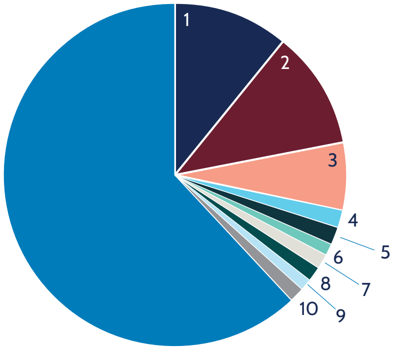
Net contracted rent

£340m



### Top 10 Occupiers

(%)



37% of contracted rent

| | | |
|---|---|---|
| 1 | Ramsay Health Care | 11.0% |
| 2 | Merlin Entertainments | 9.0% |
| 3 | Travelodge | 6.4% |
| 4 | Primark | 1.8% |
| 5 | Tesco | 1.7% |
| 6 | Great Bear | 1.6% |
| 7 | Amazon | 1.4% |
| 8 | SMG Europe | 1.4% |
| 9 | Q-Park | 1.4% |
| 10 | Co-op | 1.3% |

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[1] The acquisition of LXi REIT plc resulted in a change to the Group's portfolio mix and consequently a change in the way we report our operating segments, with the previous year's mix also reclassified. Retail parks, offices and residential properties have been grouped together and reflected as 'other'. Included within 'logistics' are the sub-categories of urban, regional and mega distribution and within 'long income' are the sub-categories of convenience, entertainment and leisure and healthcare and education

# A structurally supported portfolio

🟦 Logistics
🟧 Long Income

## 43%
## Logistics

- Disruptive technologies driving modern shopping habits
- Continued occupier and investment demand
- Remains our leading sector with ambition to grow exposure

## 3%
## Other

## 16%
## Healthcare & education

- Demographics & ageing population drives health consciousness
- Hospitals providing essential healthcare

## 17%
## Convenience

- Convenience, essentials and value continue to win-out
- Operationally light assets with dependable income characteristics

## 21%
## Entertainment & leisure

- Economic & generational shifts driving memories over materiality
- High barriers to entry to replicate exclusive real estate

# Our merger with LXi REIT is a transformational deal

It creates the UK's leading Triple Net Lease REIT with full occupancy, exceptional income longevity and certainty of income growth.

- ✓ Material economies of scale
- ✓ Significant cost synergies with a sector leading EPRA cost ratio
- ✓ Improved terms in both the debt and equity markets
- ✓ Better access to new opportunities of scale
- ✓ Ultimately driving accelerated earnings and dividend progression

An overview, purpose and strategy

# Chief Executive’s review

> Our approach to business remains unchanged following the LXi transaction with a management focus on delivering strong income-led total returns to shareholders through four strategic pillars.”

| Our strategy and priorities | 2024/25 priority |
|---|---|
| **Own**<br>Invest in real estate aligned to structural trends | – Assess new portfolio shape for long term fit<br>– Grow logistics exposure to 50% of portfolio |
| **Manage**<br>Disciplined, low cost and responsible management of our assets | – Manage the granularity and diversification of income<br>– Make disposals of assets not fit for future |
| **Collaborate**<br>Leverage our expertise to benefit from strong relationships | – Integrate and create one team with common values<br>– Adopting a partner of choice mindset, collaborating with all stakeholders |
| **Generate**<br>A focus on reliable, repetitive and growing income | – Minimise gross to net income leakage<br>– Bringing all our actions together to deliver dependable NNN cash flows underpinning highly attractive total returns |

Learn more on pages 30 to 31

# Chief Executive's review

continued

> **The acquisition of LXi has cemented our position as the UK's leading NNN income compounder and accelerated our ambition of becoming a dividend aristocrat."**

**+19%**

**Increase in Q1 dividend for FY 2025 as a result of a material increase in our expected earnings**

## Overview

Financial markets continue to be defined by elevated interest rates and higher borrowing costs. Whilst long term interest rates peaked last summer, higher levels of inflation persist and expectations of numerous rate cuts this year have proven to be overly optimistic, with markets now not pricing in a rate cut until later this year.

The uncertainty of interest rates continues to loom large over the sector. This is severely impacting liquidity across the real estate market, especially for larger assets and those sectors impacted by changing consumer behaviour. It is particularly impacting the office sector and parts of retail where there are few buyers and price discovery is almost impossible.

Conversely, we are seeing price stability in structurally supported sectors where income security and rental growth is more assured. Liquidity levels are also better for smaller assets, where debt is not required.

We expect this polarisation between the winning and losing sectors to continue as refinancing and redemption pressures force more legacy assets onto the market.

Our focus on the macro trends has served us well and continues to influence our capital allocation. We are a high conviction triple net income ('NNN') investor in structurally supported sectors benefiting from consumer tailwinds of online shopping, convenience retail, social experiences, healthcare and quicker gratification. We will consciously avoid the troubled legacy sectors where income security and growth is less assured.

We have been very active over the year both in the direct market and with M&A, and have not been waiting for the discounts to narrow or 'all clear' signs to appear.

The LXi deal in the year has been transformational, giving us material scale and affording us significant cost synergies, debt optionality and much increased liquidity in our shares. Whilst smaller, the CTPT transaction added to our strongest conviction call of urban logistics where we are benefiting from long term structural shifts and capturing elevated levels of rental growth.

We firmly believe that the macro will always outdo the micro and so will continue to lean into winning sectors and the best properties that are mission critical to an occupier's business and where investment values are well below replacement costs.

Our total return model focuses on NNN income compounding with strong shareholder alignment ensuring that we remain disciplined, rational and active, looking to continually improve our portfolio, financing and net operating income. This approach is allowing us to materially progress our earnings and covered dividend, which is why we expect to increase our Q1 dividend for FY 2025 by 19%.

## Generate income

### As the UK's leading NNN REIT we aim to deliver reliable, repetitive and growing income

We continue to believe that income and income growth are the defining characteristics of long term investment returns. We appreciate the true benefit of income compounding over the longer term, focusing on the quantity, quality and timing of when cash will be returned. Compounding is not intuitive and, as a result, is often misunderstood and under appreciated.

Even with elevated interest rates, the right real estate can offer excellent inflation protection and total returns materially higher than many alternatives, with the added security of the intrinsic value of the property. After all, ten year indexed gilts are trading at 0.5%.

NNN REITs that invest in quality assets, with high occupier contentment with the certainty of income growth, are very well placed to deliver long term compounded returns. This model has been highly successful in the US and is a scalable, low cost proposition that does not require great activity, people or risky decision making. We believe that this is the right way to invest – low cost, high quality, reliably and efficiently delivered.

The LXi deal delivered on our ambition to be the UK's leading NNN REIT and further enhances our reliable, repetitive and growing income streams. Our rent roll over the year increased from £145 million per annum to £340 million per annum and our income metrics were enhanced with our WAULT increasing to 19 years, occupancy higher at 99.4% and, reflecting minimal property costs, our gross to net income ratio rose to 99.0%. Our high levels of contractual rental uplifts are also providing high certainty of income growth.

Our NNN income compounding model means that we are highly focused on net operating income and our sector leading low EPRA cost ratio is expected to fall further. Our target for FY 2025 is 8%. Following full integration of LXi, we expect to have achieved £15 million of cost savings on top of the £4 million achieved from CTPT.

## Own desirable real estate

### Our strategy is to own quality assets in winning sectors underpinned by strong income

Our job is to allocate capital into real estate sectors where it will be treated best. We are constantly looking for new trends and changes in direction that might create new opportunities. There is no substitute for being aware and always prepared to pivot.

We continue to prioritise asset selection and occupier contentment in structurally supported sectors that are benefiting from consumer tailwinds. We have deliberately avoided offices and have largely exited operational retail assets where capex requirements are growing faster than net rents. In our view, a sector that requires capex to grow is much less attractive than a sector that grows without the need for capex.

When you choose real estate where the wind is at your back, you are more likely to be a price setter than a price taker. Occupiers will need you more, you can attract quality occupiers, charge higher rents and be more confident of rental growth. The best thing we can do is provide buildings that our occupiers love; they will stay longer, invest more in the property and will be prepared to pay more rent.

Our disciplined approach ensures that we pursue quality returns over long periods of time. Our model is about long term compounding equity value, rather than simply growing assets under management. This tempers our acquisition activity, limits speculative development exposure and frames our disposal decisions. Buying lowly rated assets cheaply is not our strategy, as these assets will at some point become a problem and add unnecessary risk, stress and take up valuable thinking time.

Whilst we are happy to get rich slowly, we are equally prepared to speed up the process, where management initiatives can create additional value or attractive opportunities present themselves. With many REITs trading at material discounts, we have been actively looking at and executing on M&A using our more highly rated shares.

## £340m

**Net contracted rent roll following the LXi merger which is up from £145 million a year ago**

Through the LXi merger, we acquired £2.9 billion of assets with an annual rent roll of £178 million. These high quality assets are aligned to NNN themes of convenience, entertainment & leisure and healthcare & education with very long leases and with 98% of the income benefiting from fixed or inflation linked rent reviews.

Through the CTPT merger, we added a £0.3 billion portfolio of complementary and high quality assets with material reversion potential from a high urban logistics weighting and strong South East bias. The deal also brought an attractive debt structure with a low LTV, cash and an attractive cost of debt. We are excited by the wider prospects of the CTPT portfolio and are already achieving strong rental uplifts from asset management.

As with most portfolios, you can never love all of the assets and we have quickly set to work on selling some of the non core assets from both portfolios.

Over the year, we sold £185 million at just 1% below book values and these comprised mainly non core offices, retail and multi-let industrial. Since the year end, we have sold £75 million with a further £107 million under offer.

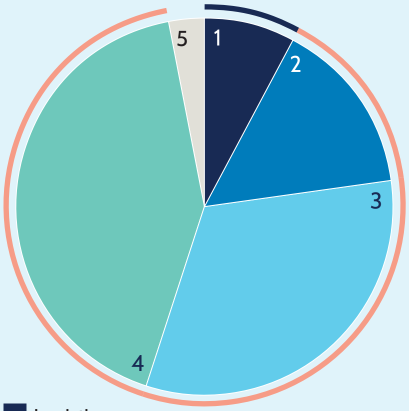
Our disposals are often characterised by a long period of attractive returns and a growing expectation that these may flatten or even reverse as a building grows older and leases get shorter.

Increased scale gives us a larger platform to leverage. With swap rates remaining high, significant amounts of real estate debt requiring refinancing, highly restricted availability of debt and material REIT discounts, we expect further attractive investment opportunities to present themselves.

We remain active, interested and open minded.

# Chief Executive's review
continued

## LXi REIT merger



| | |
|---|---|
| ■ | Logistics |
| ■ | Long income |

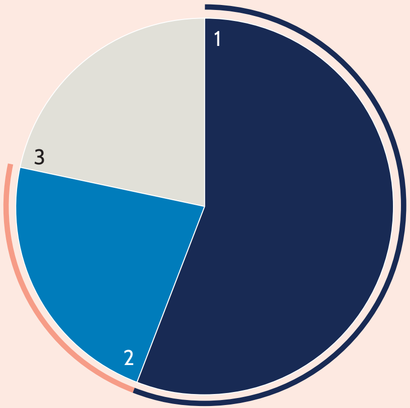
| | | |
|---|---|---|
| 1 | Logistics | 8% |
| 2 | Convenience | 15% |
| 3 | Healthcare & education | 32% |
| 4 | Entertainment & leisure | 42% |
| 5 | Other | 3% |

- £2.9 billion of assets acquired with an annual rent roll of £178 million
- Aligned to NNN themes of convenience, entertainment & leisure and healthcare
- High quality assets that are mission critical to occupiers and acquired at a NIY of 5.7%
- WAULT of 26 years with 98% of income benefiting from fixed or inflation linked rent reviews
- £15 million of annualised cost savings targeted with ten employees joining and buyout of the management contract
- Materially earnings enhancing in the first full year post the merger
- 0.9 billion LondonMetric shares issued as consideration in March 2024, strong shareholder overlap

**+£2.9bn**
**Assets acquired**

**26 years**
**WAULT**

## CT Property Trust merger



| | |
|---|---|
| ■ | Logistics |
| ■ | Long income |

| | | |
|---|---|---|
| 1 | Logistics | 57% |
| 2 | Convenience | 23% |
| 3 | Other (mainly offices) | 20% |

- £0.3 billion of assets acquired with an annual rent roll of £17.7 million
- 57% aligned to urban logistics with a further 23% in convenience
- High quality assets with 79% located in London & South East and a WAULT of seven years
- Acquired at a NIY of 6.0% with material reversionary potential and high proportion of income linked to open market reviews
- £4 million of cost savings and no additional staff joined LondonMetric
- 106 million LondonMetric shares issued as consideration in August 2023
- Low LTV at 20.5%, attractive debt cost
- £33 million of disposals since acquisition

**+£0.3bn**
**Assets acquired**

**23%**
**Reversion on urban logistics assets**

## Own desirable real estate

# Logistics

## Our ambition in logistics, particularly urban, remains undiminished

We believe that the longer term demand/supply dynamics for logistics remains attractive, which is why urban logistics remains our strongest conviction call for NNN investing. The structural tailwinds for the logistic sector remain strong, namely continued online sales growth, reshoring activities, rewiring of supply chains and warehouse automation.

After several years of materially stronger than average occupational demand for logistics in the UK, take up for 2023 fell back to be more in line with pre-Covid levels. Most apparent has been the reduced demand for big box logistics whilst demand for smaller units of 100,000-300,000 sq ft has been more resilient.

On the supply side, a material increase in speculative development completions over the past two years pushed availability up to a ten year high. Accordingly, the UK logistics vacancy rate has increased from 2.7% at the start of 2023 to 5.3% in March 2024. However, the vacancy rate is expected to fall as speculative development starts to reduce materially in response to higher financing costs and rising build costs.

After many years of strong market rental growth, further growth in logistics rents is expected with rents predicted to grow by between 2% to 3% per annum over the next four years. We continue to believe that urban logistics remains the most attractive sub sector of logistics and has the greatest demand/supply tension and rental growth potential.

Occupier demand is highly granular and is benefiting from an ongoing need for occupiers to evolve operationally by locating closer to the end customer, minimise delivery times, increase accuracy of delivery and satisfy consumer demands for instant gratification.

Our £13m logistics investment in Crewe in the year. For further detail see page 41

Over the year, our logistics assets saw ERV growth of 6% with rent reviews settled at 21% above previous passing on a five yearly equivalent basis. Urban rent reviews were the strongest, achieving 40% uplifts on open market reviews, helped by our urban portfolio's high weighting towards London and the South East. Our logistics portfolio remains highly reversionary with average ERVs 26% above average passing rents and this is expected to provide superior returns as we capture the embedded reversion.

Investment activity over the year added £394 million of logistics through the CTPT and LXi mergers as well as £36 million of direct investments from opportunistic acquisitions. Logistics disposals in the year totalled £109 million and were characterised by shorter let assets with a WAULT of four years.

As at the year end, our logistics portfolio was valued at £2.6 billion, accounting for 43% of the portfolio which has risen post year end with investment activity. We expect this weighting to exceed 50% over the next year as we execute on further acquisitions and capital recycling.

> “Urban logistics remains our strongest conviction call for NNN investing”

**+40%**

**Rental uplift on open market urban logistics rent reviews in the year**

**£430m**

**logistics assets acquired in the year**

An overview, purpose and strategy

# Chief Executive's review

continued

## Own desirable real estate

## Long income

### Long income assets continue to deliver attractive income returns

Long income assets with low operational requirements have always been an important part of our portfolio. These are assets in structurally supported sectors let on long leases, to strong operators, where the real estate is considered mission critical.

Our long income portfolio is 100% let, offers an attractive topped up NIY of 5.8%, a WAULT of 24 years and contractual rental uplifts on 90% of income. This provides incredibly strong income with inflation protection and attractive income compounding qualities forming the bedrock of our attractive dividend.

The LXi merger added £2.6 billion of long income assets, increasing the value of our long income portfolio to £3.2 billion at the year end, representing 54% of our total portfolio. Our long income exposure has previously focused on convenience retail, and the LXi merger has added to this exposure as well as provided material access to new sectors of entertainment, budget hotels and healthcare.

As detailed further below, these sectors are benefiting from changes in consumer behaviour as the population continues to pivot its expenditure towards convenience, experience and better healthcare. We are attracted by the strong demand/ supply dynamics and the strong replacement metrics which ensure that these assets are mission critical operating assets for our occupiers.

In the year, we sold £43 million of long income assets and have made further disposals since the year end including some from the LXi portfolio. It is inevitable that we will look to trim our long income exposure further, particularly in respect of individual credits where we feel the portfolio would benefit from greater diversification.

### Convenience

Despite the growth in online shopping, the store network still remains integral to retailers.

Well located, stand-alone or cluster properties that are fit for purpose, right sized and right rented and let on long NNN leases to grocers, discounters, home and DIY operators continue to be attractive.

These occupiers have resilient business models that are less exposed to the impact of the migration of shopping online, offering essential goods and omni-channel optionality in a convenient format.

Roadside convenience has been an area of focus for us through drive-thrus but also the need to service customers using electric vehicle charging points.

### Entertainment & leisure

The trend towards experiences, the recovery in foreign international travel and greater consumer preferences for staycations given growing household financial pressures has supported favourable growth in certain parts of the UK entertainment and leisure sector.

The UK hotel sector, in particular, has seen a strong recovery following the pandemic and is experiencing favourable demand/ supply dynamics following years of supply contraction.

Visitor attraction operators, including theme parks, have also benefitted from these trends, proving to be non-cyclical performers and beneficiaries of consumers' unwillingness to cut back on discretionary spend in this area. Theme parks also have significant barriers to entry in the UK which adds to its defensive characteristics.

### Healthcare & education

The property sector for healthcare continues to be underpinned by strong demand drivers from an ageing and growing population as well as improvements in medical technology. UK private hospitals are particularly well placed. They are increasingly taking on NHS patients as a result of the growing NHS waiting lists where nearly eight million people in the UK are awaiting treatment.

Unsurprisingly, they are also seeing a strong growth in patients treated through private medical insurance as well as self-pay as they seek better and faster care. 2023 saw a record growth in insured patient volumes across the independent healthcare provider sector and, in its last half year set of results, Ramsay Health Care saw 10% growth in admissions in the UK acute hospital business which resulted in a 15% increase in its UK turnover.

## Manage & enhance responsibly

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

During the year, occupier initiatives added £7.5 million per annum of rent and delivered like for like income growth of 5.5%. Lettings and regears added £2.7 million and were signed on average lease lengths of 12 years, with regears on logistics achieving rents 37% ahead of previous passing. Rent reviews added £4.8 million of rent, representing a 19% uplift on a five yearly equivalent basis. Post year end, we have signed deals that add £2.4 million per annum of rent.

Looking forward, with high reversionary potential on our logistics and a high proportion of guaranteed uplifts on long income assets, we have visibility on c.£23 million per annum of rental uplifts from rent reviews and regears over the next two years. We expect to materially increase this rental uplift as we continue to actively asset manage the portfolio and enhance the LXi assets.

We continue to embed sustainability and high ESG standards across our activities, driven by our own aspirations as well as those of our customers and stakeholders. In the year, we materially improved our GRESB score from 64 to 76, which resulted in us being awarded a three star rating. A further three solar PV installations were added in the year which, together with two projects that completed post year end, have increased total installed capacity from 3.6 MWp in March 2023 to 7.6 MWp. Over the year, we also installed 25 EV charging points across our convenience portfolio. We continue to engage with occupiers on sustainability initiatives including further near term potential solar PV installations that total 3.2 MWp.

We have made good progress in better understanding the LXi assets from a property as well as a sustainability perspective. We are incorporating the LXi portfolio into our action plans and are actively refining our approach to properly consider the implications of the merger on our ESG strategy.

**Case Study**
**Leicester**

The 125,000 sq ft logistics forward fund development in Leicester that completed in the year was BREEAM Very Good certified and EPC A rated. The building is let to EM Pharma on a 15 year lease and we are in discussions with the occupier to install 0.3 MWp of solar PV.

### Embedding sustainability

**Upgrading through investment and development**

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

**Extending the economic life of our assets through environmental improvements**

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

Our strategy supports a low-carbon approach

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

We are a strong steward of underinvested assets, with the necessary expertise and capital to improve them

**7.6 MWp**
solar PV installed across portfolio

**85%**
of the portfolio has an EPC rating of A-C

# Chief Executive's review

continued

## Expertise and relationships

### We continue to benefit from our strong team and its relationships

Our team's economic alignment to the Company's success ensures an ownership culture and a strong conviction to make the right property and financial decisions. We work with all stakeholders to deliver longer term benefits to our investors, occupiers, people, local communities and contractors.

We were pleased that our occupier survey again showed high contentment with an average score of 9.0 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord, up from a score of 8.7 in 2023. In terms of satisfaction with our properties, our score also increased from 8.1 to 8.5.

We also received a high score in our latest employee survey with 97% of employees saying that they are proud to work for the Company, which is up from 94% last year. The team has worked incredibly hard over the year, has embraced our 'work from work' culture and I am hugely grateful for their efforts. This appreciation extends to our ten new colleagues who have joined from LXi, not only for their contribution and hard work, but also their faith and commitment in joining LondonMetric.

Whilst our team of 47 employees is well placed, we will continue to strengthen our team's capabilities. In addition, I am delighted to report that we have promoted Will Evers to Joint Head of Investments alongside Valentine Beresford. Will has been with us since inception and is integral to our activities.

Our investor and banking relationships have been crucial to delivering on our M&A during the year. The support from, and level of engagement with, these relationships has been exceptional and our well positioned balance sheet and our proactive approach places us in a good position.

## 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, strong 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.

### Outcomes

**99.4%**

Portfolio occupancy

**9.0/10.0**

Landlord recommendation score

## People

### Our people are critical to the success of the Company

The Company is highly focused with 47 employees and eight Non Executive Directors. Since merger in 2013, employee numbers have fallen despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

### Culture and approach

We have successfully attracted and retained a talented and loyal team. This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger in 2013.

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

### Outcomes

**6%**

Annual staff turnover since 2013

**97%**

Of staff are proud to work for LondonMetric

## Investors

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

We value our good relationships with our shareholders. Over the year, we met with 380 equity investors and feedback remains very supportive of our strategy and the Company.

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

### Outcomes

**380**

Investors seen in the year

## Contractors and Advisors

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

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

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

### Outcomes

**100%**

Contractor compliance

## Communities

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

Our Charity and Communities Working Group implements charity giving and co-ordinates community involvement.

LondonMetric has allocated a minimum of £100,000 per year for charitable giving. In addition, we require our contractors to focus on community initiatives as part of our development and refurbishment activity.

### Outcomes

**£153K**

Charitable giving in year across 72 causes

## Outlook

We have embraced the NNN income model for many years, delivering strong income, elevated levels of rental growth, with a low cost platform and only minor income leakage. We believe that this is the right way to invest – high quality, guaranteed growth, low cost efficiently delivered. Internally, we refer to it as the three Cs – collect, compound and watch the yields compress.

Scale is becoming increasingly important and the LXi merger has allowed us improved liquidity, access to bigger deals and economies in terms of overheads, earnings efficiency and debt optionality. We have one of the lowest EPRA cost ratios across the sector which we expect to fall further as we deliver on cost synergies in the enlarged Group, and with this strong cost control and limited income leakage, we are able to further increase our net rental income, earnings per share and progress our covered dividend. This puts us on track for our tenth consecutive year of dividend progression; a performance that puts us in a rarefied club.

Our decisions remain heavily influenced by the macro environment, consumer behaviour and demand/supply dynamics. As we have demonstrated over the last ten years, our deep experiences and confidence to position the portfolio where we see best growth will ensure that our portfolio remains fit for purpose – we will never stop exercising. Therefore, it is inevitable that we will look to improve the quality of our assets and income stream by trimming our exposure to certain sub-sectors and individual credits.

Dislocation both in the real estate and equity markets is presenting new opportunities to grow our business and cement our position as the UK's leading NNN income compounder. The urban logistics market remains our strongest conviction for accelerated rental growth and so we will look to reinvest sale receipts into this segment of the market.

We are fully aligned with a shared mission and will be ruthlessly efficient in how we operate our business and how we allocate capital in our quest towards dividend aristocracy. After all, income compounding is the eighth Wonder of the World – the secret sauce and the rocket fuel that creates wealth.

# The world around us

**Andrew Jones**
Chief Executive

> “For high growth real estate sectors there has been much improved liquidity”

## Macro events continue to dominate the investment backdrop

Global economic and geopolitical uncertainty continues to dominate the investment market backdrop. Although the markets are taking the conflicts in the Middle East and Ukraine as well as tensions with China largely in their stride, there is still considerable uncertainty on the horizon with general elections in both the US and UK later this year.

As has been the case for a while, the future path of interest rates has been the main driver of market sentiment. Central banks continue to play a delicate balancing act of keeping inflation in check without stifling growth and, whilst current economic data suggests that the global economy is far healthier than some perceive, we expect central banks to start cutting rates this summer. Usually these two factors are mutually contradictory conditions.

For the UK, we have a resilient economy with no imminent threat of a recession. However, growth has proven more elusive and has essentially flatlined with unemployment and inactivity rates rising. Whilst interest rate increases are now having the desired impact of dampening inflation (CPI of 2.3% at the last print compared to 9-10% a year ago), service sector inflation and wage growth remain high which may temper the number of rate reductions this year.

Whilst the cost of living in the UK is undoubtedly impacting the consumer and consumer confidence remains cautious, we believe that it is well positioned to navigate the current economic climate, helped by low unemployment levels, good savings ratios, strong wage growth and lower household budget inflation (particularly with energy prices falling back).

## Liquidity in real estate remains limited

Interest rates remain the yardstick by which our assets are valued. Whilst liquidity for real estate has improved, the property market remains a long way from functioning normally as evidenced by the 30% decline in transactional activities in 2023 and subdued activity so far this year.

Elevated interest rates and swap rates are effectively ruling out the debt buyers and we remain of the view that normal liquidity won’t return until five year swap rates fall materially towards 300bps.

For high growth real estate sectors, liquidity is much improved, with good volumes for smaller lot sizes where debt is not required. The logistics sector has been one of the few sectors transacting helped by more assured income security and rental growth.

For lower growth real estate sectors such as offices and shopping centres, there remains a gulf in buyer and seller expectations. Whilst the values of some of these assets have fallen 60%+ and greater pricing realism has crept into valuations there still appears to be further to go. We are also now operating in a new paradigm where, if the property market won’t offer price discovery, then the debt market inevitably will.

There is a significant amount of debt expiring and loans to be refinanced over the coming years. The overall property market remains over-leveraged or under-equitised and the banks are becoming increasingly active in forcing assets to the market. Refinancings are exposing proper price transparency and highlighting to owners and debt providers that assets that once yielded a positive carry and attractive cash on cash metrics are now seeing equity holders being wiped out and lenders taking a loss. This is particularly acute in parts of the office sector.

> “We continue to believe that the market will offer up further opportunities for consolidation.”

The UK listed sector remains in a much better place to ride out the current higher rate environment than the private sector or indeed many of the European REITs, where leverage is materially higher. Many of the lessons learned from the global financial crisis were forgotten, but, in the UK, lower leverage was not one of them.

However, that is not to say the UK listed space isn’t without its issues. Legacy investment strategies and poor structures have been exposed. When debt was free, REIT investing seemed like a one-way bet. However, as interest rates have normalised, portfolio quality, debt management, management alignment and liquidity have come sharply into focus.

Whilst we have already seen some sector consolidation there are still a number of listed REITs who are no longer ‘fit for purpose’. More often, these are small cap, externally managed with limited sectoral focus and little shareholder alignment of interest.

We continue to believe that the market will offer up further opportunities for consolidation and that as confidence returns, we believe that public real estate can once again grow. After all, boards have a duty of care to the shareholders and investors deserve scalable and efficient structures that provide opportunities for them to deploy their significant sums of capital.

## Polarisation across real estate will continue

Technological disruption remains a powerful force that continues to affect our daily lives in how we communicate, travel, work and shop. This will continue to have a profound and permanent impact on which real estate sectors win and which ones lose.

As I have already mentioned, we believe that the structural tailwinds will continue to provide strong support for logistics, convenience, healthcare and experiences. Student accommodation and build-to-rent seems like it also has longer term structural support but these are operational sectors that do not meet our NNN criteria. Data centres are also an interesting growth sector aligned to the need for a growing digital infrastructure. We have some data centres but it is a complex area with many variables, not least power constraints and evolving technology.

For the troubled sectors, there remains significant headwinds. Operational retail property continues to face challenges as the consumer pivots further towards an omni-channel and convenience shopping model. The shift in spending over the last decade has resulted in massive value destruction across large parts of retail real estate, with department store and shopping centre values largely decimated. Despite a good recovery from the pandemic, we still have too much physical retail property which means that supply often exceeds demand and the true rental values are still materially lower than history suggests. Whilst many landlords will trumpet their achievements in settling new rents above ERV, these are mostly set below previous passing rents or have been materially inflated by capital contributions and long rent free periods… much like the London office market.

The adoption of omni-channel models however continues to afford the retail park market some stability with rising occupancy, reduced supply and pricing equilibrium. Whilst these conditions are not uniform, it is particularly the case around the strongest geographies, where existing space is being lost to other higher value alternatives, like residential. We therefore remain alert and wide eyed to individual opportunities where demand/supply metrics are attractive and asset management initiatives are available to enhance the NNN income characteristics.

In the retail grocery convenience sector, online penetration is much lower than that of general merchandise. As a result, the grocery store retains its important role in essential spending. However, performances across grocery real estate are already polarising as over-sized, over-rented larger format supermarkets continue to fight strong competition from the smaller, right rented, fit for purpose convenience and discount stores. After years of rental compounding, we believe that the best days for larger format supermarkets look like they are behind them. Shortening leases are beginning to expose their values; much as department store valuations did when they were exposed to true market fundamentals and their credits failed.

For the office market, outside of London’s West End, the sector is seeing strong parallels to shopping centres nearly ten years ago. New technology, increasing obsolescence and changing workers’ preferences are creating structural disruption for offices as work from home and growing ESG demands impact the amount, flexibility and quality of office space that companies require. Hybrid working is going nowhere and so companies are conscious that it requires a carrot and stick approach. They are therefore intensifying their offer with modern environments and better facilities incorporating new sustainability requirements. The problem is that the capital expenditure required is rising faster than the rents and so this will inevitably lead to a polarisation of performances and a large gap between the winners and losers.

Whilst many owners will confidently talk about their ability to repurpose obsolete offices, in much the same way as they did with shopping centres, the outcome is likely to be the same. Conversion into labs, gyms, nurseries, health clinics, etc., has limits and more often than not they don’t justify the capex. After all, most offices are unsuitable for residential conversion due to floorplates, staircases and ceiling height restrictions. The value destruction will be enormous and, much like the shopping centre market, the lending banks will end up holding the keys.

As a result, rental outlook, capex risks and depreciation will continue to come in to sharp focus for investors and lenders. We continue to live in a fast changing world that shows no sign of slowing down and being on the right side of structural change is key. After all, you never know when you need liquidity until it’s too late.

Creating value

# Our markets

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

## Macro trends

### ① Geopolitical & economic

**15 year**
**High interest rates**

The UK real estate capital market continues to be defined by geopolitical uncertainties and economic instability. This macro environment has led to plummeting volumes of real estate investment which has resulted in decade low volumes as investors grapple with declining asset values and increased borrowing costs.

Globally, conflicts in Ukraine and the Middle East together with tensions and increased tariffs with China have impacted global supply chains leading to heightened inflation and 15 year high interest rates leading to a 'risk-off' investor sentiment for assets that are deemed to be a bond proxy. Domestically, the forthcoming general election is likely to be a focal point.

Our portfolio is aligned to structural drivers thereby best placed to navigate wider macro economic uncertainty. We look to invest in the right sectors benefiting from superior demand/supply characteristics and ensure enduring occupier appeal generating reliable, repetitive and growing income streams. Our approach to recycling capital and capital allocation ensures we actively manage the portfolio to improve the underlying asset quality by selling out of mature assets into higher quality ones delivering an 'all weather' portfolio.

### ② Interest rates & borrowing costs

**11%**
**2022 peak inflation**

UK interest rates have remained at historic lows for an extended period of time to support the economy through the financial crisis and recovery in 2008, Brexit in 2016 and the pandemic in 2020.

However, in response to accelerating inflation, which peaked at 11% towards the end of 2022, and the need to temper the economy, interest rates began to increase from December 2021 onwards. By August 2023, the UK interest rate had risen 14 consecutive times, reaching a peak of 5.25%. Inflation remains higher than target but has decelerated from its peak giving room for potential cuts to interest rates in the second half of 2024.

As an income focused REIT, we believe interest rates and swap rates are an important yardstick by which our assets are valued. The movement in interest rates resulted in a significant re-rating of our assets in our previous financial year but valuations have stabilised this year.

Our income benefits from a high proportion of contractual rental uplifts with the remainder largely exposed to open market rental uplifts from the highest growth real estate sectors. This allows us to deliver attractive positive income-led returns even without asset appreciation.

### ③ Demographic changes

**19%**
**Growth in over 60 year olds by 2030**

The UK population is expected to see significant changes over the next few decades. The population is projected to increase from c.67 million in 2021 to c.74 million by 2036, representing 9.9% growth over 15 years (ONS). The growth is largely driven by net international migration.

In common with many global countries, the UK will see a rise in ageing population with projections suggesting those over 60 year old are expected to grow by 19% in the ten year period to 2030 (Statista) and those over 85 years to nearly double by 2045 (ONS).

Coupled with a decline in fertility rates, these changes will have implications for various sectors that service retirees including healthcare, housing and more efficient urban infrastructure. An increase in retirees is also likely to increase demand for real assets that deliver income and pension qualities.

Reliable, repetitive and growing income is a key focal point for LondonMetric. We recognise the shifts in demographics and the value to society in providing a viable investment proposition by delivering income-led total shareholder returns. Following the merger with LXi, we have significantly increased our exposure to the healthcare sector allowing us to gain valuable insight in to this structurally supported sector.

## Structural trends

### ① Technology disrupting

**30%**

**of all retail sales expected to be online by 2030**

Technology continues to reshape consumer behaviour across how we work, shop and live with profound impacts on real estate.

There is a clear divide between finite space and infinite space where technology has allowed us to work and shop from anywhere and where infinite space is under continued pressure.

Adoption of online shopping continues its long term upward trajectory, with 30% of all retail sales expected to be online by 2030, up from 26% in 2023. This is resulting in less physical retail space required. Equally, office space demand has shifted to reflect hybrid working patterns following the realisation through covid that technology allows workers to be more nomadic than ever before.

There are clear winners out of this structural shift where space required to store, move and manufacture becomes increasingly important. Space for essential items which can not be fulfilled through a technology alternative or platform remains a key operating asset.

Overall, technology's disruption of consumer behaviour is leading to more informed, efficient and customised consumer experiences pushing industries to innovate and evolve and adapt their strategies to meet new digital standards and expectations. We are conscious of technological change and adapt our portfolio accordingly.

### ② Value & Quality

**+14%**

**growth in Travelodge revenue in 2023**

The cost of living crisis with high levels of inflation and elevated interest rates have impacted consumer spending and pushed the consumer to economise and prioritise spending with value a much greater consideration.

This has benefited discount and essential retailers who have expanded their propositions and strengthened their businesses. Similarly, whilst certain leisure sectors, such as casual dining, have suffered from a reduction in consumer discretionary spend, in-person leisure activities that cater for social experiences have proven to be highly resilient as people have seemed unwilling to forego quality time with friends, family and colleagues.

The trend towards staycations as a more affordable holiday option has also supported favourable growth for some hospitality sectors including hotel and visitor attraction operators.

Consumers are also prioritising health and bypassing long state waiting lists or reduced care services to seek better quality levels of healthcare.

Aligning to occupiers that can meet future consumer needs and thrive is important to our business.

### ③ Sustainability

**98%**

**of our top 20 occupiers have a Net Zero Carbon ambition**

Sustainability has emerged as a top priority across the world economy. Businesses, governments and consumers are increasingly recognising the importance of sustainable practices and playing their role in decarbonising the global economy through a broad range of activities including preserving natural resource and fostering economic and social value. This shift is reflected in the rise of green technologies, sustainable urban planning and corporate strategies that are increasingly mindful of environmental stewardship alongside profitability.

The integration of sustainability into core business practices is not just about mitigating risk, it is also about creating opportunities for innovation and competitive advantage in a rapidly evolving marketplace. As awareness and regulations increase, sustainability is becoming a critical factor for occupiers and investors in decision-making, influencing demand and supply of buildings and future rental growth trajectories.

The real estate sector has always looked to refurbish and regenerate buildings and now, more than ever, owning fit for purpose assets is key to ensuring enduring occupier and investor appeal.

Creating value

# Key market trends

Our key focus is to ensure we own desirable assets with enduring occupier appeal.

## Logistics

Consumers continue to embrace online shopping with online retail penetration continuing to take market share with 22% growth expected from 2022 to 2027, at which point it is expected that online penetration will reach 28.4%.

'Onshoring' is being driven by consumer demand for 'everything now', a shift towards reduced free trade and the need to cut emissions in line with regulation (45% cut by 2030, 65% by 2035 and 90% by 2040).

This is likely to lead to renewed demand for logistics warehousing which, after a number of years of above average take-up, paused for breath last year. Therefore, the industry expects continued rental growth to occur of c.3% p.a.

**28.4%**
online retail market share by 2027

**3% p.a.**
rental growth to 2028

## Convenience

Urbanisation and busy lifestyles have moved consumers towards a 'grab and go' culture.

Convenience and essential retailers have adapted their estates towards smaller format stores that accommodate this new consumer behaviour. Whereas the top four grocers had 74% market share in 2014, this has fallen to 65% today, driven by the steady growth from discount grocers, principally Aldi and Lidl.

The convenience channel is expected to grow by 4% p.a. CAGR over five years to 2028 from £48.5 billion of sales to £59.9bn.

These strong fundamentals are ensuring there is good demand for convenience related property investments.

**+4% p.a.**
in convenience sales by 2028 to £60bn

**25%**
of all retail property investment activity in 2023 was grocery related

## Healthcare & education

Demographic and ageing populations are driving health consciousness. Over 60 year olds are expected to grow by 19% by 2030 (Statista) adding strain to the existing healthcare sector.

UK NHS waiting list currently stands at 7.6 million (NHS England) with increasing numbers of people seeking private medical assistance as an alternative with an increase of 39% self funded treatments in Q4 2023 (PHIN).

**7.6 million**
on the NHS waiting list

**39%**
increase in self-funded treatment in Q4 2023

## Entertainment & leisure

Economic and generational shifts are driving consumer behaviour towards making memories over buying material things.

Hospitality and leisure spend continues to remain strong in the aftermath of the pandemic with Barclaycard data reflecting a 10.3% increase for this category in 2023.

The trend towards staycations as a more affordable holiday option has supported particularly favourable growth for hotel and visitor attraction operators.

**+10%**
increase in spend on hospitality and leisure in 2023

**+35%**
increase in domestic holidays p.a. from 2015 to 2022

Creating value

# Business model

As a leading Triple Net Lease REIT our low operating costs, strong shareholder alignment and structurally supported portfolio is generating dependable long-term income growth.

## 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 engaging with local communities, working closely with local authorities, residents and businesses.

### Our investors

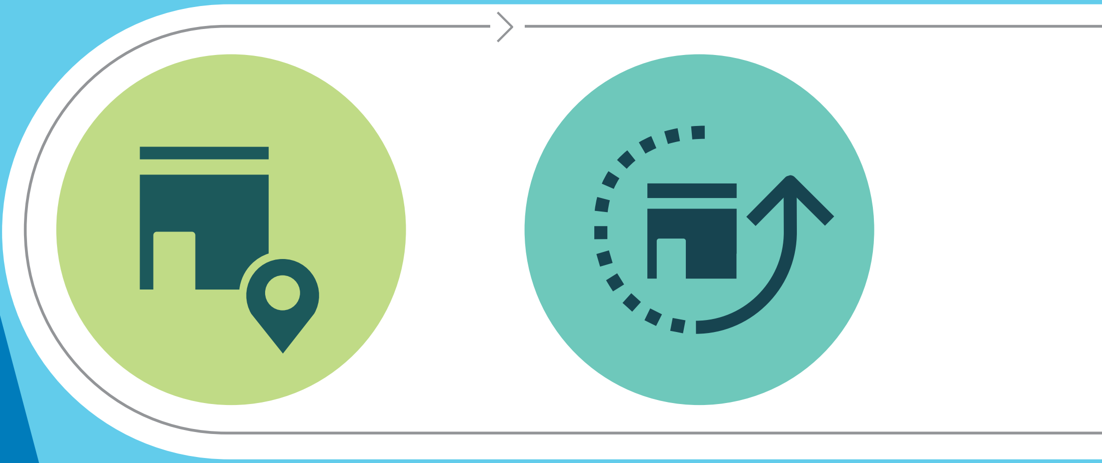
We value our good relationships with investors, debt providers and joint venture partners.

### Our contractors & advisers

We depend on a diverse group of key suppliers including professional advisers and contractors.

Read more on page 63

## Our strategy drives our income growth and value creation



### Own

Invest in real estate aligned to structural trends

**What's changed?**

Our portfolio is underpinned by structural trends with exposure to logistics, convenience, healthcare, education, entertainment and leisure. Our wider sector exposure gives diversification and portfolio resilience in an evolving world.

Our desirable, mission critical and key operating assets ensure that we benefit from certainty of income and strong prospects for income growth. Logistics remains our main sector focus, particularly urban logistics which remains our 'conviction call', and we intend this sector exposure to grow to 50% of the portfolio.

Read more on page 17

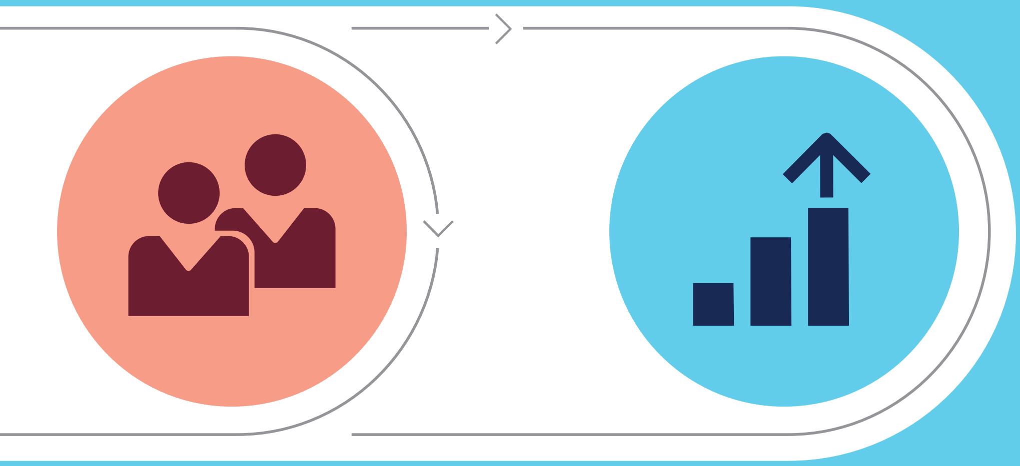
### Manage

Disciplined, low cost and responsible management of our assets

**What's changed?**

As a Triple Net Lease REIT the operating and maintenance costs of our assets are the responsibility of the occupier. The longer lease lengths on our portfolio as a result of the LXi merger means that our assets require even less time and resource to manage.

But we will still continue to take a disciplined approach to actively manage the shape of the portfolio to ensure that our buildings provide fit for purpose and sustainable spaces that can deliver attractive rental growth. Where assets do not meet our investment criteria we will look to dispose of those assets.



## Collaborate

### Leverage our expertise to benefit from strong relationships

**What's changed?**

Very little has changed. We have a team of property and finance experts who work closely with occupiers and wider stakeholders to understand their needs and ensure high levels of satisfaction and occupancy.

We will continue to integrate our new team members from the LXi merger to build one team with common values.

## Generate

### A focus on reliable, repetitive and growing income

**What's changed?**

Income and income growth remain central to our business model.

Our exposure to a wider number of structurally supported sectors, significantly larger portfolio and our lower operating cost model underpins our ability to deliver long-term income growth to pay our shareholders progressive dividends.

## Generating value and long term returns

**+7%**

Dividend growth in year, our ninth consecutive year of progression

**+£195m**

Growth in net contracted rent over the year

**+7.5 years**

Increase in WAULT over the year to 19.4 years

Creating value

# Key performance indicators

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

**Own**
Invest in real estate aligned to structural trends

**Manage**
Disciplined, low cost and responsible management of our assets

**Collaborate**
Leverage our expertise to benefit from strong relationships

**Generate**
A focus on reliable, repetitive and growing income

Full details of our strategic pillars are set out on page 30

| Objective | Deliver long term shareholder returns | Maximise long term total accounting return | Maximise property portfolio returns |
|---|---|---|---|
| KPI | Total shareholder return in the year (%)<br>2024 22.1<br>2023 -33.1<br>2022 33.7 | Total accounting return (%)<br>2024 1.3<br>2023 -20.2<br>2022 41.9 | Total property return (%)<br>2024 4.7<br>2023 -12.0<br>2022 28.2 |
| Performance | Total Shareholder Return ('TSR'), being the share price movement together with the dividend, delivered 22.1% growth in the year compared to the FTSE 350 Real Estate Super Sector index movement of 9.3%.<br>Since our merger in 2013 TSR growth was 223%, over four times that of the FTSE 350 Real Estate Super Sector index movement of 48%. | Total Accounting Return ('TAR') of EPRA net tangible assets per share movement together with dividend paid in the year.<br>12 month TAR delivered a return of 1.3%.<br>The full calculation can be found in Supplementary note viii. | Unlevered Total Property Return ('TPR'), including capital and income return, of the portfolio as calculated by MSCI.<br>12 months TPR delivered a return of 4.7% compared to the MSCI All Property benchmark of -1.0%. |
| 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.<br>99.8% of the TSR component of the 2020 LTIP award vested in the year and the TSR component of the 2021 LTIP award is expected to vest in full.<br>The three year TSR for the 2021 LTIP was 4.8% compared to the FTSE 350 Real Estate Super Sector excluding agencies and operators of -9.1%. | 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.<br>The TAR component of the 2020 LTIP award vested in full in the year and the TAR component of the 2021 LTIP award is expected to vest in full.<br>The three year TAR for the 2021 LTIP was 15.4% compared to the FTSE 350 Real Estate Sector excluding agencies and operators of 2.1%. | 30% of this year's annual bonus award is subject to TPR outperforming the MSCI benchmark.<br>This year TPR outperformed the benchmark delivering an 88% bonus payout.<br>The three year All Property TPR delivered a return of 5.8% compared to the MSCI All Property benchmark of 1.1%. |
| 2024/25 ambition | Three year TSR performance to be in the upper quartile of the FTSE 350 Real Estate Super Sector, excluding agencies and operators. | Three year total accounting return to be in the upper quartile of FTSE 350 Real Estate Super Sector, excluding agencies and operators. | One year TPR outperformance against MSCI benchmark. |

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

Read more in Financial review page 47

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

Read more in Risk management and internal controls page 86

**Remuneration**
The table on page 143 shows how our KPIs are reflected in and therefore aligned to remuneration and incentive arrangements.

Read more in Remuneration Committee report page 143

**ESG and Sustainability**
Our Responsible Business and ESG review on pages 55 to 85 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 55

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

Read more in Responsible Business and ESG review page 60

| Deliver sustainable growth in EPRA earnings | Drive like for like income growth | Maintain a higher than market benchmark WAULT | Maintain strong occupier contentment | EPC rating |
|---|---|---|---|---|
| EPRA earnings per share (p) | Like for like income growth (%) | WAULT (years) | EPRA vacancy (%) | EPC rating (%) |
| 2024 10.9 | 2024 5.5 | 2024 19.4 | 2024 0.6 | 2024 91% |
| 2023 10.3 | 2023 5.0 | 2023 11.9 | 2023 0.9 | 2023 90% |
| 2022 10.0 | 2022 5.4 | 2022 11.9 | 2022 1.3 | 2022 85% |
| EPRA earnings per share from operational activities have grown by 5.4% over the last 12 months.<br>Since our merger in 2013, EPRA earnings per share has grown by 179% from 3.9p to 10.9p per share. | The movement in the contracted rental income on properties owned through the period increased by 5.5%.<br>Additional income of £7.5 million was generated from asset management activity following lettings, regears and rent reviews. | Weighted average unexpired lease term across the investment portfolio of 19.4 years as at 31 March 2024.<br>The significant increase in the year was due to the LXi merger and portfolio on acquisition with a WAULT of 26 years. | Occupancy rate of investment portfolio at 31 March 2024 was 99.4%, reducing our vacancy to 0.6%. | The proportion of our portfolio with an EPC rating of A to C.<br>As at 31 March 2024, and on a like for like basis excluding the impact of the LXi merger, this was 91%.<br>Incorporating LXi reduces our EPC rating of A to C to 85%. |
| 30% of this year's annual bonus award is subject to an EPRA EPS growth target. This year EPRA EPS outperformed its growth target securing a full bonus payout.<br>25% of LTIP awards vest after three years subject to an EPRA EPS growth target. 39% of the 2020 LTIP award vested in the year and 61% of the EPRA EPS component of the 2021 LTIP award is expected to vest. | Forms part of EPRA earnings per share, which as noted above, is a key financial performance measure for the Company's variable incentive arrangements. | Under the 2023 Remuneration Policy, 30% of this year's annual bonus is subject to Strategic objectives.<br>One of these is that WAULT is more than ten years as set out on page 150. | Under the 2023 Remuneration Policy, 30% of this year's annual bonus is subject to Strategic objectives.<br>One of these is that occupancy is greater than 96% as set out on page 150. | Under the new Remuneration Policy, 10% of the annual bonus is subject to ESG objectives. |
| Deliver and sustain EPRA earnings per share growth and dividend progression. | Deliver like for like income growth. | Maintain high weighted average unexpired lease term targeting >ten years. | Maintain high occupancy across the investment portfolio, targeting in excess of 95%. | Improve the proportion of our portfolio with an EPC rating of A to C to above 90%. |

A review of our performance

# Property review

**Mark Stirling**
Asset Director

**Valentine Beresford**
Investment Director

## Portfolio highlights

19 years
WAULT

£340m
Net contracted rent p.a.

## Investment highlights

£3.2bn
Assets added in year

£185m
Disposals in year

> Our investment activity in the year has added £3.2bn of high quality assets and doubled the size of our portfolio."
>
> **Valentine Beresford**
> Investment Director

> Our activity has delivered strong like for like rental growth and enhanced our income metrics and income growth prospects."
>
> **Mark Stirling**
> Asset Director

Read more about our portfolio on page 35

# Structurally aligned portfolio

## Investment activity

### Investment activity in the year was dominated by opportunistic M&A

The merger with LXi REIT plc ('LXi') added £2.9 billion of assets with a rent roll of £178 million per annum and a very long WAULT of 26 years. The 280 properties focus on our long income sectors of entertainment and leisure, healthcare and convenience, and were acquired at a NIY of 5.7% with high certainty of income growth from fixed or inflation linked rent reviews which apply to 98% of the income.

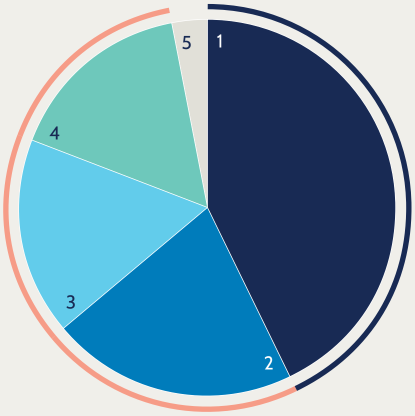
The CT Property Trust ('CTPT') acquisition added a complementary portfolio of 33 assets valued at £285 million, with 57% weighted to logistics, 23% to long income and the remainder predominantly in offices. The portfolio had a WAULT of seven years and was acquired at a NIY of 6.0% with strong reversionary potential through open market rent reviews and asset management initiatives. 79% of the assets acquired were located in London and the South East.

All other acquisitions related to opportunistic logistics purchases of £36 million, transacted at a NIY of 8.0%.

Disposals in the year totalled £185 million, reflecting a NIY of 5.3% and with a WAULT of six years. These were transacted at 1% below prevailing book value. Two thirds of the sales related to logistics assets. Sales also included foodstores as well as non core assets comprising six offices, sold for £23.4 million, and four retail parks, sold for £9.7 million. These non core assets had been acquired either through the CTPT transaction or the Mucklow merger in 2019.

Post year end, we have sold £75 million at a 7% premium to book value. In addition, we have £107 million of sales in legals. We have now sold £33 million of assets from the CTPT portfolio, representing 47% of the CTPT assets that we deemed non core, and have also sold £55 million from the LXi portfolio. We have also acquired £51 million of assets post year end.

## Our portfolio
(by value)



£6.0bn

■ Logistics
■ Long income

| | | |
|---|---|---|
| 1 | Logistics | 43% |
| 2 | Entertainment & leisure | 21% |
| 3 | Convenience | 17% |
| 4 | Healthcare & education | 16% |
| 5 | Other | 3% |

## Portfolio aligned to structurally supported sectors

Our investment activity during the year resulted in the portfolio doubling in size from £3.0 billion to £6.0 billion, a reduction in our logistics exposure from 73% to 43% and an increase in our long income weighting from 24% to 54%.

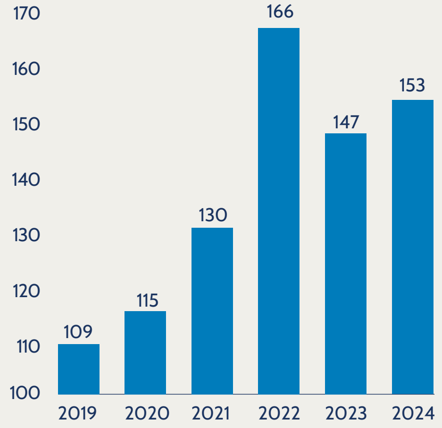
Within long income, our entertainment and leisure weighting grew materially following the addition of a number of theme parks and hotels from the LXi transaction, which also added exposure to the healthcare sector for the first time, primarily through the addition of a number of hospitals. The remaining 3% of the portfolio mainly consists of two multi-let retail parks and 13 offices, the latter falling to nine following post year end sales which includes the sale of two former LXi offices in Scotland for £36.6 million.

## Portfolio delivered a TPR of 4.7%

The portfolio delivered a total property return of 4.7% over the year outperforming MSCI by 570 bps. ERV growth was 5.7%, offsetting 26 bps of yield expansion to deliver a 0.2% property valuation decrease.

The portfolio's EPRA topped up net initial yield is 5.3% (2023: 4.6%) and its equivalent yield is 6.3% (2023: 5.4%). The yield increases were mostly due to the addition of LXi's higher yielding assets.

## Cumulative Property Return (Rebased, 2018=100)



A review of our performance

# Property review

continued

## Reliable, repetitive & growing Income

### Our portfolio metrics have been enhanced in the year

Net contracted rent increased over the year from £145.2 million to £339.7 million whilst the portfolio's WAULT increased from 12 years to 19 years (18 years to first break), providing very strong income security with only 6% of income expiring within the next three years.

Occupancy also increased to 99.4% and our gross to net income ratio of 99.0% continues to reflect the portfolio's very low property costs and minimal operational requirements.

Contractual rental uplifts apply to 79% of our income, which has increased from 63% a year ago, providing high certainty of income growth:

- 53% is index linked: 28% is RPI linked, whilst 25% is CPI or CPIH linked; and
- 26% is subject to fixed uplifts, with a weighted average uplift of 2.6% per annum.

At 41% of income, a significant number of contractual reviews are annually compounded, compared to just 16% in 2023.

The remaining 38% of contractual rent is reviewed on a five yearly basis with index linked rent reviews subject to a range of collars and caps which are typically between 1% to 4% over a five year period such that:

- For RPI linked reviews, at 22% inflation over a five year period (equivalent to 4% p.a.), 94% of inflation is captured; and
- For CPI linked reviews, at 16% inflation over a five year period (equivalent to 3% p.a.), 100% of inflation is captured.

The remaining 21% of our income is subject to market rents and relates mainly to our urban logistics portfolio where we are capturing average rental growth of 5%+ per annum.

### Asset management continues to grow our rental income materially

During the year, we undertook 151 occupier initiatives adding £7.5 million per annum of rent and delivering like for like income growth of 5.5%.

Leasing activity consisted of 53 new leases or regears, mostly on our urban logistics assets, adding £2.7 million p.a. of rent with a WAULT of 12 years. Regears on urban logistics delivered an average rental uplift of 37%.

98 rent reviews were settled adding £4.8 million p.a. of rent at an average of 19% above previous passing on a five yearly equivalent basis:

- Contractual rental uplifts, where 77 fixed and index linked reviews were settled, delivered an uplift of £2.5 million at an average of 17% above passing on a five yearly equivalent basis; and
- Open market rent reviews, where 21 reviews were settled, delivered an uplift of £2.3 million at an average of 30% above passing. Open market reviews on urban logistics continued to see substantial increases and were settled on average at 40% above passing.

Looking forward, with the benefit of a high proportion of contractual uplifts, we have visibility on £23 million of rental growth over the next two years from rent reviews and regears. Since the year end, we have signed lettings and rent reviews that add £2.4 million p.a. of rent.

> **"The portfolio's WAULT increased from 12 years to 19 years, providing very strong income security."**

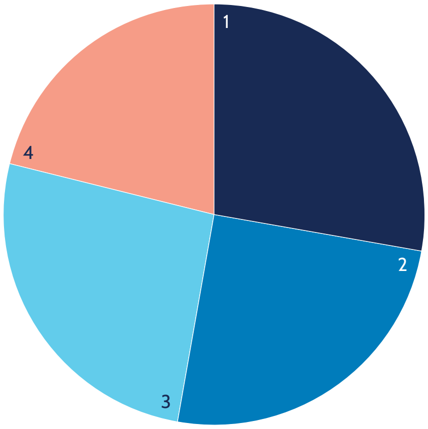
**+£7.5m**

**Rental uplift (p.a.) from asset management in the year**

**+40%**

**rental uplift on urban logistics open market rent reviews**

### Rent reviews by type



| | | |
|---|---|---|
| 1 | RPI linked | 28% |
| 2 | CPI linked | 25% |
| 3 | Fixed uplifts | 26% |
| 4 | Market reviews | 21% |

# Strong and diversified income with high satisfaction

Our investment and asset management actions over a number of years have increased the resilience of our portfolio by aligning our income to structurally supported sectors and assets that are in demand. The LXi deal has increased our income diversification through the addition of new sectors where we believe there are strong structural tailwinds.

A major focus for us over recent years has also been to diversify our income and improve the granularity of our occupier base with our top ten occupiers representing just 28% of our income at the start of the year. The LXi deal has increased our top ten exposure to 37% and added Ramsay Health Care and Merlin Entertainments as our two largest occupiers, accounting for 20% of net contracted rent. These are strong credits with highly robust business models occupying key operating assets and investing materially in their estate.

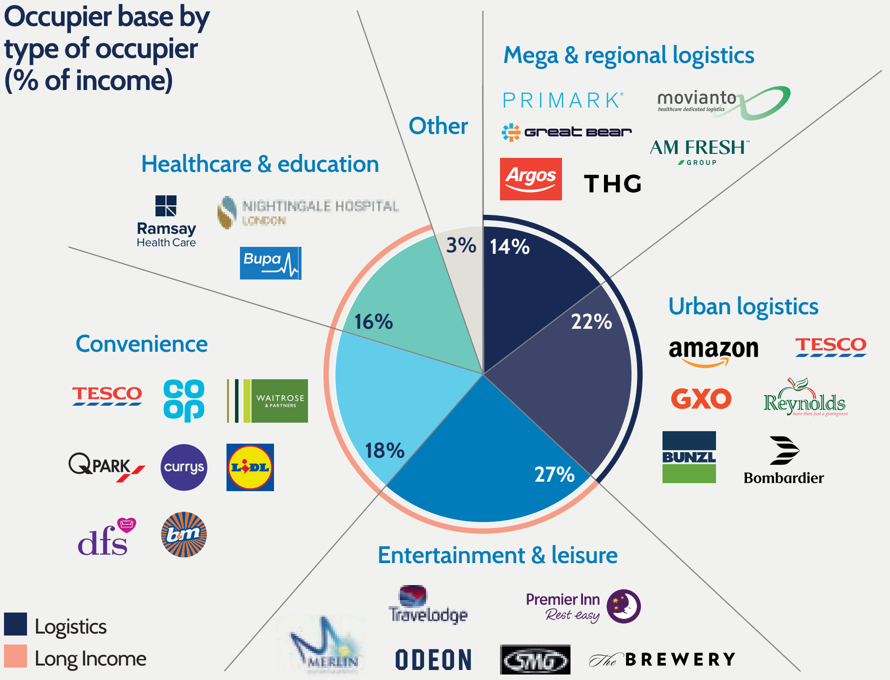
Engagement with all of LXi's top occupiers since the merger has been very positive and we expect to develop these relationships through further asset management activity which should enhance our real estate. Equally, we will look to reduce our exposure to these occupiers over time through our disposal activity.

## Occupier survey

Our latest occupier survey in March 2024 again demonstrated strong contentment. We continue to receive very strong feedback. 91% of occupiers (weighted by income prior to the LXi merger completing) were contacted and 77 responses were received representing 46% of income.

We scored an average of 9.0 out of 10.0 for whether occupiers would recommend us as a landlord, which is up from 8.7 in the previous year. In terms of satisfaction with our properties, the score was also higher at 8.5 (2023: 8.1) underscoring our desire to be a partner of choice.

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



## Top ten occupiers (% of income)

| | |
|---|---|
| Ramsay Health Care | 11.0% |
| Merlin Entertainments | 9.0% |
| Travelodge | 6.4% |
| Primark | 1.8% |
| Tesco | 1.7% |
| Great Bear | 1.6% |
| Amazon | 1.4% |
| SMG Europe | 1.4% |
| Q-Park | 1.4% |
| Co-op | 1.3% |
| **Total** | **37.0%** |

### Merlin Entertainments

Merlin is the global leader in branded entertainment destinations with 62 million guests per annum. It operates 141 attractions in over 20 countries, including Alton Towers, Thorpe Park and Warwick Castle that are owned by LondonMetric. It recorded revenues of £2.1 billion in 2023. Merlin has an investment grade rating of 'Baa2' from Moody's and 'BBB+' by S&P Global. It is majority owned by the Lego family with other investors including Blackstone, Wellcome Trust and Canada Pension Plan Investment Board.

### Ramsay Health Care

Ramsay provides quality healthcare globally with over eleven million admissions and patient visits per annum in over 500 locations. Ramsay is listed on the Australian Stock Exchange valued at £6 billion. In the UK, Ramsay has 34 acute hospitals caring for over 200,000 patients p.a. and employing 7,000 people. UK revenues in the last financial year were £1.1 billion and, in the last six month period, it reported 15% revenue growth driven by a strong increase in NHS admissions as well as private patient volumes.

A review of our performance

# Property review

continued

## ESG

### We continue to improve our ESG focus and sustainability credentials

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

As part of our drive to upgrade the quality of our assets, we have invested in high quality buildings as well as focused on working with our occupiers to progress energy efficiency and clean energy initiatives, mainly from solar PV, LED lighting upgrades, roof improvements and degasification. We see ourselves as strong stewards of underinvested or poorer quality assets with the necessary expertise and appetite to materially improve buildings.

The alignment of our portfolio to NNN income assets has meant that our landlord Scope 1 and 2 emissions have fallen considerably to very low levels, the energy intensity of our buildings has been lower than for many other property sectors and the ability to improve assets' energy ratings and carbon emissions has been relatively easier and typically funded by our occupiers.

This has been reflected in our portfolio's EPC rating improvements over the years and our de minimis defensive capital expenditure required for environmental upgrades, with any capex achieving higher rents or paid for through normal lease incentive arrangements.

Our portfolio improvements as well as our focus on ESG has been rewarded through a material improvement in our Global Real Estate Sustainability Benchmark ('GRESB') survey score in the year from 64 to 76, which resulted in a three star rating. In other ESG benchmark assessments, we increased our rating by MSCI to 'AA', received a 'C-' score from ISS, which is above the peer group, maintained our Gold Award by EPRA sBPR, continue to be included in the FTSE4Good Index and responded to CDP for the first time in the year.

### Impact of LXi merger on our ESG strategy

In order to implement environmental initiatives and ultimately achieve net zero carbon on our buildings, we are reliant to a certain extent on our occupiers sharing similar environmental ambitions to us. Our full repair and insuring ('FRI')/NNN lease structure and our long lease lengths mean that if our occupiers are not pro-actively improving buildings then we could only really intervene at expiry.

The acquisition of the LXi assets has increased our reliance on our occupiers' environmental ambitions materially given that their WAULT of 26 years is twice that of the LondonMetric only portfolio. It has also introduced assets that require great intensity of management by the occupier, as well as properties that have lower EPC ratings and fewer building certifications.

Consequently, the portfolio's EPC ratings fell over the year with 'A'–'C' ratings falling from 90% to 85%, with those rated 'A'–'B' also falling from 51% to 49%. However, excluding LXi assets, the portfolio 'A'–'C' rating actually increased to 91%. Whilst not a specific target for us, the proportion of assets with BREEAM 'in construction' certification of 'Very Good' or 'Excellent' has also fallen from 31% to 19%.

Whilst we are still reviewing the LXi portfolio, there has been a significant amount of work and energy audits undertaken to assess EPC improvements and understand our ability to reach net zero carbon. With a greater occupier concentration, it is easier to collaborate more strategically with occupiers and we have good ongoing dialogue with key LXi occupiers, which will allow us to further understand and shape asset interventions. This should translate into better ratings over time and we are encouraged by the net zero carbon commitments of these occupiers.

In terms of LondonMetric's wider ESG strategy and targets, the LXi merger has necessitated a delay to publishing our net zero pathway which was planned this year. We will revisit our previous Net Zero ambition to take account of the LXi transaction and the outputs of LXi's net zero pathway that had been published before the merger. In addition, we will look to reset our ESG approach and targets.

### Progress in the year

**Net zero (in operations)** – We had set an ambition to be net zero in operations by the end of 2023, with any residual landlord (Scope 1&2) carbon emissions offset. We have made good progress in reducing our own emissions as far as possible and ensuring that 97% of our energy supplies are from renewable sources. In order to incorporate LXi, we are reviewing our ambition, instead targeting carbon neutrality for calendar year 2024.

**EPCs** – We undertook EPC assessments on 1.2 million sq ft (excluding LXi assets) which included some enhanced energy assessments. So that we comply with anticipated MEES regulation, we have progressed action plans for all assets rated below 'C' and have mandated that a minimum 'B' rating is achievable on all new leases, regears and refurbishments.

**Net zero audits** – As we focus on understanding how our buildings can achieve net zero, we undertook net zero audits across 0.4 million sq ft, in addition to the 2.5 million sq ft of audits obtained on the CTPT and LXi portfolios.

**Occupier data** – As part of measuring our occupiers' emissions at our buildings (our Scope 3 emissions which represent most of our overall emissions), we increased occupier energy data coverage from 68% last year to 72%. In the year, we put in place a dedicated ESG platform that will help us to access data automatically, achieve higher data coverage and provide better analysis. Using this data, we have also expanded CRREM analysis across our portfolio to further understand how it aligns with key net zero pathways.

**Green lease clauses** – 80% of our leases signed in the year contained green lease clauses.

**Solar PV** – We continue to engage with occupiers on adding further solar installations to our portfolio, adding three PV systems in the year. See the next page for further details.

**Physical risks** – We continue to embed climate risk analysis and portfolio management, and plan to undertake an updated portfolio assessment in the next year.

Further reporting on ESG is provided on pages 55 to 85

## ESG in action

### Case Study
Solar PV installations

**0.8MWp**
Solar added in the year

**7.6MWp**
Installed across portfolio

In the year, three solar PV systems were added to our urban logistics portfolio in Coventry, Bicester and Ely totalling 0.8 MWp capacity, which together with two projects in Huntingdon (1.9MWp) and Biggin Hill (1.2MWp) that completed post year end, have increased total installed capacity from 3.6MWp last year to 7.6 MWp today. Key projects that completed recently are shown below.

### Huntingdon

1.9 MWp of solar has been installed on a warehouse let to AM Fresh that LondonMetric funded the development of in 2022.

The system will provide AM Fresh with c.28% of its annual energy needs and is expected to save c.500 tonnes p.a. of $CO_2$ emissions.

### Bicester

302 kWp has been installed on a warehouse let to Greencore Homes, a builder of climate positive homes.

The SmartGrid system, which includes a 100kW/200kWh battery storage system, is expected to meet c.40% of Greencore's annual energy needs. The installation is expected to save c.39 tonnes p.a. of $CO_2$ emissions.

### Coventry

275 kWp of solar has been installed on a warehouse let to Aubrey Allen.

The system will provide Aubrey Allen with c.25% of its annual energy needs.

### Future projects

**3.2 MWp**

**Further potential additional solar from near term initiatives**

Solar PV installations provide our occupiers with the benefit of lower energy costs while meeting their own ESG and Net Zero ambitions through using renewable energy.

# Property review
continued

## Logistics

### Overview

Our logistics assets are spread across the urban, regional and mega sub-sectors and valued at £2,563 million, with a WAULT of 12.4 years and occupancy of 99.4%.

Urban logistics has been our strongest conviction call for a number of years and our urban assets are now valued at £1,563 million, located across 147 locations and accounts for 61% of our logistics portfolio.

Our logistics assets delivered a total property return over the year of 4.6%, with urban and regional at 4.9% and 4.3% respectively, whilst mega was 4.1%.

Over the year, we saw a small outward yield expansion of 28bps across our logistics portfolio. However, our actions and continued market rental growth, as reflected in the logistics portfolio's ERV growth of 6.0%, resulted in a valuation decrease of just 0.2% for logistics.

Our logistics assets are valued at a topped up NIY of 4.7% and an equivalent yield of 5.7%.

### Strong rental growth potential

Logistics continues to experience high occupier demand and attractive rental growth with material reversionary potential embedded.

In urban logistics, rental growth remains strong, driven by severely restricted supply as well as ongoing broad occupier demand. Whilst the WAULT on our urban assets of 11 years is lower than for mega or regional, these assets benefit from significant near term rental reversion, with average ERVs 25% above average passing rents and a high proportion of open market reviews. Furthermore, with 65% of our urban portfolio located in London and the South East and a further 22% in the Midlands, we expect these locations to experience attractive ongoing ERV growth.

Our regional and mega assets also have high reversionary potential with ERVs 26% above average passing rents. However, with most of these reviews either inflation linked or fixed, our ability to capture the full reversionary potential over the short to medium term is more limited given the longer leases on these assets.

Our logistics asset management added £6.4 million of rent in the year, with regears and rent reviews delivering rental growth of 23% ahead of previous passing on a five yearly basis.

### Logistics investment activity dominated by M&A

Logistics acquisitions in the year totalled £429.9 million. The CTPT and LXi transactions added £394.0 million and comprised 27 logistics assets acquired with a NIY of 5.1%, a reversionary yield of 5.7% and with a WAULT of 15 years. Other logistics acquisitions comprised three opportunistic deals which totalled £35.9 million at a net initial yield of 8.0%.

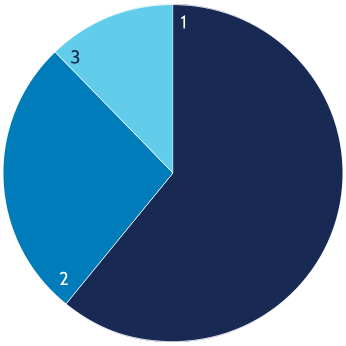
Logistics disposals in the year totalled £109 million, reflecting a NIY of 4.7% and sold with a WAULT of four years. These sales were in response to attractive offers and reflected a conscious effort in the first half of the year to sell down shorter let assets, predominantly multi-let industrial, where capex risks were heightened and rental growth was less certain.

Post year end, we have acquired £51.4 million of urban logistics across eight assets at a NIY of 6.0% and a reversionary yield of 6.5%. The assets are located in Cardiff, Milton Keynes, York, Reading, Derby, Bolton and Huntingdon.

| As at 31 March 2024 | 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] | £1,563m | £690m | £310m |
| WAULT | 11 years | 15 years | 16 years |
| Average rent (psf) | £8.60 | £6.80 | £5.90 |
| ERV (psf) | £10.80 | £8.20 | £8.20 |
| ERV growth | 6.8% | 4.7% | 5.7% |
| Topped up NIY | 4.6% | 5.1% | 4.3% |
| Contractual uplifts | 49% | 82% | 100% |
| **Total property return** | **4.9%** | **4.3%** | **4.1%** |

[1] Including developments

### Logistics portfolio



| | | |
|---|---|---|
| 1 | Urban Logistics | 61% |
| 2 | Regional Logistics | 27% |
| 3 | Mega Logistics | 12% |

# Logistics acquisitions

## CT Property Trust (CTPT)

Our merger with CTPT added £162.3 million of high quality urban logistics assets. Two of the assets are let to BUNZL, a specialist international distribution and services group. One of these warehouses is a modern 59,000 sq ft warehouse on Lister Road in Basingstoke which has three years left on the lease and is highly reversionary, providing near term opportunity to extend the lease and increase the rent.

The ten urban assets comprise 0.8 million sq ft and generate £8.4 million p.a. of rent. They were acquired at a NIY of 4.8% and a reversionary yield of 5.9%.

We expect this portfolio to generate strong income growth, particularly given that all of the assets are located in the South East, where rental growth continues to be high, and 100% of rent reviews are on an open market basis.

The assets acquired had a WAULT of seven years and key occupiers include Booker, Bidvest, Bunzl and Diebold Nixdorf.

### Key logistics occupiers

BUNZL
Diebold Nixdorf
BOOKER Group
Bidvest

### South East locations

- Basingstoke
- Bracknell
- Colnbrook
- Slough
- Southampton
- Eastleigh
- Banbury
- Hemel
- Milton Keynes
- Theale

# £430m

Logistics assets added in the year

## Other logistics investments

### LXi's logistics assets – 2.0 million sq ft

£231.7 million of logistics was acquired through the LXi merger. The 17 assets generate £13.2 million p.a. of rent. They were acquired at a NIY of 5.3% and all of the rent benefits from contractual uplifts. The assets have a WAULT of 22 years and key occupiers include Bombardier, Gestamp, Stobart and Great Bear. 37% are located in London and the South East

### Doncaster – 264,000 sq ft

A regional logistics warehouse was acquired for £21.2 million, reflecting a NIY of 6.3%, with a WAULT of 13 years. The warehouse is let to Next at a rent of £1.4 million p.a., which equates to a low rent of £5.37 psf. The lease benefits from annual fixed rental uplifts of 2.5%

### Crewe – 213,000 sq ft

A regional logistics development was acquired for £13.0 million. It consists of five units ranging from 18,000 to 60,000 sq ft. The developer has taken a three year leaseback of the site at a rent of £1.5 million p.a., reflecting a net initial yield of c.11%. A yield on cost of c.8% is expected once the development is completed and fully let

### Leeds – 15,000 sq ft

An urban logistics warehouse was acquired for £1.7 million with a WAULT of six years

A review of our performance

# Property review

continued

## Logistics disposals

**Project STAG**
Disposal

A £41 million portfolio of four multi-let industrial estates was sold in the year

The estates totalled 435,000 sq ft across 47 units and generated £2.7 million p.a. of rent, with a WAULT to first break of 2.9 years. The Midlands based properties were previously acquired as part of the Mucklow acquisition for £30.9 million. The sales crystallised an ungeared IRR of 13% and were in line with book values. They delivered returns materially above our initial expectations and represented our exit from highly operational multi-let industrial estates.

> Our logistics disposals in the year were largely in response to attractive offers and reflected a conscious effort in the first half of the year to sell down shorter let assets, predominantly multi-let industrial.”

**£109m**
Logistics sold in the year

**4 years**
WAULT on sales

**Midlands – 435,000 sq ft**
Four multi-let urban properties in Birmingham and Rugby were sold as part of a portfolio comprising 47 units. They were sold for £40.5 million, reflecting a NIY of 6.2%, with a WAULT of five years and had been previously acquired as part of the Mucklow acquisition in 2019 (see opposite)

**Solihull – 142,000 sq ft**
A DHL warehouse was sold for £20.5 million, reflecting a NIY of 4.2% and with a WAULT of six years

**Croydon & Oxford – 52,000 sq ft**
Multi-let urban warehousing across two properties were sold for £17.5 million. They comprised 25 units with a WAULT of five years and had been acquired through the Savills IM portfolio in 2021

**Stoke – 141,000 sq ft**
A warehouse let to Pets at Home was sold for £14.2 million, reflecting a NIY of 5.5% and with a WAULT of less than six months

**Croydon – 28,000 sq ft**
An urban warehouse let to HTC with a WAULT of two years was sold for £8.1 million

**Leyton – 21,000 sq ft**
A vacant urban warehouse in Leyton was sold for £8.3 million

# Logistics Asset Management

## Logistics lettings and regears

Logistics lettings and regears in the year were signed on 0.8 million sq ft of urban logistics, adding £2.0 million per annum of income, with a WAULT of 12 years. Regears contributed £1.5 million, representing an uplift of 37% against previous passing rent.

The largest deals comprised:

- A 190,000 sq ft regear with Tesco at Croydon where the lease was extended by ten years to 15 years and a rent review was settled;
- A 70,000 sq ft regear at Maidstone where the WAULT was extended by four years to six years and the rent increased by 20%;
- A 66,000 sq ft letting at Castle Donnington where the occupier vacated and a new ten year lease was signed at 37% ahead of previous passing;
- A 61,000 sq ft regear with Bunzl at Theale, a CTPT asset, where the lease was extended to ten years at a rent 44% higher than previous passing;
- A 51,000 sq ft regear with Fedex at Crawley where the lease was extended to ten years at a rent 47% higher than previous passing. As part of the regear, we agreed to contribute towards the cost of new roof which has the ability to take solar PV. This would have the potential to mitigate the occupier's energy usage and allow gas to be removed from the site. Reflecting the importance of the building to the occupier, it is also making further improvements to the building itself;
- A 50,000 sq ft letting to Nyetimber in Uckfield with a lease length of 15 years; and
- A 49,000 sq ft regear with Flender in Leeds where the lease was extended to ten years.

## Logistics rent reviews

Logistics rent reviews in the year were settled across 4.2 million sq ft, adding £4.4 million per annum of income at 21% above previous passing rent, on a five yearly equivalent basis. These reviews comprised:

- 27 urban reviews settled at 31% above passing rent on a five yearly equivalent basis with open market urban reviews delivering a 40% uplift;
- Nine regional contractual reviews settled at 18% above previous passing on a five yearly equivalent basis; and
- One fixed mega review settled at 8% above passing rent on a five yearly equivalent basis.

**+£6.4m**

**Additional rent on logistics deals**

**+21%**

**Increase in rent from logistics rent reviews**

## Crawley
case study

**Our investment in urban logistics has seen us acquire and develop several warehouses in Crawley with a value of nearly £100 million. They have delivered strong rental growth as shown in recent asset management activity.**

### 1 Space Gatwick, Faraday Road

At our three unit BREEAM Excellent logistics asset of 109,000 sq ft that we developed in 2018, we settled a five yearly RPI linked rent review in the year with Boeing which increased the rent by 19%.

Post year end, we have agreed a five year regear with Amazon and increased the rent by 36%.

BOEING amazon ILG

### 2 FedEx, Newton Road

Our 51,000 sq ft warehouse let to FedEx was acquired by us in 2017 at a 4.8% NIY, reflecting a rent of £6.40psf. A rent review was settled in 2019 at £9.00psf and, with the lease close to expiry, we extended the lease to ten years at a rent of over £13.00psf, an uplift of 107% since acquisition. Environmental upgrades are expected to materially improve the asset's EPC rating and allow the occupier to advance its Net Zero Carbon ambition at the property.

FedEx

A review of our performance

# Property review

continued

## Long income portfolio review

### Overview

Long income assets with low operational requirements have always represented an important part of the portfolio.

These assets are let on long leases, to strong operators in structurally supported sectors that are benefiting from the changes in the way people live and shop and are insulated from structural dislocation.

Over the year, the value of our long income assets grew from £713 million to £3,244 million, representing 54% of our total portfolio which is up from 24% last year. These assets are 100% occupied, let with a WAULT of 24 years and generate an attractive topped up NIY of 5.8% with 90% of income subject to contractual rental uplifts.

Long income delivered a total property return in the year of 4.9% with ERV growth of 5.0% and 22 bps of equivalent yield outward movement.

### M&A has added exposure to attractive new long income sectors

The LXi merger added 260 long income assets valued at £2,570 million with a NIY of 5.8% and a WAULT of 26 years. Almost three quarters of these assets related to sectors in which we had no prior exposure, specifically theme parks, budget hotels and hospitals, but where we see attractive tailwinds from the trends towards staycations, experiences and the need for private healthcare provision.

As well as benefiting from these tailwinds, we believe that these assets are also seen as mission critical or key operating assets by occupiers who are investing heavily in their estate to ensure that their businesses remain fit for purpose.

In addition to the LXi merger, the CTPT acquisition also added £65.1 million of long income assets in the year. These were acquired at a NIY of 6.6% and with a WAULT of seven years. Key occupiers included Halfords, Aldi, Wickes, B&M and Pets at Home.

| As at 31 March 2024 | 1<br>Entertainment & leisure | 2<br>Convenience | 3<br>Healthcare & education |
|---|---|---|---|
| Value[1] | £1,272m | £1,012m | £960m |
| Contracted rent | £83m | £61m | £55m |
| WAULT | 36 years | 14 years | 16 years |
| Topped up NIY | 6.1% | 5.9% | 5.4% |
| Contractual uplifts | 97% | 72% | 100% |
| **Total property return** | **7.7%** | **4.3%** | **27.8%** |

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[1] Including developments

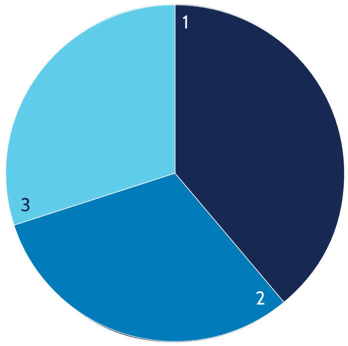
### Disposals activity

We sold £42.8 million of long income properties largely in response to opportunistic bids for our assets, particularly convenience properties, and as part of our continued sell down of non core assets previously acquired through portfolio acquisitions. These assets were sold at a NIY of 5.5% and with a WAULT of 13 years. They comprised:

- Three foodstores in Durham (primarily LIDL), Malmesbury (Waitrose) and Leicester (Aldi), sold for £14.1 million, £9.6 million and £6.0 million respectively;
- A B&Q store in Nelson, sold for £4.7 million;
- A car show room in Newbury, sold for £3.8 million;
- An asset at London Bridge, sold for £3.1 million;
- A roadside asset in Harrogate, sold for £1.1 million; and
- A pub, sold for £0.6 million.

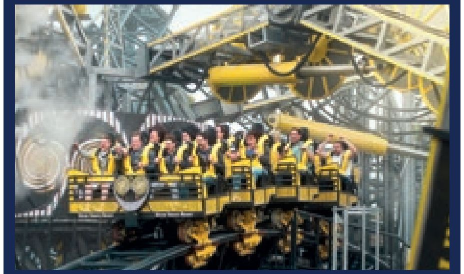
Post year end, we have sold a further £29.0 million of long income assets including a 106,000 sq ft Asda foodstore in Scotland (a former LXi asset) and a 41,000 sq ft asset in Ipswich let to Wickes, Topps Tiles, McDonalds and Costa.

### Long income portfolio



| | | |
|---|---|---|
| 1 | Entertainment & leisure | 39% |
| 2 | Convenience | 31% |
| 3 | Healthcare & education | 30% |

## Entertainment & leisure



### Entertainment & leisure represents 39% of our long income portfolio:

**Theme parks** – Consists of Thorpe Park, Alton Towers, Warwick Castle and Heide Park (in Germany). These assets represent 45% of this sub sector's weighting and are let with a WAULT of 53 years to Merlin Entertainments with a mixture of annual CPI+0.5% rent reviews and annual fixed rent reviews of 3.3% per annum. See page 37 for further details on Merlin.

**Hotels** – Consists of 78 budget hotels, with 69 let to Travelodge. These assets represent 32% of this sub sector's weighting and are let with a WAULT of 25 years, mainly on five yearly CPI+0.5% / RPI linked reviews. They are located nationwide but focused on roadside locations.

**Other** – Comprises pubs, cinemas, garden centres and events venues including the AO Manchester Arena mostly let to SMG Europe for a further 21 years.

### Key Occupiers

- Merlin
- Travelodge
- SMG Europe
- Odeon
- Premier Inn

## Convenience

### Convenience assets represents 31% of our long income portfolio:

**Foodstores** – 48 assets let at an average rent of £17.50 psf with key occupiers including Waitrose, Co-op, Costco, Tesco and Aldi. These are predominantly smaller format grocery with an average area of c.30,000 sq ft. Foodstores represent 45% of convenience.

**NNN retail** – 32 assets, primarily single or cluster assets let to discount, essential, electrical and home retail occupiers such as B&M, Currys, DFS, Dunelm, Home Bargains, Pets at Home and The Range at an average rent of £18.30 psf. These assets typically benefit from high alternative use values. NNN retail represents 26% of convenience.

**Roadside** – 69 assets, primarily convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes. Key occupiers include Co-op, IMO, BP, McDonalds, MFG and Starbucks. Roadside represents 15% of convenience weighting.

**Other** – Comprises 34 trade/DIY stores and autocentres (with key occupiers including Halfords, Kwik Fit, Topps Tiles and Wickes) as well as ten car parks let to Q-Parks with a WAULT of 30 years and annual rent reviews linked to RPI.

### Key Occupiers

- B&M
- Co-op
- Costco
- DFS
- Dunelm
- Halfords
- Home Bargains
- Starbucks
- Wickes
- Waitrose

## Healthcare & education

### Healthcare & education represents 30% of our long income portfolio:

**Hospitals** – 12 private hospitals make up 78% of this sub-sector. 11 are let to Ramsay Health Care with a WAULT of 13 years and annual fixed rent reviews of 2.75%. The two largest hospitals are in Sawbridgeworth and Chelmsford.

Ramsay is one of the leading independent healthcare providers in England. Ramsay UK has a network of 34 acute hospitals and day procedure clinics in England providing a comprehensive range of clinical specialities to private and self-insured patients, as well as patients referred by the NHS. Ramsay UK cares for over 200,000 patients per year and employs more than 7,000 people. It is seeing strong growth in both private and NHS volumes. 97% of its facilities are rated 'Good' by the Care Quality Commission in the UK.

**Care Homes** – 27 care homes represent 9% of the sub sector with the key occupiers comprising Bupa and Priory.

**Education** – Comprises two training centres in Milton Keynes and the West Midlands let to Compass as well as a number of children's nurseries and adventure centres, and one student accommodation asset.

### Key Occupiers

- Ramsay
- Nightingale Hospital
- Bupa
- Priory

A review of our performance

# Property review

continued

## Long income asset management

**+£0.8m**

**Additional rent from long income asset management**

In the year we signed 72 deals which added £0.8 million per annum of additional rent.

### Lettings and regears

15 lettings or regears were signed with a WAULT of 11 years, adding £0.4 million per annum of income. The deals comprised:

- Three lettings signed with a WAULT of 14 years, comprising two new Starbucks at Bedford and Birmingham and a McDonalds in Ipswich;
- Eight regears signed with a WAULT of 11 years including deals with Dunelm, Argos and Pets at Home; and
- Four EV charging lettings to InstaVolt and MFG with a WAULT of 20 years.

### Rent reviews

Rent reviews were settled on 57 long income assets in the year generating an uplift of £0.4 million per annum at 16% above previous passing on a five yearly equivalent basis. Most of the reviews were annual inflation linked or fixed uplifts.

Post year end, we have settled fixed uplift rent reviews across all of our 12 hospitals adding £1.1 million of additional rent.

### Bedford Starbucks

Case study

At our Bedford Logistics Park, where we have developed five logistics warehouses, we identified the potential for a coffee drive-thru outlet.

Planning was submitted in 2023 for the 1,500 sq ft drive-thru to be located on an area that was previously used as the site compound for the logistics development.

The council approved the development and we signed a 20 year lease with Starbucks at a rent of £0.1 million p.a.

The building is expected to have an EPC rating of 'A' and will provide 20 car parking spaces and up to eight ultra-fast electric car charging bays which we have leased to InstaVolt. The development will improve the local landscaping with mixed planting to encourage biodiversity.

### EV charging

Case study

We have recently partnered with InstaVolt and MFG to deliver EV chargers across our long income portfolio. The partnership with InstaVolt included an initial ten sites and, over the year, they installed 25 new chargers across five of our properties in Birmingham, Evesham, Gateshead, Telford and Burton-on-Trent. The partnership is currently providing a rental income of £0.1 million p.a. to LondonMetric.

At the Birmingham site, eight new rapid chargers were installed in the year (see picture above). The EV hub is located at Apex Retail Park which is only ten minutes from Birmingham City centre. The chargers are available 24/7 and are ideally situated for drivers heading in and out of the city.

A review of our performance

# Financial review

**Martin McGann**
Finance Director

> “Our corporate acquisitions of CTPT and LXi have transformed the portfolio, doubling in size to £6.0 billion and increasing our net contracted rent roll by 134% to £340 million.”

## Highlights

| | |
|---|---|
| £121.6m<br>EPRA earnings | ↑ 20.3% |
| 10.9p<br>EPRA EPS per share | ↑ 5.4% |
| 10.2p<br>Dividend per share | ↑ 7.4% |
| 191.7p<br>EPRA NTA per share | ↓ 3.6% |

We have continued to operate within a challenging macroeconomic environment this year, where elevated interest rates and higher borrowing costs have persisted for longer than expected, severely impacting liquidity across the real estate market. We have responded by focusing our attention on disposals to provide optionality and manage our LTV and the M&A market, where through the support of our shareholders, we have had notable successes.

Our corporate acquisitions of CTPT and LXi have transformed the portfolio, doubling in size to £6.0 billion and increasing our net contracted rent roll by 134% to £340 million. Our merger with LXi provides better access to capital through scale, cost synergies and income security and longevity that continues to support our progressive dividend.

Our earnings for the year include the benefit of our M&A activity from acquisition; 7 August 2023 for CTPT and 5 March 2024 for LXi, helping to grow EPRA earnings by 20.3% to £121.6 million or by 5.4% on a per share basis to 10.9p per share, and enabling us to increase our dividend by 7.4% to 10.2p per share whilst maintaining cover of 107%.

Driving this increase was a 20.6% increase in net rental income, continued exceptional rent collection rates and a strong culture of cost control.

IFRS net assets increased significantly as a result of our corporate acquisitions to £4.0 billion, whilst EPRA NTA per share fell by 3.6% to 191.7p (2023: 198.9p), largely due to the one off impact of costs arising on our M&A activity which is set out on page 48.

As part of the LXi transaction, we acquired a basket of secured debt which exceeded the maximum amount permitted under our existing unsecured facilities. We were delighted with the strong support and flexibility of our existing lenders, allowing us immediately post completion to refinance £625 million of LXi’s secured facilities with a new £700 million unsecured facility on more favourable terms and with the ability to draw up to £100 million in euros allowing us to naturally hedge currency movements on our German asset.

We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly loan prepayments.

A review of our performance

# Financial review

continued

Our other debt metrics remain strong, with debt maturity of 5.4 years (2023: 6.0 years) reflecting the one-year extensions we agreed on £675 million of unsecured facilities during the year, and average cost of debt of 3.9%, still significantly below current base rates.

We mitigated our exposure to interest rate movements by retaining all of the LXi hedging we acquired such that our drawn debt at the year-end was fully hedged.

We have prioritised net divestment of non core assets to protect our loan to value from adverse valuation movements and enhance the quality of the portfolio.

At the year end, our loan to value remained modest at 33.2% (2023: 32.8%), providing flexibility to execute transactions whilst maintaining ample headroom under our banking covenants. With available debt facilities and cash of £794.9 million, we are in a strong financial position and well protected, with refinancing risk mitigated until FY 2026 and optionality to continue to execute transactions as opportunities arise.

### Presentation of financial information

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

The Group uses alternative performance measures based on the European Public Real Estate Association ('EPRA') Best Practice Recommendations ('BPR') to supplement IFRS, in line with best practice in our sector, as they highlight the underlying performance of the Group's property rental business and exclude property and derivative valuation movements, profits and losses on disposal, financing break costs, net gains on business combinations and acquisition costs, all of which may fluctuate considerably from year to year. These are adopted throughout this report and are key business metrics supporting the level of dividend payments.

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

## M&A activity

### CTPT

As reported in our Half Year Announcement, our all share offer for CTPT was sanctioned by the Guernsey Court on 7 August 2023. We issued 105.6 million shares as consideration at 183.3p per share, totalling £193.6 million and incurred transaction costs of £5.4 million. The fair value of net assets acquired was £222.3 million with the portfolio of 33 assets being valued on acquisition at £285.2 million.

The acquisition has been accounted for as a property acquisition and the difference between the consideration paid and the net assets acquired, representing a price discount of £23.3 million, has reduced the cost of the property assets acquired. The price discount was largely a result of the exchange ratio being based on the Company's prior year end net asset value of 198.9p, and the final consideration being determined by the Company's share price of 183.3p.

| | | CTPT<br>£m |
|---|---|---|
| Consideration paid | Shares | 193.6 |
| | Transaction costs | 5.4 |
| | | 199.0 |
| Net assets acquired | Investment property | 285.2 |
| | Cash | 31.4 |
| | Bank debt | (86.6) |
| | Other | (7.7) |
| | | 222.3 |
| Price discount on acquisition | | (23.3) |

### LXi

The all share offer for the LXi group completed by way of a Scheme of Arrangement on 5 March 2024 through the issue of 943 million new shares at 185.8p, reflecting consideration paid of £1,752.0 million and an exchange ratio of 0.55 LondonMetric shares for every LXi ordinary share held, based on an adjusted NTA approach. The fair value of assets acquired of £1,828.9 million is set out below and in note 15a to the financial statements and reflects fair value movements to debt, prepaid finance costs and other financial liabilities.

Alongside this on 6 March 2024, we completed the acquisition of the LXi group's investment advisor, its team of ten employees and net liabilities of £0.7 million, for a cash consideration of £26.8 million. The two acquisitions have been accounted for as business combinations in accordance with IFRS 3.

The difference between the total consideration paid of £1,778.8 million and the total net assets acquired of £1,828.2 million totalling £49.4 million has been recognised in the income statement as a gain on acquisition. Transaction costs of £29.8 million have been recognised separately in the income statement.

Read more on our LXi merger and acquisition of £2.9bn of assets in the Chief Executive's review from page 14

| | | LXi REIT plc<br>£m | LXi REIT Advisors Ltd<br>£m | Total LXi<br>£m |
|---|---|---|---|---|
| Consideration paid | Shares | 1,752.0 | – | 1,752.0 |
| | Cash[1] | – | 26.8 | 26.8 |
| | | 1,752.0 | 26.8 | 1,778.8 |
| Net assets acquired | Investment property | 3,102.0 | – | 3,102.0 |
| | Cash | 73.2 | – | 73.2 |
| | Bank debt | (1,083.1) | – | (1,083.1) |
| | Other | (263.2) | (0.7) | (263.9) |
| | | 1,828.9 | (0.7) | 1,828.2 |
| Gain/(loss) on acquisition | | 76.9 | (27.5) | 49.4 |
| Acquisition costs | | (28.5) | (1.3) | (29.8) |

[1] Includes contingent consideration for LXi REIT Advisors Limited of £1.5 million

# 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 2024 £m | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Gross rental income | 177.0 | 4.3 | (2.4) | 178.9 | 145.6 | 4.3 | (1.5) | 148.4 |
| Property costs | (1.7) | (0.1) | – | (1.8) | (1.5) | (0.1) | – | (1.6) |
| Net rental income | 175.3 | 4.2 | (2.4) | 177.1 | 144.1 | 4.2 | (1.5) | 146.8 |
| Management fees | 1.1 | (0.6) | 0.1 | 0.6 | 1.1 | (0.5) | 0.1 | 0.7 |
| Administrative costs | (19.7) | – | – | (19.7) | (16.4) | (0.1) | – | (16.5) |
| Net finance costs | (37.4) | – | 0.6 | (36.8) | (29.5) | (0.6) | 0.2 | (29.9) |
| Other | – | – | 0.4 | 0.4 | (0.1) | – | 0.1 | – |
| **EPRA earnings** | 119.3 | 3.6 | (1.3) | 121.6 | 99.2 | 3.0 | (1.1) | 101.1 |

## Net rental income

As the UK's leading NNN lease REIT, our aim is to deliver reliable, repetitive and growing income for our shareholders over the long term. Sustained growth in net rental income underpins dividend progression and we are pleased to report a 20.6% increase in net rental income this year to £177.1 million. This reflects strong performance across our existing portfolio through rent reviews and asset management initiatives alongside income from our corporate acquisitions and completed developments which offset income lost through disposals as set out in the table below.

| | £m | £m |
|---|---|---|
| Net rental income in the year to 31 March 2023 | | 146.8 |
| Additional rent from existing properties | | 8.3 |
| Additional rent from developments | | 3.6 |
| Movement in surrender premium income | | (0.1) |
| Additional rent from acquisitions[1] | 32.9 | |
| Rent lost through disposals | (14.2) | |
| Additional rent from net acquisitions | | 18.7 |
| Movement in property costs | | (0.2) |
| **Net rental income in the year to 31 March 2024** | | 177.1 |

---

[1] Includes rent from CTPT of £11.1 million, from LXi of £16.9 million and from other acquisitions of £4.9 million

The detailed movements in net rental income this year are categorised in the table based on properties held, developed, acquired or disposed since 1 April 2022.

Although property costs are marginally higher than last year at £1.8 million, our cost leakage ratio has fallen to 1.0% (2023: 1.1%).

## Rent collection

Our rent collection rates continue to be exceptionally strong, reflecting the importance we place on credit control and the quality of our covenants. We have collected 99.9% of rent due in the year and only £0.1 million remains unpaid.

## Administrative costs and EPRA cost ratio

Administrative costs are £19.7 million, an increase of £3.2 million over the year. Alongside inflationary cost increases and higher professional advisory fees reflecting our merger activity, capitalised staff costs have fallen by £1.0 million as our development activity has reduced.

Notwithstanding this increase, our EPRA cost ratio, which is used to monitor and manage our operational cost levels, has fallen 10bps to 11.6% and remains one of the lowest in the sector. This is due to our focus on cost control alongside the growth in our income and is expected to fall further following the full integration of LXi.

| For the year to 31 March | 2024 % | 2023 % |
|---|---|---|
| EPRA cost ratio including direct vacancy costs | 11.6 | 11.7 |
| EPRA cost ratio excluding direct vacancy costs | 11.1 | 11.3 |

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

**20.6%**
**Increase in net rental income**

**1.0%**
**Cost leakage ratio**

**99.9%**
**of rent due collected in the year**

**11.6%**
**EPRA cost ratio**

A review of our performance

# Financial review

continued

## Net finance costs

Our net finance costs have increased by 23.1% over the year to £36.8 million, incorporating the cost of debt acquired through the LXi merger which was at an average rate of 5.3%. Whilst our £700 million refinancing of LXi's secured debt was on more favourable terms, the combined Group's average debt cost at the year end is 3.9%, up from 3.4% last year but lower than on merger as a result of the subsequent refinancing. We have used proceeds from our disposals to repay more expensive floating rate debt and have mitigated our exposure to elevated interest rates by retaining all of the existing LXi caps, which together with our existing fixed rates and swap derivatives, has enabled us to fully hedge all debt drawn at the year end.

The £6.9 million increase in net finance costs, excluding fair value movements in derivatives and financing break costs, reflects a higher average debt balance over the year compared to last year, increased interest charges of £1.7 million, increased commitment and other fees of £3.0 million, lower coupon and capitalised interest on developments of £3.1 million offset by higher bank interest receivable of £0.9 million.

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

## Share of joint ventures

EPRA earnings from our MIPP joint venture were £3.6 million, an increase of £0.6 million over last year due to interest cost savings following the repayment of bank debt in April. The Group received net management fees of £0.6 million for acting as property advisor to MIPP.

## Taxation

As the Group is a UK REIT, any income and capital gains from our qualifying property rental business are exempt from UK corporation tax. Any UK income that does not qualify as property income within the REIT regulations is subject to UK tax in the normal way. We acquired one German asset as part of the LXi merger which is subject to German corporate income tax.

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 2023 ahead of the 12 month deadline and has already paid a large part of its expected PID for the year to 31 March 2024.

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

## IFRS reported profit

A reconciliation between EPRA earnings and the IFRS reported profit/(loss) is given in note 8(a) to the accounts and is summarised in the table below.

| For the year to 31 March | 100% owned £m | JV £m | NCI £m | Total 2024 £m | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| EPRA earnings | 119.3 | 3.6 | (1.3) | 121.6 | 99.2 | 3.0 | (1.1) | 101.1 |
| Gain on acquisition | 49.4 | – | – | 49.4 | – | – | – | – |
| Acquisition costs | (29.8) | – | – | (29.8) | – | – | – | – |
| Revaluation of property | (7.5) | (3.7) | 0.1 | (11.1) | (577.4) | (12.5) | 2.4 | (587.5) |
| Fair value of derivatives | (3.9) | – | – | (3.9) | (4.0) | (0.1) | – | (4.1) |
| Loss on disposal | (7.4) | – | – | (7.4) | (14.7) | (0.7) | – | (15.4) |
| Debt/hedging costs | – | – | – | – | (0.4) | – | – | (0.4) |
| Deferred tax | (0.1) | – | – | (0.1) | – | – | – | – |
| **IFRS reported profit/(loss)** | 120.0 | (0.1) | (1.2) | 118.7 | (497.3) | (10.3) | 1.3 | (506.3) |

The Group's reported profit for the year was £118.7 million compared with a loss of £506.3 million last year. The movement reflects an increase in EPRA earnings of £20.5 million, a net gain after transaction costs of £19.6 million relating to the LXi merger and a reduction in the revaluation deficit of £576.4 million.

## Balance sheet

| As at 31 March | 100% owned £m | JV £m | NCI £m | Total 2024 £m | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Investment property | 6,232.2 | 67.1 | (36.4) | 6,262.9 | 2,944.9 | 70.8 | (35.7) | 2,980.0 |
| Assets held for sale | 8.5 | – | – | 8.5 | 19.8 | – | – | 19.8 |
| Trading property | 1.1 | – | – | 1.1 | 1.1 | – | – | 1.1 |
|  | 6,241.8 | 67.1 | (36.4) | 6,272.5 | 2,965.8 | 70.8 | (35.7) | 3,000.9 |
| Gross debt | (2,087.4) | – | – | (2,087.4) | (1,017.0) | (13.5) | – | (1,030.5) |
| Cash | 111.9 | 3.0 | (0.8) | 114.1 | 32.6 | 5.4 | (1.5) | 36.5 |
| Other net liabilities | (398.6) | (0.9) | 9.2 | (390.3) | (58.8) | (1.2) | 9.3 | (50.7) |
| **EPRA NTA** | 3,867.7 | 69.2 | (28.0) | 3,908.9 | 1,922.6 | 61.5 | (27.9) | 1,956.2 |
| Derivatives | 32.6 | – | – | 32.6 | 11.1 | – | – | 11.1 |
| **IFRS equity shareholders' funds** | 3,900.3 | 69.2 | (28.0) | 3,941.5 | 1,933.7 | 61.5 | (27.9) | 1,967.3 |
| **IFRS net assets** | 3,900.3 | 69.2 | – | 3,969.5 | 1,933.7 | 61.5 | – | 1,995.2 |

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 above and in note 8(c) to the financial statements.

IFRS reported net assets have increased by £1,974.3 million or 99% over the year to £4.0 billion.

Similarly, EPRA NTA, which excludes the derivative financial instruments asset of £32.6 million, has increased by £1,952.7 million. The movement is due to the all share acquisitions of CTPT and LXi as reflected in the table opposite.

|  |  |  |  | £m |
|---|---|---|---|---|
| EPRA NTA at 1 April 2023 |  |  |  | 1,956.2 |
| EPRA earnings |  |  |  | 121.6 |
| Dividends paid[1] |  |  |  | (90.5) |
| Property revaluation movement |  |  |  | (11.1) |
| Corporate acquisitions | CTPT | Share issue | 193.6 |  |
|  | LXi | Share issue | 1,752.0 |  |
|  | LXi | Gain on business combination[2] | 24.0 |  |
|  | LXi | Acquisition costs[3] | (30.4) |  |
|  |  |  |  | 1,939.2 |
| Other movements[4] |  |  |  | (6.5) |
| **EPRA NTA at 31 March 2024** |  |  |  | 3,908.9 |

[1] Dividend charge of £100.2 million less scrip savings of £9.7 million

[2] Net gain on business combinations of £49.4 million as reflected in the Group income statement less fair value of derivatives acquired of £25.4 million

[3] Acquisition costs of £29.8 million reflected in the Group income statement and £0.6 million charged to reserves

[4] Other movements include loss on sales (-£7.4 million), share based awards (£0.5 million), foreign currency movements (£0.5 million) and deferred tax (-£0.1 million)

Our M&A activity increased EPRA NTA by £1.9 billion. EPRA earnings in the year covered the dividend paid and the deficit on our portfolio valuation was broadly flat.

The movement in EPRA NTA per share, together with the dividend paid in the year, results in a total accounting return of 1.3%. Over the three year LTIP period our total accounting return was 15.4%.

The full calculation can be found in Supplementary note viii.

**£6bn**
**Portfolio value**

**£4bn**
**IFRS net assets**

**1.3%**
**Total accounting return**

A review of our performance

# Financial review

continued

## Portfolio valuation

Our property portfolio including share of joint ventures doubled in value over the year to £6.0 billion as a result of our M&A activity 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.

| For the year to 31 March | | 100% owned £m | JV £m | NCI £m | Total 2024 £m | Total 2023 £m |
|---|---|---|---|---|---|---|
| Opening valuation | | 2,958.7 | 70.8 | (35.7) | 2,993.8 | 3,593.9 |
| Acquisitions[1] | CTPT | 261.9 | – | – | 261.9 | – |
| | LXi[5] | 2,853.3 | – | – | 2,853.3 | – |
| | Other | 42.7 | – | – | 42.7 | 164.6 |
| | | 3,157.9 | – | – | 3,157.9 | 164.6 |
| Developments[2,4] | | 43.9 | – | – | 43.9 | 87.4 |
| Capital expenditure[3] | | 22.5 | – | (0.8) | 21.7 | 18.1 |
| Disposals | | (203.6) | – | – | (203.6) | (282.7) |
| Revaluation | | (7.5) | (3.7) | 0.1 | (11.1) | (587.5) |
| Foreign currency | | 0.8 | – | – | 0.8 | – |
| **Property portfolio value** | | 5,972.7 | 67.1 | (36.4) | 6,003.4 | 2,993.8 |
| Income strip asset | | 221.5 | – | – | 221.5 | – |
| Head lease and right of use assets | | 47.6 | – | – | 47.6 | 7.1 |
| **Closing valuation** | | 6,241.8 | 67.1 | (36.4) | 6,272.5 | 3,000.9 |

1 Group acquisitions include purchase costs and represent completed investment properties as shown in note 9 to the financial statements. The acquisition cost of CTPT reflects the property valuation of £285.2 million less the price discount on acquisition of £23.3 million

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

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

4 Includes LXi developments acquired of £27.2 million and capitalised interest of £2.2 million

5 Excludes income strip asset of £221.5 million and developments acquired of £27.2 million

Acquisitions added £3.2 billion of property to our portfolio, largely through the corporate acquisitions of CTPT and LXi, and we spent £65.6 million on developments and other capital expenditure, including those acquired from LXi.

We generated net sales proceeds of £198.7 million which reduced the book value of property by £206.1 million (including the cost of lease incentives written off for the Group of £2.5 million). Two disposals which generated proceeds of £19.6 million had exchanged last year. We also exchanged to sell four assets for £9.3 million and these transactions will be accounted for on completion next year. A full reconciliation between transactions exchanged and completed in the year is set out in Supplementary note xix.

Investment in our preferred sectors of distribution and long income is in line with last year at 97% of the total portfolio, however following the LXi merger the sector weighting has changed as discussed in detail in the Property review.

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

| As at 31 March | 2024 £m | 2024 % | 2023 £m | 2023 % |
|---|---|---|---|---|
| Mega distribution | 310.2 | 5.2 | 311.5 | 10.4 |
| Regional distribution | 689.7 | 11.5 | 586.1 | 19.6 |
| Urban logistics | 1,557.2 | 25.9 | 1,262.3 | 42.2 |
| Distribution | 2,557.1 | 42.6 | 2,159.9 | 72.2 |
| Convenience | 995.2 | 16.5 | 637.1 | 21.3 |
| Entertainment & leisure | 1,271.3 | 21.2 | 55.5 | 1.9 |
| Healthcare & education | 960.2 | 16.0 | 14.8 | 0.5 |
| Long income | 3,226.7 | 53.7 | 707.4 | 23.7 |
| Other | 180.3 | 3.0 | 92.8 | 3.0 |
| **Investment portfolio** | 5,964.1 | 99.3 | 2,960.1 | 98.9 |
| Development[1] | 39.3 | 0.7 | 33.7 | 1.1 |
| **Property portfolio value** | 6,003.4 | 100.0 | 2,993.8 | 100.0 |
| Income strip asset | 221.5 | | – | |
| Head lease and right of use assets | 47.6 | | 7.1 | |
| | 6,272.5 | | 3,000.9 | |

1 Represents urban logistics £6.0 million (0.1%), convenience £16.9 million (0.3%), other £16.4 million (0.3%) at 31 March 2024. Split of prior year comparatives was urban logistics £25.3 million (0.9%), convenience £5.6 million (0.1%), other £2.8 million (0.1%)

## Dividend

Our policy of paying a sustainable and progressive dividend remains unchanged and the dividend declared this year is 107% covered by EPRA earnings. We have continued to declare quarterly dividends and offer shareholders a scrip alternative to cash payments.

In the year to 31 March 2024, the Company paid the third and fourth quarterly dividends for the year to 31 March 2023 and the first two quarterly dividends for the year to 31 March 2024, at a total cost of £100.2 million or 9.7p per share as reflected in note 7 to the financial statements.

The Company issued 5.3 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.7 million to £90.5 million. The first two quarterly payments for the current year of 4.8p per share were paid as Property Income Distributions ('PIDs') in the year.

The third quarterly dividend of 2.4p per share was paid as a PID in April 2024 and the Company has approved a fourth quarterly payment of 3.0p per share to be paid in July 2024, of which 1.5p will be a PID.

The total dividend payable for 2024 of 10.2p represents an increase of 7.4% 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 2024; and
- The outlook for 2025.

At the year end, the Company had distributable reserves of £1,164.9 million (2023: £1,270.6 million), providing substantial cover for the dividend payable for the year. When required and at least six monthly, the Company receives dividends from its subsidiaries which increase its distributable reserves.

## 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 | 2024 £m | 2023 £m |
|---|---|---|
| Gross debt | **2,087.4** | 1,030.5 |
| Cash | **114.1** | 36.5 |
| Net debt | **1,973.3** | 994.0 |
| Loan to value[1] | **33.2%** | 32.8% |
| Cost of debt[2] | **3.9%** | 3.4% |
| Interest cover[3] (times) | **4.5** | 4.7 |
| Undrawn facilities | **680.8** | 380.0 |
| Average debt maturity | **5.4 years** | 6.0 years |
| Hedging[4] | **100%** | 93% |

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

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

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

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

### Financing activity in the year

Our merger with LXi added £1.1 billion of secured debt to our balance sheet at an average cost of 5.3%, increasing our total gross debt to £2.1 billion at the year end. The combined Group's basket of secured debt exceeded the maximum amount permitted under our existing unsecured facilities and consequently, immediately post completion in March, we refinanced £625 million of LXi's secured facilities with a new £700 million unsecured facility on more favourable terms. The new facility introduced a new lender, diversifying our exposure and included the ability to draw up to £100 million in euros allowing us to naturally hedge currency movements on our German asset. We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly loan prepayments.

Through our acquisition of CTPT, we secured an additional £90 million fixed rate loan with Canada Life at a favourable rate of 3.36%. CTPT's attractive debt structure and exceptionally low loan to value of 20.5% also helped to reduce our Group LTV.

During the year, we have also repaid our MIPP JV debt facility in full and £65 million of our private placement debt and have extended the maturity on our revolving credit facilities totalling £675 million for a further year.

### Hedging

The Group's policy is to limit our exposure to volatility in interest rates by entering into hedging and fixed rate arrangements.

We mitigated our exposure to interest rate movements further this year by retaining all of the LXi hedging we acquired such that our drawn debt at the year-end was fully hedged.

We received £6.7 million from the interest rate swaps and caps we had in place during the year. We are advised by Chatham Financial and continue to monitor our hedging profile in light of interest rate projections.

### Financial position at 31 March 2024

We have prioritised net divestment of non core assets to provide optionality, protect our loan to value from adverse valuation movements and enhance the quality of our portfolio.

At the year end, our loan to value remained modest at 33.2% (2023: 32.8%), providing flexibility to execute transactions whilst maintaining ample headroom under our banking covenants.

With available debt facilities and cash of £794.9 million, we are in a strong financial position and well protected with refinancing risk mitigated until FY 2026 and optionality to continue to execute transactions as opportunities arise.

Our other debt metrics remain strong, with debt maturity of 5.4 years (2023: 6.0 years) and average cost of debt of 3.9% (2023: 3.4%), still significantly below current base rates.

A review of our performance

# Financial review

continued

## Financial loan covenants

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 61% of debt drawn at the year end, contain gearing and interest cover financial covenants.

At 31 March 2024, the Group's gearing ratio as defined within these funding arrangements was 58% which is significantly lower than the maximum limit of 125%, and its interest cover ratio was 4.5 times, comfortably higher than the minimum level of 1.5 times.

Property values would have to fall by 33% to reach the banking gearing threshold which would equate to an LTV ratio of 54%. Similarly, rents would have to fall by 61% or interest costs rise by 172% before the banking interest covenant is breached.

**33.2%**

**Loan to value percentage**

**5.4 years**

**Debt maturity**

**3.9%**

**Cost of debt**

**£794.9m**

**Debt and cash facilities**

## Cash flow

During the year, the Group's cash balances increased by £79.3 million as reflected in the table below.

| For the year to 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Net cash from operating activities | **123.1** | 133.0 |
| Net cash from/(used in) investing activities | **206.1** | (17.4) |
| Net cash used in financing activities | **(249.9)** | (134.3) |
| Net increase/(decrease) in cash and cash equivalents | **79.3** | (18.7) |

The net cash inflow from operating activities of £123.1 million is stated after charging LXi acquisition related costs paid of £29.8 million. After adjusting for these one off costs, cash flows from operating activities were £152.9 million, representing an increase of £19.9 million or 15.0% compared to last year.

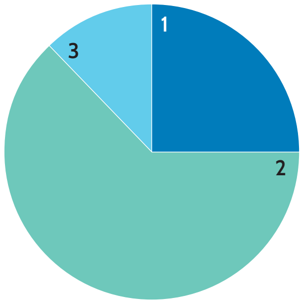
The Group spent £65.4 million acquiring and developing property in the year and invested £7.8 million into joint ventures. It received net cash proceeds of £271.6 million from property disposals and corporate acquisitions and £7.7 million in interest.

Cash outflows from financing activities reflect net loan repayments of £100.0 million, dividend payments and distributions of £91.6 million, financing costs of £55.3 million and share purchases and awards of £3.0 million.

Further detail is provided in the Group Cash Flow Statement.

## Average debt maturity (based on debt drawn)

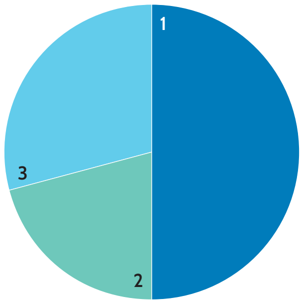
**5.4 years**



| | | |
|---|---|---|
| 1 | Debt expiring within 0-2 years | 25% |
| 2 | Debt expiring within 3-10 years | 63% |
| 3 | Debt expiring 10+ years | 12% |

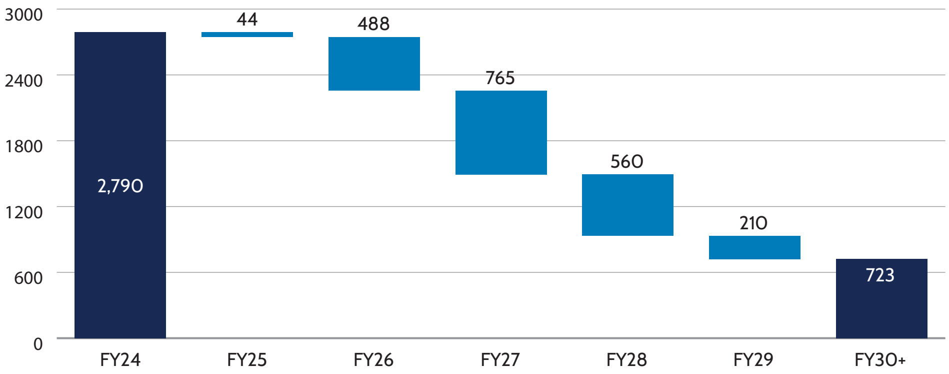
## Total facilities

**£2.8bn**



| | | |
|---|---|---|
| 1 | Unsecured facilities | 50% |
| 2 | Private placement | 21% |
| 3 | Secured facilities | 29% |

## Debt facility expiry profile[1] (£m)



[1] Based on debt facilities as at 31 March 2024

Our sustainability performance

# Responsible Business and ESG review

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

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

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

Our Responsible Business framework guides us in mitigating climate-related risks, identifying and progressing environmental and stakeholder-related opportunities as well as ensuring a high standard of corporate governance. Responsible Business is embedded across all of our corporate, investment, asset management and development activities. We have shifted our approach from core focus on 'top down' analysis to incorporating 'bottom up' asset-specific risk and opportunity assessment and case-by-case actions.

Our Responsible Business and Environmental Policy sets out our approach and ESG targets are set every year. Progress against those targets is monitored at Working Group meetings held monthly and attended by key business representatives and a Board member.

ESG performance is reported to the Board at regular intervals with the Audit Committee responsible for overseeing ESG progress. Executive Directors and relevant employees are set individual ESG targets and remuneration is linked to achieving those targets.

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

The merger with LXi represents a material change to our portfolio, and we intend to reassess our overall ESG Strategy, Framework, and objectives. This is to ensure they are still suitable and aligned with industry standards.

## Our ESG objectives

## UN's SDGs

## Environmental

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

Read more on page 57

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

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

Addressing climate change through our Net Zero Carbon ambition

Helping cities to develop sustainable infrastructure

## Social

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

Read more on page 63

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Enhancing and supporting local communities and wellbeing of stakeholders

Improving the natural environment

Promoting good working conditions and equality for all

## Governance

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

Read more on page 76

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

### Our sustainability performance

# Responsible Business and ESG review

continued

## Overview and progress

We have improved our ratings in external benchmarks, made good progress against our ESG targets and are integrating the assets acquired through the LXi merger.

## External benchmarking

### Maintained our Green Star and achieved a 3 Star rating

Increased score from 64 to 76 in the 2023 Global Real Estate Sustainability Benchmark survey (GRESB), achieving 3 Green Star rating and coming 2nd in our peer group.

### Continued inclusion in the FTSE4Good Index

In the latest assessment, we achieved a score of 3.5 out of 5.0 compared to 2.9 for the peer group.

### Improved to 'AA' rating

In the latest assessment we increased our rating to 'AA' from 'A', which is above the sector average.

### Maintained our Gold Award

In EPRA's last review, we maintained our Gold Award in the Sustainability assessment, showcasing our efforts to integrate sustainability into their core operations.

### Other benchmarks

In the latest ISS review, we maintained our 'C-' score, which remains above the peer group average. In addition, we responded to CDP for the first time, scoring a 'D' which demonstrates that we are transparent about climate issues.

## ESG progress in the year

We made good progress against our 12 corporate ESG targets. The data opposite sets out outcomes for some of our main ESG targets and further detail on our progress is detailed on the following pages and on page 85 in respect of environmental metrics and targets. Full detail will be set out in our separate Responsible Business and ESG report, which will be made available on our website by early July 2024.

The merger with LXi has materially altered our portfolio. To implement environmental initiatives and ultimately achieve Net Zero Carbon on our buildings, we are now more reliant than before on our occupiers sharing similar environmental ambitions to us.

We will therefore need to review the impact of the transaction on our Net Zero Carbon ambition and our wider ESG targets over the coming year.

## Sustainability linked financing

£675 million of financing is sustainability-linked and structured in accordance with the Loan Market Association's Sustainability Linked Loan Principles.

Sustainability performance targets ('Targets') are set and aligned to LondonMetric's corporate ESG targets focused on:

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

During the prior year, two of the three Targets for the sustainability linked loans were achieved. We receive a margin improvement of up to 2bps on our debt costs which is allocated to additional spend on LondonMetric charitable causes.

**76**

**GRESB score, up from 64 in prior year**

**85%**

**of portfolio EPC rated 'A'-'C'**

**2.9m sq ft**

**of net zero audits obtained in year**

**72%**

**of occupier energy data captured**

**0.8MWp**

**Solar PV added in year**

**9.0/10**

**landlord recommendation score**

**97%**

**of employees are proud to work for LondonMetric**

# Environmental

## Overview

Through our activities we aim to minimise our business's environmental impact, maximise building efficiency opportunities, and improve business and asset resilience to climate change and the impact of transitioning to a low-carbon economy.

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

LondonMetric recognises that it can have a material impact by reducing its emissions as well as supporting its occupiers in reducing theirs and helping them to meet their net zero carbon (NZC) ambitions.

In 2021, we formalised our Net Zero Carbon Framework and, in 2023/2024, we had intended to map out our Net Zero Pathway. However, the merger with LXi has increased our reliance on our occupiers' environmental ambitions materially in meeting our Scope 3 emissions reductions. LXi's WAULT of 26 years (twice that of the LondonMetric only portfolio) creates more barriers for us to instigate asset improvement initiatives in the medium term.

The merger has also introduced some additional operational assets, as well as properties with lower EPC ratings and fewer building certifications.

Therefore, we have decided to delay the publication of our Net Zero Pathway, which was planned for the year. We will revisit our previous NZC ambition to take account of the LXi transaction and the outputs of LXi's Net Zero Pathway that had been published before the merger.

In the year, we implemented a dedicated ESG platform to better track and capture energy performance at our assets, model interventions on assets, and track ongoing and completed energy reduction initiatives. This is a material investment for us and will support us along our journey of minimising our environmental impact.

### 1 Our operations

#### Carbon Neutral for 2024

We had set a NZC in operations by the end of 2023 and had made good progress in minimising our own emissions. We have exhausted most opportunities to reduce emissions from our landlord managed supplies, which are now minimal. The LXi merger has required us to review our NZC ambition, and instead we are targeting carbon neutrality for calendar year 2024.

### 2 Our developments

#### Minimising our emissions

Whilst development activity is minimal, we continue to reduce emissions from development activity, challenging our supply chains to select low carbon materials. We set an ambition of achieving NZC on developments by 2030 and will review this as we look to set our wider Net Zero Pathway in the coming year.

### 3 Our occupiers' operations (Scope 3)

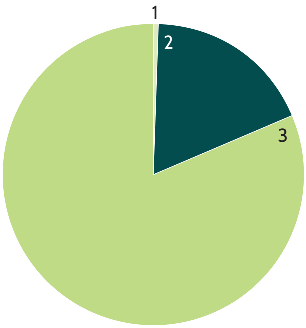
#### Collaborating with our occupiers to achieve NZC on our buildings

Emissions from our occupiers' activities (Scope 3) are the main source of our carbon emissions. So, in order to implement environmental initiatives and ultimately achieve NZC on our buildings, we are reliant on our occupiers sharing similar environmental ambitions to us.

Our full repair and insuring ('FRI')/NNN lease structure and our long lease lengths mean that if our occupiers are not proactively improving buildings, then we are only able to intervene at lease expiry.

We are collaborating with our occupiers to help them meet their NZC target and ensure our buildings are as sustainable as possible. We had set an ambition for our buildings to be NZC by 2035, but the LXi merger has brought potential barriers to achieving this. We will be reviewing our target as part of our wider Net Zero Pathway in the coming year.

### LondonMetric's emissions split[1]



| | | |
|---|---|---|
| 1. | Our operations | 0.3% |
| 2. | Our developments | 13.1% |
| 3. | Our occupiers' operations | 86.6% |

[1] Operations emissions include Scope 1 & 2 emissions and business travel. Development emissions include embodied carbon for both direct and forward funded developments complete in the year. Occupiers emissions have been extrapolated based on 72% actual data received

# Responsible Business and ESG review

continued

## Operations (Scope 1 & 2)

The alignment of our portfolio to single tenanted NNN Income assets, where the occupier is responsible for the operations of a property, and away from operational offices and retail parks has meant that the energy consumption and greenhouse gas emissions for which LondonMetric is responsible has fallen significantly over recent years.

Since 2015, LondonMetric's absolute energy consumption has fallen by 88% from 9,056 MWh to 1,071 MWh today and we have worked hard to minimise consumption where there is landlord supply. This minimal level of consumption had allowed us to set an ambition of reaching NZC for Scope 1 and 2 emissions (corporate head office and assets with landlord supplies and voids, as well as Scope 3 emissions related to our operations).

The LXi merger has required us to push this target back. Whilst the LXi portfolio is similar in nature, we will need to assess its 'operational' emissions and so are now aiming to be NZC in operations by no later than end of 2025. Notwithstanding the above, we are still aiming to be Carbon Neutral in operations for calendar 2024.

### Carbon Neutral for 2024

Over the past year, we have worked closely with our managing agents to monitor our landlord supplies and reduce emissions where possible.

Our energy consumption was reduced by 2% on a like for like basis over the year, achieved through energy efficiency improvements.

Our like for like emissions have, however, increased by 3% compared to the previous year. This is influenced by higher gas consumption at one of our office assets.

Our absolute consumption increased considerably in the year due to the acquisition of the CTPT portfolio, which included offices with high landlord-supplied energy. Moreover, since acquisition, we have sold several CTPT assets that contributed to our consumption.

Although we have made significant efforts to reduce our emissions, there are still some emissions that are difficult to eliminate or are not within our control. We will utilise carbon offset projects to make up for these remaining emissions and aim to be Carbon Neutral across our Scope 1 and 2, for 2024. The offsets will be Gold Standard Certified, which focuses on providing lasting social, economic and environmental benefits.

We are also currently exploring options to use the renewable energy generated by our solar projects where we have PPAs in place, to offset our emissions.

### Actions undertaken to reduce Scope 1 & 2 emissions

Our actions to reduce emissions mainly relate to upgrading LED lighting in common areas for which we are responsible.

- Several LED replacements were undertaken in the year. As a result of the replacements, our Victoria Retail Park and the Stargate Industrial Park saw a like-for-like energy reduction of 9% and 3% respectively.
- Energy audits have been undertaken at five of our managed assets, as part of our ESOS compliance.

### Outcomes

**88%**

**reduction in absolute energy consumption since 2015**

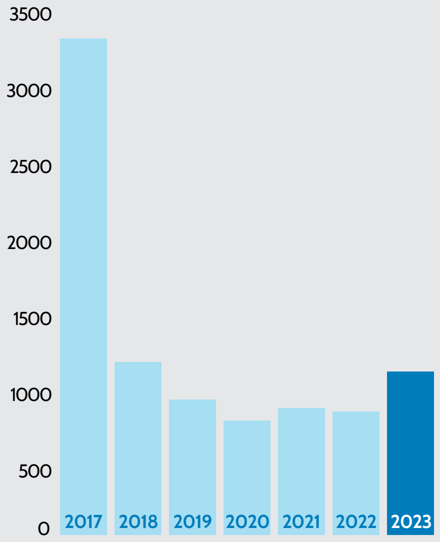
**2%**

**like for like reduction in energy consumption over the last year**

**97%**

**of landlord electricity supplies from renewable sources**

### Our energy consumption (MWh)[1]



[1] Graph shows data according to calendar year. Data for 2017-2021 is presented in financial years ending on 31 March with data from 2022 onwards representing calendar years ending on 31 December

## Our occupiers' emissions (our Scope 3)

### Overview

As part of our drive to upgrade the portfolio's quality, we have focused on working with our occupiers to progress energy efficiency and clean energy initiatives. We see ourselves as strong stewards of underinvested or poorer quality assets with the necessary expertise and appetite to materially improve buildings.

Our focus on NNN Income sectors and buildings which typically have a lower energy intensity and relatively easier potential to achieve carbon reduction compared to other property sectors means that it should be easier to achieve NZC at our buildings. Occupiers are typically funding environmental improvements and this is being reflected in our EPC rating improvements and our de-minimis defensive capex required for environmental upgrades. Any of our capex is typically achieving higher rents or is paid for in lieu of normal lease incentive arrangements.

### Impact of LXi merger on our NZC ambition

As mentioned on page 58 we are having to review our NZC ambition in light of the LXi merger. Whilst we are still reviewing the LXi portfolio, there has been a significant amount of work and energy audits undertaken to assess EPC improvements and understand our ability to reach NZC on the LXi assets. With a greater occupier concentration, it is easier to collaborate more strategically with occupiers and we have good ongoing dialogue with key LXi occupiers, which will allow us to further understand and shape asset interventions. We are encouraged by the NZC commitments of these occupiers.

### Progress in year

As we focus on understanding how our buildings can achieve NZC, we undertook net zero audits across 0.4 million sq ft, in addition to 2.5 million sq ft of audits obtained from the CTPT and LXi portfolios. The net zero audits provide valuable insight into our buildings' energy use and associated greenhouse gas emissions, as well as identify carbon reduction interventions to effectively achieve NZC.

As part of measuring our occupiers' emissions (Scope 3), we increased occupier energy data coverage from 68% last year to 72%. Our new ESG platform is helping us to access data automatically, achieve higher data coverage and allow us to better analyse our portfolio. Using this data, we have also expanded Carbon Risk Real Estate Monitor 'CRREM' analysis across the largest assets in our portfolio to further understand how they align to key Net Zero Pathways. Green lease clauses and promoting environmental improvements at leasing events have been key ways in which we have engaged with our occupiers towards improving the sustainability of our buildings.

We continue to engage with occupiers on adding further solar installations to our portfolio, adding three PV systems in the year. For further detail see page 39.

### Outcomes in the year

**2.9 m sq ft**

**of net zero audits obtained**

**72%**

**of occupier energy data captured***

**80%**

**of leases signed with green lease clauses**

**Top 10 assets**

**CRREM analysis undertaken***

**7.6MWp**

**of solar now installed across portfolio**

---

* On assets held as at 31 December 2023

### Aligning our NZC framework to occupier's Scope 1 and 2 ambitions[1] - top 20 occupiers

Reaching NZC across our buildings is dependent on our occupiers' operations and their own Net Zero ambition. We have reviewed the NZC targets of our top 20 occupiers, represented in the graph below, and 98% (by income) have targets to reach meaningful Scope 1 & 2 emissions reduction.

**2030** 25% Rent Roll

MERLIN
THE HUT.
PRIMARK
MARKS & SPENCER
co op
Ramsay Health Care

**2035** 8% Rent Roll

great bear
Sainsbury's Argos
JOHN LEWIS & PARTNERS
TESCO
dfs

**2040** 5% Rent Roll

amazon
currys
ASM GLOBAL
Q PARK

**2050** 8% Rent Roll

BOMBARDIER
Travelodge

---

[1] Timeline denotes occupiers' target dates to achieve meaningful Scope 1 and 2 emission reductions. Based on publicly available information

Our sustainability performance

# Responsible Business and ESG review

continued

## Occupier emissions (Scope 3) continued

### Solar PV installations

In the year, 0.8MWp of solar PV was installed, which, together with a further 3.1MWp installed post year end, takes our total capacity to 7.6 MWp. In our occupier survey, 60% of occupiers said they were looking at installing solar PVs and we are in discussion on a number of near term projects with potential to add 3.2 MWp of solar. See page 39 for further detail.

### Improving energy efficiency at Crawley

Following a vacancy at a unit in Crawley, the unit was refurbished with the roof upgraded to be solar PV ready, new energy-efficient heat pumps replacing gas and LED lighting installed. The works have improved the EPC to 'B', up from 'C'. Similarly, at our FedEx unit in Crawley, an incentive package as part of a regear included a new solar-enabled roof which, together with other occupier works, should result in an EPC improvement to 'B'. See page 43 for the FedEx case study.

### EV car charging

As part of two EV Charging partnerships with Motor Fuel Group and InstaVolt, we have added an additional 25 chargers across five assets to our portfolio, in the year. EV chargers provide a dual benefit of driving traffic to our sites as well as supporting the wider UK target of decarbonising the transport industry. 26 additional chargers across four sites are currently in development.

### Key current & future actions

- Measure emissions across all of the portfolio by increasing occupier data coverage
- Continued inclusion of green leases on letting events
- Follow up with occupiers on solar PV installations across the portfolio
- Consider sustainability improvements and incentives on regears

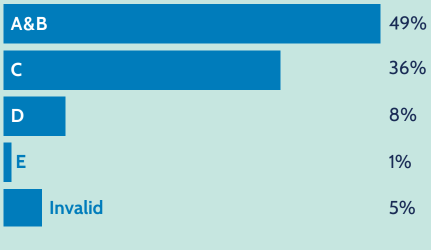
### EPC rating of portfolio

We are committed to following regulatory standards and ensuring that our properties meet Minimum Energy Efficiency Standard (MEES) Regulations. The proposed regulations set a target of a minimum 'C' rating by 2027/2028. The merger with LXi has impacted our rating, and 85% of our assets now have an EPC rating of 'A' - 'C', which is down from 90% last year but materially up from 59% in 2015 and 74% in 2021.

Excluding LXi assets, the LondonMetric like for like portfolio 'A'-'C' rating was 91%.

We have developed action plans for all assets rated below 'C' and aim to improve our portfolio performance through acquiring or developing higher rated assets and disposing of poorer buildings. We also take advantage of lease events to bring buildings up to standard and have mandated that a minimum 'B' rating is achievable on all new leases, regears and refurbishments.

In the year, we undertook EPC assessments on 1.2 million sq ft (excluding LXi assets) which included some enhanced energy assessments. We recognise that better EPC ratings can act as first step towards achieving NZC and so we are also undertaking NZC assessments on certain assets, particularly ahead of refurbishment works. In the year, we undertook 0.4 million sq ft of net zero audits, in addition to 2.5 million sq ft of audits obtained on the CTPT and LXi portfolios.



## Climate risk

Understanding the climate risks that impact our portfolio has been an increasing focus area for us.

In 2022, we undertook a significant assessment of our business and asset resilience against climate-related risks. The third-party assessment concluded that our sustainability strategy is well-positioned to manage climate related risks and opportunities.

For the portfolio assessment, two climate change scenarios were used to test a range of outcomes and identify material climate-related risks over the short (1-2 years), medium (3-9 years) and long term (10+ years) with likelihood and impact scores assigned to each risk.

The table opposite shows that under the less extreme scenario (RCP4.5), transition risks are the most significant for our business, whereas under the more extreme scenario (RCP8.5), physical risks are the most prevalent and will have a greater impact. For further details on our material risks and mitigation strategies, please see our TCFD disclosure on pages 77 to 85.

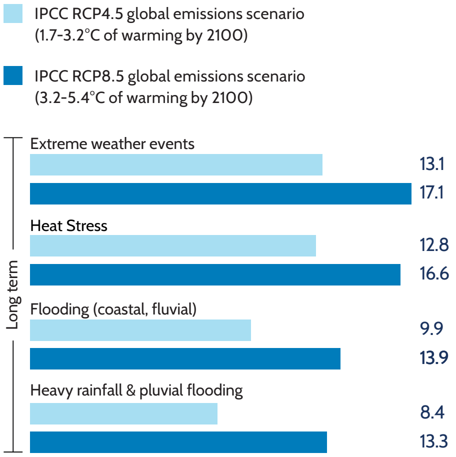
At the asset level, an in-depth review was undertaken on representative assets, assessing their resilience to physical and transition risks. Again, transition risks were higher for the assets we assessed.

We continue to embed climate risk analysis in our acquisitions and our portfolio management and challenge our advisors and the team to incorporate greater assessment of climate risk.

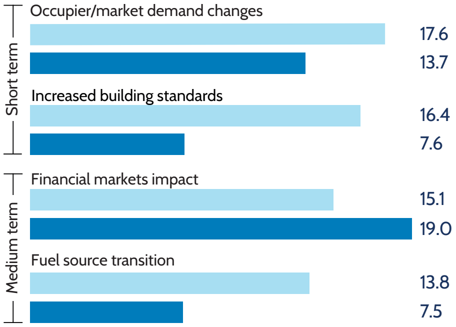
Our plan is to now undertake an updated assessment of our enlarged portfolio following the LXi merger. In the forthcoming year, we will:

- Update our risk analysis of the portfolio to include LXi assets;
- Extend the transition risk analysis based on energy performance and occupier data;
- Work with our environmental experts to further include climate risk analysis in our procedures;
- Enhance our climate-risk due-diligence process for acquisitions and disposals; and
- Work with our environmental experts to further include climate risk analysis in our procedures; and enhance on our climate-risk due-diligence process for acquisitions and disposals.

### Physical risks (risk scoring on key risks)



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



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

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

## Portfolio flood risk

We continue to improve 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 current portfolio flood risk. Through our asset management activities, we strategically sold one asset that was at high risk of flooding.

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.

Our current risk profile shows that the majority of our assets have a low risk of flooding. Following the merger, we will need to review the LXi portfolio flood risk and include it in our analysis. However, we believe that the combined portfolio will have a similar risk profile.

- Only 2% of properties rated high risk
- Full portfolio review to be conducted in the year, to include LXi assets
- Detailed flood reviews undertaken on acquisitions and developments

## Our sustainability performance

# Responsible Business and ESG review

continued

### Energy consumption

**-2%**

**Over the year on a like for like basis**

Landlord obtained energy consumption fell by 2% to 509 MWh on assets that were owned during both 2022 and 2023 (calendar years). The reduction can be attributed to the ongoing asset upgrades to incorporate energy efficiency measures.

Absolute energy consumption increased by 37%, due to the acquisition of CTPT assets.

### Greenhouse gas (GHG) emissions

**3%**

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

Emissions increased by 3% on assets that were owned during both the 2022 and 2023 periods, for Scope 1 and 2.

Absolute emissions have increased overall from 136t$CO_2e$ to 199t$CO_2e$.

| Sources of greenhouse gas emissions[3] | | | Year to 31 December 2023 | | Year to 31 December 2022 | |
|---|---|---|---|---|---|---|
| | | | 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 | 20 | 20 | 15 | 15 |
| | Void Energy | Void asset gas | 0.03 | 0.03 | 7 | 7 |
| | Fugitive emissions | Refrigerant emissions | De minimis | De minimis | De minimis | De minimis |
| Scope 2 | Energy | Landlord-controlled electricity | 172 | 1 | 100 | 0.2 |
| | Void Energy | Void asset electricity | 7 | 8 | 13 | 12 |
| Scope 3 | Energy | Transmission and distribution losses | 15 | 15 | 10 | 10 |
| | Travel | Emissions from employee business travel, in third party vehicles | 9 | 9 | 9 | 9 |
| | Tenant Energy | Tenant energy consumed at our buildings | 39,369 | - | 31,338 | - |
| Total (Scope 1 & 2) | | | 199 | 30 | 136 | 35 |
| Total (Ex voids) | | | 192 | 22 | 116 | 16 |
| Intensity (Scope 1 & 2)<br>t$CO_2e$/£m net income after administration costs | | | 1.35 | 0.20 | 0.92 | 0.23 |

1 For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2022 and 2023 were used

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

3 Disclosed emissions are 100% UK based

### Data qualifying notes

This is the Company's fourth year of disclosure under the Streamlined Energy and Carbon Reporting regulations. An operational control consolidation approach has been adopted.

This statement has been prepared in accordance with the requirements of the GHG Protocol Corporate Accounting and Reporting Standard, the GHG Protocol Value Chain (Scope 3) Standard, and ISO 14064- 1:2006. Our data quality is reviewed and improved every year, so previous year's figures are updated if more data becomes available.

A third party assesses our carbon emissions and methodology each year to confirm accuracy and transparency. Our Scope 1 and 2 emissions are externally assured, in line with AA1000AS. We provide the full findings annually in our Responsible Business Report.

Within Scope 1 emissions, refrigerant-related emissions for the period were de minimis. Scope 2 dual reporting is undertaken, disclosing emission figures using both location-based and market-based methods.

For the 'location-based' method, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2022/2023 were used.

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

The breakdown of void asset emissions in both Scope 1 and Scope 2 provides additional information. This clearly demonstrates where LondonMetric has operational control throughout the year and how void data impacts the overall total emissions.

Emissions from employee business travel (by vehicle) have been calculated on a distance travelled basis, where the relevant vehicle emissions factor has been applied to expensed mileage. Scope 3 Tenants' energy is provided, and it's based on actual data that we have been able to obtain from our occupiers. This also includes a small amount of landlord obtained energy sub-metered to our tenants. In the year, we collected Scope 3 data on 72% of the portfolio.

# Social

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

## Our stakeholders

### Occupiers

We work closely with our occupiers to create high occupational contentment

Learn more on page 64

### People

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

Learn more on page 66

### Contractors and Advisors

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

Learn more on page 70

### Investors

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

Learn more on page 72

### Communities

Supporting local communities and charities is highly important to us

Learn more on page 74

Our sustainability performance

# Responsible Business and ESG review

continued

## Occupiers

### Why they are important to us

— Drivers of income and capital growth
— Lie at the heart of our business purpose

### What is important to them

— Fit for purpose real estate
— Lease terms that suit their business model
— Well designed and sustainable buildings
— Approachable and trustworthy landlord

### Outcomes

**99.4%**
portfolio occupancy

**9.0/10.0**
landlord recommendation score

**99.9%**
of rent collected

**151**
occupier transactions

Occupier survey results page 65

### 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 customer satisfaction scores, high occupancy rate and rent collection 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 customer focused approach reflects our differentiated proposition where we:

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

### Customer satisfaction

We undertake regular surveys across our key occupiers and undertook our fifth occupier survey in March 2024.

Responses were received from occupiers representing 46% of our income and the feedback continued to be strong with an average score of 9.0 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord.

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

> We are focused on owning assets that have enduring occupier appeal."
>
> **Mark Stirling**
> Asset Director

### How we engage with our occupiers

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

### Board Engagement

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

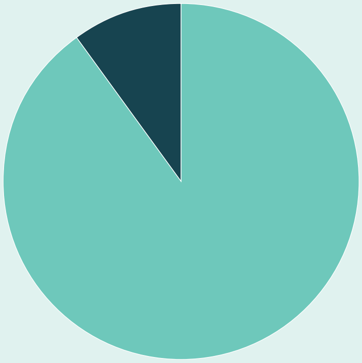
## Occupier survey (March 2024)

194 of our occupiers were surveyed, representing 91% of rent. Responses were received from 77 occupiers representing 46% of rent.

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

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

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



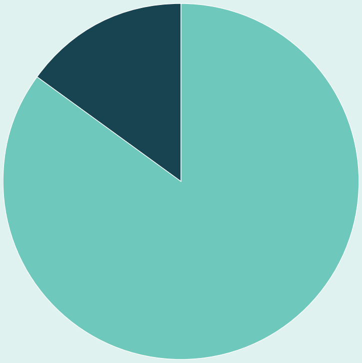
**Average**

**9.0/10**

**Recommend LondonMetric as a landlord**

We scored an average of 9.0 out of 10.0 for whether our occupiers would recommend LondonMetric as a landlord. This compares with the 2023 result of 8.7.

For our top ten occupiers, the average was higher at 9.1.



**Average**

**8.5/10**

**Satisfaction with our properties**

We scored an average of 8.5 out of 10.0 for satisfaction with our properties. This compares with the 2023 result of 8.1.

For our top ten occupiers, the average was higher at 8.7 compared to 8.2 in 2023.

## Occupier survey feedback

> A proactive landlord who develops strong proactive relationships."

Feedback from Tesco as part of the occupier survey

> As an occupier we are pleased to work with LondonMetric within our existing relationship and would be happy to extend that relationship when the right opportunities arise."

Feedback from FedEx as part of the occupier survey

> Always genuinely positive, collaborative and pragmatic conversations - a true partner landlord and tenant relationship."

Feedback from DFS as part of the occupier survey

Our sustainability performance

# Responsible Business and ESG review

continued

## People

### Why they are important to us

— Build relationships with our occupiers and the property industry

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

— Responsibility for their wellbeing

### What is important to them

— Flexibility and wellbeing

— Progression and career development

— Reward and recognition

— Fairness and equality

### Outcomes

**6%**

average staff turnover since merger in 2013

**97%**

of staff feel proud to work for the Company

→ Employee survey results page 68

### Overview

The Company is highly focused with 47 employees and eight Non Executive Directors. Since 2013, employee numbers have fallen despite a significant increase in assets managed. This reflects improved efficiencies and the lower operational requirements of our portfolio.

### Culture and approach

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

This is reflected in our low annual voluntary staff turnover rate which has averaged 6% since merger in 2013. We believe this reflects our:

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

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

Following the merger with LXi and the acquisition of LXi REIT Advisors Ltd we welcomed ten new employees across finance and property functions.

We are confident that our culture and approach will be fully embraced by our new colleagues as we look to fully leverage their skills, contacts and expertise to drive the business further forward.

> “We have successfully attracted and retained a loyal and talented team.”
>
> **Martin McGann**
> Finance Director

### How we engage with our people

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

### Board engagement

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

## How we address employee needs

### Flexibility, wellbeing, satisfaction & safety

Our 2024 employee survey reflects ongoing high levels of satisfaction. We have implemented more flexible working arrangements over recent years covering dress code, holiday buy back, improved hybrid systems to enable home working and a core hours policy. We have also significantly reduced office space, undertaken a major office refurbishment and modernisation. Health & Safety is a key priority for us and our policy provides for appropriate equipment, workplace assessments, operational processes and safe systems of work.

### Progression & career development

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

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

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

### Reward & recognition

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

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

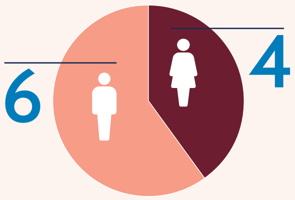
### Inclusion, fairness & equality

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

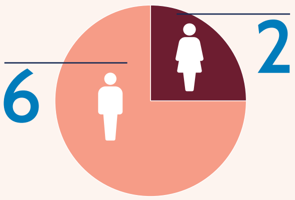
We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place and support of the Real Estate Balance group. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender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

## Employee gender diversity

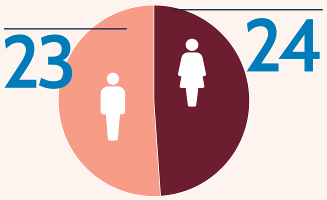
**Directors**
The number of Directors by gender:



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



**All employees**
The number of employees by gender:



● **Female**
● **Male**

For more information on diversity, see page 126

Our sustainability performance

# Responsible Business and ESG review

continued

## People

### 2024 Staff survey

**97%**
staff survey engagement level

**97%**
are proud to work for LondonMetric

**84%**
agree the Company supports and promotes social responsibility

**94%**
agree there is a strong culture of teamwork and collaboration at the Company

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

### Overview of satisfaction survey

In February 2024, we undertook our seventh annual employee survey to track changes in staff satisfaction.

In total, we asked 43 questions, focusing on the Company, the working environment, and the individual. Responses were received from 97% of staff members in line with 2023.

### Survey Findings

Overall the survey is positive with 97% of employees feeling proud to work at LondonMetric. Employees remain highly supportive of the Company and working environment. It was noted that most scores were up on previous years. There were isolated cases of scores down on previous highs, however it was felt that these reflected a year focused on large transactional activity rather than a shift in employees' view and attitudes. The highest scores were achieved as follows:

- Employees feel proud to work for this organisation;
- Employees enjoy working at LondonMetric;
- Employees believe they can make a valuable contribution to the success of this organisation; and
- Employees believe the leaders demonstrate that people are important to the company's success.

The three most positive changes from 2023 are as follows:

- The leaders of LondonMetric value and act on employee feedback;
- The Company is open to change and innovation; and
- Employees believe everyone is treated fairly.

The Company does not operate a formal work from home policy recognising the benefits of collaboration and problem solving when all together and driving a strong entrepreneurial spirit.

On the question on a scale of 1-10 how likely are you to recommend LondonMetric to a friend, a score of 9 was achieved which is up from 8 last year. This confirms that we remain a friendly and positive employer.

## The work of the designated workforce Non Executive Director

Andrew Livingston was appointed as designated workforce Non Executive Director by the Board 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 a small and diverse group of employees
- Reviews results of staff surveys
- Staff liaison at Board and Committee meetings

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

- Engage with workforce 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

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

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

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

The meeting is 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 retaining the existing culture where the business continues to grow through corporate transactions, the LXi integration and any resource requirements including systems as well as the positives of being in the office full time, work life balance, personal growth and celebrations. Non attributable feedback was relayed to the Board at its next meeting.

As a result of this feedback and subsequent discussion, alongside the results of the annual staff survey, the Board will continue to focus on the following actions to support the wellbeing of employees:

- Provide internal and external training and development opportunities for staff, both professionally and personally;
- Retain existing culture following corporate activity; and
- Ensure employees remain informed of relevant business activities on an ongoing basis.

Our sustainability performance

# Responsible Business and ESG review

continued

## Contractors and Advisors

### Why they are important to us

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

### What is important to them

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

### Outcomes

**14 days**

average payment

**100%**

compliance with our Responsible Development Requirements checklist

### Our Responsible Procurement Policy

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

### Contractors

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

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

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

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

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

### How we engage with our contractors & suppliers

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

### Board engagement

- The Board or its Committees receive regular presentations and reports from its advisors
- The Board continues to advocate the Prompt Payment Code and promote responsible development standards
- The Board visit sites with the Development team

## Managing Agents

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

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

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

## Other Suppliers

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

**c.70**

**Properties managed by five managing agents**

### Annual contractor review of Deeley

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

During the year we reviewed Deeley Construction, a Midlands based contractor with whom we have a longstanding relationship. Deeley recently completed a new build Starbucks drive-thru in Birmingham (as pictured opposite) for LondonMetric and are currently tendering for further projects. Deeley has robust policies in place and it is clear that it shares the same core values as LondonMetric. The contractor maintains strong relationships with its clients and its key supply chain, with senior management having a very active role in all business activities.

### Uckfield development

Uckfield was seen as an excellent opportunity to team up with a well known developer, BrideHall, with occupiers we also knew well, on a site adjacent to an asset we already owned.

The scheme comprised of a 21,500 sq ft new format M&S Simply Food store and a 20,000 sq ft Home Bargains store. It was delivered to achieve BREEAM 'Good' with both units achieving EPC 'A' ratings.

The total funding provided was £14.6m and the scheme was PC'd in September 2023.

M&S completed their subsequent fit out to open for Christmas 2023 trading, followed by Home Bargains who opened in the New Year. The feedback from both the occupiers and locals is positive.

Our sustainability performance

# Responsible Business and ESG review

continued

## Investors

### Why they are important to us

— Continued investment and support
— Feedback and direction
— Maintaining a flexible and attractive debt structure

### What is important to them

— Financial performance and progression
— Scale and liquidity
— Structurally supported assets with growth
— Well covered and growing dividend
— Clear strategy, execution and reporting
— ESG fully considered

### Outcomes in the year

**380**
investors met

**£1.4bn**
debt facilities arranged or extended

**£3.2bn**
Assets added through M&A

## Equity Investors

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

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

Over the year, we met with c.380 equity investors and brokers through one to one and group meetings. Unsurprisingly, with continued market uncertainty and our M&A activity, we saw a significant increase in investor interaction compared to the previous year when we saw 241 investors.

A breakdown of meetings by type of investor is shown in the chart opposite and key investor activities are shown on the next page. The Company continues to place great importance on and engage with its private wealth shareholders, who represented 38% of investors met in the year. We continue to enjoy strong analyst coverage and interaction with the 12 brokers that cover our stock and we expect to see even greater broker coverage going forward given our increased scale and liquidity.

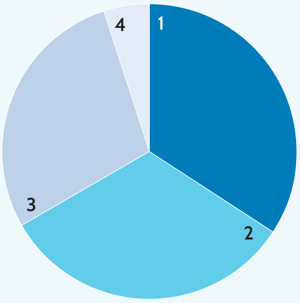
Feedback remains very supportive and, as would be expected, we continue to focus on ESG matters. Feedback on our ESG performance remains very positive.

Following further investor requests, we responded to CDP (a global disclosure system for investors and corporates on environmental issues) for the first time in their 2023 annual assessment.

## How we engage with our investors

- Investor roadshows & conferences
- Results presentations to analysts
- Annual General Meeting
- Chair attendance at investor meetings
- Debt refinancing activity
- Site visits

### Equity investors met (by type)



| | | |
|---|---|---|
| 1 | Private wealth | 38% |
| 2 | Sector specialists | 29% |
| 3 | Generalists | 26% |
| 4 | Brokers | 7% |

### Board Engagement

- Investor feedback provided regularly to the Board by the Chief Executive
- Chair participated in half yearly and other roadshow meetings, attending five investor meetings during the year
- Board attended the Annual General Meeting
- Board consulted with shareholders on the Company's Remuneration Policy proposals

## Our investor relations framework

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

Shareholders are kept informed through results statements and other regulatory announcements. These are published on our website, affording all shareholders full access to material information. The website also includes an investor relations section containing all RNS announcements, share price data, investor presentations, factsheets and Annual Reports.

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

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

### LXi merger investor activity

Our merger with LXi required significant shareholder dialogue and we undertook 75 meetings over the two-month period prior to merger completion in early March 2024. 118 institutions and private wealth management companies were seen including a number of LXi only investors.

75

meetings held

There was a significant overlap of registers and the transaction received overwhelming support from both sets of shareholders.

The merger further diversified our investor base, introduced two new top 15 shareholders, and materially increased liquidity in our shares.

118

investors seen

### 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 joint venture partners.

Further information on our financing activity in the year is set out on page 53, including details on our sustainability-linked debt arrangements and also refinancing activity undertaken both on existing LondonMetric debt but also LXi debt facilities.

## Key investor activity in year

### Q1

- Australian investors calls
- Full year results announcement/roadshow
- Private wealth meetings (Leeds & York)
- Conferences with EPRA, Kempen & Morgan Stanley
- US roadshow (New York & Boston)

### Q2

- Societe Generale conference
- Equity & Debt Site visit to Dagenham
- Ad hoc analysts and investor meetings

### Q3

- Shareholder consultation on remuneration
- Private wealth meetings (Bristol)
- Half year results announcement & roadshow, including discussions on CTPT merger
- Amsterdam roadshow
- UBS investor conference

### Q4

- LXi merger investor meetings
- Barclays investor conference
- Bank of America conference
- Citi investor conference (US)
- US roadshow (New York)
- Equity site visit to Crawley

Our sustainability performance

# Responsible Business and ESG review

continued

## Communities

### Why they are important to us

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

### What is important to them

— Environmental and social impact of our activities

— Employment opportunities

— Investment into local infrastructure

### Outcomes

**£153k**

Charitable giving in year, a 46% increase on 2023

**72**

Charitable causes supported in year

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

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

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

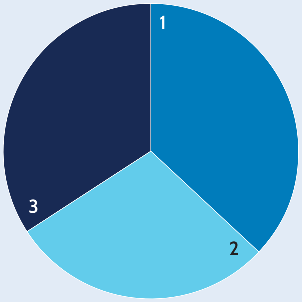
- Specific causes identified at a corporate level;
- Charitable causes identified by employees with all employees able to nominate charities of their choice or allocate funds to match their own charitable activity; and
- Occupier or asset related giving, supporting causes in conjunction with occupiers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

This year, under our banking arrangements an extra £48,000 was added to our charity budget as a result of us hitting our banking related ESG targets on our sustainability linked financings.

### How we engage with our communities

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

### Breakdown of charitable giving



| | | |
|---|---|---|
| 1 | Corporate giving | 37% |
| 2 | Employee giving | 29% |
| 3 | Community giving | 34% |

### Board engagement

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

## Highlight charitable activity in the year

### Employee giving

Over the year, the Company supported its employees charitable giving initiatives donating £44,448 across a wide range of charities including localised community initiatives.

Employee charitable giving included supporting individuals personal charitable initiatives including endurance swimming and cycling events.

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

### Local communities giving and initiatives

We continue to support local communities where we have large investment exposure. In total we donated £51,612 to charities including foodbanks, the National Energy Action and defibrillators.

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

As part of our roll out of defibrillators across our properties, we installed eight defibrillators in the year at a total cost of £28,012. See below for further details.

### Corporate giving – real estate led

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

This year we ran an internal step challenge for two weeks raising money to prevent youth homelessness bringing out the competitive side in everyone. 89% of our employees participated in the Steptober event, taking over 6 million steps for the challenge, over two weeks.

### Corporate giving – wider initiatives

The Company supported global, national and local charities, supporting causes close to its heart.

During the year, we donated £25,000 to Youth Beyond Borders who develop inclusive programmes for children form disadvantaged backgrounds. This six month programme will involve up to 100 young people from inner cities and take them on a transformational journey to end with a trail running race in the French Alps.

In the previous year, we committed to install a number of defibrillators across our assets in conjunction with Fidum, one of managing agents. We installed eight defibrillators in the year at our sites in New Malden (pictured opposite), Weymouth, Dartford, Eastbourne, Hertford and London (x3). Total spend has been £28,012 and we have another three locations earmarked for additional defibrillators.

Our sustainability performance

# Responsible Business and ESG review

continued

## Governance

### Governance and compliance

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

### Overview

#### Board representation for Responsible Business

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

#### Policies and statements

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

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

#### Confirmations

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

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

### Health and safety in focus

#### Responsibility and procedures

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

#### H&S risks assessment and training

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

#### Health and safety policy

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

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

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

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

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

### Health and safety in 2024

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

#### 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 2024, as part of our annual contractor compliance audit, we met with Deeley Construction Limited, who are a medium sized contractor we typically engage for smaller Midlands based projects. Their Responsible Business policies and processes are very robust and their senior management has a highly active role in all business activities.

See page 71 for further details on our audit

## Our sustainability performance

# TCFD Recommendation and Alignment

LondonMetric has complied with the requirements of Listing Rule 9.8.6R by including its Task Force on Climate-Related Financial Disclosures ('TCFD') Statement below. Our statement is consistent with the four overarching disclosures and eight of the 11 specific disclosures, demonstrating our commitment to transparent and comprehensive climate-related reporting. LondonMetric is dedicated to enhancing its reporting practices year on year.

Our focus areas will be on enhancing alignment in the three specific disclosures where we are not fully consistent with the recommendations, which include strengthening the financial quantification aspects of our disclosure (Strategy B and Strategy C), improving the measurement and coverage of Scope 3 emissions generated by our occupiers (Metrics & Targets B), and conducting a climate risk assessment for our enlarged portfolio following the merger with LXi REIT Plc, which completed in March 2024.

Below are all our climate-related financial disclosures, structured according to the four TCFD pillars. For the three specific disclosures where we may not fully align with the recommendations, we provide a clear rationale for any deviations and outline the steps we plan to take to address these gaps in future reporting.

## 1. Governance

### A) Describe the board's oversight of climate-related risks and opportunities.

The Board. assisted by the Audit Committee, provides oversight of the Company's Environmental, Social, and Governance ('ESG') matters and has overall responsibility for the risk management framework, which integrates climate-related risks and opportunities.

The Senior Leadership Team ('SLT') and the Company's Responsible Business Working Group ('Working Group') are responsible for identifying and managing risks and opportunities related to climate-related issues, including implementing measures to address those risks and opportunities.

LondonMetric's governance structure regarding climate risks and opportunities is summarised in Figure 1. For a description of the roles and responsibilities of the Board and its sub-committees, see pages 119 to 121 of the Governance section of the Annual Report.

### Process and frequency of information transfer and consideration of climate-related issues.

The Board considers climate-related risks at a strategic level during Board meetings, ensuring that new and emerging risks, including those that are climate-related, are identified and appropriate action is taken to remove or reduce their likelihood and impact. The Board typically meets six times a year, with ESG and climate-related risks addressed when necessary.

The Audit Committee reviews the Company risk register (in which climate-related risks are included) annually and provides assurance to the Board on the robustness of the systems in place for the identification, assessment, and mitigation of the principal risks. The Audit Committee is informed by the Working Group, which provides feedback on climate-related issues, facilitates proactive climate-related risk management and is a sub-committee of the Finance Committee. The Audit Committee meets six times a year, with ESG and climate-related risks addressed when necessary.

The Board receives climate-related information on the Company through:

1. Audit Committee updates – delivered by the Audit Committee on an annual basis;
2. Board papers – written by the SLT and delivered quarterly;
3. ESG papers – written by the Working Group at least annually; and
4. Regular ad-hoc updates on specific matters - including investment and asset management initiatives, where environmental and climate-related risks are addressed.

Climate-related issues are considered by the Board and the Audit Committee when reviewing and guiding strategy, risk management, budgeting, performance, and spending. Board members are expected to identify and develop their own individual training needs, skills and knowledge and ensure they are adequately informed about the Group's strategy, business, and responsibilities. They are encouraged to attend relevant seminars and conferences and receive technical update material from advisors and are offered training and guidance at the Company's expense. The Deloitte Academy is also available, which includes briefings on sustainability and climate. The Board is considered well-equipped to make climate-related decisions based on the above.

### Progress against targets

The Audit Committee is responsible for monitoring and overseeing progress against climate-related objectives and targets, escalating matters to the Board as necessary. The Committee considers the Company's ESG performance against the KPIs shown in the Metrics and Targets section of this report (see Table 3). Additionally, in achieving the Company's strategy and overall corporate objectives, Executive Directors are entitled to a bonus each year, with 10% of this bonus relating to achieving specified ESG objectives that are aligned with delivering the Company's ESG KPIs.

**Our sustainability performance**

# TCFD Recommendation and Alignment

continued

## 1. Governance continued

### B) Describe management's role in assessing and managing climate-related risks and opportunities.

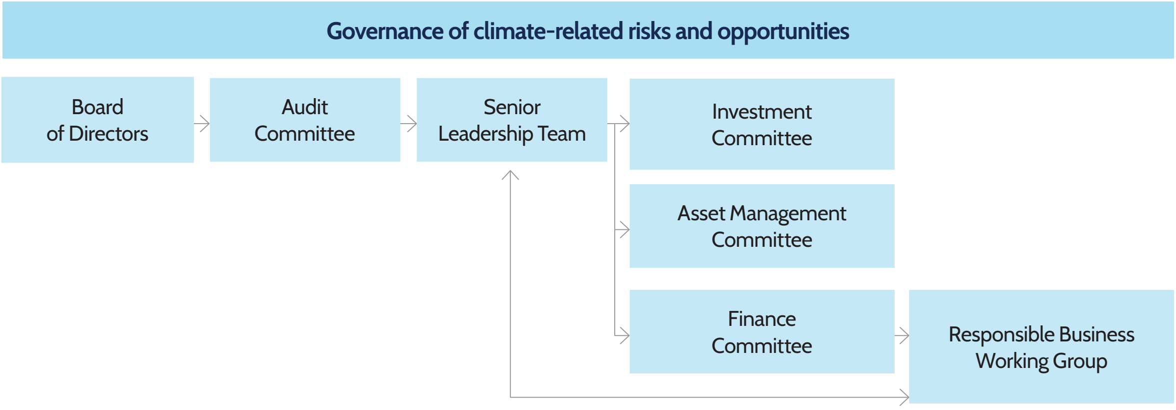
Certain members of the SLT and the Working Group are responsible for managing and monitoring climate-related risks. They report directly to the Audit Committee. This collaboration is led by the Head of Investor Relations and Sustainability and the Finance Director, who are members of the SLT and the Working Group and are ultimately responsible for implementing Responsible Business matters.

The SLT is responsible for ongoing risk identification, and the design, implementation, and maintenance of internal controls to mitigate identified risks. Certain members of the SLT attend the Investment, Asset Management and Finance sub-committees to ensure that climate-related issues are monitored and escalated where appropriate as well as to ensure that opportunities are considered and captured. These sub-committees typically meet every four to six weeks or more frequently, depending on business needs and activity.

The Working Group supports the SLT in identifying wider climate-related risks by reporting on and escalating potential risks. It also ensures the business is properly considering opportunities, with interaction at least on a weekly basis. The Working Group typically meets once a month.

LondonMetric has recently become a member of the Better Building Partnership ('BBP') and actively participates in BBP's activities, including working groups, research projects, and knowledge sharing, thereby demonstrating a commitment to sustainability. LondonMetric also works with consultants at an asset level to identify sustainability risks and upgrade opportunities and employs the services of an ESG consultant at the corporate level to assist in its overall ESG strategy and implementation.

**Figure 1: LondonMetric Climate-Related Risk Governance Structure**



## 2. Strategy

### A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term; and B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

When identifying risks and opportunities, we looked at the short term (1 – 2 years), medium term (3 – 9 years) and long term (10+ years). In selecting time horizons, we considered the fact that climate-related issues often manifest over the medium and longer term. The time horizons are based on the profile of risks associated with real estate asset lifecycles in line with the Climate Change Act.

**Identifying climate risks and opportunities**

As part of the climate risk assessment carried out in 2022 by JLL, we identified our potential climate risks and opportunities. For a summary of the assessment, see page 61. Climate scenario analysis was utilised to model our climate-related risks in two likely scenarios based on the Intergovernmental Panel on Climate Change ('IPCC') Representative Concentration Pathways (IPCC RCP). The assessment tested a range of outcomes at the portfolio level under (i) the RCP4.5 (stabilised emissions) and (ii) RCP8.5 (high emissions) climate scenarios up until 2100 to identify material risks. These scenarios represent a realistic range that emissions could reach, therefore informing financial planning.

Each risk was assigned an overall Climate Risk Score based on a combination of two headline sub-categories: impact and likelihood. Impact scoring considers overall business and financial impact, and the ease/cost of mitigation. Likelihood considers risk likelihood, frequency, duration of impact and how quickly the risk materialises. Overall Climate Risk Scores were calculated by multiplying the impact and likelihood scores (on a scale of 1-5), such that the minimum overall score is 1 and the maximum is 25. Based on each discrete climate risk plotted on an impact/likelihood matrix (with a score of 3 sitting in the middle of each axis), overall Climate Risk Scores of 9 or greater or which fall in the top risk quadrant are considered material, suggesting a significant financial impact requiring appropriate management and mitigation.

It was identified that transition risks are more prominent in the near term under the stabilised emission RCP4.5 scenario. Physical risks materialise in the largest severity over the longer term under the high-emission RCP8.5 scenario.

## 2. Strategy continued

Climate risks under the two IPCC RCPs, both transition and physical, are summarised in Table 1, along with an assessment of potential financial impact and risk management and mitigation strategies. The table also highlights which of LondonMetric's wider strategic pillars are impacted by each risk (details on strategic pillars and priorities can be found on page 15 of the Annual Report). Following the merger with LXi, a broader climate risk assessment will be conducted next year across the enlarged portfolio.

**Table 1: Climate-related material risks with mitigation and financial impact (risk scores under the two IPCC RCPs shown in brackets)**

| Risk | Transition risk | Strategic Pillar | Management/Mitigation | Financial Impact |
|---|---|---|---|---|
| Short term (1-2 years) | **R1: Occupier/market demand**<br>(RCP 4.5 – 17.6; RCP 8.5 – 13.7)<br>Occupier and market demand is shifting towards low or net zero carbon assets with embedded on-site climate resilience. Demand may also shift from certain geographies or sectors, while changing consumer preferences could create occupier risk. | Assets not meeting occupier needs or not let to resilient occupiers may not be considered 'desirable'. | Ongoing occupier engagement to understand their sustainability commitments, and business model resilience. Continue to improve buildings in conjunction with occupiers on lettings/lease extensions. | Increased capital expenditure without income/value accretion.<br>Lower occupancy levels due to a move away from less sustainable buildings, leading to reduced rental income. |
| | **R2: Increased building standards/regulation**<br>(RCP 4.5 – 16.4; RCP 8.5 – 7.6)<br>Increasing policy mandates in the built environment that improve energy and resource efficiency and on-site climate resilience, may potentially result in significant capital expenditure costs to meet the new standards. The main risk concern is meeting Minimum Energy Efficiency Standards ('MEES'). | Poor management of assets and EPC ratings could result in illiquidity. | Continued understanding of and alignment with the latest regulations required, building on asset-level plans to ensure compliance with standards or other appropriate actions such as disposals. | Increasing costs to meet regulation falls on the Company as landlord. Asset values many fall, and assets become less liquid with a 'brown discount' priced in. |
| Medium term (3 – 9 years) | **R3: Financial market impacts/access to capital**<br>(RCP 4.5 – 15.1; RCP 8.5 – 19.0)<br>Market shifts in favour of low-carbon solutions and climate resilience as well as climate events impacting our portfolio could create a competitive risk, particularly with respect to meeting stakeholder expectations and access to the equity and debt markets. | Low commitment to sustainability could affect investor perception. | Continue to ensure our assets are fit for purpose and maintain high-level dialogue with investors on our commitment to sustainability and climate resilience. | Higher cost of equity and debt or even inability to refinance existing debt or raise capital for future opportunities. This would affect profitability and equity market rating. |
| | **R4: Increased energy demand/costs**<br>(RCP 4.5 – 17.6; RCP 8.5 – 13.7)<br>Changes to seasonal patterns, temperature extremes and carbon taxation each could increase the operational costs of buildings and impact the rental value of inefficient assets as occupiers seek lower operational costs and in-built energy resilience. | Lack of sustainable initiatives increase occupiers' operational costs. | In conjunction with occupiers, plan property energy performance reviews to assess interventions such as solar PV to help occupiers save energy costs and build energy supply resilience. | The expense of asset interventions to lower occupiers' operational costs falls increasingly on us as the landlord, affecting our profitability and values. |
| | **R5: Supply chain & resources**<br>(RCP 4.5 – 10.4; RCP 8.5 – 14.0)<br>Physical impacts may cause widespread disruption to production within supply chains and resources, potentially resulting in business disruption and tenant default risk. | Low understanding of occupier resilience could add risk. | Occupier supply chain/business model reviews undertaken on acquisitions and key occupiers/sectors to assess resilience against disruption. Occupier and sector diversification was reviewed and assessed at a strategic level. | Potential for occupiers to default on rent, which would impact profitability and asset valuations. |
| | **R6: Exposure to litigation**<br>(Risk score: RCP 4.5 – <9; RCP 8.5 – >9)<br>Increased policy and legislation requirements to meet transition requirements of a low-carbon economy could create additional risks of legal action for breaches of compliance. Further tightening of legislation on MEES or UK's Net Zero targets could add to the risk. | Failure to meet legislation can lead to fines and reputational damage. | See mitigation under R2 above.<br>ESOS Phase 3 compliance work was undertaken to identify reduction opportunities across operational assets. | Legal action and penalties.<br>Reputational damage could lead to reduced financing opportunities, such as higher costs of equity and debt. |
| Long term (10+ years) | **R7: Insurance challenges**<br>(RCP 4.5 – 10.9; RCP 8.5 – 14.0)<br>Physical climate events or risks may cause the insurance industry to reassess premiums, which could rise or become difficult to secure. Assets in areas prone to climate-related hazards would be affected most. Insurance is often a lender requirement, which could impact the ability to raise debt against assets located in higher-risk areas. | Failure to own assets with low physical risk could increase premiums and risk of portfolio illiquidity. | Continue to ensure existing insurance policies provide adequate protection from climate-related risks and increase awareness of material physical risks across the portfolio with external advice to ensure appropriate action is taken. | Increased premiums could increase our operating costs. Invalid insurance policies could result in unpaid claims and expose the Company to material reinstatement costs. Where insurance products are withdrawn, this could increase the Company's risk profile. |

# TCFD Recommendation and Alignment

continued

## 2. Strategy continued

| Risk | Physical risks | Strategic Pillar | Management/Mitigation | Financial Impact |
|---|---|---|---|---|
| Long term (10+ years) | **R8: Flooding (coastal, fluvial)**<br>(Risk score: RCP 4.5 – 9.9; RCP 8.5 – 13.9)<br>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. | Assets prone to flooding could be less investible and desirable. | During the acquisition process, flood risk assessments are conducted. Portfolio-wide reviews are undertaken every 3-4 years, and medium to high-risk assets are assessed for mitigation measures and/or exit strategies. 2% of assets have high flood risk. We are increasingly focused on ensuring that occupiers maintain adequate attenuation and drainage to accommodate greater rainfall intensity. | Assets with greater flood risk may become uninsurable, unsellable, and unlettable, which could impact the Company's profitability and asset values. Increased investment may be required to address flooding risk. |
| | **R9: Heavy rainfall & pluvial flooding**<br>(Risk score: RCP 4.5 – 8.4; RCP 8.5 – 13.3)<br>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. | Assets prone to surface flooding could be less investible and desirable. | | |
| | **R10: Heat stress**<br>(Risk score: RCP 4.5 – 12.8; RCP 8.5 – 16.6)<br>Rising mean temperatures and extreme temperature highs put pressure on people and infrastructure and may increase the frequency of wildfires. | Urban and other assets prone to heating up may be less marketable. | We are increasingly focused on ensuring occupiers maintain properties to ensure fire risk is mitigated, tracking heat stress across assets and working with occupiers to assist them in minimising heat stress. | Assets with poor cooling systems that are at higher risk of heat stress may suffer from higher vacancy and the need for greater capital investment, which might affect profitability and asset valuations. |
| | **R11: Extreme weather events**<br>(Risk score: RCP 4.5 – 13.1; RCP 8.5 – 17.1)<br>Storms, heavy winds, heavy precipitation, droughts and snow are more frequent and severe and can lead to stranded asset risk for at-risk assets. | Assets susceptible to extreme weather could be less investible/desirable. | In addition to previous climate risk assessments on assets, we will be undertaking further asset-level assessments to assess the portfolio's resilience to extreme weather. | Assets at greatest risk may become uninsurable and unlettable, which could impact profitability and asset values. Increased investment may be required to address extreme weather risks. |

Transition risks were distributed evenly across geographies. However, assets within the retail and office sectors are more likely to be impacted by these risks. Physical risks were found to be distributed across all sectors and geographies.

### Climate-related opportunities

While the transition to a low-carbon economy presents significant risk, it also creates significant opportunities, allowing LondonMetric to gain a capital advantage through a focus on climate change mitigation and adaptation solutions.

The assessment carried out by JLL concluded that transition opportunities are more prominent in the near term under the stabilised emission RCP4.5 scenario, while physical risk mitigation opportunities arise under both RCP4.5 and RCP8.5 scenarios.

Table 2 summarises the identified climate-related opportunities that are material to LondonMetric. Each opportunity is described, along with an assessment of potential financial impact.

Opportunities are distributed evenly across geographies, while the logistics sector, which represents majority of the LondonMetric portfolio, presents greater opportunities along with attractive yield costs.

## 2. Strategy continued

**Table 2: Climate-related opportunities and financial impact**

| Opportunity | Description of Opportunity | Financial Impact |
|---|---|---|
| 1. Securing a diverse range of premium tenants that have net zero carbon ambitions | By attracting tenants with net zero carbon ambitions, the Company demonstrates a commitment to reducing greenhouse gas emissions and contributing to climate change mitigation efforts. As market demand shifts and tenants become more sustainability aware, they will seek to occupy climate-resilient, sustainable buildings and avoid cheaper buildings with poorer sustainability credentials. | Tenants may be willing to pay 'green premiums' on rent for better-quality assets, which would allow us to grow our rental income and profits and increase asset values. Higher-quality occupiers are more likely to collaborate on asset improvements or indeed self-fund improvements. |
| 2. Installing renewable technology | Roof space on our logistics assets lends itself well to solar PV, and charging occupiers additional rent to use the energy generated has the potential to generate attractive cost yields. | Yields on cost vary, but typically, we achieve minimum yields of 8-9%. Whether we fund the installation or the occupiers self-fund, adding solar PVs should enhance the asset's value. |
| 3. Acquiring poorer quality assets | As strong stewards of underinvested assets with the expertise and capital to improve buildings, we continue to see opportunities to acquire poorer-quality assets from less active investors, where we can make material improvements and increase income and value. | Discounted acquisition prices through the application of a 'brown discount'.<br>High initial investment cost but long term value appreciation through asset improvement. |
| 4. Improving our cost of capital | Further improving our asset and business strategy on climate resilience should give us a competitive advantage through a more attractive cost of capital. Leveraging sustainable finance instruments (such as green bonds or sustainability-linked loans) should also help us tighten banking margins and diversify our sources of investment. | Borrowing incentives such as lower interest rates, longer loan terms or reduced fees could be accessed to enhance our lending arrangements. |

## Integration of climate-related risks in financial planning and risk prioritisation

A key aspect of LondonMetric's asset management strategy is sustainability performance improvement. As well as reducing carbon emissions from the small number of assets where we have ongoing control, we are helping to improve assets under occupier control. Our focus is on resilience to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy, mitigating both physical and transition risks. During our investment process, and on an ongoing basis, we assess flood risk along with building fabric and energy efficiency to understand the climate and carbon-related risks and costs involved in mitigation. Prior to the merger, a high-level review of the LXi portfolio was undertaken, which included flood risk analysis and energy efficiency. Over the next year, we will be conducting a more detailed asset-level review, which will inform the material impact on our NZC strategy and targets.

With regards to MEES legislation compliance, the cost of bringing all our assets to an EPC rating of 'B' was previously estimated by us in 2023 to be c.£25 million. Further analysis is currently underway to understand the financial impact of improving the LXi assets, and we will provide an update on the enlarged portfolio next year. However, we do not expect MEES compliance to have a material business impact as the upgrade costs would, in most instances, either be offset through higher rents, paid for through normal occupier incentive arrangements or paid for by the occupier as part of their building upgrades. In 2021, we developed a Net Zero Carbon ('NZC') strategy, where we set a target for net zero carbon for our operations (Scope 1 & 2 emissions) for the end of 2023, for our developments by 2030 and for our tenant emissions (Scope 3 emissions) by 2035.

We were due to have progressed a Net Zero Pathway this year, but as a result of the LXi merger, we have paused this work to allow us time to consider the impact of the merger on our NZC strategy and wider targets. We intend to reshape our NZC strategy over the next year. Notwithstanding the merger, we made further progress on our Strategy. We undertook net zero audits across 0.4 million sq ft, in addition to 2.5 million sq ft of audits obtained on the CTPT and LXi portfolios. In respect of operational target, our Scope 1 and 2 emissions will be Carbon Neutral for 2024, and we aim to be Net Zero no later than end of 2025.

LondonMetric has completed CRREM analysis on its ten largest assets (excluding LXi assets), where it has available data, to determine stranding risk and potential exposure to write-downs resulting from misalignment with the 1.5°C pathway. High-level findings include:

- Three of these assets are already aligned with the CRREM 1.5 pathway or nearly 1.5 ready, mostly thanks to a combination of low gas usage and low intensity of the occupier's operations. A further two are currently flagged as "not aligned to the 1.5 pathway" by CRREM but will have re-aligned with the 1.5 pathway by 2030 through the projected decarbonisation of the UK National grid. Emissions in the intervening period can be reduced by introducing/increasing solar PV capacity; and
- Across the five remaining assets, the focus will be on fully understanding building use through engagement with our occupiers. This will further inform which sites would benefit from a more in-depth net zero audit to understand key interventions needed for alignment.

This analysis is being rolled out across the wider portfolio, and we will utilise the initial analysis undertaken on LXi's assets before the merger, which covered over 60% of their portfolio, to assist that work. As part of our strategy, we are collaborating with occupiers to assist with the mitigation of their own exposure to climate risks through measures such as greater adoption of green lease agreements and encouragement to improve the green credentials of buildings they lease from us, particularly on leasing or lease extension events.

Whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our developments by building to high standards and minimising upfront embodied carbon. Where we acquire assets with future redevelopment potential, embodied carbon offset costs are factored into our acquisition appraisals. These actions help future-proof our buildings and allow us to take advantage of opportunities from the shift to a low-carbon economy by improving occupier contentment, rental values, and the value of our assets.

Our sustainability performance

# TCFD Recommendation and Alignment

continued

## 2. Strategy continued

### C) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

**Organisation resilience**

As part of the 2022 JLL risk assessment, an analysis of a representative selection of assets within the portfolio was used to assess the physical and transitional risk rating and inform key action recommendations for the organisation. Those recommendations, alongside additional actions defined by LondonMetric, have been identified in Table 1.

The findings of the report stated that LondonMetric is well-positioned to mitigate climate-related risks. Key findings identified were:

- LondonMetric's Net Zero Carbon Framework and approach to asset improvement are well-developed and contribute towards mitigating less severe climate-related risks. However, there are some asset vulnerabilities, such as heat stress not being a current consideration and some assets being near or within areas susceptible to flooding;
- LondonMetric could conduct portfolio-level climate risk modelling to better understand the impacts of climate risks and opportunities at an asset, asset type and geographic level. This will help determine which assets are most at risk and where to focus mitigation efforts; and
- By addressing the identified gaps in the TCFD gap analysis, LondonMetric can ensure that it has a robust governance structure, policies, and procedures in place to manage climate-related risks.

A new assessment will be conducted over the next year to include the LXi assets to understand the wider portfolio's climate resilience. Additionally, our revised NZC strategy implementation will mitigate against several climate scenarios. To fully assess resilience, we plan to continue conducting CRREM analysis to quantify stranding risk.

Our investment strategy is to be agile in response to shifting market conditions to ensure climate resilience. The Company's shift out of multi-let retail parks and offices into distribution assets and other long let assets with lower energy requirements means that the overall carbon footprint of our buildings is significantly lower today. Furthermore, our significant investment and disposal activity over recent years, along with our ongoing upgrade work to buildings, has upscaled the environmental quality of our portfolio. Where we have acquired assets over recent years, principally in urban logistics, our approach has ensured that asset improvement is embedded in our business case and/or there is a high intrinsic value of the land, which makes highly sustainable redevelopment or repurposing commercially attractive. The merger with LXi added some assets that don't fully align with this strategy, which we expect to address in the coming years.

Currently consulted MEES regulation enhancements stipulate commercial properties would require an EPC rating of 'C' or higher by 2027/28, and 'B' or better by 2030 (with some exemptions). As a result of this regulation, we continue to review our portfolio, as well as the recently acquired LXi assets, to understand which are at risk of not meeting the proposed regulation. Over the last 12 months alone, we have re-assessed the EPCs on 1.2 million sq ft of assets, and we continue to ensure that all assets have a plan and that a minimum EPC of 'B' is achievable on new lettings, regears and refurbishments. It is the responsibility of the Working Group to remain informed about changing regulations and share this with the Board to ensure the business' assets remain compliant.

## 3. Risk Management

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

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

Climate-related risks come under the 'Responsible Business and Sustainability' corporate risk, which has been identified as a principal risk to LondonMetric. Principal risks refer to risks that have 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.

We are currently assessing the risk impact of the merger with LXi, given the material shift in our portfolio composition. Our Triple Net Lease model, with full repair and insurance leases that are now materially longer in duration as a result of the merger, presents increased challenges as there is less scope for near term direct intervention by us to improve assets and reduce Scope 3 emissions. Instead, it places greater reliance on our occupiers' environmental ambitions and their willingness to work in conjunction with us. However, we do not believe this to have materially increased our risk profile.

Two climate-related risk exercises have previously been conducted in parallel to gain a detailed understanding of exposure to risks. For a summary of the assessment, see page 61. One exercise was conducted at the portfolio level to assess portfolio resilience to these climate-related risks, while the second parallel exercise looked at the resilience of certain representative portfolio assets.

In assessing the risk at the portfolio level, an in-depth analysis of up-to-date, peer-reviewed scientific literature was conducted and was used to determine the frequency, duration, velocity and financial impacts of a range of potential climate-related risks. An overall likelihood and impact score was assigned to our business' principal climate risks. A summary of our scoring on key risks under the different scenarios is shown in Table 1.

At the asset-specific level, an in-depth review of representative assets' characteristics and geographic location was conducted to determine resilience to physical and transition risks and identify where those assets are most at risk. The representative list of assets was based on the property type, construction year, and size, amongst other variables. Following LondonMetric's acquisition of LXi assets, a new climate risk assessment is planned to include the acquired assets.

## 3. Risk Management continued

### B) Describe the organisation's processes for identifying and assessing climate-related risks.

The chart on page 91 of the Annual Report illustrates the probability and post-mitigation residual risk level of the 'Responsible Business Approach' risk relative to the other principal risks that have been identified. Risks are categorised and prioritised in a manner consistent with the Board's risk dashboard, which it considers at each meeting.

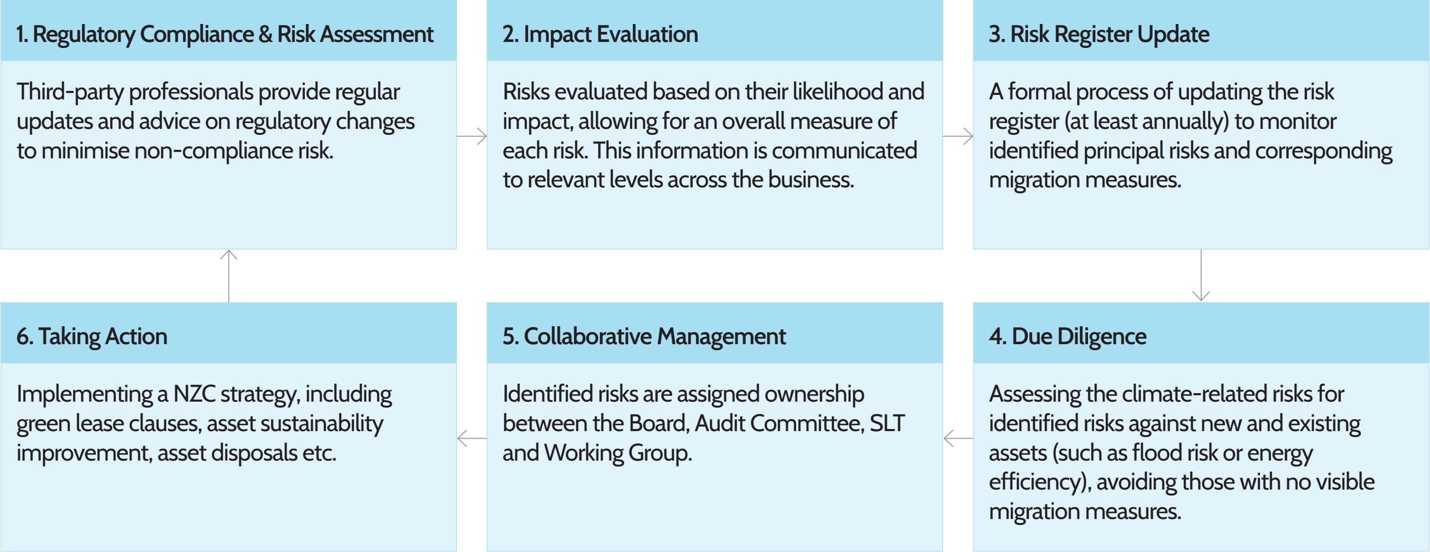
LondonMetric assesses regulatory risk on an ongoing basis, such as exposure to the more stringent MEES requirements. This is regularly monitored and assessed at an asset level by reviewing EPCs for new acquisitions, renewing expiring EPCs, and instructing EPC improvement plans for assets.

Both exercises have helped to identify robust risk management recommendations, details of which are included in Table 1.

### C) Describe the organisation's processes for managing climate-related risks.

Our process for managing climate-related risks is set out below in Figure 2. Climate-related risks are reviewed and evaluated annually and factored into business planning for the coming year. Acquired LXi assets will be incorporated within this risk management process.

**Figure 2: Climate-related Risk Management Process**



**1. Regulatory Compliance & Risk Assessment**

Third-party professionals provide regular updates and advice on regulatory changes to minimise non-compliance risk.

**2. Impact Evaluation**

Risks evaluated based on their likelihood and impact, allowing for an overall measure of each risk. This information is communicated to relevant levels across the business.

**3. Risk Register Update**

A formal process of updating the risk register (at least annually) to monitor identified principal risks and corresponding migration measures.

**4. Due Diligence**

Assessing the climate-related risks for identified risks against new and existing assets (such as flood risk or energy efficiency), avoiding those with no visible migration measures.

**5. Collaborative Management**

Identified risks are assigned ownership between the Board, Audit Committee, SLT and Working Group.

**6. Taking Action**

Implementing a NZC strategy, including green lease clauses, asset sustainability improvement, asset disposals etc.

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

The identification, assessment and management of LondonMetric's climate-related risks is embedded into its overall risk management process.

This is centred around the SLT, whose members are closely involved in day to day matters and have a breadth of operational experience.

The inclusion of physical and transition climate risks into our risk register reflects the integration of these risks into our overall risk management strategy, where both climate and non-climate-related risks are tracked, as outlined in the Governance and Risk Management sections above.

# TCFD Recommendation and Alignment

continued

## 4. Metrics & Targets

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

The following metrics are considered material and relevant to the Company:

- Energy consumption and carbon emissions (Scope 1,2 & 3), as well as a percentage of our occupiers' utility data obtained;
- EPCs and, to a lesser extent, BREEAM building certification coverage on new developments;
- Vulnerability to extreme weather, particularly flooding; and
- Green lease provisions coverage on new investments and asset management initiatives.

These metrics have been the most appropriate for the Company to date, but a full review will be carried out in the coming year to ensure they are consistent with sector-wide disclosure and correctly reflect the ESG strategy of the enlarged portfolio following the merger with LXi. At present, we don't have an official internal carbon price that we apply to investment decisions across our portfolio. However, the carbon impact of all our new developments and redevelopments is considered and monitored to manage the associated climate-related risks and opportunities.

Directors' Remuneration Policy is effective for three years from 2023 to 2026. As set out on page 147 of the Annual Report, 10% of the annual bonus is linked to achieving ESG objectives. ESG objectives for the Directors relevant to the year are set out on page 151 of the Annual Report and include climate-related targets around improving EPC ratings.

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

**Scope 1, 2 and 3 emissions**

Page 62 of the Annual Report shows the Scope 1, 2 and 3 emissions for LondonMetric, for 2023. Figures for 2022 are also included to allow for trend analysis.

GHG emissions are intensity-based and reported as $tCO_2e/£m$. We have calculated and reported our emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006. The methodology for calculating Scopes 1, 2, and 3 is included on page 62 of the Annual Report.

For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2023 were used. For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for. For the remainder of electricity, which is not REGO backed, the UK's residual mix factor was used to calculate the associated emissions.

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 within the Annual Report. This is to clearly demonstrate where LondonMetric has operational control throughout the year and how void data impacts the overall total emission.

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

Table 3 provides an overview of targets set by LondonMetric across relevant metrics listed under section (a), covers KPIs to measure performance and includes a 2024/25 roadmap narrative, where applicable.

The targets shown are absolute, with an annual achievement date, and metrics are reported on the percentage of the portfolio area unless otherwise stated.

This set of metrics and KPIs will be reviewed and updated in the coming year to ensure relevance to the ESG strategy of our combined portfolio.

## 4. Metrics & Targets continued

**Table 3: Overview of targets across relevant metrics**

| Target and associated risk & opportunity | KPIs | FY 2023/24 | FY 2022/23 | Trend analysis and comment |
|---|---|---|---|---|
| 1. Minimise landlord energy<br>R2, R4, R10 | Monitor all landlord energy consumption | Achieved | Achieved | Given the limited opportunities for further improvement, like for like consumption increased, suspected linked to marginally higher lighting use due to weather patterns. Operational NZC target is being pushed back due to LXi merger, but Carbon Neutral expected to be achieved for Scope 1 and 2, in calendar 2024. See page 57 for further details. |
| | Ensure like-for-like reduction in energy consumption | -2% | -3% | |
| | Achieve operational NZC by end 2023 | Expect to be Carbon Neutral for calendar 2024 | n/a | |
| 2. Renewable / Green Supply<br>R4, R5, O1 | 100% renewable energy for landlord electricity supplies (excluding voids) | 97% | 95% | Landlord supplies on renewable energy tariffs have increased overall. Over the next year, key requirements from managing agents for landlord supplies will be set.<br>See page 60 for an update on EV charging. |
| | Roll out of EV charging across select assets where operational control | 25 new chargers (5 sites) | 16 new chargers (3 sites) | |
| 3. Upgrade portfolio's green credentials<br>R1, R2, R3, R4, R5, R6, R7, O2, O3 | Increase % of portfolio with EPC 'A-C' rating | 85% | 90% | 'A'-'C' rating decreased due to LXi assets acquired. Ongoing monitoring and development of action plans for units below 'C', in line with government MEES. Asset plans are to be extended next year, along with a target for asset-level NZ audits.<br>1 Percentage of leases in the year with green lease clause<br>2 NZC audits undertaken in year (million sq ft) |
| | On all lettings actively consider improvements to assets' green credentials, including green leases[1] | 80% | 31% | |
| | Better understand portfolio's potential to become NZC[2] | 2.9m sq ft | Not monitored | |
| 4. Occupier energy reduction<br>R1, O1 | Increase occupier energy data collection and look to include data in reporting | 72% | 68% | Occupier data coverage increased due to ongoing engagement. Overall solar capacity has increased, with a proposal now offered to occupiers as part of the annual occupier survey, see page 39 for an update on solar PV. Engagement with top occupiers on automated data sharing to be extended. |
| | Encourage occupiers to source renewable energy and collaborate on energy savings initiatives | Achieved | Achieved | |
| | Target the addition of 3 Solar PV systems p.a. to the portfolio | 3 | 4 | |
| 5. On all direct developments<br>R1, R5, R8 R9, R10, R11, O3 | Demonstrate at least one of the following sustainability indicators are considered: a) Energy efficiency (min EPC B rating); b) Renewables & EV charging; c) Climate change and biodiversity; d) Low carbon materials; e) minimise waste; and f) Local community | Achieved | Achieved | Only one direct development was completed in the year, which achieved an EPC 'A' rating. Construction materials were sustainably sourced, and construction waste was minimised where possible, with over 80% diverted from landfill. |
| 6. On large direct developments<br>R1, R5, R8 R9, R10, R11, O3 | Achieve BREEAM Very Good | n/a | 100% | No large direct developments were completed in the year. However, the two large forward funding (indirect) developments achieved a BREEAM rating of Good and Very Good. Over the next year, we expect to set a NZC-aligned development target in line with industry standards. |
| | Track embodied carbon | n/a | Achieved | |
| | Embed NZC-aligned operational performance targets in design | n/a | Not monitored | |
| | Shadow carbon price on large flagship developments | n/a | Not monitored | |
| | Undertake whole life carbon assessment where practical | n/a | n/a | |
| 11. Climate resilience<br>R7, R8, R9 | Improve understanding and monitoring of portfolio's key climate risk (particularly flooding) | 2% High Risk | 1% High Risk | Due to disposals in the year, the proportion of properties at high risk of flooding increased. Higher-risk assets are monitored on an ongoing basis, and acquisitions are assessed thoroughly. See page 61 for further details on flood risk. |

A review of our risk

# Risk management and internal controls

**Martin McGann**
Finance Director

## Framework and responsibility

### The Board

- Overall responsibility for risk management and internal controls
- Assess and monitor going concern and long term viability
- Set strategic objectives having considered risk
- Determine appropriate risk appetite levels
- Set delegated authority limits

### Audit Committee

- Key oversight and assurance function on risk management, internal controls, going concern and viability
- Review and assess effectiveness of key processes and controls over principal risks
- Report to the Board on the effectiveness of risk management and control processes

### Senior Leadership Team

- Identify, assess and quantify risk
- Implement risk mitigation processes and monitor their effectiveness on a day to day basis
- Ensure risk awareness is embedded throughout the organisation

Our risk management framework supports effective decision making, and is core to our management practices, which help deliver our strategy and our commitments to stakeholders.

## How we manage risk

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

### The Board

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

Risk is considered at every Board meeting with the Chief Executive providing the primary stimulus for debate through an informative market overview covering macroeconomic or longer term themes and evolving trends within the sector, the wider economy and risk environment, in conjunction with the Finance Director as required. Feedback from meetings with industry representatives and stakeholders is also provided.

Detailed papers on matters reserved for the Board's attention highlight areas of risk and where such papers are circulated outside of the Board's regular forum, Directors are provided with an opportunity to discuss proposals with senior management prior to approval and later ratification by the Board as a whole. Pertinent discussions between individual Directors outside of scheduled meetings are additionally brought to the Board's attention.

The Board also uses a high-level risk dashboard to monitor material issues, track new and emerging risks and further promote regular risk discussion at its meetings.

Strategy remains a key focus for the Board and this year saw debate on risks associated with weak market liquidity, corporate opportunities, disposals to manage gearing and provide optionality, the debt market, floating rate debt exposure and asset management initiatives. Significant time, including three additional meetings, was dedicated solely to the merger with LXi. Following completion of the merger an action list has been appended to the risk dashboard to assist Directors in tracking the integration progress in addition to the more detailed updates they receive.

→ **Read more on key due diligence and risk mitigating actions undertaken on the LXi acquisition in LXi in focus on page 89.**

### The Audit Committee

The Audit Committee provides a key oversight and assurance role. It appraises the risk management framework in detail seeking comfort that there is a robust system in place for the identification, assessment and mitigation of the principal risks faced by the Group. Principal risks are significant risks that could affect our strategic ambitions, future performance, viability, and/or reputation.

The Committee reviews the detailed risk register and management's assessment of the system of internal controls annually, considers their effectiveness and reports its findings to the Board. It also undertakes thematic deep dives into significant or areas of increasing risk.

→ **Read more on the Audit Committee's work, findings, and recommendations during the year on page 90.**

The Committee is cognisant of the 2024 UK Corporate Governance Code's requirement to include a Board declaration on the effectiveness of the Company's material controls by 31 March 2027. A pathway to compliance with the expanded Provision 29 (the Internal Controls declaration) and progress monitoring will be agreed over the coming year.

### The Senior Leadership Team

The Senior Leadership Team ('SLT') has primary responsibility for key operational and financial aspects integral to the management of the business including ongoing risk identification and the design, implementation, and maintenance of internal controls considering the risks identified. The SLT comprises departmental heads from all key business functions with a diverse range of skills and experience. Short reporting lines and members' close involvement in day to day operations ensures that key messages and decisions are fed down across the wider workforce so that risk awareness is embedded throughout the organisation and considered in everything we do.

### Identifying emerging risks

We proactively seek to identify critical risks across the organisation and to develop and maintain action plans for their mitigation.

The SLT is supported by three sub-committees: the Investment, Asset Management and Finance Committees, which meet regularly, each focusing on different areas of the business. Informal meetings are held at other times and due to the size of the organisation, the Executive Directors and other SLT members are involved in all significant business discussions and decisions. These meetings help to facilitate the early identification, analysis, and monitoring of emerging risks. Emerging risks are potential threats that are not yet fully understood or recognised but which have the potential to cause significant harm or disruption in the future. Such risks may arise from new technologies, changing socio-economic conditions, environmental factors, or other developments that introduce uncertainty into various aspects of society or business. They can include issues such as cyber security threats, climate change impact, geopolitical instability, emerging diseases, technological disruptions, and shifts in consumer behaviour.

At a property level, deep occupier relationships inform management and help them to understand tenants' needs and contentment, challenges to the status quo and the driving forces affecting their businesses. They can help source off market opportunities as well as identify emerging risks and trends.

Management also has strong banking relationships, as demonstrated through the support we received on the LXi acquisition, and more broadly regularly meet industry representatives, analysts, shareholders, and other stakeholders to discuss pertinent topics. These relationships are also used to identify emerging risks. Together they help to form consensus about wide ranging issues within the real estate sector and wider economy, identify gaps in understanding and bring into focus new areas where additional research is required, reports commissioned, or briefings arranged to better understand challenges.

Significant emerging risks are raised and discussed at Board level. No new emerging risks were identified during the year but we are alert to the pace of technological advances, particularly AI and are conducting research not only into how AI is being employed across industries and its impact on processes and space requirements but also how we can be made more efficient and what our competitors are doing.

### Risk register

Our risk register is reviewed and updated at least annually by the Company Secretary assisted by members of the SLT.

Specific risks are identified in the register and their significance and probability scored from high to low, based on collective judgement, with corresponding weightings to reflect the potential impact on the business prior to mitigation. Specific safeguards are similarly identified and rated from strong to weak. These are detailed in the register and combined with the gross risk rating to produce an overall colour coded residual risk rating. Consideration is given to the implementation of actions to further reduce risk where necessary and every risk is allocated an owner. Details of how safeguards are evidenced are noted in the register and risk owners and timeframes are included for any action points arising from the review. The risk register is supplemented by the high level dashboard used by the Board at each meeting.

### Internal control systems

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

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

The SLT oversees a detailed system of processes and internal controls covering all aspects of the business. These processes and controls are considered on a continual basis and modified periodically, usually in response to changes in the Company's IT systems or management processes, for example on the acquisition of LXi where critical functions are performed by third party service providers.

A review of our risk

# Risk management and internal controls

continued

### Determining appropriate risk appetite levels

Our risk management framework provides the Board with confidence that the risks inherent in operating the business are successfully being identified and mitigated to the extent possible to reduce unpalatable outcomes and to bring those which can be controlled to within acceptable appetite levels.

Risk appetite refers to the level and type of risk that the Board is prepared to accept or tolerate in pursuit of its strategic objectives and goals.

The Board carefully considers and debates a wide range of factors and the emergence of new risks. These frame the extent to which it is willing to accept some level of risk or flex its existing risk appetite when delivering its strategic priorities. It aims to maintain a low risk appetite overall, balancing commercial considerations within acceptable boundaries to protect stakeholder interests.

This year the Board has responded to the prevailing macro environment with elevated debt costs by limiting direct market investment in favour of disposals to provide optionality and to maintain a lower LTV while remaining active in looking at M&A opportunities. This culminated in sales of £185 million and the acquisitions of CTPT and LXi at £193.6 million and £1,752.0 million respectively, paid for through the issue of new shares to form a combined £6.0 billion property portfolio.

The transformative merger with LXi builds on the strengths and strong track records of both companies to create a new major UK REIT, aligned to structurally supported sectors with high barriers to entry and income security, with a low cost base, better access to capital through greater scale and enhanced scope for capital recycling and asset management to drive compounding income growth and total returns for shareholders.

Read more on our transformational merger in the Chief Executive's review from page 14.

> **We consider risk appetite dynamically, regularly considering a wide range of factors and the emergence of new risks and set our risk appetite accordingly."**

Our acquisition of LXi raised the overall risk profile of the Company in the short term and the Board's appetite in relation to certain principal risks. The increased risk is largely connected to the timing of the acquisition close to our year end and LXi's externally managed business model, particularly its heavy reliance on third party service providers, which will be mitigated as the business is integrated into the Company.

### Risk categories:

Our principal risks are identified and reported on in pages 92 to 98. They remain consistent with last year other than we no longer consider development to be a principal risk as our current exposure is limited.

We consider risk under the three main categories, but it is recognised that these are often interlinked.

#### Corporate

Relating to the entire Group.

**Risk considerations:**
Culture, strategy, the market, political, economic, employees, Responsible Business practices, wider stakeholders, security, systems, regulation.

#### Property

Focusing on our core business.

**Risk considerations:**
Portfolio composition, investment, divestments, asset management, developments, valuation and occupiers.

#### Financing

Focusing on business funding.

**Risk considerations:**
Capital markets, investors, joint ventures, debt, cash management.

## LXi in focus

Three additional meetings were dedicated solely to the LXi transaction during which the Board considered management's assessment and quantification of the risks relating to the merger amongst other things and appraised the due diligence and risk mitigating actions undertaken in determining its overall risk appetite for the transaction.

### Key due diligence and risk mitigating actions undertaken on the LXi acquisition included the following:

### Corporate

- Due diligence on the LXi group structure, material contracts, outsourced functions, financial reporting procedures and risk register
- Acquired the LXi investment advisor to internalise management, provide continuity and job security for LXi staff
- Held regular meetings with LXi staff to better understand the assets, discuss integration and plan for the year end reporting process
- Met key third party service providers including the administrator, Jersey administrator, valuer, tax advisor and auditor
- Engaged German tax specialists to understand the risks and compliance requirements on the German asset
- Ensured all regulatory requirements relating to the transaction were met, assisted by lawyers

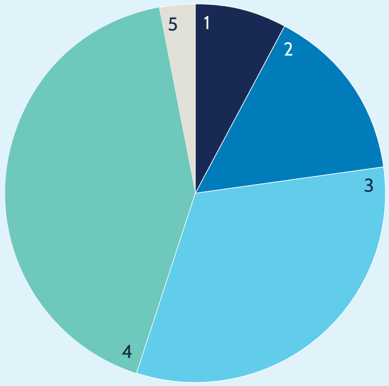
### Property

- Inspected 92 assets across the UK, Northern Ireland and Germany
- Legal summary reports were produced and reviewed across every asset. Deeper title work was undertaken across the top 56 assets (66% by value)
- Covenant reviews were undertaken on key tenants and any 'at risk' credits
- Ranked all assets on standard criteria on a rating out of five driving thoughts on potential sale candidates
- Reviewed EPC analysis and discussed ESG in general with LXi's Head of ESG
- Identified key property risks with near term action required to mitigate them

### Financing

- Comprehensively engaged with both companies' larger shareholders to explain the rationale and understand concerns
- Reviewed the impact of the transaction on the Company's debt facilities
- Reviewed LXi facilities, hedging, recent covenant compliance calculations and certificates
- Engaged third parties to value debt in arriving at the exchange price mechanism
- Obtained consents from lenders to the transaction and waivers where necessary
- Increased the permissible secured debt basket limit under our unsecured facilities to provide headroom to avoid costly loan prepayments on LXi facilities
- Completed a new £700 million unsecured debt facility to replace £625 million of secured LXi facilities on more favourable terms and to provide secured debt basket headroom

### LXi REIT merger



| | | |
|---|---|---|
| 1 | Logistics | 8% |
| 2 | Convenience | 15% |
| 3 | Healthcare | 32% |
| 4 | Entertainment & leisure | 42% |
| 5 | Other | 3% |

**+£2.9bn**

Assets acquired

Thorpe Park

A review of our risk

# Risk management and internal controls

continued

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

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

During the year and into April 2024 the Audit Committee carried out the following risk, internal control and thematic reviews on behalf of the Board taking into account the Company's transformative merger with LXi and the challenging economic, market and geopolitical backdrop which persisted throughout the period. The Committee was satisfied, based on its review and assessment, that no significant weaknesses have been identified in the Group's internal control structure and that an effective risk management system is in place. These findings were reported to and discussed with the Board.

| Risks considered | What was considered and outcome |
|---|---|
| The Company's detailed risk register | Review of the register last updated in March 2024.<br>Members were satisfied that all significant risks including those arising out of the LXi merger have been identified, each bears an appropriate risk weighting, each has identifiable safeguards to mitigate against its occurrence and potential impact and an allocated risk owner. That details on assurance and action points are recorded with appropriate timeframes provided. The heightened risk associated with the integration and year end reporting, particularly the lack of direct access to LXi's accounting systems and the timeliness of its financial information due to the outsourced nature of its day to day accounting processes, was debated.<br>Members recommended: (1) close monitoring of the timing and outputs from the administrator, (2) appending the register's action points, which are largely integration related, to the risk dashboard that the Board receives at each meeting so that progress can be easily tracked. |
| Internal controls evaluation report | Review of management's assessment of the existence and effectiveness of key internal controls.<br>Based on their review and consideration, members were satisfied that no significant weaknesses have been identified in the Group's internal control structure and systems are effective.<br>Members recommended: (1) preparing a pathway for compliance with Provision 29 of the 2024 Code (the Internal Controls declaration) and monitoring progress, (2) keeping under review additional recruitment needs following the LXi merger, (3) considering whether external resource is required to assist management in preparing for the higher level of assurance proposed by the 2024 Code. |
| 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. The Government's proposed new Code of Practice in response to increasing cyber risk.<br>Members satisfied themselves that the risk posed continues to be actively and pragmatically monitored and managed. They were assured by the further enhancements made to the IT infrastructure to improve security and resilience. They were also assured by the results of the independent systems testing undertaken.<br>No recommendations were made. |
| Credit analysis report | Changes to the Company's top 20 tenant profile predominantly due to the LXi merger. Key information on the top ten LXi tenants and an update on the enlarged Group's 'watch list' tenants. Changes to the new tenant due diligence and ongoing credit monitoring processes.<br>Members were satisfied management have appropriate processes in place and remain vigilant to the risk posed by the current economic environment.<br>No recommendations were made. |
| ESG focused meeting (open to all Directors) | The Company's ESG framework and key objectives, additional staff resourcing, legislation and current landscape, initiatives being undertaken and progress against targets, roll out of ESG software platform and its capabilities, engagement with occupiers, inherited knowledge and know-how through M&A activity, M&A impact on the portfolio's ESG ratings and planned activity, ESG challenges and opportunities associated with long leases and the net lease business model, required reset of the ESG approach and targets following M&A activity specifically the Net Zero pathway, external benchmarking, TCFD and investor feedback.<br>Members were satisfied ESG remains a key focus for management and a substantial amount of work is being undertaken.<br>No recommendations were made. |

## Outcome

Based on boardroom debate and the Audit Committee's detailed review and assessment, the Board can confirm that a robust assessment of the principal and emerging risks facing the Group, including those arising out of LXi acquisition and those that would jeopardise its strategic priorities, was carried out during the year.

## Looking ahead

To achieve what the Board considers to be more optimal sector weightings we will need to undertake the sale of assets considered to be non core and some portfolio repositioning over time. Management is currently focused on the integration of the two businesses following the completion of the LXi merger and our property team is forging relationships with the tenants in the new sectors acquired.

More generally we continue to live in a period of heightened geopolitical and economic uncertainty with conflict in the Middle East together with the ongoing war in Ukraine and tensions with China and persistent inflationary pressures which are pushing back interest rate cut expectations, impacting market conditions.

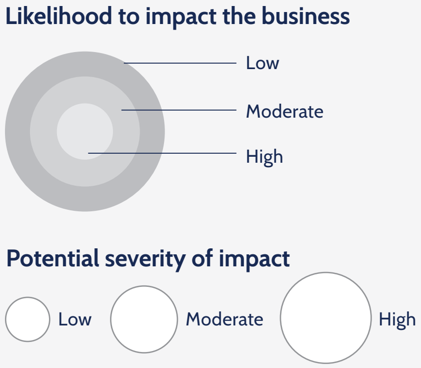
These factors will undoubtedly influence our approach over the next 12 months. Market sentiment is however starting to look increasingly positive, but investors are still adopting a wait-and-see approach in anticipation of interest rate cuts. The likelihood is that the improving outlook will drive more deals as the year progresses subject to any further geopolitical shocks.

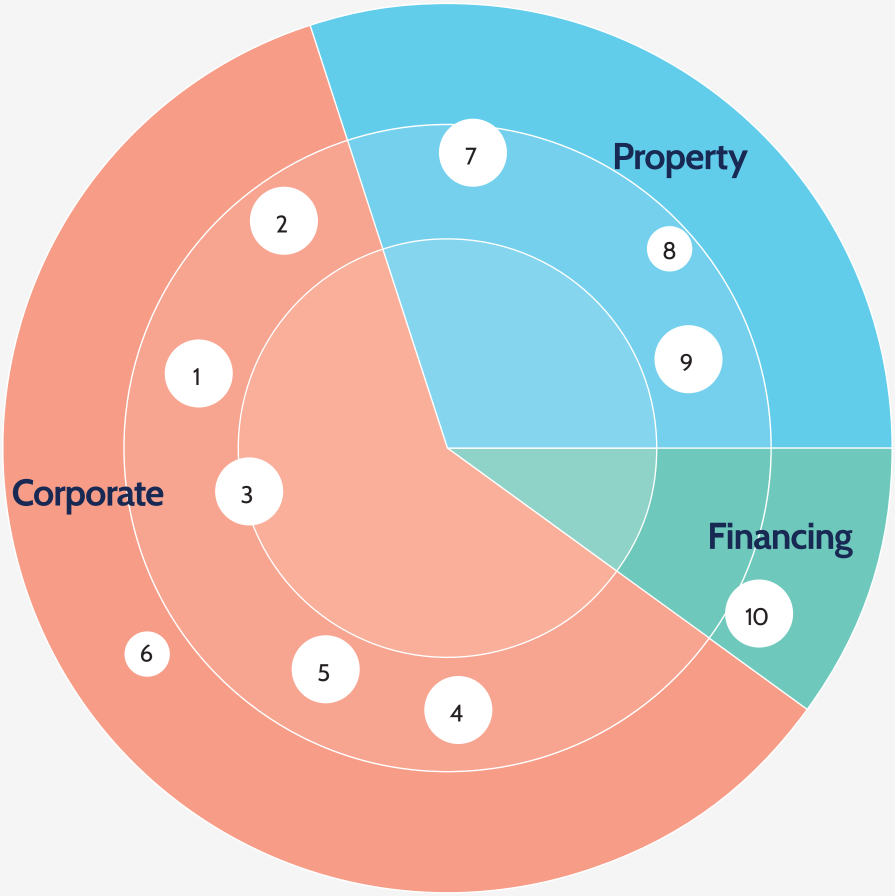
## Current view of residual risk

Residual risks (post mitigation measures) are assessed by their likelihood to impact the business and the potential severity of impact. The chart below illustrates our current view. Risks are categorised in a manner consistent with the Board's risk dashboard which it considers at each meeting.

**Risk**

1. Strategy and its execution
2. Major event
3. People
4. Systems, processes and financial management
5. Responsible Business and sustainability
6. Regulatory framework
7. Investment risk
8. Valuation risk
9. Transaction and tenant risk
10. Capital and finance risk





# A review of our principal risks

— No significant change
↓ Decreased risk
↑ Increased risk

## Corporate risks

### 1. Strategy and its execution

#### Risk

Our success depends on owning quality assets in selected sectors underpinned by dependable and growing income. Our assets or the sectors in which we invest may not be appropriate for the current economic climate, market cycle or occupier needs. External factors or poor strategy implementation may mean that our investment objectives are not met.

#### Impact

Failure to respond appropriately to changing external factors or execute strategy effectively may adversely affect our financial performance and achievement of our growth targets.

**Impact on strategy**

#### Mitigation

- Our strategy and objectives are regularly evaluated and modified to changes in trends, market conditions and new opportunities or threats such as potentially disruptive technology.
- We use our network of connections, research, and deep occupier relationships to gather intelligence and help shape our decisions and strategic direction and our flat organisational structure makes it easier to identify market changes, emerging risks and monitor operations.
- Our portfolio is continually analysed and adjusted taking into consideration sector weightings, tenant and geographical concentrations, perceived threats and changes in the market, the balance of income to non income producing assets and asset management opportunities.
- The SLT comprises departmental heads from all key business functions with diverse skills and deep experience. High share ownership amongst the team provides strong shareholder alignment on all major decisions.
- We have appropriate controls in place around transactions and provide regular progress updates to the Board on significant activity.

#### Commentary

**Current year**

Our portfolio continues to be aligned to structurally supported sectors but has been broadened to include business critical and key operating assets for occupiers across a broader range of underlying sectors through our acquisition of LXi. Limited vacancy, a sector leading WAULT and minimal gross to net rent leakage, position the portfolio to provide reliable, repetitive, and growing income with substantial cost and operating synergies expected to drive faster earnings growth combined with dividend progression. With continuously increasing rents the portfolio is also positioned for capital appreciation in a stabilised market.

**Year ahead**

Our ambition in logistics, particularly urban, remains undiminished. Portfolio repositioning through acquisitions and the sale of non core LXi assets, will be a priority in the 12+ months ahead where we can afford to be patient if market liquidity continues to be weak. The integration of LXi and minimising gross to net income leakage are also priorities.

#### Appetite

Low. Our focus on the macro trends and how they define the winners and losers in the real estate sector have served us well and continue to influence how we invest our capital. This year we have brought together two highly complementary strategic approaches and embraced the Triple Net Lease business model successfully established in other parts of the world through our transformational merger with LXi.

#### Change in the year

↑ Increased risk

Increase driven by our acquisition of LXi.

→ Read more in
Chief Executive's review page15
Property review page 34

### 2. Major event

#### Risk

An unforeseen national, regional or global event or series of events such as a financial crisis, pandemic, conflict, acts of terrorism or a political or economic event or events may result in a market downturn, specific sector turbulence or significant business disruption.

#### Impact

Such events, particularly if sustained, may impair occupier demand, asset liquidity, revenue and values putting loan covenants and shareholder returns under pressure. They may also impact the cost and availability of debt and new equity. Staff and working practices may be negatively impacted.

**Impact on strategy**

#### Mitigation

- We remain focused on what we can control within the business by adopting a disciplined and rational approach to portfolio management. This includes maintaining a broad tenant base and low vacancy on a portfolio of well located, predominantly UK assets in structurally supported sectors and assets that are business critical or key to the operations of their occupiers.
- Our strong occupier relationships provide market intelligence and help us to better understand our tenants' businesses and needs enabling us to provide fit for purpose long let real estate. They also help us to identify emerging trends and risks.
- Our development exposure is low in the current economic climate.
- Our financing strategy is regularly reviewed.
- We nurture relationships with new and existing debt and equity providers, and we predominantly have flexible funding arrangements from a diverse lender pool with significant covenant headroom.
- Our property portfolio is safeguarded by appropriate insurance cover.

**Own**

Invest in real estate aligned to structural trends

**Manage**

Disciplined, low cost and responsible management of our assets

**Collaborate**

Leverage our expertise to benefit from strong relationships

**Generate**

A focus on reliable, repetitive and growing income

## Commentary

**Current year**

97% of our portfolio is now aligned to the logistics, convenience, healthcare, entertainment and leisure sectors with high occupancy and long leases. 79% of rent is subject to contractual uplifts providing strong income compounding with reversionary open market reviews on the remaining, mainly logistics assets where occupier demand is high.

We were supported by our relationship banks on the LXi transaction and welcomed ABN Amro as a significant lender into our new £700 million unsecured facility to refinance two secured LXi facilities.

We have cash and significant undrawn headroom of £795 million in our unsecured facilities at the year end.

**Year ahead**

An escalation of the conflict in the Middle East or Ukraine and potential changes in government in the UK and USA may impact policies affecting inflation and rates of interest.

## Appetite

These events are outside of the Board's control. Its focus remains on maintaining a robust portfolio and financing strategy to withstand shocks to the maximum extent possible. The Board monitors the impact of such events closely when they occur and flexes operations accordingly.

## Change in the year

— **No significant change**

Continued uncertainty and high geopolitical risk with a new conflict in the Middle East together with the ongoing war in Ukraine and increasing tensions with China.

**Read more in**
**Chief Executive's review page 15**
**Property review page 34**
**Financial review page 47**

## 3. People

## Risk

Our business is run by a relatively small team and there may be an inability to attract, motivate and retain high calibre senior staff with the experience and expertise necessary to lead the business and deliver strategy.

## Impact

We may lose our competitive advantage and financial performance may suffer.

### Impact on strategy

## Mitigation

- We undertake annual staff satisfaction surveys to help gauge contentment and our designated workforce Non Executive Director hosts annual round table meetings with a cross section of staff to hear their views and air concerns.
- We offer competitive remuneration packages with many staff participating in the LTIP which incentivises long term performance and creates an ownership culture and a sense of togetherness aiding retention and providing stability within the wider team. Staff turnover levels are low.
- The SLT promotes talent development below the Board.
- Annual appraisals identify training needs and assess performance.
- External specialist support contracted as required.
- Our new Directors bring continuity for shareholders and expertise in the largest LXi assets and sectors, previously owned by Secure Income REIT plc prior to its merger with LXi.

## Commentary

**Current year**

SLT members met LXi staff pre-merger with finance staff holding weekly meetings to discuss integration and the year end reporting process. 'Get to know you' events have been held and our new LXi colleagues have relocated to LondonMetric's office. Extra staff have also been recruited in addition to those joining from LXi where requirements have been identified.

Changes in role resulting from the merger have been reflected through remuneration reviews.

Our staff survey responses continue to be very positive with respondents proud and happy to work for LondonMetric and highly confident in senior management's decisions.

**Year ahead**

Complete integration and address requirement for a more structured approach to executive succession planning as identified by the external Board evaluation review.

## Appetite

Low. The Board believes that it is vitally important that the business has the appropriate level of leadership, experience and expertise to deliver our objectives and to identify and adapt to change.

## Change in the year

↑ **Increased risk**

Increase caused by the integration requirement, the significant increase in workload from the doubling of the Company's size, the proximity of our merger with LXi to the year end and less familiar asset classes.

**Read more in**
**Responsible Business and ESG review, People page 66**
**Remuneration Committee report page 137**

# A review of our principal risks

continued

— No significant change
↓ Decreased risk
↑ Increased risk

## Corporate risks

### 4. Systems, processes and financial management

#### Risk

The integrity of our property database and financial systems and the accuracy and timeliness of financial information which supports strategy may be poor.

#### Impact

Decisions may be made on inaccurate information and published information may be misstated or late.

#### Impact on strategy

#### Mitigation

- We have a strong controls culture and maintain appropriate segregation of duties and controls over financial systems. We also maintain appropriate data capture procedures to ensure the accuracy of the property database.
- Management accounts are produced quarterly at Group level and reviewed by senior managers before being shared with the Board. Variances against forecast are investigated and reported.
- Our cost control procedures ensure expenditure is valid, properly authorised and monitored.
- Detailed due diligence is undertaken on corporate acquisitions to understand differences in accounting policies, processes, controls and the timing of financial information. Additional controls and oversight processes are implemented on completion prior to integration as considered appropriate where those businesses are externally managed.
- Our business continuity plan is tested, and we seek to ensure the integrity of our IT systems and cyber security through third party specialists and staff training.

#### Commentary

**Current year**

We have successfully concluded the integration for the CTPT acquisition which completed in August.

Prior to the LXi acquisition completing, senior finance members from both companies met LXi's administrator to agree amendments to ongoing procedures and reporting for the merger and the year end to streamline it to the extent possible to minimise delays given the proximity of the transaction to our year end. The two finance teams then coordinated processes for the year end consolidation and audit of the enlarged Group.

**Year ahead**

Complete integration including bringing those functions currently undertaken by LXi's administrator in-house. Complete and test the enhanced Group financial forecast model being built by a specialist third party. Prepare and progress pathway for compliance with the expanded Code Provision 29.

#### Appetite

Low. Management continually strives to monitor and improve processes to ensure they are fit for purpose.

#### Change in the year

↑ Increased risk

As an externally managed business, LXi engaged experienced third party service providers to carry out virtually all functions including the provision of accounting services. Surrendering day to day control of accounting processes can lead to inaccuracies in financial information as well as delays in reporting timelines. The lack of direct access to accounting systems may also cause delays in information sharing and difficulties in resolving issues promptly. LXi's reliance on the performance and reliability of its administrator means that operational issues could potentially disrupt the quality and continuity of the services provided affecting financial reporting.

→ Read more in
Financial review page 47
Audit Committee report page 130

### 5. Responsible Business and sustainability

#### Risk

Non-compliance with Responsible Business practices and management of climate risk.

#### Impact

Non-compliance may lead to reputational damage and be detrimental to our relationship with key stakeholders. It may also impact asset liquidity, shareholder returns and potentially reduce access to debt and capital markets.

#### Impact on strategy

#### Mitigation

- We monitor changes in law, stakeholder sentiment and best practice on sustainability, environmental matters and our societal impact with support from specialist consultants and consider the impact on strategy.
- Responsibility for specific obligations is allocated to SLT members and our Responsible Business Working group which meets each month and reports to Audit Committee.
- Sustainability targets are set, monitored and reported. EPC rating benchmarks are set to comply with current and future Minimum Energy Efficiency Standards ('MEES') to ensure that the quality and desirability of our assets is not affected and that we do not suffer higher voids, reduced income and liquidity issues.
- We consider environmental and climate change risk relating to our assets, commission studies and reports and provide staff training.
- Proper consideration is given to the needs of shareholders and occupiers by maintaining high levels of engagement.
- We work with occupiers to improve the resilience of our assets and their business models to climate change and a low carbon economy. We also consider our impact on local communities.
- Contractors are required to conform to our responsible development requirements.

**Own**

Invest in real estate aligned to structural trends

**Manage**

Disciplined, low cost and responsible management of our assets

**Collaborate**

Leverage our expertise to benefit from strong relationships

**Generate**

A focus on reliable, repetitive and growing income

## Commentary

**Current year**

We made good progress on our 2024 targets which have largely been achieved. In particular, we materially increased our GRESB score from 64 to 76, driven by a number of improvements including better data collection.

We have also had a good level of occupier engagement which has translated into a significant number of ongoing and completed green initiatives and an occupier survey landlord recommendation score of 9.0/10.0. Green lease clauses are now widely being adopted on new leases and regears.

We engaged with shareholders representing 67% of our register and met with the vast majority of the combined register on the LXi merger proposals.

Our employee satisfaction score was again high with 97% of employees proud to work for LondonMetric, up from 94% in 2023.

**Year ahead**

We are currently working on integration and completing the roll out of Evora, a comprehensive ESG software platform.

## Appetite

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

## Change in the year

↑ **Increased risk**

Through our M&A activity we have inherited an ESG specialist, know-how and knowledge. Our merger with LXi has however impacted portfolio ESG ratings with the enlarged Group's EPC A-C ratings falling to 85% from 90% last year. We have had to pause on developing our net zero pathway so that we can consider the implication of the material shift in our portfolio makeup. Our Triple Net Lease model with materially longer leases presents challenges with less scope for near term direct intervention by us to improve assets and reduce emissions. It instead places greater reliance on occupiers' environmental ambitions. We will need to revisit and readjust our plans following integration.

→ **Read more in**
**Responsible Business and ESG review page 55**
**TCFD page 77**

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

## 6. Regulatory framework

## Risk

Non-compliance with legal or regulatory obligations.

## Impact

Potential reputational damage, increased costs, fines, penalties, or sanctions. Access to debt and capital markets may also be reduced.

### Impact on strategy

## Mitigation

- We monitor regulatory changes that impact our business assisted by specialist support providers and consider the impact of legislative changes on strategy.
- We have allocated responsibility for specific obligations to individuals within the SLT and provide staff training on a wide range of issues.
- 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.

## Commentary

**Current year**

No significant new regulatory changes have impacted the business. We are cognisant of the 2024 Code's requirement to include a Board declaration on the effectiveness of material controls by 31 March 2027. A pathway for compliance with the expanded Provision 29 (the Internal Controls declaration) will be prepared and progress monitored.

**Year ahead**

We anticipate no significant change in this risk over the next 12 months. New regulations and evolving best practice will continue to impact the business.

## Appetite

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

## Change in the year

— **No significant change**

There has been no significant change in perceived risk

→ **Read more in**
**Audit Committee review page 90**

# A review of our principal risks
continued

— No significant change
↓ Decreased risk
↑ Increased risk

## Property risks

### 7. Investment risk

### Risk
We may be unable to source rationally priced investment opportunities.

### Impact
Our ability to implement strategy and deploy capital into value and earnings accretive investments is at risk.

### Impact on strategy

### Mitigation
- Our property team's extensive experience and strong network of relationships provide insight into the property market and opportunities.
- We have a dedicated Investment Committee led by SLT members which meets regularly.
- Management has a proven track record of executing transactions, making good sector choices and growing income even through periods of uncertainty and market volatility.
- We have a resilient capital structure and significant undrawn headroom in our debt facilities.

### Commentary
**Current year**
This year we have favoured M&A activity through the issue of new shares as described under Principal risk 1 (Strategy and its execution).

**Year ahead**
We have initiated our portfolio repositioning to achieve more optimal sector weightings, but accretive capital deployment remains difficult. Since acquisition we have exchanged on non core LXi asset sales of £55.3 million and prioritised the acquisition of urban logistics and trade counters, finding reasonable liquidity in smaller lot sizes in the current market conditions.

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

### Change in the year
↓ Decreased risk

We expect increased scale and liquidity to confer a competitive advantage when pursuing possible transactions including superior access to larger investment opportunities.

→ Read more in
Chief Executive's review page 15
Property review page 34

### 8. Valuation risk

### Risk
Investments may fall in value.

### Impact
Pressure on net asset value may have negative implications for the Group and potentially loan to value debt covenants.

### Impact on strategy

### Mitigation
- Our focus remains on sustainable income and lettings to high quality tenants within a diverse portfolio of well located assets. Fit for purpose, modern long let assets, low vacancy and strong tenant covenants provide resilience and reduce the negative impact of a market downturn and we therefore continue to enhance our income and the quality of our assets.
- Our portfolio is predominantly aligned to structurally supported sectors with negligible exposure to legacy sectors and none to stranded assets.
- Trends and the property cycle are continually monitored with investment decisions made strategically in anticipation of changing conditions.
- Asset performance is regularly reviewed and benchmarked on an asset by asset basis.
- Tenant covenants and trading performance are monitored.

**Own**
Invest in real estate aligned to structural trends

**Manage**
Disciplined, low cost and responsible management of our assets

**Collaborate**
Leverage our expertise to benefit from strong relationships

**Generate**
A focus on reliable, repetitive and growing income

## Commentary

**Current year**
151 occupier initiatives in the year added £7.5 million per annum of rent and helped to deliver like for like income growth of 5.5%. Looking forward, we have visibility on c.£23 million per annum of additional rent over the next two years from rent reviews and regears.

**Year ahead**
The current backdrop remains challenging however there is growing consensus that interest rates will follow inflation in a downward trajectory, subject to any further geopolitical shocks.

## Appetite

Property valuations are inherently subjective and there is no certainty that values will be realised. Valuations are particularly sensitive to changes in interest rates. The Board aims to keep valuation risk to a minimum through its asset selection and accretive asset management initiatives.

## Change in the year

↓ **Decreased risk**

Some pricing stability within the more structurally supported real estate sectors. Elevated debt costs however continue to materially impact liquidity overall making price discovery more difficult.

→ **Read more in**
**Chief Executive's review page 15**
**Property review page 34**

## 9. Transaction and tenant risk

## Risk

Acquisitions and asset management initiatives may be inconsistent with strategy or our due diligence may be flawed. Tenants may default or fail.

## Impact

May adversely affect our financial performance and achievement of our growth targets.

### Impact on strategy

## Mitigation

- Thorough due diligence is undertaken on all investments with input from specialist advisors including legal and property, tenant covenant strength and trading performance. New initiatives undergo cost benefit analysis prior to implementation.
- Portfolio tenant concentration is considered in all investment and leasing transactions. We screen all prospective tenants and undertake regular reviews thereafter. Rent collection is monitored closely to identify potential issues.
- We have a diversified tenant base and limited exposure to occupiers in bespoke properties outside of the healthcare and entertainment assets acquired through LXi this year.
- 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.

## Commentary

**Current year**
Income granularity has reduced through the LXi merger with Merlin and Ramsay Health Care, both strong covenants, now accounting for 20% of net contracted rent.

Operationally, the Company continues to perform strongly with occupancy of 99.4% and rent recovery of 99.9% in the year.

**Year ahead**
We anticipate no significant change in this risk over the next 12 months and will continue to monitor the effects of market conditions on tenant businesses.

## Appetite

Low. The Board has no appetite for risk arising out of poor due diligence or implementation on investment and asset management activities. A degree of tenant covenant risk and lower unexpired lease terms are accepted on urban logistics assets where there is high occupational demand, redevelopment potential or alternative site use.

## Change in the year

↑ **Increased risk**

Increase driven by continued challenging economic backdrop and our acquisition of LXi with its higher tenant concentrations.

→ **Read more in Chief Executive's review page 15**
**Property review page 34**

— No significant change
↓ Decreased risk
↑ Increased risk

# A review of our principal risks

continued

## Financing risks

### 10. Capital and finance risk

### Risk

The Company may have insufficient liquid funds and available credit.

### Impact

Strategy implementation is at risk.

#### Impact on strategy

### Mitigation

- The availability of debt and the terms on which it is available is considered as part of our long term strategy.
- We maintain a modest level of gearing and monitor headroom and non financial covenants. Cash flow forecasts are also closely monitored.
- Loan facilities incorporate covenant headroom and appropriate cure provisions and our unsecured arrangements provide flexibility.
- Where secured loans inherited through our M&A activity cover multiple assets we consider the impact of disposals as part of our decision making process and work with lenders on substitutions.
- We maintain a disciplined investment approach with competition for capital and assets are considered for sale when they have achieved target returns and strategic asset plans.
- Derivatives are used to fix or cap exposure to rising rates as deemed prudent.

### Commentary

**Current year**

This year we inherited £760 million of secured debt in addition to a further £625 million that was refinanced on completion of the LXi merger with a new £700 million unsecured facility on more favourable terms. We also increased the permissible secured debt basket on our unsecured facilities to provide headroom and avoid costly LXi loan prepayments.

Our gearing remains low at 33.2% at the year end with interest cover of 4.5 times. Drawn debt was fully hedged or carried a fixed rate coupon.

**Year ahead**

Agree and facilitate asset substitutions on two secured LXi facilities to accommodate proposed sales. Consider obtaining a credit rating to access a broader range of funding sources.

### Appetite

Low. The Board has no appetite for imprudently low levels of available headroom in its reserves or credit lines and very limited appetite for unhedged floating rate debt in the current interest rate environment.

### Change in the year

↑ Increased risk

Increase driven by the secured debt coming onto the balance sheet through M&A activity with less flexible terms and high frictional costs for substitutions where non core asset sales have been identified. Our first significant debt maturity is now autumn of 2025.

→ **Read more in**
**Financial review page 47**
**Going concern and viability page 99**

A review of our risk

# Going concern and viability

The Directors have considered the Group's prospects, including reference to the Group's principal risks, to form the basis of an assessment of short-term and longer-term viability.

The assessment is detailed below. Based on the results of this assessment the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and has adequate resources to meet its liabilities as they fall due over the three year period to 31 March 2027.

## Time period of assessment

Consistent with previous years and 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 2027 as required by the 'Viability Statement' provision.

### Short term assessment

The Directors' going concern assessment, as required under provision 30 of the Code, considered the key models and metrics used by the Senior Leadership Team to measure and monitor liquidity including the following:

- The current financial position of the Group;
- The short term cash flow forecasting undertaken on a daily, weekly and monthly basis;
- Rent collection rates, which are circulated and reviewed on a weekly basis;
- The availability of cash and undrawn facilities; and
- The repayment profile of the Group's debt facilities.

The following key financial metrics, which are set out in the Financial review on page 53 supported their assessment:

| As at 31 March | 2024 |
|---|---|
| Loan to value | **33.2%** |
| Cost of debt | **3.9%** |
| Interest cover (times) | **4.5** |
| Undrawn facilities | **£680.8m** |
| Cash | **£114.1m** |
| Average debt maturity | **5.4 years** |
| Hedging | **100%** |
| Rent collection in the year | **99.9%** |
| Occupancy | **99.4%** |

As part of the LXi merger we acquired a basket of secured debt which exceeded the maximum amount permitted under our existing unsecured facilities. Consequently, immediately post completion in March we refinanced £625 million of LXi's secured facilities with a new £700 million unsecured facility on more favourable terms, which strengthened the Group's financial position.

In addition, as at 31 March 2024, the Group's gearing ratio as defined within its unsecured facilities and private placement loan notes, which together account for 61% of debt drawn, was 58% (maximum 125%) and interest cover was 4.5 times (minimum 1.5 times).

The Directors concluded that the Group was in a strong financial position with significant cash and undrawn facilities, ample headroom under banking covenants and refinancing risk mitigated until FY 2026.

## 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 2024.

### Longer term assessment

The Board reviews and challenges the period over which to assess viability on an annual basis and has determined that the three year period to 31 March 2027 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; and
- Three years is considered to be the optimum balance between long term property investment and the difficulty in accurately forecasting ahead given the cyclical nature of property investment.

### Assessment of viability

The Board conducted this review taking account of the Group's business strategy, principal and emerging risks, financial position and outlook as discussed throughout the Strategic review.

The Group's three year business model is used to consider future prospects on a quarterly basis and to stress test assumptions and consider the likely impact of changes in the principal risks, including:

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

Following the merger with LXi, the Group's portfolio significantly increased in size, diversified into a broader range of operating segments, focusing on the Triple Net Lease model and the continued delivery of reliable, repetitive and growing income over the long term.

A review of our risk

# Going concern and viability

continued

Strategy continues to be reviewed by the Board at each meeting to ensure it remains appropriate and capital allocation takes into account macroeconomic factors including elevated inflation and interest rates.

The Group's strategy underpins the business plan and three year financial forecasting model which incorporates transactions under offer, committed developments and reinvestment plans. It is an integrated model that projects future earnings, cash flows and net assets and 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 their impact to earnings and liquidity.

Forecasts are reviewed against actual performance and reported quarterly to the Board.

This year, the combined Group's financial forecast includes an overlay for LXi which will continue to be developed and refined.

The business plan was stress tested to ensure it remained resilient to adverse movements in its principal risks including changes to macroeconomic conditions that were considered severe but realistic scenarios, both on an individual and collective basis.

The scenarios considered the likely impact on the Group's longer term profitability and liquidity and are set out below:

- A 2% increase in interest rates;
- A 5% tenant default rate reducing rent by the equivalent amount; and
- A 5% decline in property valuations.

The modelling indicated that under all scenarios the Group would still be able to execute its strategic plan and had sufficient reserves to continue in operation and remain compliant with its debt covenants.

In addition, reverse stress testing was undertaken to determine the circumstances under which financial covenants would be breached and considered the following scenarios:

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

Under the Group's unsecured and private placement debt facilities, that together account for 61% of the Group's borrowing including its share of joint ventures, the reverse stress testing indicated the following:

- Property values would need to fall by 33% before the banking gearing threshold was reached and this would equate to a loan to value ratio of 54%; and
- Rental income would need to fall by 61% or interest payable rise by 172% to breach the interest cover covenant.

In conjunction with the modelling undertaken, the Board is mindful of the following points when assessing the Group's longer term prospects:

- Income certainty, with 79% of the Group's rental income benefiting from contractual uplifts;
- Income diversity, with 37% of rent due from our top ten occupiers;
- Strong rent collection, with 99.9% of rent due in the year collected;
- Strong relationships with debt providers, evidenced by the new £700 million facility completed in the year which also diversified the pool of lenders;
- Substantial liquidity, with undrawn debt facilities and cash of £794.9 million at the year end, mitigating refinancing risk until FY 2026;
- Fully hedged drawn debt as at 31 March 2024 following the decision to retain all of LXi's interest rate caps on merger;
- The Group's proven track record of executing transactions, making good sector choices and growing income even through periods of significant uncertainty and volatility; and
- The Group's ability to be flexible and react to changes in the macroeconomic and property markets, including the focus on disposals to manage LTV and reduce exposure to floating rate debt and the ability to transact through corporate opportunities.

This testing, combined with the Group's strong financial position 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.

## 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 2027.

# Governance

Our strong governance framework underpins the way we manage the business and supports the successful delivery of our strategy.

In this section

> It has been a progressive and transformational year for the Company and one which I am proud to have been part of."

**Alistair Elliott**
Chair

Read more in Chair's introduction page 102

Board leadership and company purpose

# Chair's introduction

**Alistair Elliott**
Chair

> We have made a number of important changes to our Board leadership roles this year to ensure compliance with corporate governance best practice."

I am delighted to introduce the Governance section of this year's Annual Report as your new Chair of the Board. It has been a progressive and transformational year for the Company and one which I am proud to have been part of.

Much of our time in the latter part of the year was spent evaluating the implications of our merger with LXi REIT plc which completed in March 2024 and considering the composition of the combined Group's Board, taking into account both the Company's needs and best practice regulations.

As stewards of the Company, we are collectively responsible to our shareholders, employees and other stakeholders for delivering long term success. Despite the macroeconomic challenges of higher inflation and interest rates that have persisted this year impacting property transactions and yields, we have had another year of strong financial and operational performance and our longer term trajectory is impressive. Growth in EPRA earnings per share has underpinned a ninth consecutive year of dividend progression and our portfolio has doubled in size to £6.0 billion following the LXi merger and we have become the UK's leading Triple Net Lease REIT.

Our ability to execute sizeable transactions this year and integrate the results of LXi post merger is credit to the efforts and strength of the whole team, who have worked tirelessly to protect the interests of shareholders and execute our business strategy. I have every confidence the team will complete the integration of the two businesses successfully next year.

## Board changes and succession

We have made a number of important changes to our Board leadership roles this year to ensure compliance with corporate governance best practice and to promote diversity at Board level.

Last year, we committed to the appointment of a female Board member to the position of Senior Independent Director to comply with the Listing Rules while allowing our new Board member, Suzy Neubert time to settle into her role. In September, Suzy replaced Robert Fowlds as Senior Independent Director and became a member of the Remuneration Committee to fill the vacancy following Rosalyn Wilton's retirement earlier in the year.

Mindful of Provision 10 of the Code relating to tenure and deemed independence, in September we accepted the resignation of James Dean from the Board after 13 years' service. We have however retained access to James's valuable property expertise and contribution through a consultancy arrangement.

Finally, and as a consequence of our merger with LXi, we were delighted to welcome Nick Leslau and Sandy Gumm to the Board. They bring continuity for LXi shareholders and a wealth of property and financial experience to the Board as Non Executive Directors. Following these changes and as at 31 March 2024, we meet the Listing Rule requirement for gender diversity at Board level with female representation of 40%. Also, despite Nick Leslau being deemed non independent due to the size of his shareholding, we remain fully compliant at 31 March 2024 with the Code's requirement that the majority of the Board should comprise of independent directors.

Read more in Nomination Committee report page 122

## Board evaluation

This year's evaluation of the Board, its Committees and individual Directors was externally facilitated by Independent Audit. We were pleased to receive external confirmation that our Board and Committees continue to operate effectively, in an open and supportive environment with the right balance of skills and knowledge to carry out their duties and support the business. Progress has been made against the recommendations proposed last year and the minor recommendations proposed this year are now in hand and will be reported on next year. I would like to thank my fellow Board members for the valuable contribution they make.

**Read more in Nomination Committee report page 122**

## Remuneration Policy

You may recall that we withdrew the proposal to adopt a new remuneration policy ahead of last year's AGM due to changing market conditions following the shareholder consultation exercise and reservations expressed by a number of key shareholders and proxy voting agencies. The Remuneration Committee reflected on the key themes that underpinned the previous policy, including the proposed increase in remuneration through variable pay, and decided to retain the existing maximum incentive opportunity levels for the Executive Directors. In arriving at this decision, the Remuneration Committee Chair consulted with major shareholders representing 67% of the Company's issued share capital as well as proxy voting agencies. The proposed policy was circulated to shareholders ahead of a General Meeting to approve it in December 2023. The amended policy received overwhelming support with 99.37% of votes cast in favour.

**Read more in Remuneration Committee report page 137**

## Stakeholder engagement

Shareholder engagement is led by the Executive Directors and we are proud of the comprehensive programme they maintain. This has been strengthened this year by the additional meetings held with equity and debt investors in connection with the LXi merger. Our strong banking relationships helped us complete a new £700 million unsecured debt facility immediately post-merger to replace £625 million of LXi's secured debt facilities on more favourable terms and reduce the level of secured Group debt in order to comply with the provisions of our existing private placement debt and RCFs.

We have continued with our workforce engagement activities including assessing the results of the annual employee survey and the designated workforce NED's staff meeting.

**Read more in Responsible Business and ESG page 55**

## Looking ahead

We will be holding our Annual General Meeting on 22 July 2024 and the notice of the meeting is set out on pages 215 to 219 of this Annual Report. I hope that you will be able to join us at the meeting and that you will support the proposed resolutions as we as shareholders will be doing.

We will continue to focus on the resilience of our business to economic and political uncertainties, including the impact of higher inflation and interest rates on the UK property market. Our strategy to maintain a strong balance sheet will allow us to navigate challenges and make the right decisions.

On behalf of the Board, I would like to take this opportunity to thank the whole team for all their hard work and dedication both in the months up to the merger, and subsequently in adapting and supporting the successful integration of the two businesses. I have enjoyed getting to know each and every employee and have been impressed by the work ethic and commitment of staff. I would also like to thank my fellow Board members for their support and insightful contributions during the year.

> "Our strategy to maintain a strong balance sheet will allow us to navigate challenges and make the right decisions."

**Alistair Elliott**
Chair
4 June 2024

Governance

# Overview

## Board changes

| | |
|---|---|
| 24 May 2023 | Suzy Neubert joins Audit Committee and Kitty Patmore becomes Audit Committee Chair |
| 11 July 2023 | Alistair Elliott appointed as Non Executive Chair and Nomination Committee Chair |
| 29 September 2023 | Suzy Neubert replaces Robert Fowlds as SID and joins Remuneration Committee<br>James Dean retires from the Board |
| 5 March 2024 | Nick Leslau appointed as Non Executive Director following LXi merger |
| 27 March 2024 | Sandy Gumm appointed as Non Executive Director |

## A balanced Board

**40%**
**Female representation**
At 31 March 2024

**1 Board member**
**Ethnic diversity**
At 31 March 2024

**100%**
**Board meeting attendance**
During the year

**67%**
**Board independence**
At 31 March 2024

## Board focus

- Improved Board diversity and compliance
- New Remuneration Policy
- External performance evaluation
- Approved acquisition of CT Property Trust Limited
- Approved merger with LXi REIT plc and its investment advisor
- Debt refinance post merger
- Focus on disposals and LTV
- Progressed earnings and dividend

**£3.2bn**
**Property acquired through corporate transactions**

**10.2p dividend**
**7.4% increase on prior year**

**£185m**
**Disposals approved**

**£700m**
**Debt refinanced post merger**

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

## Statement of compliance with the UK Corporate Governance Code

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

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

| Provision | | Explanation | Current status |
|---|---|---|---|
| 19 | The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. | For the period 1 April 2023 to 11 July 2023, we were not compliant with Provision 19 of the Code as our Chair during this period (Patrick Vaughan) had served for more than nine years. As previously disclosed, the Board felt that this was necessary in order to facilitate an orderly succession and protect the stability in the leadership team. | Alistair Elliott was appointed as Non Executive Chair on 11 July 2023 and was considered independent on appointment. We were fully compliant with this provision for the remainder of the year. |

## Statement on Board Diversity

The Board has considered Listing Rule 9.8.6R (9) relating to Board diversity as at 31 March 2024 and considers that the Company has met all three targets as set out below.

| Provision | | Compliance |
|---|---|---|
| 9(a)(i) | At least 40% of the individuals on the Board of Directors are women. | Following the appointment of Sandy Gumm in March 2024 as a Non Executive Director, female representation has increased to 40%. |
| 9(a)(ii) | At least one of the senior positions of Chair, Chief Executive, Senior Independent Director or Finance Director on the Board of Directors is held by a woman. | Suzy Neubert replaced Robert Fowlds as Senior Independent Director in September 2023. |
| 9(a)(iii) | At least one Board member is from an ethnic minority background. | Suzy Neubert fulfils this requirement and was appointed as a Non Executive Director in March 2023. |

## Board leadership and company purpose

# Board of Directors

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

### Alistair Elliott Ⓝ

Independent Director

**Appointed:** 26 May 2022

**Board and Nomination Committee Chair:** 11 July 2023

Alistair was appointed to the Board in May 2022. He retired from Knight Frank in March 2022 where he worked for almost 40 years latterly 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, chair of the Office Agents Society and chair of the Property Advisors Forum.

**Other appointments:** Member of the Prince's Council, chair of the Commercial Property, Development Committee for the Duchy of Cornwall, member of the Council for the Duchy of Lancaster, non executive director to the board of Grosvenor Great Britain and Ireland.

### Andrew Jones

Chief Executive

**Appointed:** 25 January 2013

Andrew was a co-founder and chief executive of Metric Property Investments plc from its inception in March 2010 until its merger with London & Stamford Property Plc in January 2013. On completion of the merger, Andrew became Chief Executive of LondonMetric. Andrew was previously executive director and head of retail at The British Land Company Plc. Andrew joined The British Land Company Plc in 2005 following the acquisition of Pillar Property Plc where he served on the main board.

**Other appointments:** Non executive director of InstaVolt Limited.

### Martin McGann

Finance Director

**Appointed:** 13 January 2010

Martin joined London & Stamford Property Plc in September 2008. From 2002 to 2005 he worked for Pillar Property Plc, latterly as finance director. Between 2005 and 2008, Martin was a director of Kandahar Real Estate. Martin is a qualified chartered accountant having trained and qualified with Deloitte.

**Other appointments:** None

### Balance of Directors

(as at the date of this report)

● Chair

● Executive Directors

● Non Executive Directors

**60%**

**Male**

**40%**

**Female**

### Committee membership

Ⓐ Audit Committee

Ⓝ Nomination Committee

Ⓡ Remuneration Committee

### Robert Fowlds Ⓐ Ⓝ Ⓡ

Independent Director

**Appointed:** 31 January 2019

**Remuneration Committee Chair:** 22 July 2020

Robert was appointed to the Board in January 2019. He has over 40 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. He was also a non executive director of UK Commercial Property REIT Limited, until August 2021.

**Other appointments:** Member of the supervisory board of Klepierre S.A. and non executive director of Helical plc.

### Andrew Livingston Ⓝ Ⓡ

Independent Director

**Appointed:** 31 May 2016

Andrew was appointed to the Board in May 2016. Andrew has been the chief executive of Howden Joinery Group Plc since April 2018. He was the commercial and e-commerce director of Screwfix from 2009 to 2013 and then chief executive from 2013 to 2018. 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 and B&Q.

**Other appointments:** Chief executive of Howden Joinery Group Plc and director of Vedoneire Limited.

**Left to right:** Sandy Gumm, Andrew Livingston, Suzanne Avery, Alistair Elliot, Martin McGann, Suzy Neubert, Robert Fowlds, Andrew Jones, Kitty Patmore, Nick Leslau

### Suzanne Avery

A N R

Independent Director

**Appointed:** 22 March 2018

Suzanne was appointed to the Board in March 2018. She has over 25 years' experience in corporate banking, holding various managing director roles at RBS, including managing director of Real Estate Finance Group & Sustainability, where she was responsible for REITs, Funds and London based private property companies as well as for the RBS corporate bank sustainability strategy. She is a co-founder of Real Estate Balance and was previously a trustee of LandAid.

**Other appointments:** Church Commissioner and chair of the Church Commissioners property group, senior advisor to Centrus Advisors, non executive director of Richmond Housing Partnership Limited, and deputy chair of Real Estate Balance.

### Katerina Patmore (Kitty)

A

Independent Director

**Appointed:** 28 January 2021

**Audit Committee Chair:** 24 May 2023

Kitty was appointed to the Board in January 2021. She is chief financial officer of Harworth Group plc and has almost 20 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.

### Suzy Neubert

A R

Senior Independent Director

**Appointed:** 29 March 2023

**Senior Independent Director:**
29 September 2023

Suzy was appointed to the Board in March 2023. She became a member of the Audit Committee on 24 May 2023 and the Remuneration Committee on 29 September 2023. Suzy has extensive capital markets and financial services experience as both executive and non executive director. Her executive director roles have included managing director of equities at Merrill Lynch followed by 14 years as global head of sales & marketing at J O Hambro Capital Management. Suzy previously held the position of senior independent director of Witan Investment Trust Plc, before retiring in May 2023.

**Other appointments:** Non executive director of Jupiter Fund Management plc, LV=, Isio Topco Limited, Howden Joinery Group Plc and Trustee of The King's Trust.

### Nicholas Leslau (Nick)

Non Independent Director

**Appointed:** 5 March 2024

Nick was appointed to the Board in March 2024. He was chair and majority shareholder of Prestbury Investment Partners Limited, the investment advisor to the Secure Income REIT plc group of companies ('SIR') prior to SIR's merger with LXi REIT Plc ('LXi') in 2022. Nick is a Fellow of the Royal Institute of Chartered Surveyors and chair of the Prestbury group of companies. He was chief executive of Burford Holdings Plc for approximately ten years up to 1997 and group chair and chief executive of Prestbury Group Plc from 1998. Nick has sat on many quoted and unquoted company boards including, most recently, Max Property Group Plc, SIR and LXi.

**Other appointments:** Member of the Bank of England Property Forum. Director of various private companies including the Prestbury group of companies.

### Sandra Gumm (Sandy)

Independent Director

**Appointed:** 27 March 2024

Sandy was appointed to the Board in March 2024. She is an Australian qualified chartered accountant with over 30 years of commercial real estate and finance experience. Prior to the merger of SIR and LXi in 2022 Sandy was the chief operating officer of Prestbury Investment Partners Limited. From 1984, Sandy worked for KPMG for nine years in Sydney and London before becoming group financial controller of Burford Holdings Plc in 1995. She was finance director at the time that Prestbury Group Plc was established in 1997 and in 2007 became chief operating officer of Prestbury. Sandy has sat on many quoted and unquoted company boards including, most recently SIR and LXi.

**Other appointments:** Director of various private companies including the Prestbury group of companies.

## Board leadership and company purpose

# Management team

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

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

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

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

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

**25%**

Female representation of SLT (excluding Executive Directors)

**Andrew Jones**
Chief Executive
Ⓐ Ⓘ

Read Andrew's full biography on page 106

**Martin McGann**
Finance Director
Ⓕ

Read Martin's full biography on page 106

**Valentine Beresford**
Investment Director
Ⓘ
Joined: 25 January 2013

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

**Mark Stirling**
Asset Director
Ⓐ
Joined: 25 January 2013

**Skills and experience:** Mark was co-founder and Asset Management Director of Metric Property Investments plc from its inception in March 2010 until its merger with London & Stamford Property Plc in January 2013. Prior to the setting up of Metric, Mark was on the Executive Committee of The British Land Company Plc 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 Property Plc where he was Managing Director of Pillar Retail Parks Limited from 2002 until 2005.

## Responsibilities of the Senior Leadership Team

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

## Andrew Smith

Strategy Director

Joined: 6 May 2014

Ⓐ Ⓘ

**Skills and experience:** Andrew joined LondonMetric in May 2014 from The British Land Company plc where he worked for nine years. Previously Andrew worked for Pillar Property Plc. 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.

## Will Evers

Joint Head of Investment

Joined: 25 January 2013

Ⓘ

**Skills and experience:** Will joined Metric Property Investments Plc 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.

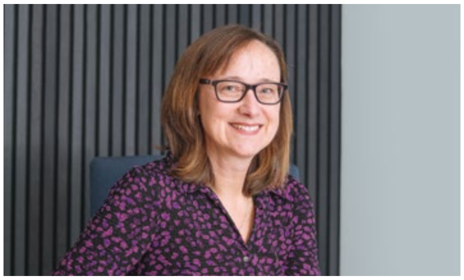
## Ritesh Patel

Corporate Finance

Joined: 21 November 2011

Ⓕ Ⓘ

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



## Jackie Jessop

Head of Finance

Joined: 1 March 2006

Ⓕ

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

## Gareth Price

Head of Investor Relations and Sustainability

Joined: 5 January 2015

Ⓕ

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

## Jadzia Duzniak

Company Secretary

Joined: 23 April 2007

Ⓕ

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

## Committee membership

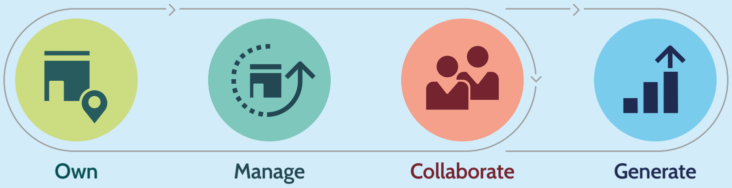
Ⓐ Asset Management Committee
Ⓘ Investment Committee
Ⓕ Finance Committee

Board leadership and company purpose

# Our purpose, strategy, values and culture

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

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

<table>
<tr><td>Our purpose and aim<br>Read more on page 1</td><td>What we do and why</td><td colspan="4">Sets out to employees, occupiers and other stakeholders what we do and why. It is documented on page 1 and underpins our approach and long term direction set by the Board, and guides our decision making.<br>During the year, our purpose has been refined to reflect the evolvement of the enlarged business following the acquisition of LXi. Income remains at the core of our purpose through the ownership and management of real estate.</td></tr>
<tr><td>Our strategy and approach<br>Read more on page 3 to 9</td><td>How we achieve this through our strategic pillars</td><td colspan="4">Guides how we achieve our purpose through a set of strategic pillars that are set out in the Chief Executive's review on page 15. Our strategy and strategic pillars are sufficiently flexible and evolve in response to market conditions and opportunities.<br><br> </td></tr>
<tr><td>Our values<br>Read more on page 66</td><td>What we believe in</td><td colspan="4">Articulate what we believe in and drive desired behaviours and our underlying approach to doing business. Our values are embedded into our everyday practices by the direct involvement of the Executive Directors and Senior Leadership Team, who lead by example and demonstrate the behaviour that underpins our culture, which can be broadly defined as:</td></tr>
<tr><td></td><td></td><td>Empowerment</td><td>Inclusion</td><td>Openness</td><td>Teamwork</td></tr>
<tr><td>Our behaviours</td><td>The way we work</td><td>Empowering and trusting our employees to take responsibility and make decisions</td><td>Promoting diversity and inclusion throughout the organisation and the equality of progression and reward</td><td>Working together in an environment characterised by openness, trust and fairness</td><td>Operating with honesty, integrity and respect for the people we work and interact with</td></tr>
<tr><td>Our culture<br>Read more on page 66</td><td>The way we work</td><td colspan="4">Embodies our values and guides the way we work and interact with each other and our stakeholders. It drives the right behaviours and is therefore key to our long term success.<br>We believe our culture is a key strength and we are proud of our high staff retention rates and contented workforce, as demonstrated by our employee engagement scores. Staff understand and support our strategy and are focused on delivering it.</td></tr>
</table>

## Board leadership and company purpose

# How we monitor culture

Our Board and Senior Leadership Team recognise that the culture within the Company is not a set of rules but desired behaviours that are set from the top and demonstrated by the way in which they conduct themselves.

The Chair is responsible for fostering the culture and values of the Board and wider organisation. The ability for Board members to speak freely in a supportive environment is crucial for effective decision making. Independent Audit, an external agency appointed to facilitate the Board performance evaluation this year, observed one board meeting and praised the Chair for facilitating a collaborative atmosphere in which all Directors were able to voice their opinions and contribute to the debate and no one individual dominated.

The Board leads by example and its behaviour permeates throughout the organisation through the close interaction of the Executive Directors and Senior Leadership Team in day to day activities. Our size, being only 47 employees and the regularity of Board interaction with employees, facilitates the monitoring of culture and implementation of our values in a way that is much more difficult for larger companies. Our Chair and Non Executive Directors are regular visitors to the office and keep abreast of transactions, financing and other corporate activity through regular dialogue with staff.

We recognise the incredible value of collaborating and working together in person, especially for employees who are at the beginning of their career or at the transactional end of our business. We firmly believe that we are better together in an office environment that facilitates better sharing of ideas. We have considered the feedback provided by staff last year as we have reorganised office space and undertaken refurbishment works. All staff now have stand-up desks, we have created more meeting rooms and quiet areas and have improved technology to facilitate hybrid meetings. This has substantially improved the office working environment for staff and encouraged office over home working for all.

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

The Board continues to look for opportunities to strengthen our culture and drive our values. This year's action points from the annual designated workforce NED meeting and staff survey included more development and training opportunities for staff and the ongoing provision of information on the business.

## Ways we monitor culture:

- Board engagement with employees through:
  - the annual designated workforce NED meeting;
  - attendance at Board and Committee meetings and on site visits;
  - induction sessions for new Board members; and
  - regular interaction in the office;
- Annual one-to-one staff appraisals undertaken by the Executive Directors and Senior Leadership Team provide the opportunity to discuss career progression, training, wellbeing and to reflect on and reinforce desired behaviours, as well as providing a forum for staff to raise issues and concerns;
- Feedback from the Executive Directors and designated workforce NED following staff surveys (which include questions on the Company's culture and values) and meetings, highlighting what we do well and where improvements can be made. Topics discussed at this year's meeting included retaining the existing culture as the business grows, the LXi integration and the positives of being in the office full time;
- Feedback from other stakeholder engagement programmes including our annual occupier survey help the Board assess how our behaviours are embedded into the way we do business; and
- Monitoring of staff turnover rates, whistleblowing and health and safety incidents.

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

# How we monitor culture

continued

The Board continues to monitor the culture of the Company through a variety of ways including consideration of the key indicators set out below.

## Results of the annual employee survey

97%

Employee responses received

97%

Of employees feel proud to work at LondonMetric

94%

Of employees believe there is a strong culture of teamwork and collaboration

Learn more on page 68

## Diversity

40%

Female representation on the Board

51%

Female representation across the Company

## Whistleblowing incidents

None

## Low staff turnover rate

6%

Average staff turnover since 2013

## Employee LTIP participation

53%

in 2024

## Strong and improved occupier contentment

9/10

Landlord recommendation score in 2024 occupier survey

# The Board in action

**April 2023**
- 2023 Q3 dividend of 2.3p per share paid

**June 2023**
- Full year roadshow in the UK and US (New York and Boston) led by the Executive Directors and Head of Investor Relations
- Chair and Senior Independent Director attended five meetings

**September 2023**
- Suzy Neubert succeeds Robert Fowlds as Senior Independent Director
- James Dean resigns as Non Executive Director

**November 2023**
- 2024 Half Year results announcement
- Site visits to Bedford, Luton and Hemel Hempstead undertaken by Non Executive Directors

**January 2024**
- Recommended all share merger of LXi REIT plc with 2.7 announcement
- 2024 Q2 dividend of 2.4p per share paid
- 75 LXi merger investor meetings, some in conjunction with Nick Leslau

**March 2024**
- Nick Leslau and Sandy Gumm appointed as Non Executive Directors following LXi merger

**May 2023**
- 2023 Full Year results announcement
- Recommended all share offer for CT Property Trust Limited
- Kitty Patmore becomes Audit Committee Chair replacing Ros Wilton
- Chair visited sites in Warrington and Doncaster with Senior Leadership Team members

**July 2023**
- 2023 AGM
- 2023 Q4 dividend of 2.6p per share paid
- Alistair Elliott succeeds Patrick Vaughan as Chair of the Board

**October 2023**
- 2024 Q1 dividend of 2.4p per share paid

**December 2023**
- Half year investor roadshow
- Chair attended three meetings
- Remuneration Committee Chair engaged with shareholders representing 67% of the register plus proxy agencies
- General Meeting to approve revised Remuneration Policy

**February 2024**
- General meeting to approve the acquisition of LXi REIT plc

## The work of the Board in 2024

The Board attended six scheduled meetings during the year to discharge its duties and regularly received briefing papers to consider significant transactions. An additional three meetings were scheduled to consider and approve the all share offer for LXi REIT plc.

A summary timeline of key events is provided below and further detail on matters considered, decisions made and resulting outcomes is set out in the S172 statement on pages 116 to 117.

**380**
**Investor meetings in the year**

**9.7p**
**Dividend paid in the year**

**10.2p**
**Dividend for the year**

**5**
**Site visits undertaken by NEDs**

**8**
**Investor meetings attended by Chair and SID**

Board leadership and company purpose

# The Board in action

continued

Own → Manage → Collaborate → Generate

## Strategy & Operations

| Matters considered | Decisions made and outcomes |
|---|---|
| Strategy remained the key focus at each meeting, led by the Chief Executive and was also discussed at off site lunches/dinners which were also attended by the Investment, Asset and Strategy Directors. | Continued focus on structurally supported sectors, broadened through corporate acquisitions to include mission critical assets with minimal cost leakage to drive income and dividend progression. |
| Particular focus and debate on the investment market liquidity, corporate opportunities, disposals to manage gearing and enhance the portfolio, the debt market, floating rate debt exposure and asset management initiatives. | Approved two large corporate acquisitions in the year:<br>**£285m**<br>CT Property Trust portfolio<br>**£2.9bn**<br>LXi property portfolio<br>Significant debate and three additional Board meetings held to focus solely on the LXi merger including the impact to purpose, strategy, values and culture. |
| Considered the capital allocation for investment acquisitions, developments and asset management, taking into consideration property yields and the impact on gearing levels. | Focus on property disposals to manage LTV and exposure to floating rate debt.<br>**£185m**<br>Disposals approved |
| Property tours arranged for Non Executive Directors, accompanied by Senior Leadership Team members. | Five sites were visited in Warrington, Doncaster, Bedford, Luton and Hemel Hempstead by three Non Executive Directors. |

## Governance, Leadership & Regulatory

| Matters considered | Decisions made and outcomes |
|---|---|
| Considered Board diversity and non-compliance with Listing Rule 9.8.6R (9).<br>**40%**<br>Female representation at 31 March 2024<br><br>**Nick Leslau**<br>Non Executive Director | Appointed Suzy Neubert as Senior Independent Director in September 2023 replacing Robert Fowlds.<br>Nick Leslau and Sandy Gumm appointed as Non Executive Directors following the LXi merger.<br><br>**Sandy Gumm**<br>Non Executive Director |
| Considered code compliance and Directors' length of service.<br>**67%**<br>Independent at 31 March 2024 and fully compliant with UK Corporate Governance Code and Statement on Board Diversity | As announced last year, Alistair Elliott replaced Patrick Vaughan as Chair in July 2023.<br>James Dean retired from the Board in September 2023 having served 13 years as a Non Executive Director. |
| Appointed Independent Audit to lead the external performance evaluation of the Board and its Committees and evaluated the results. Considered prior year recommendations and follow up actions. | Concluded that the Board and its Committees continue to operate effectively.<br>New Chair's leadership was praised as well as the improvements to Board governance made during the year. |

**£285m**
Property acquired through CTPT acquisition

**£2.9bn**
Property acquired through LXi merger

**380**
Investor meetings and conferences in the year

**67%**
Of shareholders consulted on Remuneration Policy

## Finance & Risk

| Matters considered | Decisions made and outcomes |
|---|---|
| As a consequence of the LXi merger, the Board considered the enlarged Group's optimal balance of secured and unsecured debt financing, taking into account covenant compliance, debt maturity and cost. | Approved new unsecured debt facilities of £700 million to replace £625 million of secured LXi facilities.<br>**£700m**<br>New unsecured debt facilities |
| Attended meetings with independent valuers and Deloitte to scrutinise the interim and annual property valuations included in the half year and full year results. | Approved the half year and full year results announcements and Annual Report. |
| The Board consider high level changes in risks and mitigation at every meeting and the Audit Committee review the internal control framework and risk register in depth on an annual basis.<br>The Committee also considered the new UK Corporate Governance Code's requirement to include a declaration of effectiveness by March 2027.<br>The Audit Committee received a paper setting out the processes undertaken to support the Board's governance statements. | The LXi merger imports additional risks to consider as described on page 89.<br>The annual review concluded that the risk management system and the internal control framework continues to be effective.<br>**Learn more in the Audit Committee report on pages 130 to 136**<br>Approved the Board statements on S172, viability, going concern and whether the Annual Report is fair, balanced and understandable. |

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

- Property investment market yields and trends in light of the economic and political landscape and changing occupier needs
- Asset management initiatives and activity
- 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

## Focus in 2025

- Monitor integration of LXi staff and systems
- Continued focus on ESG journey
- Internal Board and Committee performance evaluation
- Consider Provision 29 of the Code on the internal controls declaration and review the assurance framework of the integrated Group

## People & Stakeholders

| Matters considered | Decisions made and outcomes |
|---|---|
| Continued to monitor culture by considering the results of the annual staff survey and report from the designated workforce NED following his annual meeting with employees.<br>**97%**<br>Of staff feel proud to work for LondonMetric | Low staff turnover of 6% on average since 2013 and good survey results, with 97% of staff feeling proud to work for the Company, indicating a happy and motivated workforce.<br>Office refurbished to provide enhanced working environment. |
| Considered workforce integration following the LXi merger. | Executive Directors and senior staff met LXi staff pre finalisation of merger. Finance staff had weekly meetings to discuss integration of processes and reporting. |
| Attendance at Board and Committee meetings by all members of the Senior Leadership Team to discuss transactions and give presentations. | Promotes increased interface with NEDs and staff development and progression.<br>Encourages wider viewpoints and provides further input to discussion topics and debate. |
| Annual meeting of the Audit Committee to consider the Company's ESG journey, with presentations given by Senior Leadership Team members. | Progress against targets, ambitions, occupier engagement and impact of M&A activity on planned activity and Net Zero pathway. |
| Shareholder consultation exercise post the AGM to consider the revised Remuneration Policy proposals.<br>**67%**<br>Of shareholders consulted on new Remuneration Policy | Remuneration Committee considered feedback and revised the final Policy which was approved by shareholders at a General Meeting in December 2023. |
| Feedback from shareholder roadshows, meetings and presentations was provided by the Executive Directors, Chair and SID.<br>**380**<br>Investor meetings and conferences in the year | An important and extensive investor liaison programme continues to be followed and feedback received continues to shape future decision making both operationally and from a governance perspective.<br>The Chair also attended five meetings and conferences and fed back to the Board.<br>SID attended three meetings. |
| Considered feedback from the 2024 occupier survey including feedback on ESG initiatives. | Results were strong and an improvement on 2023 with a landlord satisfaction score of 9 out of 10. |

Board leadership and company purpose

# Companies Act 2006 Section 172 Statement

The Board of Directors can confirm that during the year ended 31 March 2024 they have, both individually and collectively, acted in a way that they consider in good faith would be most likely to promote the long term success of the Company for the benefit of its members as a whole, having regard to the matters set out in S172(1)(a) to (f) of the Companies Act 2006.

We set out in the table below how we have considered each of the requirements of S172 with references to further reading.

| S172 matter | Board consideration | Further reading |
|---|---|---|
| **1(a)**<br>**The likely consequences of decisions in the long term** | The Board sets the Company's purpose, which is to become the UK's most enduring real estate partner, delivering dependable income. It oversees management's execution of strategy to deliver this and reviews progress against targets at each Board meeting.<br>As a REIT we hold assets for long term income generation and maintain a covered dividend. Our corporate acquisitions, particularly our merger with LXi REIT plc, reinforced our focus on strong income longevity and security and led to our average lease length increasing to 19.4 years from 11.9 years last year.<br>We seek to improve and enhance existing premises so they remain fit for purpose, incorporate new technologies and meet the latest environmental standards. | Our purpose page 1<br>Our strategic pillars page 15<br>Chief Executive's review page 15<br>LXi merger page 18<br>Promoting long term success page 118<br>Case studies pages 43 and 46 |
| **1(b)**<br>**The interests of employees** | Our small team of 47 employees is critical to the successful delivery of strategy and we strive to ensure they continue to be motivated, happy and engaged through a culture of empowerment, inclusion, openness and teamwork.<br>97% of employees surveyed pre-merger were proud to work for LondonMetric. LXi colleagues have been relocated to our office and welcomed through 'Get to know you' events. | People and 2024 staff survey page 66<br>How we monitor culture page 111 |
| **1(c)**<br>**Fostering the Company's relationships with suppliers, customers and others** | Our occupiers are at the heart of our core purpose and, being a small team, we are reliant on our suppliers and advisors to help deliver our plans. Our proactive engagement allows us to build strong relationships and we listen and try to provide workable solutions. We treat our suppliers fairly ensuring prompt settlement of their invoices. At 31 March 2024, the average settlement period was 14 days.<br>Our latest occupier survey was undertaken in March 2024 and we received responses from 77 occupiers representing 46% of rent. | Occupiers page 64<br>2024 occupier survey page 65 |
| **1(d)**<br>**The impact of the Company's operations on the community and the environment** | In April, the Audit Committee received an ESG update which focused on initiatives undertaken and progress against targets, occupier engagement and the impact of our M&A activity.<br>The Responsible Business Working Group is headed by the Finance Director, meets monthly and has approved charitable giving of £153,000 this year, including £44,448 for employee specific donations.<br>Our ESG key performance indicator measures the proportion of the portfolio with an EPC rating of A to C. At 31 March 2024, and on a like for like basis excluding the LXi merger, this was 91%. Incorporating LXi reduces our EPC rating on A to C to 85%. | Communities page 74<br>TCFD page 77<br>ESG key performance indicator page 33 |
| **1(e)**<br>**The Company's reputation and maintaining high standards of business conduct** | Our values set the standards of conduct and desired behaviours of staff and we lead by example from the top.<br>Companywide training on anti-money laundering, market abuse, whistleblowing, conduct and ethics was provided to all staff last year to ensure these matters are taken into consideration when making decisions.<br>We are proud to be a FTSE4Good business. | Our purpose, strategy, values and culture page 110<br>GRESB page 56<br>FTSE4Good page 56 |
| **1(f)**<br>**The need to act fairly as between members of the Company** | The Board, through the Executives, embraces an open and constructive dialogue with shareholders and is proud of its active engagement programme, which this year consisted of 380 meetings and presentations following annual and half year results. The Remuneration Committee Chair consulted on the amended Remuneration Policy proposals with major shareholders representing 67% of our issued share capital as well as proxy voting agencies. The Executive Directors met with the vast majority of the combined LondonMetric and LXi register on the merger proposals, undertaking 75 meetings in the two months prior to the merger, some of which were in conjunction with Nick Leslau. | Investors page 72<br>Directors' Remuneration Policy page 142 |

## Board leadership and company purpose

# Stakeholders

### Who are our stakeholders?

Throughout this report we set out our key stakeholders as our people, our occupiers, our investors, our contractors and advisors, and our communities.

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 strong relationships we have with them. We do this through regular proactive engagement which we use to inform and shape our decisions and actions. We aim to treat all stakeholders fairly and are guided by the long-term interest of the Company, acknowledging that it is not always possible to produce positive outcomes for all stakeholders with competing priorities.

→ **Read more on our stakeholders from page 63**

### How do we engage with our stakeholders?

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

→ **Read more on Stakeholder engagement from page 64**

### How stakeholders and feedback from engagement has influenced Board decisions this year

All significant Board decisions proposed must demonstrate that the impact on 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 opposite.

### 1. Remuneration Policy

In response to reservations expressed by a number of our key shareholders and proxy voting agencies and changing market conditions, we decided to withdraw the resolution to approve a new Remuneration Policy ahead of our AGM in July last year. The Remuneration Committee reflected on the key themes that underpinned the previous policy, including the proposed increase in remuneration through variable pay, and decided to retain the existing maximum incentive opportunity levels for the Executive Directors. In arriving at this decision, the Remuneration Committee Chair consulted with major shareholders representing 67% of the Company's issued share capital as well as proxy voting agencies. The vast majority of shareholders and investor bodies who provided feedback were supportive of the proposals. A handful requested that the Committee introduce a guardrail in relation to annual bonus performance targets that any changes in exceptional circumstances would be no less challenging. The new proposed 2023 policy was updated to reflect this feedback and circulated to shareholders ahead of a General Meeting in December 2023. The amended policy received overwhelming support with 99.37% of votes cast in favour.

→ **Read more in the Remuneration Committee report from page 137**

### 2. Governance

Following the 79.15% vote for the re-election of the Board Chair at the 2022 AGM, investors raised concerns over his tenure and the level of female Board representation. In response, we made decisions last year which we have followed through and built on this year to strengthen our governance and leadership as follows:

- Alistair Elliott replaced Patrick Vaughan as Chair on 11 July 2023;
- Suzy Neubert was appointed as Senior Independent Director replacing Robert Fowlds on 29 September 2023; and
- Nick Leslau and Sandy Gumm were appointed as Non Executive Directors following the LXi merger in March 2024, increasing female Board representation to 40%.

→ **Read more in the Nomination Committee report from page 122**

### 3. M&A activity

This year the Board has responded to the prevailing macro environment with elevated debt costs by limiting direct market investment in favour of disposals to provide optionality and to maintain a lower LTV while remaining active in looking at M&A opportunities. The following key decisions were made:

- All share offer to acquire CT Property Trust Limited, a UK REIT with portfolio of 33 assets valued at £285.2 million, for £193.6 million;
- All share offer to acquire LXi REIT plc, a UK REIT and premium listed investment company with a portfolio of 280 assets valued at £2.9 billion on acquisition, for £1,752.0 million. The transformative merger builds on the strengths and strong track records of both companies to create a new major UK REIT;
- Disposals totalling £185 million; and
- £700 million refinancing post LXi merger on more favourable terms to reduce secured debt.

→ **Read more in the Strategic report from page 14**

### 4. ESG

The Board's continued focus on the importance of ESG to stakeholders is reflected in the following activity:

- Dedicated ESG meeting of Audit Committee in April;
- Completion of five solar PV systems including post year end transactions, adding 3.9 MWp and taking the total installed across the portfolio to 7.6 MWp;
- Through our partnerships with Motor Fuel Group and InstaVolt, we added 25 EV chargers across five assets in the year and 26 additional chargers across four sites are planned for next year; and
- EPC assessments over 1.2 million sq ft of the portfolio.

→ **Read more in the Responsible Business & ESG review from page 55**

## Board leadership and company purpose

# Board meetings and attendance during the year

| | Board | Nomination Committee | Audit Committee | Remuneration Committee |
|---|---|---|---|---|
| Scheduled meetings | 6* | 3 | 5 | 6 |
| Number of members | 10 | 4 | 4 | 4 |
| Attendance | 100% | 100% | 100% | 100% |

**67%**

**Independent Board members as at 31 March 2024**

| Current Member | Appointed to the Board | Independent | | | |
|---|---|---|---|---|---|
| | | Board | Nomination Committee | Audit Committee | Remuneration Committee |
| **Alistair Elliott (Chair)** | 26/5/2022 | N/A | Chair | | |
| **Andrew Jones** | 25/1/2013 | N | | | |
| **Martin McGann** | 13/1/2010 | N | | | |
| **Suzanne Avery** | 22/3/2018 | Y | Y | Y | Y |
| **Robert Fowlds** | 31/1/2019 | Y | Y | Y | Chair |
| **Sandy Gumm** | 27/3/2024 | Y | | | |
| **Nick Leslau** | 5/3/2024 | N | | | |
| **Andrew Livingston** | 31/5/2016 | Y | Y | | Y |
| **Suzy Neubert (SID)** | 29/3/2023 | Y | | Y | Y |
| **Kitty Patmore** | 28/1/2021 | Y | | Chair | |

| Member | Resigned from the Board |
|---|---|
| **Patrick Vaughan** | 11/7/2023 |
| **Rosalyn Wilton** | 24/5/2023 |
| **James Dean** | 29/9/2023 |

* A further three Board meetings were held in the year in connection with the acquisition of LXi REIT plc with 96% attendance

The Board has a regular schedule of meetings, timed around the financial calendar, 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. Directors are expected to attend all meetings of the Board and the Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties. 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.

Members of the Senior Leadership Team attend Board and Committee meetings as required 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 all attended one or more Board or Committee meetings to present and discuss relevant operational topics including the LXi merger, ESG, cyber security and the results of employee and occupier surveys. In addition, the Investment and Asset Directors routinely provide valuable transactional updates at Board meetings and strategy is discussed at length at offsite Board lunches/dinners which are also attended by the Investment, Asset and Strategy Directors.

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

### Promoting long term success

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

- The Group's financial budgets cover a three year rolling period;
- The risk register and dashboard includes consideration of both short and longer term emerging risks;
- The Board discusses the Group's longer term strategy at each meeting and in-depth at off site lunches and dinners. Through these discussions, the Board and Senior Leadership Team reviews the appropriateness of its business model;
- Alongside our strategic pillars on page 15, we consider our longer term strategy and focus for the next year; and
- The all share offer for LXi REIT plc with its focus on longevity of leases, income and security was the single biggest transaction in the year.

Our resilience throughout the period of investment market volatility and the challenges of a higher interest rate environment demonstrates that we have a strong business model and clear strategic focus to generate long term sustainable value for our shareholders and other stakeholders.

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

Division of responsibilities

# Leadership framework

## Board

**Chair:** Alistair Elliott

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

The work of the Board both complements and supports the work of the Senior Leadership Team.

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

→ **Read more on Board biographies pages 106 to 107**
→ **Read more on The Board in action page 113**
→ **Read more on Leadership roles & responsibilities page 120**

## 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:** Kitty Patmore

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

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

→ **Read more on page 130**

### Remuneration Committee

**Chair:** Robert Fowlds

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

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

→ **Read more on page 137**

### Nomination Committee

**Chair:** Alistair Elliott

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

- Recommends appointments
- Board composition and succession
- Considers skills and diversity
- Leads the performance evaluation of the Board and its Committees

→ **Read more on page 122**

## Management Committees

## Senior Leadership Team

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

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

→ **Read more on page 108**

### Investment Committee

**Chair:** Valentine Beresford

- Reviews investment and divestment opportunities and allocation of capital

### 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, liquidity and ESG

Division of responsibilities

# Leadership roles and responsibilities

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

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

## Division of responsibilities

The Chief Executive and Chair have distinct roles and responsibilities crucial to the management and governance of the Company.

The Chief Executive is responsible for leading the Company's management team and driving its strategic direction and operational performance. His primary role is to develop and execute the Company's strategy, set goals and objectives, and oversee day to day operations to ensure that the Company achieves its strategic objectives. He leads the senior management team, providing direction and support to ensure that all functions work cohesively towards the Company's goals. He reports to the Board and is responsible for representing the Company to stakeholders, including shareholders, employees, customers, suppliers, and the broader community.

The Chair is responsible for leading the Board and monitoring its and the Chief Executive's effectiveness. He sets the Board agenda and promotes a constructive working relationship between Executive and Non Executive Directors, encouraging and fostering a culture of boardroom challenge and debate.

The Chair maintains regular contact with individual Directors outside of the Board forum to ensure he is kept abreast of individual views and any issues arising and he fosters an open, two way debate about Board, Committee and individual members' effectiveness.

This year, through a combination of regular calls, meetings, lunches and dinners the Chair engaged with Non Executive Directors, individually and collectively, to discuss a wide range of business matters including succession plans, Board appointments and strategy as well as to assess performance, often in an informal setting.

## Non Executive Directors

Our Non Executive Directors bring an independent perspective to the boardroom as they are not involved in the day to day running of the Company. This allows them to offer impartial oversight and challenge the decisions made by the Executive Directors. They monitor the delivery of the Company's agreed strategy, providing insights based on their diverse backgrounds and commercial experience, and help the Board to make well-informed strategic decisions. They are also responsible for assessing and monitoring the Company's risk profile, working to identify potential risks to the business and ensuring that appropriate risk management strategies are in place.

Throughout the year the Company met the Code's requirement for at least half of the Board, excluding the Chair, to comprise of independent Directors. This balance ensures that no one individual or small group dominates the Board's decision making. Each of the Non Executive Directors, other than Nick Leslau, are considered to be independent. Nick has been deemed non independent due to the size of his shareholding in the Company. This has resulted in the balance of Directors deemed independent reducing slightly at the year end from 70% last year to 67%, which meets the Code's requirements.

At the half year Suzy Neubert replaced Robert Fowlds as the Company's Senior Independent Director ('SID'). The SID acts as a sounding board for the Chair and an intermediary to the other Directors and shareholders as required. They are 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 three investor meetings following the announcement of last year's results whilst SID. This enabled him to provide reassurance to the Board that the feedback provided by the Executive Directors was reflective of these meetings and noted the support of the shareholders.

In her capacity as SID Suzy held a meeting of the Non Executive Directors, and separately met the Executive Directors, to appraise the performance of the Chair.

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

This year, Robert Fowlds, Suzy Neubert and Alistair Elliott accompanied Senior Leadership Team members to five sites in Warrington, Doncaster, Bedford, Luton and Hemel Hempstead. This provided insight into the strong relationships management have with occupiers and any issues they may be facing which helps drive strategy.

## Information flow

The Company Secretary supports the Chair by ensuring that Directors receive clear and timely information on all relevant matters so they can discharge their responsibilities. Comprehensive reports and briefing papers are circulated prior to each Board and Committee meeting in sufficient time to enable Directors to consider their content ahead of each meeting, to promote an informed boardroom discussion and debate and to facilitate robust and informed decision making. Board papers contain market, property, financial, risk and governance updates as well as other specific papers relating to agenda items.

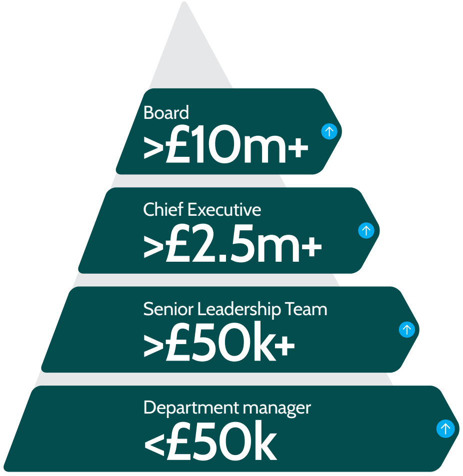
Specific briefing papers were provided to the Board and/or its Committees on each of its corporate acquisitions in the year, integration risk and progress, the external Board review, debt and hedging, cyber security and portfolio credit strength.

Directors receive other ad hoc papers of a transactional nature at other times for their review and approval with decisions ratified at the next Board meeting. In these circumstances, appropriate members of senior management make themselves available to the Non Executive Directors to answer queries and to discuss the proposed matter ahead of them making a decision.

## 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 investment and asset management activity including capital expenditure is delegated according to value.

### The delegated authority limits throughout the business are as follows:



## Composition, succession and evaluation

# Nomination Committee report

**Alistair Elliott**
Nomination Committee Chair

## Key responsibilities

### Board composition and succession planning

- Assess the composition of the Board and its Committees, including size, structure, diversity and skills
- Identify gaps in expertise or experience
- Plan for Director succession and ensure a smooth transition when vacancies arise

**See pages 123 to 124**

### Nominating Directors and promoting diversity

- Lead the process for new Board and Committee appointments and changes in membership
- Identify and nominate suitable candidates
- Evaluate the skills, qualifications, experience, and independence of potential candidates to ensure they meet the Company's needs and regulatory requirements
- Foster the Company's diversity policy at Board and Committee level to ensure that the Board reflects a broad range of perspectives and experiences to enhance decision making and corporate governance

**See pages 125 to 127**

### Director induction and ongoing training

- Oversee the induction process for new Directors, ensuring they receive the necessary orientation and training to fulfil their roles effectively
- Identify and support training needs and opportunities for professional growth

**See page 125**

### Evaluating Board performance

- Conduct regular assessments to determine whether the Board and its Committees are functioning effectively
- Assess the time commitment required from Non Executive Directors and whether Directors are fulfilling their duties
- Consider the annual re-election of Directors

**See pages 127 to 129**

### Corporate governance

- Contribute to the development and review of the Company's corporate governance policies and practices, particularly those related to Board composition, nomination processes, and succession planning
- Assess the independence of Directors, considering factors such as relationships with the Company, other Board members, and significant shareholders
- Ensure sufficient Directors are independent to maintain objectivity and prevent conflicts of interest
- Ensure that the Company adheres to other relevant regulatory requirements and best practices

> “This year much of our time was spent evaluating the implications of our transformative merger activity on Board composition and I am delighted to welcome Nick Leslau and Sandy Gumm who bring continuity for LXi shareholders and a wealth of property and financial experience to the Board as Non Executive Directors.”

## Highlights this year

- Evaluated the implications of our merger activity on Board composition and recommended the appointments of Nick Leslau and Sandy Gumm to the Board as Non Executive Directors
- Oversaw the external Board and Committee performance evaluation
- Considered the appointment of a female Board member to a senior Board position and recommended the appointment of Suzy Neubert to the role of Senior Independent Director
- Considered the vacancy left on the Remuneration Committee following Rosalyn Wilson's retirement from the Board and recommended the appointment of Suzy Neubert to that Committee
- Considered Provision 10 of the Code relating to tenure and the independence of James Dean's in light of his length of service

## 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] |
|---|---|---|---|
| Alistair Elliott (Chair) | 11/7/2023 | 1 | 3 (3) |
| Andrew Livingston | 19/9/2018 | 6 | 3 (3) |
| Suzanne Avery | 31/1/2019 | 5 | 3 (3) |
| Robert Fowlds | 28/1/2021 | 3 | 3 (3) |

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[1] Tenure is measured from date of appointment to the Committee and as at 31 March 2024, rounded to the nearest whole year

[2] Bracketed numbers indicate the number of meetings the member was eligible to attend

**Dear Shareholder,**

I am pleased to present this my first Nomination Committee report for the year to 31 March 2024. I would like to express our sincere gratitude to my predecessor, Patrick Vaughan for his many years of dedicated service, not only on this Committee but also as Chair of the Board.

## Role of the Committee

This Committee is responsible for assessing the composition of the Board and its Committees and for identifying any gaps in skills, experience, knowledge, or diversity. We work to ensure that the Board is well-rounded and equipped to effectively oversee the Company's activities and that Directors provide strong and effective leadership to drive the future success of the business.

We are also tasked with developing and maintaining a succession plan for key leadership positions, mainly within the Board but also to a lesser extent within the senior management team. We lead this process by ensuring that it is properly planned and managed to maintain stability in the management team and to mitigate against business disruption. For Board positions this involves identifying and evaluating potential candidates and conducting thorough assessments of their qualifications. This includes taking into consideration factors such as their experience, independence, and alignment with our strategic goals, before making recommendations to the Board when vacancies arise.

The Committee has oversight of induction training for new Directors to familiarise them with the Company's operations, governance framework and strategic priorities ensuring a smooth transition. It can also support Directors with their ongoing professional development.

The Committee is responsible for conducting annual Board and Committee evaluations to gain valuable insights into each one's strengths and areas for improvement and to establish if each is functioning effectively and that Directors are fulfilling their duties to the Company.

Finally, the Committee also plays a role in promoting good corporate governance practices within the Company. This includes not only ensuring that Board members have the necessary skills, expertise, and independence to fulfil their duties effectively but that Board appointments are made in a transparent and fair manner, that Directors act in the best interests of key stakeholders and that regulatory requirements are observed.

## Board composition and succession planning

This year the Committee's work has continued to focus on the composition of the Board and its Committees and their effectiveness.

The Committee met three times during the year and our time centred on three main areas:

- Considering the impact of our merger activity;
- Oversight of the externally facilitated Board and Committee evaluation process; and
- Compliance with corporate governance best practices and Listing Rules.

As detailed in our Chief Executive's review on pages 14 to 23 the Company undertook a transformative merger during the year in a process that dominated the latter half of the year. Much of our time was therefore spent on evaluating the implications of our merger activity on Board composition and I am delighted to welcome Nick Leslau and Sandy Gumm who bring continuity for LXi shareholders and a wealth of property and finance experience to the Board as Non Executive Directors. Further information on Nick and Sandy's appointments, experience and induction are provided on page 125.

The Committee believes that these appointments, together with the other Board and Committee changes described below, deliver an appropriately sized and balanced Board, with the complementary experience, skills and knowledge necessary to drive the enlarged Group forward following the merger.

This year the Committee also oversaw the Company's externally facilitated three yearly Board and Committee performance evaluation as described on pages 127 to 129. The findings were extremely positive, and we have concluded based on the review that the Board and Committees continued to operate well together. I would like to thank my fellow Board members and senior members of the management team for their co-operation and valuable input into this exercise and Independent Audit for their honest and informative review.

> “This Committee is responsible for assessing the composition of the Board and its Committees and for identifying any gaps in skills, experience, knowledge, or diversity.
>
> We work to ensure that the Board is well-rounded and equipped to effectively oversee the Company's activities and that Directors provide strong and effective leadership to drive the future success of the business.”

Last year we committed to the appointment of a female Board member to the position of Senior Independent Director to comply with the Listing Rules while allowing our new Board member, Suzy Neubert, time to settle into her role. We were pleased therefore to recommend Suzy's appointment to that role, a position she latterly held while at Witan Investment Trust plc as a non executive director. The Board endorsed this recommendation effective from 29 September 2023. The Committee also recommended Suzy's appointment to the Remuneration Committee effective from the same date to fill the vacancy left on Rosalyn Wilton's retirement earlier in the year. Suzy has remuneration committee experience through her appointment at LV= the insurance provider.

Mindful of Provision 10 of the Code relating to tenure and deemed independence, the Committee considered James Dean's length of service and the Board regretfully accepted his resignation after 13 years. The Directors and Board have however retained access to James's valuable property expertise and contribution through a consultancy arrangement.

Composition, succession and evaluation

# Nomination Committee report

continued

At 31 March 2024 we remained fully compliant with the Code's requirement that the majority of the Board should comprise of independent directors. Nick Leslau has been deemed non independent however, due to the size of his shareholding in the Company. This has resulted in the balance of Directors deemed independent reducing slightly from 70% last year end to 67% this. We also met the Listing Rule requirement for gender diversity at Board level with females making up 40% of the Board at year end.

The composition of the Board and its three Committees as at 31 March 2024 is detailed in the table on page 118. Directors' biographies are reflected on pages 106 to 107 and Board diversity is summarised on page 126.

Looking forward, our work on succession planning and developing talent will continue to be a key area of focus. The Committee will also monitor the induction of Nick and Sandy into the business and oversee the implementation of key recommendations arising out of the Board performance evaluation.

## Executive succession planning and talent development

Succession planning for the Executives and senior management positions includes the consideration of internal candidates.

The Committee oversees talent development within the organisation recognising the need to nurture and provide opportunities to high performing middle managers to enable them to develop and grow into more senior roles. This includes considering how these managers are developed and motivated and whether new hires are needed to bolster the pool.

It is also important that all Directors have good visibility on potential successors both in and outside of the boardroom.

Regular contact with Board members is encouraged, including through presentations, property tours and on an ad hoc basis to discuss specific issues. Non Executive Directors are regular visitors to the office and keep abreast of transactions, financing and other corporate activity through discussions with staff.

Below the Board, succession planning is delegated to the Senior Leadership Team which includes the Executive Directors, to ensure we recruit and retain suitable future leaders and have contingency plans for unforeseen absences.

Annual staff appraisals provide a forum to discuss targets, progress, future prospects and training needs which can also be raised directly with line managers at other times.

The Company currently continues to support one female employee through an apprenticeship programme to study for her Masters in Real Estate Management, promoting the Real Estate Balance initiative of developing a female talent pipeline.

The Group's talent pipeline has been strengthened this year through the transition of LXi staff following the Company's merger.

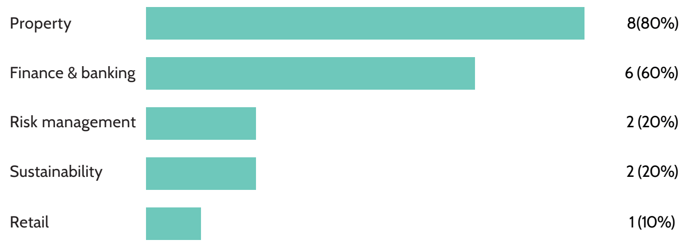
## A Balanced Board[1]

### Board independence

### Non Executive board tenure

### Board gender diversity

### Board skills[2]



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[1] Based on Board composition as at 31 March 2024

[2] Some Directors are represented in more than one category in terms of their experience

# Board appointments

The Nomination Committee is responsible for identifying and recommending candidates to fill Board vacancies and leads the selection process, ensuring it is formal, rigorous and transparent.

This year, our appointment process has been led by our transformative merger with LXi to create the UK's third largest REIT by market capitalisation. LXi was itself the subject of a merger in July 2022 with Secure Income REIT plc ('SIR') and prior to that merger Nick Leslau was the chair and majority shareholder of Prestbury Investment Partners Limited the investment advisor to the SIR group of companies. The three largest tenants within LXi came from that group and this together with Nick's long and successful career in real estate were considerations in his appointment to the Board providing continuity for LXi shareholders.

Sandy Gumm was the chief operating officer of Prestbury Investment Partners Limited prior to the merger between LXi and SIR. She is a chartered accountant and has enjoyed a long and successful career as an executive within the real estate sector with strong governance and finance experience. She brings a wealth of knowledge of the LXi group structure and funding.

Both Sandy and Nick met members of the Nomination Committee and Board prior to the merger completing. A decision on Sandy's appointment was not made at that time partly due to sensitivities surrounding LXi's investment advisor and partly as the Committee required further time to reflect on the overall composition of the Board. Considerations included:

- Andrew Livingston's length of tenure and whether a candidate with retail experience would be preferred; and
- Whether Sandy's finance and banking knowledge and experience would complement and enhance the existing skill set the Board has in those fields.

Sandy was chosen as the preferred candidate, as her knowledge and experience will be beneficial to the post-merger integration of LXi into the business, and her appointment recommended to the Board.

The Board debated Sandy's status and has deemed her to be independent notwithstanding her cross-directorships and significant links with Nick Leslau. Directors consider her to be robustly independent in her thinking as confirmed in references from third parties who have sat alongside her on listed boards.

## Board induction

On appointment, the Company would ordinarily arrange a comprehensive induction programme to help new Directors develop an understanding of the business including its strategy, portfolio, governance framework, stakeholders, finances, risks and controls. For Nick and Sandy, the reverse due diligence exercise undertaken by the LXi board on LondonMetric and the merger process itself, including numerous meetings with the Executives and Senior Leadership Team members, provided much of the information ordinarily provided. The Company has, however, supplemented this with additional information on specific matters including the Company's progress on integrating LXi into the business.

Induction information received through the merger process and subsequently included the following:

- The investment portfolio, asset selection, capital allocation and strategy
- Financial forecasting and reporting processes and a review of working capital
- Financial procedures
- Banking and hedging strategy
- Risks and internal controls
- Regulatory matters
- Shareholder engagement
- ESG targets and ambitions
- Guidance and information on annual Board timetables, governance processes, S172 responsibilities and regulatory procedures including share dealing
- Provision of past Board and Committee papers, the Risk Register and Internal Controls Questionnaire
- Integration proposals and progress

**Nick Leslau**
Non Executive Director

**Sandy Gumm**
Non Executive Director

## Board training

Oversight of the training needs of individual Directors is the responsibility of the Chair. Directors are also however expected to identify and develop their own individual training needs, skills and knowledge and ensure they are adequately informed about the Group's strategy, business and responsibilities. They are encouraged to attend relevant seminars and conferences and receive technical update material from advisors and are offered training and guidance at the Company's expense. The Deloitte Academy is also available to all Directors.

During the year, information updates were provided through briefing papers prepared by senior management and external advisors on regulatory and accounting updates, Code compliance, debt and hedging, cyber security and tenant covenants.

Composition, succession and evaluation

# Nomination Committee report

continued

## Diversity and inclusion

We recognise the importance of diversity in its broadest sense and the benefits it brings to the organisation, in terms of skills, experience, differing perspectives and fresh ideas, which ultimately leads to better decision making. We strive to operate in a working environment of equal opportunity and promote a culture of openness, respect and inclusion.

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, which can be found on our website, when considering new appointments. At 31 March 2024, following the recent merger, 40% of our Board were women. One Board member is from an ethnic minority background and our Senior Independent Director is female.

We acknowledge that our ambition to improve diversity is, to a large extent, determined by the quality of recruitment, and we actively engage with recruiters to promote a diverse candidate selection and only appoint those firms who have signed up to the Voluntary Code of Conduct for Executive Search firms. However, we realise that the diversity of recruitment will be subject to the availability of suitable candidates and vacancies within the organisation.

Ultimately, all appointments to the Board and throughout the Company are based on merit, suitability for the role and alignment with our values, as an appointment on any other basis would not be in the best interests of shareholders or the Company. We are proud of our low level of staff turnover which, at 6% on average over the past ten years, signifies a loyal and content workforce but recognise that this also constrains the pace of change.

We continue to support the Real Estate Balance group, whose objective is to improve gender diversity by promoting and supporting the development of a female talent pipeline and are mindful of the Listing Rule requirements and the Disclosure Guidance and Transparency Rules on Board diversity, that apply.

## Gender representation as at 31 March 2024

| | Number of Board members | % of the Board | Number of senior positions[1] | Number of Senior Leadership Team members[2] | % of Senior Leadership Team |
|---|---|---|---|---|---|
| Men | 6 | 60% | 3 | 6 | 75% |
| Women | 4 | 40% | 1 | 2 | 25% |
| Non-binary | – | – | – | – | – |
| Not specified/ prefer not to say | – | – | – | – | – |

| | Female | | Male | |
|---|---|---|---|---|
| Senior Leadership Team and direct reports[3] | 7 | 35% | 13 | 65% |
| Group | 24 | 51% | 23 | 49% |

## Ethnic representation as at 31 March 2024

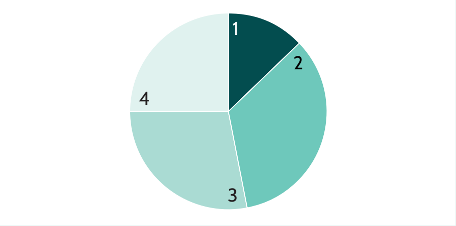
| Ethnic representation | Number of Board members | % of the Board | Number of senior positions[1] | Number of Senior Leadership Team members[2] | % of Senior Leadership Team |
|---|---|---|---|---|---|
| White British or other White | 9 | 90% | 3 | 7 | 87.5% |
| Mixed/Multiple ethnic | 1 | 10% | 1 | – | – |
| Asian/Asian British | – | – | – | 1 | 12.5% |
| Black/African/ Caribbean/Black British | – | – | – | – | – |
| Other ethnic group, including Arab | – | – | – | – | – |
| Not specified/ prefer not to say | – | – | – | – | – |

[1] Senior Board positions include the Chair, Chief Executive, Finance Director and Senior Independent Director

[2] The Senior Leadership Team, as set out on pages 108 to 109 is considered to be the Company's executive management as defined by the Listing Rules and senior management as defined by the Code

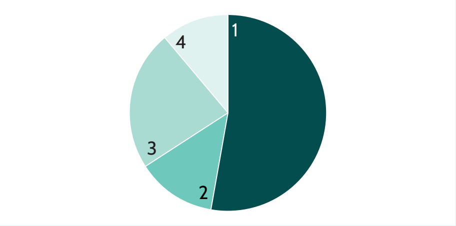
[3] The Senior Leadership Team's direct reports are the next layer of management below senior management

## Other Group diversity



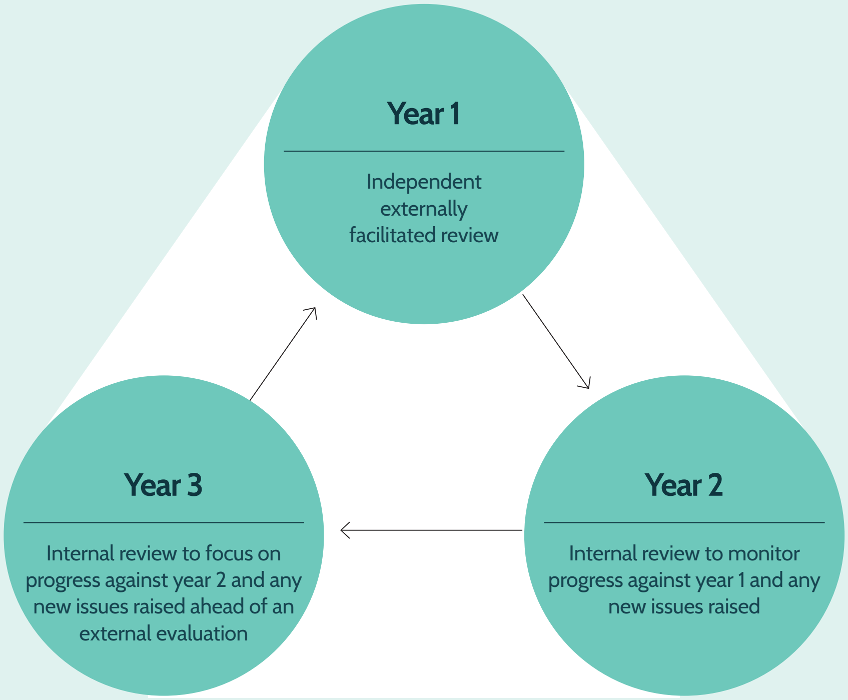
### Age (years)

| | | | |
|---|---|---|---|
| 1 | 20-30 | 6 | 13% |
| 2 | 31-40 | 16 | 34% |
| 3 | 41-50 | 13 | 28% |
| 4 | 51+ | 12 | 25% |
| | Total | 47 | 100% |



### Length of service (years)

| | | | |
|---|---|---|---|
| 1 | 0-5 | 25 | 53% |
| 2 | 6-10 | 6 | 13% |
| 3 | 11-15 | 11 | 23% |
| 4 | 16+ | 5 | 11% |
| | Total | 47 | 100% |



Our Senior Leadership Team manages the day to day running of the business and comprises departmental heads from all key business functions with a diverse range of skills and experience. We will continue to work towards compliance with the FTSE Women Leader's target of 40% female representation in leadership teams but acknowledge that this is likely to remain a challenge, as increasing the size of the leadership team is not considered an effective solution and there are no known natural succession changes anticipated at the present time.

In the wider organisation, 51% of all employees are female and the culture of the organisation promotes inclusion and equal opportunity.

Our ambition is to increase gender diversity throughout the Senior Leadership Team and wider organisation when suitable vacancies arise and appropriate candidates can be found. Further information on the Company's commitment to promoting diversity and inclusion is included in the Responsible Business and ESG review from page 66.

The tables on page 126 are presented to meet Listing Rule 9.8.6R(10) and reflect the gender and ethnic diversity of the Board, Senior Leadership Team and across the Company at 31 March 2024.

We collect gender and ethnicity data on a self-identifying basis in a questionnaire which asks the Board and employees to identify their gender and ethnicity based on the categories set out in the tables from page 126.

## Board performance evaluation

The annual evaluation enables us to monitor and improve the effectiveness of the Board and its Committees and is a key component of good governance to ensure that the Board is operating effectively.

In line with our three year cycle, this year's review and performance evaluation was externally facilitated by Independent Audit Limited ('IAL'). Having undertaken the Company's 2018 and 2021 reviews, I as your new Chair felt that IAL were best placed to consider how we have and should continue to evolve having first satisfied myself that they remain independent.

IAL are a signatory to the Code of Practice for independent board reviewers and their appointment meets the new principles of good practice for board reviewers issued by the Chartered Governance Institute UK & Ireland:

- IAL have no connection with the Company or any Director
- As the person leading the appointment, I have not had any relationship with IAL in the past
- The decision to appoint IAL was not delegated to a single Board member
- IAL's appointment was approved by the Board on the recommendation of this Committee
- IAL have rotated the director conducting the internal review of their report

The objective of the evaluation process was a comprehensive review of all aspects of the Board's effectiveness and that of its Committees including composition, dynamics, the quality of the information received and the performance of individual Directors.

The processes used to carry out the evaluation included one to one interviews with the Directors, the Company Secretary, members of the Senior Leadership Team and external advisors including the Company's audit partner and remuneration advisor. IAL reviewed Board and Committee papers from the last 12 months, progress against action trackers showing status of actions agreed at the Board and Committees and the Committees' terms of reference. IAL also attended a full Board meeting and a meeting of each of the Board's Committees as an observer other than the Audit Committee due to the timing of when the review was undertaken.

IAL's review was principally a forward-looking practical one, taking into account our proposed merger activity and challenges including the integration of the LXi business and how well the Board is equipped to meet them. The review was undertaken before our two new Directors had joined the Board.

IAL sent their detailed report to me as Chair ahead of a meeting to discuss their findings and recommendations. They then presented their findings and recommendations to the Board at its meeting in March 2024.

Composition, succession and evaluation

# Nomination Committee report

continued

## 2024 Performance evaluation

**The process covered areas captured in IAL's board effectiveness model:**

**What the board does**

- Strategy
- Overseeing management
- Financial oversight
- Risk management
- People and culture
- Stakeholders

**How the board does it**

- Composition
- Dynamics
- Information & Support
- Meetings
- Committees
- Development

### Key findings and recommendations from the 2024 performance evaluation review

The results of the external Board performance evaluation were extremely positive with no significant areas of concern identified.

The review concluded that the Board has evolved well and continues to work effectively with members extremely proud of what the Company has achieved despite its small workforce.

### Key strengths identified

- The Chair has settled into his predecessor's role well and the transition has been smooth. Board colleagues and respondents appreciate his energy, structured approach and engagement with them and the wider LondonMetric team between meetings.
- The Chief Executive is highly praised by all for his vision and sectoral expertise. He and the Finance Director continue to communicate well with the Board and lead a stable management team who are felt by all to perform to consistently high standards.
- The Chair and Chief Executive are forging a good relationship which is critical to the Board's effectiveness.
- Non Executive Directors and management get on well and have a collaborative relationship. The frequency of their informal interactions is a positive feature.
- Non Executive Directors provide relevant and complementary skills. They are diligent and engaged, and the Executives value their insight and challenge.
- Diversity on the Board is good.
- IAL observed skilful chairing of the Board and Committee meetings that they attended with a range of participants contributing to inclusive and thorough debate on major topics.
- The Remuneration and Audit Committee Chairs receive unanimous praise for their diligence and specialist knowledge that they bring to their Committees.
- The designated Non Executive Director for employee engagement takes his role seriously and all feel he interacts well with the wider team.
- All Non Executive Directors are well attuned to the Company's culture.
- The Company Secretary provides professional and efficient support.

The Board welcomed IAL's recommendations for continued development to its practices and procedures which are listed below.

It was agreed that the Board or each Committee as appropriate would pick up what needed to be developed.

| Key areas for development | | Recommendations |
|---|---|---|
| Develop a structured approach to overseeing the integration | The Board was praised for the thoroughness of its discussions on the LXi transaction with NEDs playing to their strengths and contributing well between meetings. On sealing the deal, the main priority is successful integration | • Agree a structured integration plan covering the various workstreams<br>• Establish the level of detail and frequency of the reporting to the Board to enable NEDs to track progress and provide opportunity to challenge and support |
| Review the assurance framework | To date the Company has managed without a risk management or internal audit function having reviewed this approach in the past but deemed it unnecessary. A strong assurance framework is increasingly important as the business grows in size and complexity | • The Audit Committee Chair could oversee a thorough review to satisfy the Board that it is able to gain sufficient assurance around the rigour of controls<br>• Consider maintaining the current status quo, hiring an in house risk manager or entering into an outsourced arrangement |
| Plan well ahead for succession | Ensure the Company continues to be well led when the Chief Executive or other key executives depart, although not expected in the foreseeable future | • Hold regular more structured discussions on executive succession<br>• Ensure there are contingency plans in place for any unexpected departures or absences and secondly, longer term succession plans as and when the time comes |
| Forward looking strategic topics | Any Board has conflicting demands and needs to use its time carefully. LondonMetric has relatively short, productive and efficiently run meetings and a small number of important topics would merit more coverage | • Consider devoting more time to topics such as sustainability, emerging technology, purpose and culture<br>• Make more time for discussion on strategic intent i.e. 'What next?' in terms of where future growth will come from |

### Progress against targets set last year is set out below.

| Recommendation in 2023 | Progress in 2024 |
|---|---|
| Consider holding a strategy specific meeting to facilitate a deeper strategic review and incorporate scenario stress testing as appropriate | Comprehensive merger specific meetings were held during the year in addition to the Board's regular meetings |
| Consider proposed regulatory changes relating to risk management and internal control systems that may require additional documentation and consideration in due course | Our financial position and prospects procedures document was updated during the year and reported on by BDO LLP for the merger with LXi. During the year the Audit Committee also discussed the 2024 UK Corporate Governance Code's declaration on internal controls. A pathway to compliance with the expanded Provision 29 (the Internal Controls declaration) and progress monitoring will be agreed over the coming year |
| Encourage all Directors to contribute and express their views more readily during meetings | IAL reported that they observed a good level of participation from all Directors at the Board and Committee meetings they attended |
| Encourage wider participation from some NEDs outside of the regular Board meetings | IAL reported a good level of NED engagement outside of the boardroom |
| Chair to meet NEDs more regularly on a one-to-one and group basis without the Executives present | IAL reported that the new Chair is leading more frequent one to one and NED only sessions including lunches and dinners to discuss relevant issues including strategy |
| Include a question on what could improve the performance of the Board or a particular Committee in future internal evaluation questionnaires | Not applicable to this year as an independent externally facilitated review was undertaken |

### Election and re-election of Directors

Following the Board performance evaluation and Board appointment process undertaken in the year, the Committee has concluded that each of the Directors seeking election and re-election makes an effective and valuable contribution to the Board and has the necessary skills, knowledge, experience and time to enable them to discharge their duties properly in the coming year. All Directors will offer themselves for election and re-election at the forthcoming AGM on 22 July 2024 and I encourage shareholders to support us and vote in favour of these resolutions.

### Time commitment

In making recommendations to the Board on Non Executive Director appointments, the Nomination Committee considers the expected time commitment of the proposed appointee and other commitments they already have. Nick Leslau and Sandy Gumm have other board interests in private companies including Prestbury group companies, which were considered prior to their 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. Andrew Jones remains a non executive director of InstaVolt Limited.

In February 2024, Robert Fowlds was appointed as a non executive director of Helical plc after receiving the consent of the LondonMetric Board prior to taking up the appointment.

In May 2024, Suzy Neubert was appointed as a non executive director of Howden Joinery Group Plc after an executive search process run by Russell Reynolds on behalf of that company and having received the consent of the LondonMetric Board prior to taking up that role.

### 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 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.

**Alistair Elliott**
Chair of the Nomination Committee
4 June 2024

Audit, risk and internal control

# Audit Committee report

**Kitty Patmore**
Audit Committee Chair

## Key responsibilities

### Oversight of financial reporting

- Monitor the integrity of the financial reporting process
- Scrutinise the integrity of the Company's annual and interim financial statements
- Consider whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements
- Review the methods used to account for significant or unusual transactions where different approaches are possible

See pages 132 to 133

### Whistleblowing and ethical standards

- Review the Company's whistleblowing blowing, anti-corruption and anti-bribery procedures

See page 135

### Risk management and internal control

- Appraise the risk management framework
- Seek comfort that there is a robust system in place for the identification, assessment and mitigation of the principal risks faced by the Group including emerging risks
- Assess the system of internal controls and consider their effectiveness
- Assess the requirement for an internal audit function

See page 134

### Oversight of external audit

- Select, appoint, and oversee the work of the external auditor
- Evaluate the auditor's independence, objectivity, performance and fees
- Monitor the ratio and level of audit to non audit fees payable to the external auditor
- Review the scope of the audit and compliance with relevant auditing standards
- Review the policy for the approval of non audit fees payable to the external auditor

See pages 134 to 135

### Regulatory compliance

- Monitor compliance with applicable laws and regulations
- Review the Viability Statement and going concern basis of preparation
- Consider whether the Annual Report is 'fair, balanced and understandable'
- Oversight of ESG activities and reporting

See pages 135 to 136

> "This year, we have focused our efforts on the significant amount of corporate merger activity that the Group has undertaken. We have considered the appropriate accounting treatment for each corporate acquisition and have reviewed the integration plan for staff, processes and systems."

## Highlights this year

- Considered the accounting treatment for the acquisitions of CT Property Trust Limited and LXi REIT plc and its investment advisor
- Considered the risks and integration plan following the merger with LXi REIT plc
- Reviewed the effectiveness of risk management and internal controls including consideration of emerging risks, cyber security and tenant covenants
- Considered the 2024 UK Corporate Governance Code's requirement to include a declaration of effectiveness by March 2027
- Independently met both the external auditor and property valuers to challenge and scrutinise the accounting treatment of significant transactions and areas of judgement
- Dedicated one meeting to ESG matters following the LXi merger and received an update on the Company's performance and ambitions

## 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] |
|---|---|---|---|
| Kitty Patmore (Chair) | 28/1/2021 | 3 | 5 (5) |
| Suzanne Avery | 22/3/2018 | 6 | 5 (5) |
| Robert Fowlds | 31/3/2019 | 5 | 5 (5) |
| Suzy Neubert | 24/5/2023 | 1 | 3 (3) |

[1] Tenure is measured from date of appointment to the Committee and as at 31 March 2024, rounded to the nearest whole year

[2] Bracketed numbers indicate the number of meetings the member was eligible to attend

## Dear Shareholder,

On behalf of the Audit Committee, I am delighted to present my first report as Chair of the Committee for the year to 31 March 2024, having succeeded Rosalyn Wilton as Chair from the announcement of last year's results on 24 May 2023. I would like to take this opportunity to thank Ros for her dedication and hard work over the past nine years as an invaluable Board member and Committee Chair.

The Committee continues to play a key assurance role to support the Board 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.

This year, we have focused our efforts on the significant amount of corporate merger activity that the Group has undertaken. We have considered the appropriate accounting treatment for each corporate acquisition and have reviewed the integration plan for staff, processes and systems.

We have continued to oversee the external audit process and have met independently with both the external auditor and valuers to challenge and scrutinise the accounting treatment of significant transactions and areas of judgement including the property valuations.

Our annual in-depth review of the Group's risk register and internal control procedures continues to be the focus of our planning meeting in March, to support the Board in ensuring its risk management framework is suitably robust and relevant. I am pleased to report that no significant weaknesses were identified as a result of our review, which is described in detail on page 90.

We also considered the new 2024 UK Corporate Governance Code's internal controls declaration and will complete a thorough review of the assurance framework of the integrated Group over the next year. The Company will be required to comply with the 2024 Code for the year ending 31 March 2026 and the declaration on the effectiveness of material controls by 31 March 2027.

## Membership

The Committee comprised of four independent Non Executive Directors throughout the year. Suzy Neubert joined as a new member of the Committee on 24 May 2023, replacing Rosalyn Wilton who stepped down.

The Board is satisfied that current members bring recent and relevant financial experience as required by the Code and considers that the Committee as a whole has the appropriate commercial and industry specific knowledge and competence to enable it to discharge its duties, through the positions members currently or have previously held, including property, finance, banking, capital markets, risk management and sustainability.

Biographies of the Committee members which set out the relevant skills, knowledge and sector experience they bring can be found on pages 106 to 107.

## Meetings

The Committee met five times during the year and followed an annual programme, which is agreed at the start of the year and aligned to the Company's financial reporting timetable. As usual, the Group's external auditor, independent property valuers, Finance Director and Head of Finance attended meetings by invitation.

The May and November meetings are scheduled to precede the approval and issue of the full and half year financial reports and 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 considered the year end audit plan, which reflected the acquisition of LXi and reviewed risk management and internal control processes. This year there was focus on the risks associated with the LXi acquisition and integration. In addition, the Finance Director and Head of Finance provided specific updates on cyber security, the accounting treatment for significant transactions, tenant covenants and the changes to the Company's tenant profile resulting from the merger.

This year's merger activity resulted in our ESG dedicated meeting being postponed until April. At that meeting we reviewed initiatives being undertaken, progress against targets, the roll out of an ESG software platform and its capabilities and levels of occupier engagement. Amongst other things we also discussed the inherited knowledge and know-how acquired through our merger activity and its impact on the portfolio's ESG ratings and planned activity, specifically the challenges and opportunities associated with long leases and the net lease business model that require a reset of the Company's ESG approach and targets notably its Net Zero pathway.

The meeting was attended by members of the Responsible Business Working Group led by the Finance Director, and included the Head of Investor Relations and Sustainability, the Strategy Director, LXi's Head of ESG and an ESG specialist on long term secondment from Savills. We were satisfied that ESG is firmly embedded into all business operations and remains a key focus for management. In common with the March Committee meeting, we continue to find this type of interaction incredibly valuable as it focuses discussion and debate on specialist and topical issues and allows the Committee to meet the pool of emerging talent below Board.

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 with the Finance Director to discuss and understand key matters in advance of meetings, facilitating informed and constructive debate.

## Committee effectiveness

During the year, the Board led by the Nomination Committee carried out an externally facilitated evaluation of its performance and that of its Committees as reported on pages 127 to 129. The review concluded that the Audit Committee continued to operate effectively and provide the appropriate level of independent challenge, and was very well supported by the Finance Director, his team and the external auditor.

# Audit Committee report

continued

## Our work in 2024

Throughout the year, the Committee acted in accordance with its terms of reference, which were last reviewed and updated in March 2024 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 where required of each of the items noted.

| Role | Responsibilities |
|---|---|
| Financial reporting | • Interim and full year results announcements and the Annual Report<br>• Accounting treatment of significant transactions and areas of judgement including consideration of corporate acquisitions<br>• The valuation process, the half yearly property valuations and the independence of the Group's valuers<br>• 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<br>• Integration plan including integration risks following the merger with LXi<br>• The adequacy and effectiveness of the Group's internal controls<br>• The appropriateness of the going concern assumption<br>• The Viability Statement and longer term forecast<br>• The need for an internal audit function<br>• Preparation for the new 2024 Code material controls declaration |
| External audit | • Scope of the external audit plan including the additional work undertaken following the LXi merger<br>• The independence and objectivity of the external auditor<br>• Performance of the external auditor and effectiveness of the audit process<br>• Auditor's fee for the year<br>• Non audit services and ratio of fees |
| Regulatory compliance | • Committee's composition, performance, terms of reference and constitution<br>• Section 172 statement<br>• TCFD statement, ESG ambitions and progress<br>• Tax strategy and REIT status<br>• Policy on non audit fees |

## Financial reporting

One of our principal responsibilities is to monitor the integrity of the financial information published in the interim and annual statements and the overall tone, messaging and clarity of reporting.

In conducting its review, the Committee considers:

- The extent to which suitable accounting policies and practices have been adopted, consistently applied and disclosed;
- Significant matters by virtue of their size, complexity, level of judgement and potential impact on the financial statements; and
- Compliance with relevant accounting standards and other regulatory reporting requirements including the Code.

Developments in accounting regulations and best practice are monitored and, where appropriate, reflected in the financial statements.

The Committee and finance team are kept informed of developments in accounting and corporate governance through technical briefing material and webinars as well as an annual technical update presentation led by Deloitte.

The significant matters considered by the Committee, discussed with the external auditor and addressed during the year are set out on page 133.

Further details can be found in note 1 to the financial statements on page 172.

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 from page 161.

## Significant accounting matter – Property valuations

### Reporting issue

The property valuation is a critical part of the Group's reported performance. It continues to be the most significant matter for consideration, being a key determinant of the Group's profitability, net asset value, total property return and a variable element of remuneration. It remains a principal recurring risk for the Group as reported in the Risk management and internal controls section on pages 86 to 98.

Property valuations are a key area of focus for the external auditor and are inherently subjective. They are based on assumptions and judgements made by external valuers and are underpinned by transactional market evidence, which may not prove to be accurate. In an uncertain market, this empirical data may be less relevant and valuations may become more subjective.

Following the merger with LXi, the enlarged group has property assets of £6.0 billion as reflected in the Financial review and as detailed in Supplementary note ix.

### The Committee's role

All investment properties are externally valued each half year by independent valuers, CBRE Limited, Savills (UK) Limited and latterly Knight Frank LLP following the merger with LXi.

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 Committee reviewed the key assumptions including future rental growth, market yields, capital expenditure and void costs and considered the supporting market evidence used to benchmark assets and were content with the assumptions applied. Any valuations requiring a greater level of judgement were debated, including property under development, post period end sales and valuation movements that were not broadly in line with benchmarks. 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. The Committee challenged assumptions and discussed the impact on values of changes to the key assumptions.

As part of their audit work, Deloitte use their own in house property valuation expert to assess and independently challenge the valuation approach, assumptions and judgements. They meet separately with the valuers and report their findings and conclusions to the Committee.

### Conclusion

The Committee confirmed to the Board that it was satisfied that the external property valuation included within the financial statements had been carried out appropriately, independently and in accordance with industry valuation standards.

## Significant accounting matter – Significant transactions

### Reporting issue

The Group acquired £3.2 billion of property in the year, largely through the corporate acquisitions of CT Property Trust Limited ('CTPT') and LXi REIT plc ('LXi') as discussed in detail throughout the Strategic report.

Certain transactions that are large and/or complex in nature may require management to make judgements when considering the appropriate accounting treatment including how and when a transaction should be recognised. There is an inherent risk that an inappropriate approach for a significant transaction could lead to a material misstatement in the Group's financial statements.

### The Committee's role

The Committee, in conjunction with the external auditor, received and challenged management's accounting proposals in relation to the sizeable corporate acquisitions in the year, which were presented in Board and Committee briefing papers and discussed at meetings.

The corporate acquisition in August 2023 of CTPT and its portfolio of 33 assets valued on acquisition at £285.2 million was considered to be an asset acquisition rather than a business combination, as no processes or workforce were acquired and substantially all of the fair value was represented by investment properties.

By contrast, the corporate acquisitions of LXi and its investment advisor, LXi REIT Advisors Limited, both of which completed in March 2024 were considered to be business combinations in accordance with IFRS 3.

The all share offer for the entire issued share capital of LXi was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 and was deemed a reverse takeover and Class 1 transaction pursuant to the Listing Rules. The Company issued 943 million shares as consideration at 185.8p, totalling £1,752 million.

The Group acquired a portfolio of 280 assets valued at £2.9 billion in structurally supported sectors with a strong exposure to occupiers' mission critical assets, as well as secured debt of £1.1 billion.

Alongside the acquisition of LXi, the Group acquired the external investment advisor and its team of ten employees for £26.8 million. The team had significant knowledge of the property assets and processes of the LXi business which supported the conclusion that the merger should be accounted for as a business combination in accordance with IFRS 3.

In addition, the property assets acquired did not constitute a group of similar identifiable assets as they varied by location and sector.

As reflected in note 15c, the fair value the identifiable assets acquired for LXi and its investment advisor was £1,828.2 million generating a net gain on business combinations of £49.4 million, as the consideration paid was less than the fair value of the assets acquired.

This price discount was largely a result of fair value adjustments incorporated into the share exchange ratio as well as the Company's share price on acquisition of 185.8p trading at a discount to its 30 September 2023 net asset value upon which the deal was based of 199.6p per share.

Further details of the merger can be found on page 18.

### Conclusion

The Committee concurred with the approach adopted by management in each case.

# Audit Committee report

continued

## Risk management and internal control

The Board understands the importance of the Company's risk management framework and internal control processes in managing business risks and delivering our strategy.

There is a culture of risk awareness embedded into the decision making processes and robust procedures are in place to support the identification and management of risk.

The framework, responsibilities and detailed review processes, including a full description of the work of the Audit Committee, are set out in the Risk management and internal controls section from page 86.

The Committee has continued to assist the Board this year by providing a key oversight and assurance role in undertaking its annual in-depth review of the risk register and internal control questionnaire prepared by the Senior Leadership Team. It also received a cyber security update paper, which highlighted improvements to processes and systems made in the year and areas of focus for the year ahead and a review of tenant covenants.

## Internal audit

The Group does not have a dedicated internal audit function and the Committee reviews the requirement for one each year. Historically due to the size of the organisation, its relatively simple Group structure and the close involvement of Senior Leadership Team members in day to day operations, the Committee has not felt that an internal audit function was either appropriate or necessary.

The Committee is mindful that a strong assurance framework is increasingly important as the business grows in size and complexity and that the new Code regulations will require greater evidence of the controls and how they are working. In line with Independent Audit's recommendations, the Committee agrees that a thorough review of the assurance framework of the integrated Group would be advisable later this year even though the business will retain relatively straightforward processes, a high proportion of long term leases and a low headcount. This workstream will help to establish whether the current status quo should be maintained or whether the business should establish a dedicated in house risk management function or enter into an outsourced arrangement in order to satisfy the Board that it is able to gain sufficient assurance around the rigour of controls. Currently, 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 should be sought for any complex, specialist or high risk issues.

## External audit

The Committee continues to have a constructive working relationship with the external auditor and its lead partner Rachel Argyle. Deloitte were reappointed as external auditor last year following a competitive tender process.

Current UK regulations require rotation of the lead partner every five years, a formal tender every ten years and a change of auditor every 20 years. Rachel Argyle will be required to step down as lead partner following the 2027 year end and Deloitte will be required to step down as auditor following the 2033 year end in accordance with these regulations.

The Company has complied with the provisions of the Competition and Markets Authority Order 2014 in relation to the provision of non audit services for the year under review.

## Oversight

As in previous years, Deloitte presented their audit plan to the Committee in March. This highlighted the key audit risk areas consistent with previous years as property valuations and significant transactions.

The acquisition of LXi was however identified as an additional significant risk as this transaction resulted in material changes to the Group's size, structure, portfolio and Deloitte's understanding of the control environment with the accounting function for LXi performed by a third party service provider under a separate control environment. The level of audit materiality was also discussed and agreed.

Deloitte presented their detailed audit findings to the Committee ahead of the interim and full year results. The Committee probed and challenged the work undertaken and the key assumptions made in reaching their conclusions, with particular focus on the audit risk areas identified. As part of their work, the Committee allocates 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.

## 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, taxation, valuation, remuneration and legal services.

### Remuneration

| Year to 31 March | 2024<br>£000 | 2023<br>£000 | 2022<br>£000 |
|---|---|---|---|
| Audit fees | 580 | 252 | 225 |
| Review of interim results | 96 | 42 | 38 |
| Total | 676 | 294 | 263 |
| Ratio of non audit fees (including interim review) to audit fees | 17% | 17% | 17% |

Taxation services and remuneration advice is provided separately by PwC and Grant Thornton. Corporate due diligence work and the audit of certain subsidiary companies is undertaken 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.

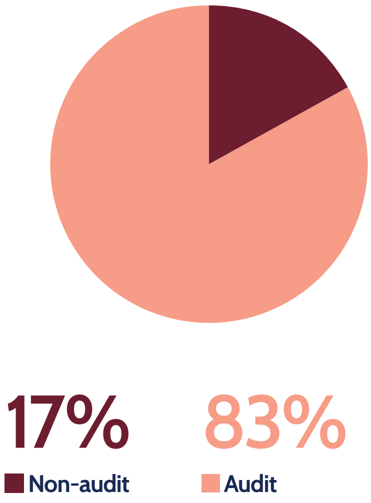
They have also confirmed that they have internal procedures in place to identify any aspects of non audit work which could compromise their role as auditor and to ensure the objectivity of their audit report. Following the LXi merger, Deloitte stepped down as a tax advisor to LXi REIT plc.

The three year average ratio of non audit fees (primarily the cost of the interim review) to audit fees continues to be low at 17%, supporting the Committee's conclusion that Deloitte remains independent.

Having undertaken its review, in the opinion of the Audit Committee, this year's audit was appropriately planned, executed and of a consistently high quality.

Deloitte continued to provide the appropriate level of professional challenge and remained objective and independent throughout.

**Audit and non-audit fees 2024**



## Regulatory compliance

### Section 172 duties

At the request of the Board, the Audit Committee considered the Board and Directors' duties under Section 172 of the Companies Act 2006 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. The Committee received a paper from the Finance Director setting out the considerations and specific examples of how the Board had considered and responded to stakeholder needs in the year.

The Board's Section 172 statement is on pages 116 to 117 and engagement with stakeholders is set out in the Responsible Business and ESG review on pages 55 to 76.

### 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, the current financial position, headroom under loan covenants, investment commitments and the stress testing of financial forecasts undertaken.

The stress testing considered changes in macro-economic conditions including the impact of inflation and interest rates to the Company, its suppliers, tenants and the wider property market.

The scenario testing assessed the likely impact of an increase in interest rates, a reduction in rental income and a decline in property values as set out on page 100.

Following its review, the Committee was satisfied that the going concern basis of preparation remained appropriate and recommended the Viability Statement be approved by the Board. The Board's statements on Going Concern and Viability are set out on pages 99 and 100.

### 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 copy of the Company's whistleblowing policy and anti-corruption procedures on joining in addition to receiving periodic conduct and ethics training.

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.

# Audit Committee report

continued

## Climate-related disclosures

The Committee has considered how climate risk has been identified and assessed by the Company and whether the Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations are being met. Members took comfort from the robust climate-related risk management process in place. This was supported by the positive benchmarking and assistance provided by a third-party specialist, as well as increased in-house resourcing to ensure disclosure in line with good industry practice and enhanced reporting practices year on year.

The Company's TCFD disclosure is found in the Responsible Business and ESG review on pages 77 to 85 and showcases the Company's commitment to transparent and comprehensive climate-related reporting.

Focus areas identified for next year include strengthening the financial quantification aspects of disclosure (Strategy B and Strategy C) and improving the measurement and coverage of Scope 3 emissions generated by tenants (Metrics & Targets B). Following the merger with LXi, a broader climate risk assessment and CRREM modelling will also be conducted across the enlarged portfolio to identify potential climate risks and opportunities.

## Fair, balanced and understandable

At the request of the Board, the Audit Committee considered whether this Annual Report was a fair, balanced and understandable assessment of the Group's position and prospects.

In reaching its decision, the Committee performed a detailed review of the content and tone of the Annual Report and considered the preparation process adopted by management, which included the following:

- The establishment of a team of experienced senior managers, drawn from finance, investor relations and property with clear responsibilities for the preparation and review of relevant sections of the report;
- A corporate governance update presented by the external auditor attended by relevant staff in February 2024;
- Regular team liaison during the drafting stages to ensure consistency of tone and message, balanced content and appropriate linking of the various sections;
- Early input from Executive Directors to the overall message and tone of the report;
- Close involvement of the Executive Directors throughout with extensive review of drafting;
- A verification exercise undertaken by the finance team to ensure factual accuracy and consistency throughout the report; and
- Review by the Audit Committee before being presented to the Board for approval.

In carrying out its review, the Committee had considered the following:

### Fair

- Does it provide shareholders information to assess the Group's position and performance, business model and strategy?
- Does it include relevant and necessary transactions and balances?
- Does it include the required regulatory disclosures?
- Is it honest, reporting success and opportunities alongside challenges to the business?

### Balanced

- Does it present the whole story and are key messages appropriately reflected?
- Is it consistent throughout with sufficient linkage?
- Is there an appropriate mix of statutory and alternative performance measures?
- Are alternative performance measures explained and reconciled to the financial statements?

### Understandable

- Is it written in straightforward language and without unnecessary repetition?
- Does it use diagrams, charts, tables and case studies to break up lengthy narrative?
- Is there a clear contents page to aid navigation and sufficient signposting?

The Committee concluded that the Annual Report was fair, balanced and understandable, allowing the Board to make its statement on page 159.

## Looking ahead

Looking ahead, the Committee will:

- Continue to monitor the merger integration plan particularly in relation to people, processes, systems and ESG
- Oversee a thorough review of the assurance framework of the integrated Group
- Agree with management a pathway to compliance with the expanded Provision 29 (the Internal Controls declaration) and progress monitoring
- Oversee the revised NZC pathway

**Kitty Patmore**
Chair of the Audit Committee
4 June 2024

Committee reports

# Remuneration Committee report

**Robert Fowlds**
Remuneration Committee Chair

> "The 2023 Remuneration Policy provides the necessary tools to effectively attract, retain, and motivate a high quality leadership team to deliver continued growth and sustained strong financial performance for the Company and its shareholders."

## Key responsibilities

The Committee's role is to operate a fair and transparent reward structure that motivates and incentivises the Executive Directors to deliver the Group's strategic goals, reward exceptional performance and retain high calibre individuals for the long term.

### 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 142 to 145

### Remuneration packages and payouts

- Determine and review individual remuneration packages
- Approve salaries, bonuses and LTIP awards

Read more in the Annual Report on Remuneration from page 146

### Variable incentives

- Determine and review the Long Term Incentive Plan ('LTIP') and Annual Bonus Plan arrangements
- Approve targets and outcomes

Read more in the Annual Report on Remuneration from page 146

## Highlights this year

- Following the Board's withdrawal of the resolution to approve a new Remuneration Policy (as set out in last year's Annual Report) ahead of the Company's AGM in July, the Committee reflected on the key proposals and the Chair consulted with major shareholders representing 67% of the Company's issued share capital as well as proxy voting agencies
- A General Meeting of the Company was held in December 2023 to consider a revised Remuneration Policy, which received overwhelming support with 99.37% votes in favour
- Reviewed the remuneration package for the Executive Directors, and other senior employees within the Committee's remit, in the context of the material change in size and complexity of the business, as well as significant increase in the scope of responsibilities for certain roles following the merger with LXi REIT plc
- Considered employees' views on Executive pay through attendance by Chair at Workforce Non Executive Director's annual staff meeting
- Approved the performance targets of the annual bonus and LTIP awards and tested their achievement as required

## 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 | 5 | 6 (6) |
| Suzanne Avery | 19/9/2018 | 6 | 6 (6) |
| Andrew Livingston | 28/1/2021 | 3 | 6 (6) |
| Suzy Neubert | 29/9/2023 | 1 | 4 (4) |

[1] Tenure is measured from date of appointment to the Committee and as at 31 March 2024, rounded to the nearest whole year

[2] Bracketed numbers indicate the number of meetings the member was eligible to attend

Remuneration Committee report

# Chair’s introduction

I am once again very pleased to present the Remuneration Committee’s report on Directors’ remuneration for the year to 31 March 2024, which is structured as follows:

- My annual statement as Chair, which summarises our work, the key decisions taken and outcomes (pages 10 to 11);
- Directors’ Remuneration Policy (‘Policy’) overview and illustrations including details of the shareholder approval given at a separate General Meeting of the Company on 18 December 2023 (pages 142 to 145).
- The Annual Report on Remuneration which describes how the Remuneration Policy has been applied for the year ending 31 March 2024 and how we intend to implement the Policy for 2025 (pages 146 to 155).

## Remuneration aligned to purpose and strategy

Our remuneration framework continues to be strongly aligned with the Company’s purpose, strategy and performance as well as the interests of our shareholders as reflected in the chart on page 143.

Delivery of these strategic objectives is measured using key performance metrics that are embedded within the variable elements of remuneration, being EPRA Earnings per Share (‘EPS’), Total Property Return (‘TPR’), Total Accounting Return (‘TAR’) and Total Shareholder Return (‘TSR’). Strategic and ESG based metrics have also been incorporated into the annual bonus as part of the Policy approved in December.

## 2023 Policy

In our report last year we proposed a new Remuneration Policy to be voted on by shareholders at the AGM in July 2023, to coincide with our existing Policy reaching its three year term. Ahead of the AGM, the Board decided to withdraw the resolution to approve the new Policy in response to reservations from a number of our key shareholders and proxy voting agencies and the changing market conditions from when we originally consulted with shareholders. Subsequently, the Committee Chair engaged with the Company’s largest shareholders representing over 67% of issued share capital as well as proxy voting agencies in relation to a revised 2023 Policy which retained the existing maximum incentive opportunity levels. The vast majority of shareholders and investor bodies who provided feedback were supportive of the proposals and the revised 2023 Policy was approved by 99.37% of shareholders who voted at the General Meeting on 18 December. The Committee would like to thank all shareholders who provided valuable feedback during the engagement process.

For completeness, and in line with the Corporate Governance Code, the Board issued an update statement in relation to the 2023 Policy after the results of the December General Meeting were released setting out the actions taken by the Committee in the six months since the 2023 AGM.

## Performance during the year

This has been a transformational year for the Company, dominated by significant M&A activity, which has doubled the value of our property portfolio to £6.0 billion positioning us as the UK’s leading Triple Net Lease REIT. In August, we acquired CT Property Trust Limited, a portfolio of 33 complementary property assets valued at £285.2 million. More recently in March 2024 we completed the acquisition of LXi REIT plc by way of an all share offer valued at £1.75 billion. Alongside this acquisition we acquired LXi’s investment advisor, LXi REIT Advisors Limited and ten members of staff. These opportunities have helped the Company deliver an impressive set of results in a challenging real estate market, with EPRA earnings per share increasing by 5.4% to 10.9p per share, supporting a 7.4% increase in our dividend for the year to 10.2p per share. This could not have been achieved without the significant amount of work and dedication of the Executive Directors and the wider team who have worked tirelessly to successfully deliver these accretive opportunities and to integrate and lead an enlarged organisation.

In addition to the large corporate transactions, the team continued to focus on managing LTV through disposals and £185 million of sales were transacted. Following the LXi merger, we refinanced £625 million of secured LXi debt facilities with a new unsecured £700 million term loan and RCF, on better terms and diversifying the lending pool.

Persistent high interest rates have continued to impact real estate valuations and our portfolio valuation over the year was largely flat. Our EPRA NTA per share has fallen by 3.6% to 191.7p per share, largely a result of the one-off transaction costs associated with the corporate acquisitions in the year. However, alongside dividend growth, shareholders have benefitted from the 22.1% growth in our TSR over the year, outperforming the FTSE 350 Real Estate Super Sector index growth of 9.3%.

Given this exceptional financial and operational performance, and despite the macroeconomic challenges that have continued this year, the Committee considers it entirely appropriate to reward the Executive Directors with the variable elements of this year’s annual bonus and LTIP in line with the formulaic outcomes as detailed below.

## Salary increases

The completion of the all share merger with LXi has resulted in a very material step change in the size and complexity of the organisation, alongside an increased scope and responsibilities of the Chief Executive and Finance Director roles. As a reminder, the scale of the merger is evidenced as follows:

- Significant increase in scope of responsibilities – the organisation has been transformed into a leading Triple Net Lease UK REIT, with an increased portfolio of £6.0 billion (previously £3.2 billion, including the acquisition of CT Property in August 2023), helped by a major refinancing. With the acquisition of LXi REIT Advisors Limited, the LXi REIT assets are now internally managed, whilst the number of employees has only increased by ten. This illustrates that there has been a step change in the scope of responsibilities of many of the existing roles in the business, including both the Chief Executive and Finance Director.
- Significant broadening of property sub-sector exposure – pre-merger, LondonMetric’s key sub-sector exposure was logistics and long income (in particular triple net retail assets). Post-merger, sub-sector exposure has widened materially

to include large scale leisure assets, hotels and hospitals. The property sub-sector expertise required to manage and finance the enlarged portfolio has therefore materially broadened.

- Significant increase in size and complexity – doubling of market capitalisation from c.£2 billion to c.£4 billion, as well as LondonMetric becoming the third largest UK REIT by market capitalisation. This places the Company significantly above the upper quartile of the FTSE 350 real estate sector in terms of market capitalisation and on the cusp of the FTSE 100.

Recognising the scale and size of the new business and the amount of value at risk, the Committee believes that it is critical to ensure that the remuneration packages of the Executive Directors appropriately retain them and focus them on driving value for shareholders.

The Committee has therefore repositioned the salaries of both the Chief Executive and Finance Director to £800,000 and £525,000 per annum, corresponding to a 25% and 22% increase respectively. The rationale for this decision is set out below:

- The Committee undertook a review of the existing Policy given the maximum annual bonus and LTIP opportunities are below the sector upper quartile. However, the Committee concluded that, considering the Executive Directors' material shareholdings and that there was little desire for a major overhaul of Policy, the proposed salary increase was the optimal position given the circumstances.
- At the current salary levels, there is a material disconnect between the Executive Directors' pay and market position, and the calibre of our talent. The increased salaries provide management with a fair, market-aligned total remuneration package for a company of this size and complexity post-merger. For completeness, the Chief Executive's total remuneration opportunity will be placed just below the sector upper quartile and the Finance Director just above the sector median.
- The Committee is considering the Executive Directors' remuneration packages in the very specific circumstances of Andrew Jones and Martin McGann, taking into account their outstanding past performance, strong reputation in the real estate sector and the strong personal backing they received from investors in relation to the LXi transaction such that it is imperative that their services are retained to support the delivery of the crucial next phase of the business.
- In this context, the increased salaries for Andrew and Martin consist of two components – an increase to bring their salary to a level that is commensurate with their track record and experience, plus a further increase to recognise the material shift in scale, scope and complexity of their roles.
- The decision to adjust the salaries of the Executive Directors is consistent with the approach taken for the wider workforce where material increases will be awarded to employees where the scope of their roles had increased, where they had played a key role in the corporate transactions, particularly the LXi merger or where they are key to the integration of the businesses. This ensured an equitable approach to recalibrating remuneration throughout the organisation in reflection of the merger. For example, 15 employees have seen their salary increase between 10% to 34% in recognition of their outstanding performance and material increased scope of their roles. Overall, the average workforce increase awarded is 10.4% (which includes roles that did not change as a result of the merger and therefore did not receive a material salary increase).
- The increases are also commensurate with the fee increase for the Chairman.

The Committee believes that the decision to increase the base salaries of the Chief Executive and Finance Director will provide the necessary tools to effectively attract, retain, and motivate a high quality leadership team to deliver continued growth and sustained strong financial performance and that they are in the best interests of the Company and its shareholders.

## Annual bonus

As set out in the December Notice of Meeting and approved by shareholders, the targets for the annual bonus for the year to 31 March 2024 were based on growth in EPRA EPS (30% weighting), growth in TPR (30% weighting), strategic objectives (30% weighting) and ESG objectives (10% weighting). The maximum opportunity remained at 165% of salary for the Chief Executive and 140% of salary for the Finance Director.

As noted above, EPRA EPS increased by 5.4% to 10.9 pence which was significantly in excess of the maximum target such that this element paid out in full.

In line with best practice and consistent with the previous year, TPR has been measured on a multi-year basis (over one and three years) to reflect performance against the All Property Index and the index for the Group's portfolio of assets. The Committee is satisfied that this approach measures and rewards the longer term investing principles inherent in the real estate sector. On this basis, the TPR element paid out 88% of maximum.

In line with the 2023 Policy, a significant proportion of the strategic and ESG elements of the annual bonus were determined based on quantifiable targets. For the strategic element, these included logistics exposure, balance sheet strength, WAULT, occupancy rate, EPRA cost ratio, income growth and fixed uplift leases. In relation to the ESG element, objectives set included GRESB score, EPC ratings, employee and occupier satisfaction and data collection. Recognising the performance period was materially complete at the point at which the merger with LXi REIT was completed, the Committee determined to measure performance of the Company against the logistics exposure and EPC ratings measures prior to the completion of the deal to ensure this was on a comparable basis to the targets set at the start of the year.

The Committee assessed that the Executive Directors achieved their Strategic objectives in full and the ESG element paid out at 97% of maximum, reflecting only 85% achievement of EPC target being met. Overall, the Committee determined annual bonuses for the Executive Directors to be at 96% of their respective maximum levels. Full details of all the objectives, targets and their assessment is set out on pages 150 to 151.

# Chair's introduction

continued

### LTIP vesting

Vesting of the LTIP awards granted to Executive Directors in 2021 is dependent on Company performance over the three years to 31 March 2024. Performance is measured by reference to TAR and TSR relative to the FTSE 350 Super Sector Real Estate index excluding agencies and operators (37.5% weighting each) and EPRA EPS growth (25% weighting).

The Committee assessed that over the three-year performance period both relative TAR performance and TSR growth were 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 on 31 March 2024. In line with last year and given the unforeseen and exceptional increase in RPI during the performance period driven by external macroeconomic factors, the Committee determined to cap the RPI rate at which the EPS growth targets were to be assessed. In determining an RPI cap of 4.0% per annum, the Committee considered the following factors:

- Anticipated inflation rates when the targets were set in early 2021;
- The lease structures of our tenants, 79% of which contain contractual uplifts capped on a weighted average basis at 3.69% per annum and significantly below RPI observed during the performance period, which reduce the downside for shareholders whilst limiting the ability of management to capture elevated levels of inflation;
- The combination of the above with the standard five-yearly rent review pattern;
- The large number of other recipients of the LTIP award; and
- EPS performance over the three financial years.

The Committee is satisfied that although the RPI cap is lower than the cap used last year for the 2020 LTIP award (4.5% per annum), it is representative of the Company's current portfolio composition.

Based on this approach and EPRA EPS for the year to 31 March 2024 of 10.9p per share, vesting is 61% of the maximum for this element. The Committee considered the calculation methodology to be fair and reasonable for the Executive Directors and also for the other 24 LTIP participants in the wider workforce and that the approach generated a vesting outcome which was aligned with the Company's strong corporate performance and the shareholder experience.

Overall, 90% of the 2021 LTIP will vest in June 2024, subject to continued service, using the formulaic approach outlined above. The awards are subject to a two-year post-vesting holding period. On vesting, the Committee will determine whether any adjustment should be made in relation to windfall gains.

### LTIP awards

The Group's LTIP arrangements seek to align executive pay with the delivery of long term growth in shareholder value. This year 1,058,373 share awards were granted to the Executive Directors and 758,036 LTIP awards vested. The Directors disposed of 357,350 shares to settle tax liabilities and retained the remaining 400,686 shares which increased their holding in the Company to a total of 9.0 million shares.

### Looking forward

The Committee will continue to work closely with shareholders and voting agencies to ensure that the Company's remuneration arrangements reflect best practice in corporate governance and adequately incentivise and retain management who underpin the Company's success and shareholders' best interests.

### Conclusion

The Company has had a transformational year and has significantly grown through its corporate activity, all down to the hard work and dedication of its talented team. I would like to personally thank employees for their commitment to the Company this year. The Committee wholeheartedly believes that the remuneration outcomes are entirely appropriate and reflective of the business performance and wider macroeconomic environment.

I look forward to your support at our forthcoming AGM and welcome feedback from shareholders. I will be available at the AGM should you have any questions and can be contacted through the Company Secretary at other times at info@londonmetric.com.

Finally, I would also like to thank my fellow Committee members for their hard work, input and support over the past year.

**Robert Fowlds**
Chair of the Remuneration Committee
4 June 2024

### 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 2024 of 7.4%
- The financial results were also reflected in strong share price growth which led to TSR growth of 22.1% over the year and above the FTSE 350 Real Estate Super Sector index growth of 9.3%
- Maintained strong portfolio composition of logistics and long income assets, which represents 97% of the portfolio
- Maintained the quality of the portfolio and tenant mix with a WAULT of 19.4 years and occupancy of 99.4%
- Maintained high EPC ratings, with 91% of pre-LXi merger assets and 85% of the combined group assets rated A to C
- Maintained high and improved GRESB score of 76, ahead of target
- All employees received an annual bonus and 26 employees will benefit from the 2024 LTIP award

The Committee is satisfied that the Remuneration Policy operated as intended in the year to 31 March 2024.

# 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 2024[2] £000** | Total 2023 £000 | Illustrative change in value of shares owned and outstanding share awards[1] £000 |
|---|---|---|---|---|---|---|---|---|
| Andrew Jones | 638 | 26 | 64 | 1,020 | 948 | **2,696** | 2,372 | 729 |
| Martin McGann | 427 | 29 | 42 | 579 | 459 | **1,536** | 1,372 | 443 |

[1] Based on an illustrative swing in share price of 10p. For reference, the highest closing share price during the year was 203.2p and the lowest closing price was 156.4p. 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 149

[3] 2021 LTIP awards expected to vest in June 2024

## Annual bonus plan – targets and outcome

| Performance measure | Payout target 25% | 50% | 100% | Actual | % awarded |
|---|---|---|---|---|---|
| EPRA EPS | 10.01p | 10.17p | 10.48p | 10.9p | **100%** |
| TPR (3 year All Property) | 1.11% | 1.90% | 3.47% | 5.76% | **100%** |
| TPR (1 year All Property) | -1.0% | 0.0% | 1.89% | 4.70% | **100%** |
| TPR (3 year reweighted) | 3.54% | 3.77% | 4.24% | 5.76% | **100%** |
| TPR (1 year reweighted) | 2.56% | 4.42% | 8.14% | 4.70% | **54%** |

| Combining these outcomes with the strategic and ESG objectives gives the following payouts[1]: | £000 | % of maximum |
|---|---|---|
| Andrew Jones | 1,020 | **96** |
| Martin McGann | 579 | **96** |

[1] Full details of the strategic and ESG objectives and the Committee's assessment of their achievement is set out on pages 150 to 151

## 2021 LTIPs vesting – targets and outcomes

| Performance measure | Payout target 25% | 100% | Actual | % awarded |
|---|---|---|---|---|
| TSR | -9.1% | 4.4% | 4.8% | **100%** |
| TAR | 2.1% | 14.5% | 15.4% | **100%** |
| EPRA EPS | 10.71p | 11.09p | 10.9p | **61%** |

| The estimated number of shares vesting are as follows: | Number |
|---|---|
| Andrew Jones | 501,262 |
| Martin McGann | 243,000 |

The level of LTIP vesting in 2024 demonstrates the successful performance of the Company over the 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 | 190% | 2 June 2023 | 692,704 | 176.2p | 1,221 |
| Martin McGann | 150% | 2 June 2023 | 365,669 | 176.2p | 644 |

Remuneration Committee report

# Directors' Remuneration Policy

A new remuneration Policy ('Policy') for the Group was approved by shareholders at a General Meeting on 18 December 2023.

The Policy was approved by 99.37% of shareholders who voted, representing 78% of the issued share capital of the Company, for a period of three years.

This section is an extract from the full Policy which can be found on our website at www.londonmetric.com. In addition, the core elements of the Policy can be found in the Implementation of Policy section on pages 147 to 148.

## Overview of our Policy

The Group's Remuneration Policy is designed to align executive pay and incentives with the Company's goals and encourage and reward exceptional overall and individual performance. As well as motivating, remuneration plays a key role in retaining highly regarded individuals and needs to be competitive.

The principles which underpin the Remuneration Policy ensure that Executive Directors' remuneration:

- Is aligned to the business strategy and achievement of business goals;
- Is aligned with the interests of shareholders by encouraging high levels of share ownership;
- Attracts, motivates and retains high calibre individuals;
- Is competitive in relation to other comparable real estate companies;
- Is set in the context of pay and employment conditions of other employees; and
- Rewards superior performance through the variable elements of remuneration that are linked to performance.

## 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.<br>Both the annual bonus and LTIP measures are based on core elements of the strategy and therefore there is a clear link to all stakeholders between their delivery and Executive Director reward. |
| Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand. | The Remuneration Policy is designed with simplicity in mind and its operation aligns with that of the majority of FTSE 350 companies and is therefore easy to understand. |
| Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target based incentive plans, are identified and mitigated. | The selection of performance measures and targets ensures that incentives will only pay out where strategic goals have been met. The mix of relative and absolute performance measures help to balance the effect of external market factors (whether positive or negative).<br>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.<br>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. |

## Strategy link to Remuneration Policy

The Committee's remuneration decisions are steered by the achievement of the Group's strategic objectives and so it is critical that the incentive arrangements operated by the Company are directly linked to the achievement of these strategic priorities and overall corporate objectives. It is the Committee's belief that the incentive elements of the 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** | 30% | 25% | ○ ○ ○ ● |
| **Total property return** | 30% | | ● ○ ○ ● |
| **Strategic objectives** | 30% | | ● ● ● ● |
| **ESG objectives** | 10% | | ● ● ○ ○ |

### Our strategic pillars

**Own**
Invest in real estate aligned to structural trends

**Manage**
Disciplined, low cost and responsible management of our assets

**Collaborate**
Leverage our expertise to benefit from strong relationships

**Generate**
A focus on reliable, repetitive and growing income

## Illustration of application of Remuneration Policy

The charts below show the application of the 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.

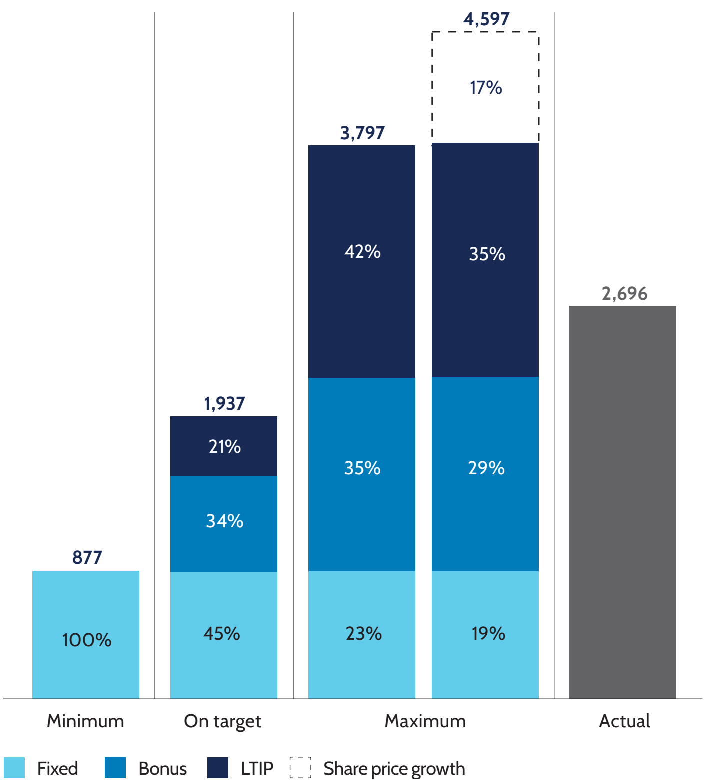
The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual bonus (including deferred bonus); and (iii) LTIP. The assumptions used in determining the remuneration illustrations are set out in the table below.

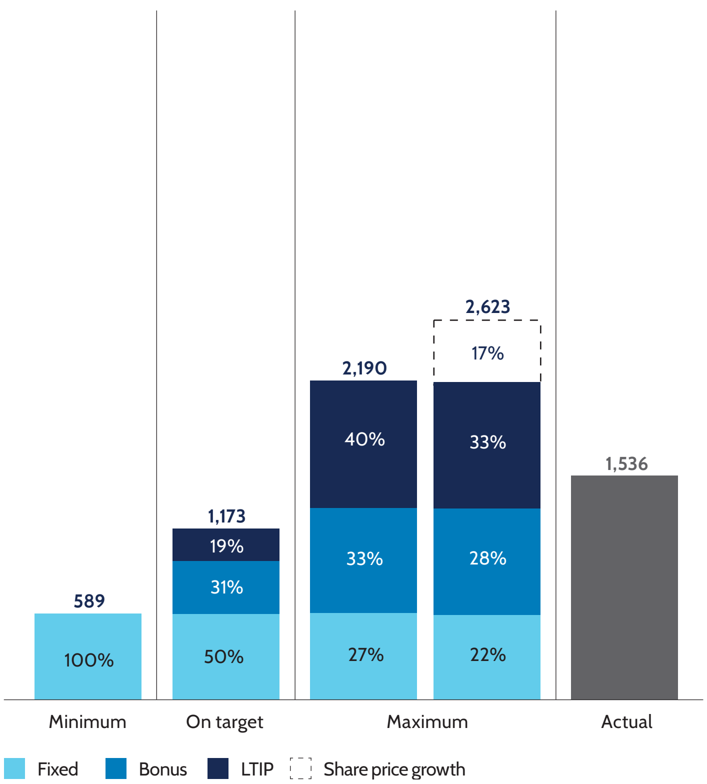
| Scenario | Fixed | Annual Bonus (including Deferred Bonus) | LTIP |
|---|---|---|---|
| **Minimum** | • Base salary: Expected salary earned over the financial year to 31 March 2025<br>• Pension: 10% of base salary<br>• Benefits: In line with those paid in year ending 31 March 2024 | Nil | Nil |
| **Target** | | 50% of maximum (in line with target payout) | 25% vesting (in line with threshold vesting) |
| **Maximum** | | 100% of maximum | 100% vesting |
| **Maximum with LTIP share price growth of 50% over three years** | | 100% of maximum | 100% vesting with 50% share price growth |

For comparison, we have also shown the actual single figure for the year to 31 March 2024.

# Directors' Remuneration Policy

continued


**Andrew Jones**


**Martin McGann**

## 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% to £57,000 from 1 June 2024. The Chair's new letter of appointment set his fees for the period to 31 March 2025.

| | |
|---|---|
| Chair | £250,000 |
| Base Non Executive Director fee | £57,000 |
| Senior Independent Director additional fee | £10,000 |
| Additional fee for Audit/Remuneration Committee Chair | £10,000 |
| Additional fee for Audit/Remuneration Committee membership | £5,000 |

## 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. Andrew Jones was a non executive director of InstaVolt Limited throughout the year to 31 March 2024 and earned fees of £40,000.

## Employee considerations

**Chief Executive**

**25%**
Salary increase from June 2024

**28%**
Bonus movement in 2024

**1731%**
Of salary held in Company shares

**10%**
Pension contribution in line with workforce

**Wider workforce**

**up to 34%**
Range of salary increases from June 2024

**31%**
Average bonus increase in 2024

**100%**
Of employees received a bonus in 2024

**53%**
Of employees participate in the LTIP in 2024

The Company applies the same principles to the remuneration of all employees as it applies to the Executive Directors, namely that:

- The remuneration is competitive in relation to other comparable real estate companies;
- The incentive elements reward superior performance through the variable elements of remuneration that are linked to the same performance targets as for the Executive Directors that are aligned to the business strategy; and
- The remuneration encourages employees to become shareholders.

Full details of the rationale for the salary increase for the Chief Executive are set out on pages 138 to 139.

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. In addition, the Remuneration Committee Chair attended the annual meeting held by the designated workforce NED with a group of employees and welcomed questions on the principles and components of executive pay.

Andrew fed back the results of the latest employee survey to the Committee and Board, which 97% of staff completed. The survey results were strong with 97% of employees feeling proud to work for the Company. Further details are provided on page 68.

## Pay comparison between Directors and other employees

The table illustrates the cascade of pay structures throughout the business for the Chief Executive, Finance Director and the Senior Leadership Team. The Committee believes this demonstrates a fair and transparent progression of remuneration throughout the Company which is in line with one of its core pay principles that variable performance based pay increases with seniority.

| | Participation/Annual Bonus Entitlement | | |
|---|---|---|---|
| Element of pay | Chief Executive | Finance Director | Senior Leadership Team |
| LTIP award | 200% of salary | 165% of salary | 57% to 165% of salary |
| Annual bonus | 159% of salary | 135% of salary | 60% to 133% of salary |
| Pension | 10% of salary | 10% of salary | 10% of salary |

The following differences exist between the Company's Policy for the remuneration of Executive Directors and its approach to the payment of employees generally:

- All employees are eligible for a performance based annual bonus. A lower level of maximum annual bonus opportunity applies to employees when compared to the Executive Directors.
- Executive Directors participate in the LTIP. Currently 24 other employees are invited to participate in the LTIP at the Remuneration Committee's discretion.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various levels of seniority.

# Annual Report on Remuneration

In this section, we set out the Annual Report on Remuneration for the year ending 31 March 2024 which provides details of how the Remuneration Policy was applied and how we intend to apply the Policy for the year ending 31 March 2025.

The Annual Report on Remuneration including the Chair's introduction, is subject to an advisory vote at the forthcoming AGM on 22 July 2024.

The report complies with the 2018 UK Corporate Governance Code, Listing Rules and The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The areas of the report which are subject to audit have been highlighted.

## The role of the Remuneration Committee

The Committee determines Executive Directors' remuneration in accordance with the approved Policy and its terms of reference, which are reviewed annually by the Board and are available on the Company's website at www.londonmetric.com.

The Board recognises that it is ultimately accountable for executive remuneration but has delegated this responsibility to the Committee. All Committee members are Non Executive Directors of the Company, which is an important prerequisite to ensure Executive Directors' pay is set by Board members who have no personal financial interest in the Company other than as potential shareholders.

The Committee meets regularly without the Executive Directors being present and is independently advised by PwC, a signatory to the Remuneration Consultants' Code of Conduct and which has no connection with the Group other than in the provision of advice on executive and employee remuneration matters, corporate due diligence and taxation advice.

PwC were appointed in 2017 by the Remuneration Committee following a competitive tender process. Total fees paid to PwC in respect of remuneration advice to the Committee were £140,000 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 six occasions during the year. The main activities of the Committee during the year were as follows:

| | | Meeting held |
|---|---|---|
| **Annual bonus and LTIP** | Set challenging EPS targets for the 2023 LTIP awards granted and annual bonus for the year to 31 March 2024 | April and May 2023 |
| | Approved Executive Directors' share awards under the LTIP following the announcement of the Company's results for the year ended 31 March 2023 | May 2023 |
| | Assessed the performance of Executive Directors against targets set at the beginning of the year and reviewed annual bonuses for the year to 31 March 2024 | March 2024 |
| **Salary** | Reviewed annual salary increases effective from 1 June 2024 | March 2024 |
| **Governance** | External evaluation of its own performance and review of its terms of reference | February 2024 |
| | Reviewed and approved the Remuneration Committee Report | May 2023 |
| | Reviewed and approved the CEO pay ratio | May 2023 |
| **Remuneration Policy** | Considered the main themes arising from the Policy review undertaken last year and the subsequent withdrawal of the AGM resolution to approve a revised policy. Consulted with the Company's largest shareholders representing over 67% of the issued share capital as well as proxy voting agencies and considered their feedback before recommending a new Policy, which was circulated for shareholder approval at a General Meeting of the Company on 18 December 2023. | October and November 2023 |

Remuneration Committee report

# Implementation of Policy next year

| Summary of Policy | Implementation in the year to 31 March 2025 |
|---|---|

## Annual bonus

Annual bonus performance targets are set by the Committee at the start of the financial year linked to the Group's long term strategy.

The performance targets are calibrated by the Committee considering the Company's business plan, strategic and operational objectives and market conditions. At least 60% of the bonus will be subject to key property and financial metrics and a further 15% subject to other quantifiable metrics.

The payout for on target performance is 50% of the maximum and the payout for threshold performance is 25% of the maximum.

Executive Directors who have met their minimum shareholding requirement have the option to receive the annual bonus paid in cash. For those who are yet to meet the minimum shareholding requirement, up to 100%, and at least 50%, of the annual bonus will be paid in deferred shares vesting over three years.

The maximum bonus opportunity is 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 | 30% | Growth in Company's EPRA EPS against a range of challenging targets |
| Growth in total property return ('TPR') | 30% | Growth in Company's TPR against the relevant MSCI All Property indices on an annual and multi-year basis; Full payout if growth is equal to the upper quartile; 25% payout if growth is equal to the median; Straight line interpolation between limits |
| Strategic objectives | 30% | Measures management's performance against the strategic imperatives set annually by the Board. Many will be financial in nature such that at least 75% of the overall annual bonus will be subject to quantifiable metrics |
| ESG objectives | 10% | Measures management's performance against targets aligned with delivering the Company's ESG strategy |

The Committee believes that the annual bonus targets for the coming year are commercially sensitive and accordingly these are not disclosed. These will be reported and disclosed retrospectively next year in order for shareholders to assess the basis for any payouts.

## Base salary

An Executive Director's basic salary is set on appointment and reviewed annually with changes normally taking effect from 1 June or when there is a change in position or responsibility.

When determining an appropriate level of salary, the Committee considers multiple factors including pay increases to other employees, remuneration within comparable real estate companies, changes in scope, role and responsibilities and the general performance of the Company and individual.

The Committee considered the Executive Directors' remuneration package in the very specific circumstances of Andrew Jones and Martin McGann, taking into account their outstanding past performance, strong reputation in the real estate sector and the need to retain their services through the crucial integration phase to ensure the Company's success over the coming years.

In this context, the increased salary for the Executive Directors consists of two components – an increase to bring their salary to a level that is commensurate with their track record and experience, plus a further increase to recognise the material shift in scale, scope and complexity of their roles.

Please refer to pages 138 to 139 for the detailed rationale for these increases.

| Executive Director | Base salary from 1 June 2024 | Base salary from 1 June 2023 |
|---|---|---|
| **Andrew Jones** | £800,000 | £642,465 |
| **Martin McGann** | £525,000 | £429,588 |

## Pension

The maximum pension contribution rate is 10% of salary for Executive Directors, aligned to the wider workforce.

Where there is any increase to the pension contribution rate received by the wider workforce, the Executive Directors will be entitled to receive the same contribution level at the discretion of the Remuneration Committee.

Executive Directors will receive the 10% salary contribution.

The contribution is payable as a monthly contribution to the Executive Director's individual personal pension plan or taken as a cash equivalent. Salary sacrifice arrangements can apply.

## Benefits

The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.

In line with the Policy, each Executive Director receives:

- Car allowance
- Private medical insurance
- Life insurance
- Permanent health insurance

# Implementation of Policy next year

continued

<table>
<tr><th>Summary of Policy</th><th>Implementation in the year to 31 March 2025</th></tr>
<tr><td>

**Long Term Incentive Plan**

Annual awards 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 Director's continued employment at the date of vesting; and
- Satisfaction of the performance conditions.

Vested awards will be subject to a further two year holding period during which Executive Directors cannot dispose of shares other than for tax purposes.

The Committee may award dividend equivalents on awards that vest.

</td><td>

The Committee has determined that LTIP awards for 2024 will be 200% of salary for the Chief Executive and 165% of salary for the Finance Director.

<table>
<tr><th>Performance measure</th><th>Weighting</th><th>Threshold (25% vesting)</th><th>Maximum[1] (100% vesting)</th></tr>
<tr><td>Total shareholder return ('TSR')</td><td>37.5%</td><td>Equal to index</td><td>Equal to upper quartile ranked company</td></tr>
<tr><td>Total accounting return ('TAR')</td><td>37.5%</td><td>Equal to index</td><td>Equal to upper quartile ranked company</td></tr>
<tr><td>EPRA EPS growth</td><td>25%</td><td>CPIH plus 0% over three years</td><td>CPIH plus 4.5% over three years</td></tr>
</table>

[1] Straight line interpolation between threshold and maximum

TSR and TAR are relative measures against the FTSE 350 Real Estate Sector excluding agencies and operators ('the Index'). The Committee determined that the indices would not be weighted.

</td></tr>
<tr><td>

**Shareholding requirement**

Executive Directors are encouraged to build up and hold a shareholding equivalent to a percentage of base salary.

Executive Directors will be required to retain at least 50% of the post tax amount of vested shares from incentive plans until this requirement is met and maintained.

There is a post cessation shareholding requirement for the Executive Directors, who must retain shares equivalent in value to the minimum of 200% of salary and their actual shareholding on cessation for two years post cessation of employment.

</td><td>

The shareholding requirement is:

- Chief Executive and other existing Executive Directors – 700% of salary
- Newly appointed Executive Directors – 400% of salary

</td></tr>
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**Malus and clawback**

Malus may apply to any cash bonus up to the date of payment and any deferred bonus or LTIP award during their respective vesting periods. Clawback may apply to any cash bonus for up to two years following the payment of the bonus and may apply to LTIP awards for up to two years following vesting. Malus/clawback may result in the value of awards being reduced to nil.

</td><td>

The circumstances in which malus and clawback could apply are:

- Material misstatement
- Calculation error in incentives
- Fraud or gross misconduct
- Reputational damage
- Corporate failure

</td></tr>
<tr><td>

**Non Executive Director fees**

Non Executive Directors are paid an annual fee and additional fees for the Chair of Committees and for the Senior Independent Director. The Company retains the flexibility to pay fees for the membership of Committees. The Chair does not receive any additional fees for membership of Committees.

</td><td>

Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non Executive Directors and the Chair do not participate in any variable remuneration arrangements or other benefits arrangements.

Please see page 144 for details of fees for the year ending 31 March 2025.

</td></tr>
</table>

Remuneration Committee report

# Directors' remuneration in 2024

## 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 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| **Executive** | | | | | | | | | | | | | | | | |
| Andrew Jones | **638** | 609 | **26** | 26 | **64** | 63 | **728** | 698 | **1,020** | 799 | **948** | 875 | **1,968** | 1,674 | **2,696** | 2,372 |
| Martin McGann | **427** | 407 | **28** | 28 | **43** | 42 | **498** | 477 | **579** | 442 | **459** | 453 | **1,038** | 895 | **1,536** | 1,372 |
| **Non Executive** | | | | | | | | | | | | | | | | |
| Patrick Vaughan (resigned 11/7/23) | **59** | 208 | **–** | – | **–** | – | **59** | 208 | **–** | – | **–** | – | **–** | – | **59** | 208 |
| Alistair Elliott | **159** | 45 | **–** | – | **–** | – | **159** | 45 | **–** | – | **–** | – | **–** | – | **159** | 45 |
| Suzanne Avery | **64** | 62 | **–** | – | **–** | – | **64** | 62 | **–** | – | **–** | – | **–** | – | **64** | 62 |
| James Dean (resigned 29/9/23) | **27** | 52 | **–** | – | **–** | – | **27** | 52 | **–** | – | **–** | – | **–** | – | **27** | 52 |
| Robert Fowlds | **77** | 77 | **–** | – | **–** | – | **77** | 77 | **–** | – | **–** | – | **–** | – | **77** | 77 |
| Sandy Gumm (appointed 27/3/24) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – |
| Nick Leslau (appointed 5/3/24) | **4** | – | **–** | – | **–** | – | **4** | – | **–** | – | **–** | – | **–** | – | **4** | – |
| Andrew Livingston | **59** | 57 | **–** | – | **–** | – | **59** | 57 | **–** | – | **–** | – | **–** | – | **59** | 57 |
| Suzy Neubert | **64** | – | **–** | – | **–** | – | **64** | – | **–** | – | **–** | – | **–** | – | **64** | – |
| Kitty Patmore | **68** | 57 | **–** | – | **–** | – | **68** | 57 | **–** | – | **–** | – | **–** | – | **68** | 57 |
| Rosalyn Wilton (resigned 24/5/23) | **11** | 72 | **–** | – | **–** | – | **11** | 72 | **–** | – | **–** | – | **–** | – | **11** | 72 |

[1] Taxable benefits include the provision of a car allowance for Executive Directors and private medical insurance

[2] Pension contribution is 10.0% of salary and may be taken partly or entirely in cash. No Executive Directors participate in a defined benefit pension arrangement

[3] Annual bonus payable in respect of the financial year ending 31 March 2024 paid fully in cash as minimum shareholding requirements met

[4] 2021 LTIP awards expected to vest in June 2024 for the performance period to 31 March 2024. 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 2024 (189.1p). No discretion was applied in determining the estimated vesting of the award as a result of changes in share price or other factors. The change in share price between grant and 31 March 2024 reduces the value of the award by £201,000 for Andrew Jones and £97,000 for Martin McGann as reflected in the table on page 152. The estimated figures disclosed in the previous Annual Report for the 2020 LTIP awards vesting in 2023 have been restated to reflect final vesting figures and the share price on the date of vesting. The estimated share price used last year was 184.6p and the actual share price on vesting was 175.2p. The differences in value were -£22,000 for Andrew Jones and -£12,000 for Martin McGann

The Committee continues to believe that it is important to take a holistic view of the Executive Directors' total wealth when considering the single figure of remuneration. The Executive Directors have very large shareholdings in the Company and are exposed to relatively small changes in the share price significantly affecting their overall wealth. In the Committee's opinion, the impact of share price movements on the total wealth of the Director is more important than the single figure. The significant shareholding encourages Directors to take a long term view of the sustainable performance of the Company, which is critical in a cyclical business. The Directors' significant exposure to share price movements remains a key facet of the Company's Remuneration Policy.

## Annual bonus outcome for the year ended 31 March 2024

The annual bonus performance targets set for the year to 31 March 2024 and the assessment of actual performance achieved is set out in the table below. Bonus awards are based 60% on the Company's key property and financial metrics and 40% on metrics relating to the Company's strategic and ESG objectives, with over 75% of the overall bonus determined by quantifiable metrics. The maximum opportunity was 165% of salary for Andrew Jones and 140% of salary for Martin McGann.

The financial performance element measures growth in EPRA EPS and TPR relative to the MSCI index. 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) to reflect performance against the All Property index and the index for the Group's portfolio of assets. The 2024 annual bonus outcome is set out in the table below. No discretion has been exercised as the Committee is comfortable that the formulaic payout is in line with underlying corporate performance.

| | Financial objectives - EPS (out of 30%) | Financial objectives – TPR (out of 30%) | Strategic objectives (out of 30%) | ESG objectives (out of 10%) | Bonus % of maximum | Bonus % of salary | **Total bonus £000** |
|---|---|---|---|---|---|---|---|
| **Andrew Jones** | 30.0% | 26.5% | 30.0% | 9.7% | 96.2% | 159% | **1,020** |
| **Martin McGann** | 30.0% | 26.5% | 30.0% | 9.7% | 96.2% | 135% | **579** |

# Directors' remuneration in 2024

continued

## Group financial targets

| Performance measure | Weighting | Basis of calculation | Range (0%) | Range (25%) | Range (50%) | Range (100%) | Actual performance | % awarded |
|---|---|---|---|---|---|---|---|---|
| EPRA EPS | 30% | Growth in EPRA EPS | <10.01p | 10.01p | 10.17p | 10.48p | **10.9p** | **100%** |
| Total property return ('TPR') | 30% | Growth in TPR against MSCI index | Positive growth | TPR equal to median | Straight-line between median and upper quartile[1] | TPR equal to upper quartile | **See below** | **88%** |
| | | 3 year All Property | | 1.11% | 1.9% | 3.47% | **5.76%** | **100%** |
| | | 1 year All Property | | -1.0% | – | 1.89% | **4.70%** | **100%** |
| | | 3 year reweighted | | 3.54% | 3.77% | 4.24% | **5.76%** | **100%** |
| | | 1 year reweighted | | 2.56% | 4.42% | 8.14% | **4.70%** | **54%** |

[1] Payout between median performance (25% payout) and upper quartile performance (100% payout) is based on straight line interpolation, such that 50% payout is achieved for performance one third of the way between median and upper quartile

## Strategic and ESG targets

For the year to 31 March 2024, the Company has introduced strategic and ESG performance metrics against which 30% and 10% respectively of the Executive Directors' bonus award was measured. The objectives selected by the Committee were aligned to the Company's strategic priorities in the year and these are set out below along with the Committee's assessment of their achievement and outcome. The overall result of this assessment was that the strategic objectives had been met in full and the ESG objectives had been substantially met, resulting in a 100% and 97% bonus award for these elements respectively. In making this decision, the Committee took into consideration the strong financial and operating performance despite a challenging macroeconomic environment.

| 2023/24 Priority | Strategic Objective | Outcome & assessment | Award |
|---|---|---|---|
| Retain our overweight exposure to logistics with a preference for urban logistics | Logistics exposure to be greater than 70% | Recognising the Board approved both the acquisition of LXi REIT and the resultant strategy change, the logistics exposure target set at the start of the year was no longer on a comparable basis. Therefore, recognising the performance period was materially complete at the point at which the merger was completed, the Committee determined to measure performance of the Company against the logistics exposure measure prior to the completion of the deal to ensure this was on a fair and comparable basis to the targets set at the start of the year.<br>The Committee deemed this objective to have been fully achieved given the 72% logistics exposure prior to the transaction. | Fully met |
| Retain high occupancy and long average lease lengths | Weighted average unexpired lease term to be greater than ten years | WAULT is 19.4 years as noted in Supplementary note xi | Fully met |
| | Occupancy rate to be greater than 96% | Occupancy rate is 99.4% as noted in Supplementary note vi | Fully met |
| Maintain our well positioned balance sheet | Debt maturity greater than 5 years, hedging greater than 80% and LTV less than 35% | Strong debt metrics with all objectives met as reflected in the Financial review. Debt maturity is 5.4 years, hedging is 100% and LTV is 33.2% | Fully met |
| Remain highly disciplined to ensure each asset remains fit for purpose delivering attractive income growth and total returns | Fixed and inflationary uplifts to be greater than 50% | The percentage of fixed and inflationary uplifts across the portfolio's rental income is 79% as noted in Supplementary note xv | Fully met |
| | Like for like income growth to be greater than CPIH +1.0% | Like for like income growth is 5.5% as reflected in the Property review | Fully met |
| | EPRA cost ratio to be at or below 14.0% | EPRA cost ratio is 11.6% as noted in Supplementary note iv | Fully met |

| 2023/24 Priority | ESG Objective | Outcome & assessment | Award |
|---|---|---|---|
| Continue to improve the average EPC rating across the portfolio whilst recognising our ability to be a strong steward of under invested assets | GRESB score to be greater than 70 | • The latest GRESB score is 76 and therefore this objective is fully met | Fully met |
| | EPC A-C between 85% to 92.5% | • As noted above, the performance period was materially complete at the point at which the merger with LXi REIT was completed, the Committee determined to measure performance of the Company against the EPC ratings measures prior to the completion of the deal to ensure this was on a comparable basis to the targets set at the start of the year.<br>• The Committee deemed this objective to have been substantially met given EPC A-C achievement was 91% prior to the transaction. | Partially met |
| Retain high levels of employee and occupier satisfaction | Employee satisfaction greater than 80% | • Staff survey results remain positive with 97% of staff feeling proud to work for the Company | Fully met |
| | Occupier satisfaction greater than 80% | • Landlord satisfaction score improved to 9 out of 10 in 2024 | Fully met |
| | Occupier data collection to be between 59% and 65% | • The latest result is 72% and therefore this objective was exceeded | Fully met |

## 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 Directors' shareholding materially exceeds the minimum requirement and therefore no annual bonus earned in the year to 31 March 2024 will be deferred into shares.

## Long Term Incentive Plan – awards granted

Awards granted in the year to 31 March 2024 as nil cost options are summarised in the table below.

| Director | Basis of award (% of salary) | Date of grant | Share awards number | Face value per share | Face value of award £000 | **Face value of award at threshold (25%) vesting £000** |
|---|---|---|---|---|---|---|
| **Andrew Jones** | 190% | 2 June 2023 | 692,704 | 176.2p | 1,221 | **305** |
| **Martin McGann** | 150% | 2 June 2023 | 365,669 | 176.2p | 644 | **161** |

The face value is based on a weighted average price per share, being the average share price over the five business days immediately preceding the date of the award. Awards will vest after three years subject to continued service and the achievement of performance conditions over the three year period to 31 March 2026 as set out below.

| Performance condition | Vesting level |
|---|---|
| **Total Shareholder Return ('TSR') measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of award)** | |
| TSR less than index over 3 years | 0% |
| TSR equals index over 3 years[1] | 25% |
| TSR between index and upper quartile ranked company in the index | Pro rata on a straight line basis between 25% and 100% |
| TSR equal to or better than the upper quartile ranked company in the index[1] | 100% |
| **Total Accounting Return ('TAR') measured against FTSE 350 Real Estate Super Sector excluding agencies and operators (37.5% of award)** | |
| TAR less than index over 3 years | 0% |
| TAR equals index over 3 years | 25% |
| TAR between index and upper quartile ranked company in the index | Pro rata on a straight line basis between 25% and 100% |
| TAR equal to or better than the upper quartile ranked company in the index | 100% |
| **EPRA EPS growth against a base target plus CPIH (25% of award)** | |
| Less than base plus CPIH plus 0% over 3 years | 0% |
| Base plus CPIH plus 0% over 3 years | 25% |
| Base plus CPIH plus between 0% and 4.5% over 3 years | Pro rata on a straight line basis between 25% and 100% |
| Base plus CPIH plus 4.5% or better over 3 years | 100% |

[1] The Committee will retain the discretion, at vesting, to determine whether the absolute level of TSR return has been acceptable, and to adjust for this if appropriate

# Directors' remuneration in 2024

continued

The adjusted EPRA EPS base target for the three year performance periods commencing 1 April 2023 has been set at 10.33p. 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.

## Long Term Incentive Plan - awards vesting

2021 LTIP awards expected to vest in relation to the three year performance period ending 31 March 2024 are summarised below.

| Performance measure | Weighting | Basis of calculation | Range (0%) | Range (25%)[2] | Range (100%)[2] | **Actual performance** | **% awarded** |
|---|---|---|---|---|---|---|---|
| Total shareholder return ('TSR') | 37.5% | Growth in TSR against FTSE 350 Real Estate Index[1] | <-9.1% | -9.1% (index) | 4.4% (upper quartile ranked company) | **4.8%** | **100%** |
| Total accounting return ('TAR') | 37.5% | Growth in TAR against FTSE 350 Real Estate Index[1] | <2.1% | 2.1% (index) | 14.5% (upper quartile ranked company) | **15.4%** | **100%** |
| EPRA EPS[3] | 25% | Growth in EPRA EPS against a challenging base target | <10.71p | 10.71p | 11.09p | **10.9p** | **61%** |

1 TSR and TAR are relative measures measured against the FTSE 350 Real Estate Sector excluding agencies and operators ('the Index')
2 Straight line interpolation between threshold and maximum
3 Details of the RPI cap applied to the EPRA EPS targets are set out in the Remuneration Committee Chair's statement

No discretion has been exercised as the Committee determined vesting is in line with underlying corporate performance.

| Director | Maximum number of shares[2] | LTIP % of maximum | Estimated number of shares vesting | Face value at grant £000 | Share price depreciation £000 | **Total estimated value of award vesting[1] £000** |
|---|---|---|---|---|---|---|
| **Andrew Jones** | 555,723 | 90% | 501,262 | 1,154 | (201) | **948** |
| **Martin McGann** | 269,401 | 90% | 243,000 | 559 | (97) | **459** |

1 The estimated value is based on the average share price for the three months to 31 March 2024 of 189.1p
2 Includes notional dividend shares to 31 March 2024

Outstanding LTIP awards held by the Executive Directors are set out in the table below.

| | | | | | | | | **Number of shares under award[1]** | |
|---|---|---|---|---|---|---|---|---|---|
| Director | Date of grant | Face value on grant | At 1 April 2023 | Granted in year | Notional dividend shares in year | Vested in year | Lapsed in year | **At 31 March 2024** | Performance period |
| **Andrew Jones** | 17.6.2020 | 212.0p | 573,725 | – | 15,762 | (499,295) | (90,192) | – | 1.4.2020 to 31.3.2023 |
| | 4.6.2021 | 234.7p | 519,854 | – | 35,869 | – | – | **555,723** | 1.4.2021 to 31.3.2024 |
| | 6.6.2022 | 257.4p | 496,052 | – | 34,227 | – | – | **530,279** | 1.4.2022 to 31.3.2025 |
| | 2.6.2023 | 176.2p | – | 692,704 | 38,411 | – | – | **731,115** | 1.4.2023 to 31.3.2026 |
| **Martin McGann** | 17.6.2020 | 212.0p | 297,310 | – | 8,169 | (258,741) | (46,738) | – | 1.4.2020 to 31.3.2023 |
| | 4.6.2021 | 234.7p | 252,013 | – | 17,388 | – | – | **269,401** | 1.4.2021 to 31.3.2024 |
| | 6.6.2022 | 257.4p | 257,059 | – | 17,736 | – | – | **274,795** | 1.4.2022 to 31.3.2025 |
| | 2.6.2023 | 176.2p | – | 365,669 | 20,277 | – | – | **385,946** | 1.4.2023 to 31.3.2026 |

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 are set out in the table below.

On 26 April 2024 Suzy Neubert acquired 362 shares in the Company taking her total holding to 37,230 shares. There were no other movements in Directors' shareholdings between 31 March 2024 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 2024 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.

In 2017, the Executive Directors 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 Interest 31 March 2024 Ordinary shares of 10p each** | Overall Interest 31 March 2023 Ordinary shares of 10p each | LTIP shares subject to performance conditions | Deferred bonus shares not subject to performance conditions | **Total interests as at 31 March 2024** | Share ownership as % of salary[1] | Shareholding guideline met | Number of shares pledged as at 31 March 2024 |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Andrew Jones | **5,473,411** | 5,209,491 | 1,817,117 | – | **7,290,528** | 1731% | Yes | 3,446,072 |
| Martin McGann | **3,501,114** | 3,364,348 | 930,142 | – | **4,431,256** | 1656% | Yes | 2,341,585 |
| **Non Executive Directors** | | | | | | | | |
| Alistair Elliott | **90,000** | 60,000 | | | | | | |
| Suzanne Avery | **27,050** | 27,050 | | | | | | |
| Robert Fowlds | **136,780** | 104,000 | | | | | | |
| Sandy Gumm[2] | **51,096,868** | – | | | | | | |
| Nick Leslau[3] | **52,788,124** | – | | | | | | |
| Andrew Livingston | **106,830** | 106,830 | | | | | | |
| Suzy Neubert | **36,868** | – | | | | | | |
| Kitty Patmore | **15,000** | 5,000 | | | | | | |

[1] Based on the Company's share price at 31 March 2024 of 203.2p and the beneficial interests of the Directors

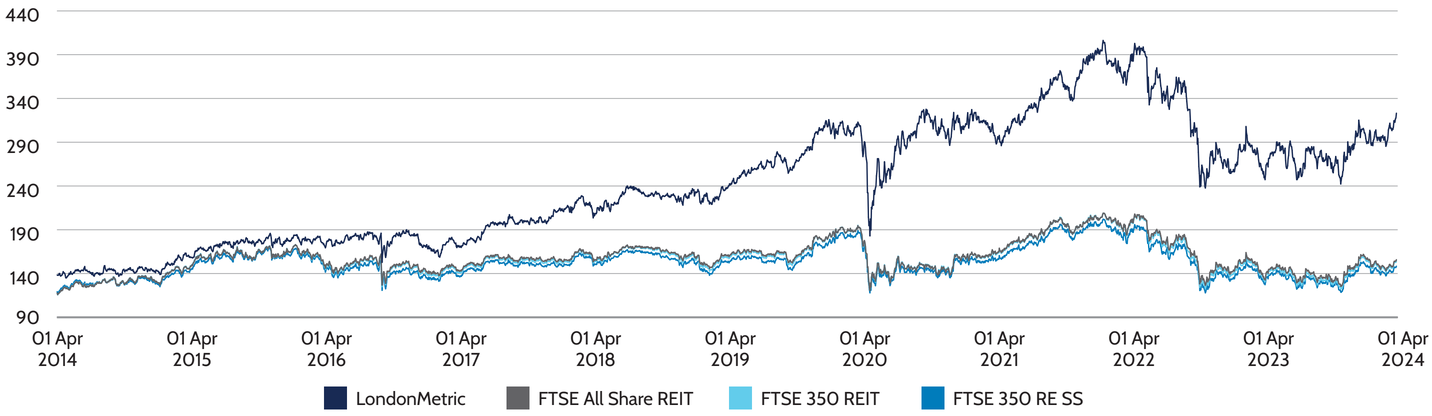
[2] Held directly and through corporate vehicles. Sandy Gumm holds 351,640 ordinary shares directly and is interested in 50,745,228 ordinary shares which are held in corporate vehicles jointly owned, amongst others, with Nick Leslau. Sandy Gumm holds the beneficial interest in 2,750,207 ordinary shares held by the co-owned corporate vehicles

[3] Held directly and through corporate vehicles. Nick Leslau holds 2,042,896 ordinary shares directly and is interested in 50,745,228 ordinary shares which are held in corporate vehicles jointly owned, amongst others, with Sandy Gumm. Nick Leslau holds the beneficial interest in 39,192,352 ordinary shares held by the co-owned corporate vehicles

## Performance graph

The graph below shows the Group's total shareholder return ('TSR') for the period to 31 March 2024, compared to the FTSE All Share REIT Index, the FTSE 350 Real Estate Index and the FTSE 350 Real Estate Super Sector Index. These have been chosen by the Committee as in previous years as they are considered the most appropriate and relevant benchmarks against which to assess the performance of the Company.

Total shareholder return measures share price growth with dividends deemed to be reinvested on the ex-dividend date.



**Remuneration Committee report**

# Directors' remuneration in 2024

continued

## Chief Executive's remuneration table

The table below details the remuneration of the Chief Executive, Andrew Jones, for the ten year period to 31 March 2024.

| Year to 31 March | Total remuneration £000 | Annual bonus (as a % of the maximum payout) | LTIP vesting (as a % of the maximum opportunity) |
|---|---|---|---|
| 2024 | 2,696 | 96.2 | 90.2 |
| 2023 | 2,372 | 79 | 84.7 |
| 2022 | 2,881 | 90 | 95.8 |
| 2021 | 2,998 | 97 | 100 |
| 2020 | 2,925 | 97.5 | 88 |
| 2019 | 2,703 | 90 | 84 |
| 2018 | 2,392 | 79 | 94 |
| 2017 | 2,506 | 89 | 100 |
| 2016 | 2,792 | 77 | 100 |
| 2015 | 1,167 | 78 | – |

## 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:

| | 2024 % change | | | 2023 % change | | | 2022 % change | | | 2021 % change | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Salary and fees** | **Taxable benefits** | **Annual bonus** | Salary and fees | Taxable benefits | Annual bonus | Salary and fees[1] | Taxable benefits | Annual bonus | Salary and fees[1] | Taxable benefits | Annual bonus |
| Andrew Jones | **4.8%** | **–** | **27.7%** | 7.8% | – | -5.7% | 3.4% | – | -3.3% | 0.4% | – | -0.2% |
| Martin McGann | **4.9%** | **–** | **31.1%** | 7.7% | -3.4% | -7.9% | 3.5% | – | -3.4% | 0.6% | 3.6% | 2.5% |
| Alistair Elliott | **n/a** | **n/a** | **n/a** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Suzanne Avery | **3.2%** | **n/a** | **n/a** | 3.3% | n/a | n/a | – | n/a | n/a | 1.7% | n/a | n/a |
| Robert Fowlds | **–** | **n/a** | **n/a** | 2.7% | n/a | n/a | 5.6% | n/a | n/a | 10.9% | n/a | n/a |
| Sandy Gumm | **n/a** | **n/a** | **n/a** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Nick Leslau | **n/a** | **n/a** | **n/a** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Andrew Livingston | **3.5%** | **n/a** | **n/a** | 3.6% | n/a | n/a | – | n/a | n/a | 1.9% | n/a | n/a |
| Suzy Neubert | **n/a** | **n/a** | **n/a** | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Kitty Patmore | **19.3%** | **n/a** | **n/a** | 3.6% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Other employees[2] | **9.8%** | **-9.0%** | **31.1%** | 8.4% | -4.2% | -5.1% | 4.2% | 3.0% | -0.9% | –% | -5.0% | 10.0% |

1 Excludes Directors' and other staff salary waiver in 2021

2 Excluding Directors

## CEO pay ratio

Whilst the Company has fewer than 250 employees and therefore is not required to disclose a ratio, the Committee felt that it was appropriate to disclose the CEO to all-employee pay ratio, recognising that the Company's investors expect to see such disclosure.

| | | Pay ratio | | |
|---|---|---|---|---|
| Year | Method of calculation | 25th percentile | 50th percentile | 75th percentile |
| 2024 | A | 38:1 | 22:1 | 8:1 |
| 2023 | A | 33:1 | 19:1 | 7:1 |
| 2022 | A | 43:1 | 22:1 | 8:1 |
| 2021 | A | 34:1 | 13:1 | 7:1 |
| 2020 | A | 42:1 | 16:1 | 8:1 |

The Company chose to adopt the Option A methodology, as at 31 March 2024, 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 149. The same methodology was used to calculate all-employee pay for the purposes of the ratios, which were calculated based on amounts receivable up to the end of the relevant financial year for all employees excluding the CEO and the Non Executive Directors. No elements of pay have been omitted and no assumptions have been made.

The Committee is comfortable that the median pay ratio is consistent with pay and progression policies for employees.

## Service contracts

The service contracts for the Executive Directors were reviewed and revised following the merger in 2013 of London & Stamford and Metric Property. Service contracts are terminable by either party with notice of 12 months. The Committee considers this appropriate for all existing and newly appointed Directors.

The Non Executive Directors do not have service contracts but are appointed under letters of appointment. Each Non Executive is subject to an initial three year term followed by annual re-election at the Company's AGM.

## 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. There have been no payments for loss of office or to past Directors 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.

| | **2024 £m** | 2023 £m | % change |
|---|---|---|---|
| Employee costs[1] | **12.9** | 11.4 | 13.2% |
| Dividends[2] | **100.2** | 92.4 | 8.4% |

[1] Figures taken from note 4 Administrative costs on page 177 and are stated before any amounts capitalised and exclude share scheme costs

[2] Figures taken from note 7 Dividends on page 179

## Statement of voting at AGM

At the AGM on 12 July 2023, the Annual Report on Remuneration was approved with votes from shareholders representing 79% of the issued share capital of the Company. The Directors' Remuneration Policy was approved at a General Meeting of the Company on 18 December 2023 with votes from shareholders representing 78% of the issued share capital at the time. The details of these outcomes are below.

| | 2023 Annual Report on Remuneration | | 2023 Directors' Remuneration Policy | |
|---|---|---|---|---|
| | Votes cast | % | Votes cast | % |
| For | 752,125,171 | 96.86 | 844,279,993 | 99.37 |
| Against | 24,379,376 | 3.14 | 5,321,974 | 0.63 |
| Withheld | 427,292 | | 98,680 | |
| **Total** | **776,931,839** | | **849,700,647** | |

Ahead of the 2023 AGM, the Board decided to withdraw the resolution to approve the Remuneration Policy in response to reservations from a number of our key shareholders and proxy voting agencies and the changing market conditions from when we originally consulted with shareholders. Subsequently, the Committee Chair engaged with the Company's largest shareholders representing over 67% of issued share capital as well as proxy voting agencies in relation to a revised 2023 Policy which retained the existing maximum incentive opportunity levels. The vast majority of shareholders and investor bodies who provided feedback were supportive of the proposals. A handful of shareholders requested that the Committee introduce a guardrail in relation to annual bonus performance targets that any changes in exceptional circumstances would be no less challenging. The Committee updated the 2023 Policy to reflect this which aligns with the corresponding policy for LTIP awards. The revised 2023 Policy was approved by 99.37% of shareholders who voted at the General Meeting. The Committee would like to thank all shareholders who provided valuable feedback during the engagement process. For completeness, and in line with the Corporate Governance Code, the Board issued an update statement in relation to the 2023 Policy after the results of the December General Meeting were released setting out the actions taken by the Committee in the six months since the 2023 AGM.

**Robert Fowlds**
Chair of the Remuneration Committee
4 June 2024

# Report of the Directors

I am delighted to present the Report of the Directors on behalf of the Board, together with the audited financial statements for the year ended 31 March 2024.

## Annual General Meeting ('AGM')

The AGM of the Company will be held on 22 July 2024 at 10 am at Peel Hunt, 100 Liverpool Street, London, EC2M 2AT. The Notice of AGM on pages 215 to 219 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 62.5 million shares representing approximately 3.1% of the existing issued ordinary share capital of the Company as at 4 June 2024.

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:

## 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, and have complied with all of the provisions except for provision 19 of the Code. We became fully compliant with this on 11 July 2023. This is set out in detail in the compliance statement on page 105.

Further details on how we have applied the Code can be found in the Governance section on pages 101 to 155 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.

| Information | Relevant section | Page |
|---|---|---|
| **Review of business and future developments** | Strategic report | Page 1 |
| **Section 172 Statement** | Governance – Section 172 Statement | Page 116 |
| **Principal risks** | Strategic report – Risk management and internal control | Page 92 |
| **Greenhouse gas emissions** | Strategic report – Responsible Business and ESG review | Page 62 |
| **Internal financial control** | Governance – Audit Committee report | Page 134 |
| | Strategic report – Risk management and internal control | Page 87 |
| **Diversity and inclusion** | Governance – Nomination Committee report | Page 126 |
| **Monitoring culture** | Governance | Page 111 |
| **Viability Statement** | Strategic report – Risk management and internal control | Page 100 |
| **Financial instruments** | Financial statements – note 14 | Page 189 |
| **Directors' details** | Governance – biographies | Page 106 |
| **Financial risk management policies** | Financial statements – note 14 | Page 188 |
| **Directors' interests** | Governance – Remuneration Committee report | Page 153 |
| **Interest capitalised** | Financial statements – note 5 | Page 178 |
| **Long term incentive schemes** | Governance – Remuneration Committee report | Page 151 |
| **Related party transactions** | Financial statements – note 20 | Page 195 |
| **Stakeholder engagement** | Strategic report – Responsible Business and ESG review | Page 63 |
| **Post balance sheet events** | Financial statements – note 21 | Page 195 |

## 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 55 to 76 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 £118.7 million (2023 loss: £506.3 million). The first two quarterly dividends for 2024 totalling 4.8p per share were paid in the year as Property Income Distributions ('PIDs').

The third quarterly dividend of 2.4p was paid following the year end on 8 April 2024 as a PID. The Directors have approved a fourth quarterly dividend of 3.0p per share payable on 22 July 2024 to shareholders on the register at the close of business on 14 June 2024, of which 1.5p will be paid as a PID.

The total dividend charge for the year to 31 March 2024 was 10.2p per share, an increase of 7.4% over the previous year. Of this, 8.7p 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 2024 was undertaken by CBRE Limited, Savills (UK) Limited and Knight Frank LLP. The fair value of investment property, including the Group's share of joint venture property, was £6,272.5 million at 31 March 2024 (2023: £2,993.8 million), which included an income strip asset of £221.5 million and right of use assets of £47.6 million that were not subject to an external valuation as reflected in note 9 to the financial statements.

## Share capital

As at 31 March 2024, there were 2,036,519,647 ordinary shares of 10p in issue, each carrying one vote and all fully paid. The Company issued 5,293,712 new ordinary shares under the terms of its Scrip Dividend Scheme. Since the year end the Company issued a further 4,046,714 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 2023 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 2024, the Trustees of the LondonMetric Long Term Incentive Plan held 2,589,207 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 | 186,976,929 | 9.16 |
| The Vanguard Group Inc | 105,031,519 | 5.15 |
| Rathbones | 101,720,267 | 4.98 |
| Ameriprise | 83,522,322 | 4.09 |
| Norges Bank | 81,049,344 | 3.97 |
| Artemis | 66,615,477 | 3.26 |

## Directors

The present membership of the Board and biographical details of Directors are set out on pages 106 and 107.

The interests of the Directors and their connected persons in the shares of the Company are set out in the Remuneration Committee report on page 153.

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 22 July 2024.

The powers of Directors are described in their Terms of Reference, which are available on request.

## Directors' and Officers' liability insurance

The Company has arranged Directors' and Officers' liability insurance cover in respect of legal action against its Directors, which is reviewed and renewed annually and remains in force at the date of this report.

## Stakeholders

The Group's long term sustainable success is dependent on its relationships with key stakeholders.

In the Responsible Business and ESG review from page 63, 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 2024 the Group had 47 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.

# Report of the Directors

continued

The Company provides retirement benefits for its employees and Executive Directors.

Andrew Livingston is the designated workforce Non Executive Director and acts as a liaison between the Board and employees and a channel through which staff can share their views and raise concerns. His work during the year is discussed in detail in the Responsible Business and ESG review section of this report on page 69.

Further details of how we engage with employees can be found in the Governance report on pages 111 to 112, the Strategic report on page 22 and the Responsible Business and ESG review on pages 66 to 69.

## 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 55 to 76 of this report.

The Group recognises the importance of minimising the adverse impact of its operations on the environment and the management of energy consumption and waste recycling.

The Group strives to maximise opportunities to improve the resilience of assets to climate change and the impact of transitioning to a low carbon economy, as set out in the Responsible Business and ESG review.

## Greenhouse gas reporting

In accordance with Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, information regarding the Company's greenhouse gas emissions can be found on page 62.

## Suppliers

The Group aims to settle supplier accounts in accordance with their individual terms of business.

The number of creditor days outstanding for the Group at 31 March 2024 was 14 days (2023: 13 days).

## Charitable and political contributions

This year we have supported 72 charitable causes and have made donations of £153,000 (2023: £103,906) as set out in the Responsible Business and ESG review on pages 74 to 75.

No political donations were made during the year (2023: £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 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 22 July 2024.

By order of the Board

**Martin McGann**
Finance Director
4 June 2024

# Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board. The Directors have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 ('FRS 101') 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

## Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

**Andrew Jones**
Chief Executive
4 June 2024

**Martin McGann**
Finance Director
4 June 2024

# Financial statements

In this section

> "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 from page 161."

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 2024 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 statement of comprehensive income;
- 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 21 for the Group and i to xi for the Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to 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 matters that we identified in the current year were:<br>• Acquisition of LXI REIT Plc; and<br>• Valuation of investment property.<br>Within this report, key audit matters are identified as follows:<br>⊕ Newly identified<br>⬆ Increased level of risk<br>⊖ Similar level of risk<br>⬇ Decreased level of risk |
| **Materiality** | The materiality that we used for the Group financial statements was £79.4m which was determined on the basis of 2% of net assets as of 31 March 2024.<br>For the testing of balances which impact EPRA earnings we used a lower materiality of £6.0m, which was based on 5% of EPRA earnings for the year ended 31 March 2024. |
| **Scoping** | The Group is subject to a full scope audit of net assets, revenue, and profit before tax. |
| **Significant changes in our approach** | The merger of LondonMetric Property Plc with LXI REIT Plc has resulted in significant changes to our audit plan including our risk assessment, materiality, account balance and transactions scoping and revision of our understanding of the control environment due to a new component being added into scope for the FY24 audit (being LXI REIT Plc).<br>The LXI acquisition has therefore been identified as an additional key audit matter in the current year as it required a significant audit effort in this area. The merger has not led to any changes in the approach used for determining materiality itself but has resulted in a higher level of materiality being used. |

To the members of LondonMetric Property Plc

# Independent Auditor's report

continued

## 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 cash flow forecasts for the years ending 31 March 2025 and 31 March 2026 based on actual cash flow performance for the year ended 31 March 2024 and the impact of the LXI REIT Plc acquisition;
- Testing arithmetical accuracy of the underlying cash flow forecasts;
- Assessing each of the key assumptions made as part of management's forecast to evaluate whether they are consistent with our understanding of the external factors and market trends;
- Agreeing the level of committed, undrawn facilities to signed facility agreements;
- Recalculating the headroom on liquidity within the forecasts based on the cash flow forecasts and the undrawn committed facilities;
- Recalculating covenants ratios on the year end position to evaluate compliance;
- Assessing the stress test scenarios, the reverse stress test run by the Directors including the linkage of these scenarios to the Group's principal risks disclosed on page 92 to 98 of the annual report and impact on covenants; and
- Evaluating the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1 Acquisition of LXI REIT Plc

**Key audit matter description**

The Group completed the acquisition of LXI REIT Plc ("LXI") on 5 March 2024. This acquisition was a significant transaction with a deal value of c. £1.9 billion. The transaction was executed via an all share merger whereby LondonMetric acquired all of the issued and to be issued ordinary share capital of LXI. The consideration paid was solely through share consideration whereby each LXI shareholder was entitled to receive 0.55 of the Group's shares.

Management has accounted for the acquisition as a business combination in accordance with IFRS 3 Business Combinations with relevant assets and liabilities recognised as part of the purchase price allocation.

The Group's investment property portfolio value has increased from £2.9 billion at 31 March 2023 to £6.2 billion as at 31 March 2024 and has been valued by an independent external valuer. LXI has a highly diversified portfolio of properties that includes healthcare, hotels, leisure, food store and essentials and industrial sectors.

The acquisition resulted in a gain on business combination of £76.9 million recognised in the Group income statement, representing difference between the consideration paid and the fair value of net assets acquired resulting in the recognition of negative goodwill.

The acquisition of LXi REIT Plc is considered a key audit matter as it represented a significant area of audit focus and is material to the financial statements.

Further details are described in note 15 to the financial statements.

**How the scope of our audit responded to the key audit matter**

This transaction has resulted in a significant change to our audit plan including our risk assessment, materiality, account balance and transactions scoping and revision of our understanding of the control environment.

The following audit procedures have been completed to address this key audit matter:

- Obtained management's paper which set out the transaction and evaluated whether the acquisition of LXI REIT Plc meets the criteria of a business combination in accordance with IFRS 3 or an asset acquisition;
- Obtained an understanding of relevant controls over the judgement and accounting of the transaction;
- Evaluated whether the identification of the acquirer, and determination of the acquisition date and control passing were in accordance with IFRS 3;
- Assessed the completeness of assets and liabilities that should have been recognised as part of the purchase price allocation ("PPA");
- Evaluated whether the consideration transferred by the acquirer has been recognised in accordance with IFRS 3;
- Involved our Deloitte Real Estate Advisory ("DRAA") specialists when assessing the valuation of the investment property at the acquisition date, including assessing the assumptions taken by the external valuer and the methodology adopted in the valuation approach;
- Assessed the competence, capabilities and objectivity of the external valuer;
- Performed audit procedures over the fair valuation of other identified assets and liabilities acquired;
- Evaluated whether acquisition-related costs have been recognised in accordance with IFRS 3;
- Assessed the reasonableness of the accounting conclusion that results in a bargain purchase and recognition of negative goodwill; and
- Evaluated the adequacy of the disclosures provided in the financial statements in relation to the business combination against the requirements of IAS 1 and IFRS 3.

**Key observations**

We consider the accounting treatment and financial statement disclosures for the acquisition of LXI REIT Plc to be appropriate.

### 5.2 Valuation of investment property

**Key audit matter description**

The Group holds an investment property portfolio which is valued at £6,232.2 million as of 31 March 2024 (2023: £2,944.9 million). The increase in the investment property portfolio has arisen largely due to the acquisition of LXI REIT Plc which is discussed in the above key audit matter.

The valuation of the investment property portfolio is a significant judgement area due to the key assumption of capitalisation yields and future lease income.

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 information provided to the valuers by management. Therefore, we have determined the ability of management to manipulate the information provided to the valuers, of which the valuer's methodology is heavily dependent on, as a potential area for fraud.

Refer to page 130 (Audit Committee report), page 172 (accounting policy) and note 9 on page 182 (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 valuers;
- Assessed the competence, capabilities and objectivity of the external valuer and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- Obtained the external valuation reports and, with the involvement of our real estate specialists, assessed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including future lease income and yields;
- Assessed the valuation methodology used and considered any departures from the RICS 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 market evidence;
- Performed audit procedures to assess the accuracy and completeness of a sample of the information provided to the external valuer by agreeing the tenant lease schedule, which is the key information source, to underlying lease agreements; and
- Evaluated the adequacy of the disclosures provided in the financial statements relating to the valuation of investment property.

**Key observations**

We consider the fair valuation of the Group's property portfolio to be appropriate. We did not find any material issues with the completeness and accuracy of the information shared by management with the external valuers.

To the members of LondonMetric Property Plc

# Independent Auditor's report

continued

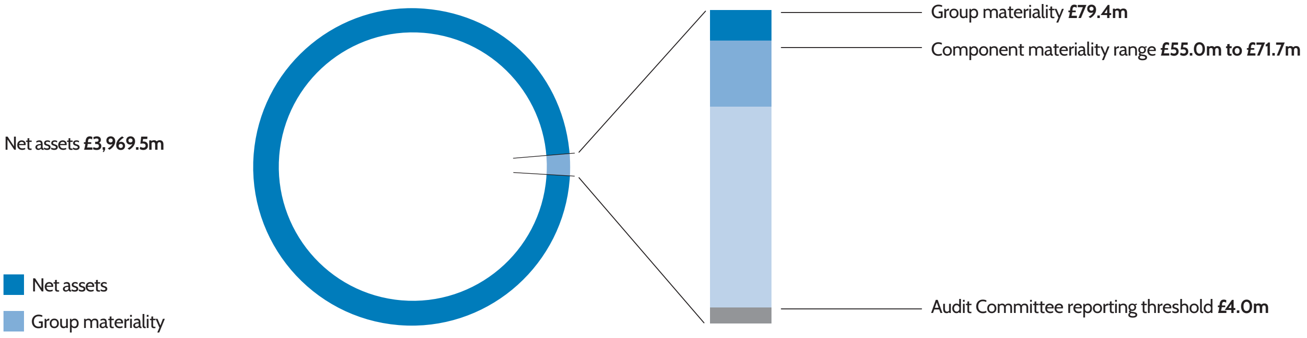
## 6. Our application of materiality

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent Company financial statements |
|---|---|---|
| **Materiality** | £79.4 million (2023: £39.9 million)<br>We consider EPRA earnings as a critical performance measure for the Group and therefore we have applied a lower threshold of £6.0 million (2023: £5.0 million) for testing of all balances that impact EPRA earnings. | £71.7m million (2023: £33.3 million) |
| **Basis for determining materiality** | Materiality for the Group is based on 2% (2023: 2% of shareholders' equity) of net assets at 31 March 2024.<br>For the lower level of materiality, the basis used is 5% of EPRA earnings (2023: 5% EPRA earnings). | Materiality for the Company is based on 2% of net assets (2023: 2% of shareholders' equity). |
| **Rationale for the benchmark applied** | As an investment property group, the focus of management is to generate long-term capital value from the investment property portfolio and, therefore, we consider net assets to be the most appropriate basis for materiality. | As an investment holding company, the focus of management is to generate long-term capital value from the Group's underlying assets and, therefore, we consider net assets to be the most appropriate basis for materiality. |



### 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% (2023: 70%) of Group materiality | 70% (2023: 70%) of Parent Company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>a) Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and<br>b) Our risk assessment, including our assessment of the Groups' 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 £4.0 million (2023: £2.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Our full scope audit is performed on components accounting for 100% (2023: 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 Group operates across the UK and therefore is audited directly by the Group audit team in London.

For the audit of the year ended 31 March 2024, there are two separate components which have been identified as a result of the LXI REIT Plc acquisition: the LondonMetric Property Plc and LXI REIT Plc components. £59.0 million is the component materiality being used for the LondonMetric Property Plc component and £55.0 million is the component materiality being used for the LXI REIT Plc component.

### 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 matters. We have performed testing over the operating effectiveness of the investment property cycle; however we do not take a controls reliance approach and adopt a fully substantive approach. The Directors' overview of the control environment is discussed on page 90 of the annual report.

### 7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of environmental, social and governance ("ESG") related risks, including climate change.

We have made enquiries of Management to understand the processes in place to assess the potential impact of climate change on the business and the financial statements. Management considers there to be a principal risk in respect of sustainability and, in particular, the management of climate risk where non-compliance could lead to reputational damage. In mitigation, Management aim to comply with sustainability targets and future Minimum Energy Efficiency Standards ('MEES'). The principal risk identified is consistent with that identified through our own risk assessment process.

We have read the annual report to consider whether the ESG disclosures, including climate change, are materially consistent with the financial statements and our knowledge obtained in the audit. In addition, we have reviewed the TCFD disclosures included within pages 77 to 85 of annual report. We have also evaluated the appropriateness of disclosures included in the financial statements in note 1.

## 8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

To the members of LondonMetric Property Plc

# Independent Auditor's report

continued

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.
The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and involving relevant internal specialists, including IT, tax, valuations and real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, as well as relevant provisions of tax legislation, including the REIT and German jurisdiction tax 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 the valuation of investment 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 reviewing any correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

## 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

## 13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 99;
- 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 99;
- the Directors' statement on fair, balanced and understandable set out on page 159;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 90;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out from page 92; and
- the section describing the work of the Audit Committee set out from page 130.

## 14. Matters on which we are required to report by exception

### 14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## 15. Other matters which we are required to address

### 15.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed on 19 September 2013 by the Directors of LondonMetric Property Plc to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 March 2024 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 March 2014 to 31 March 2024.

### 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) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

**Rachel Argyle**
**(Senior statutory auditor)**

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 June 2024

# Group income statement

For the year ended 31 March

| | Note | 2024<br>£m | 2023<br>£m |
|---|---|---|---|
| **Revenue** | 3 | **178.1** | 146.7 |
| Cost of sales | | **(1.7)** | (1.5) |
| **Net income** | | **176.4** | 145.2 |
| Administrative costs | 4 | **(19.7)** | (16.4) |
| Net gain on business combinations | 15c | **49.4** | – |
| Acquisition costs | 15c | **(29.8)** | – |
| Loss on revaluation of investment properties | 9a | **(7.5)** | (577.4) |
| Loss on sale of investment properties | | **(7.4)** | (14.7) |
| Share of losses of joint ventures | 10 | **(0.1)** | (10.3) |
| **Operating profit/(loss)** | | **161.3** | (473.6) |
| Finance income | 5 | **8.5** | 2.9 |
| Finance costs | 5 | **(49.8)** | (36.8) |
| **Profit/(loss) before tax** | | **120.0** | (507.5) |
| Taxation | 6 | **(0.1)** | (0.1) |
| **Profit/(loss) for the year** | | **119.9** | (507.6) |
| Attributable to: | | | |
| Equity shareholders | | **118.7** | (506.3) |
| Non-controlling interest | 20b | **1.2** | (1.3) |
| **Earnings per share** | | | |
| Basic | 8 | **10.6p** | (51.8)p |
| Diluted | 8 | **10.6p** | (51.8)p |

# Group statement of comprehensive income

For the year ended 31 March

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Profit/(loss) for the year | **119.9** | (507.6) |
| Foreign exchange translation | **0.5** | – |
| **Other comprehensive income for the year** | **0.5** | – |
| **Total comprehensive income/(expense) for the year** | **120.4** | (507.6) |
| Attributable to: | | |
| Equity shareholders | **119.2** | (506.3) |
| Non-controlling interest | **1.2** | (1.3) |

All amounts relate to continuing activities. The notes on pages 172 to 195 form part of these financial statements.

# Group balance sheet

As at 31 March

| | Note | 2024<br>£m | 2023<br>£m |
|---|---|---|---|
| **Non current assets** | | | |
| Investment properties | 9a | **6,232.2** | 2,944.9 |
| Investment in equity accounted joint ventures | 10 | **69.2** | 61.5 |
| Other investments and tangible assets | | **1.7** | 1.2 |
| Derivative financial instruments | 14c | **32.6** | 11.1 |
| | | **6,335.7** | 3,018.7 |
| **Current assets** | | | |
| Assets held for sale | 9b | **8.5** | 19.8 |
| Trading properties | | **1.1** | 1.1 |
| Trade and other receivables | 11 | **21.4** | 5.8 |
| Cash and cash equivalents | 12 | **111.9** | 32.6 |
| | | **142.9** | 59.3 |
| **Total assets** | | **6,478.6** | 3,078.0 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **155.8** | 65.9 |
| Bank borrowings | 14a(i) | **43.5** | 65.0 |
| Other financial liabilities | 14a(ii) | **8.6** | – |
| Lease liabilities | 16 | **1.1** | – |
| | | **209.0** | 130.9 |
| **Non current liabilities** | | | |
| Bank borrowings | 14a(i) | **2,030.6** | 944.8 |
| Other financial liabilities | 14a(ii) | **212.9** | – |
| Lease liabilities | 16 | **47.0** | 7.1 |
| Deferred tax | 6 | **9.6** | – |
| | | **2,300.1** | 951.9 |
| **Total liabilities** | | **2,509.1** | 1,082.8 |
| **Net assets** | | **3,969.5** | 1,995.2 |
| **Equity** | | | |
| Called up share capital | 17,18 | **203.7** | 98.3 |
| Share premium | 17,18 | **404.7** | 395.5 |
| Capital redemption reserve | 18 | **9.6** | 9.6 |
| Other reserve | 18 | **2,332.4** | 490.3 |
| Retained earnings | 18 | **991.1** | 973.6 |
| **Equity shareholders' funds** | | **3,941.5** | 1,967.3 |
| Non-controlling interest | 20b | **28.0** | 27.9 |
| **Total equity** | | **3,969.5** | 1,995.2 |
| **IFRS net asset value per share** | 8c | **195.2p** | 203.7p |

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2024 and were signed on its behalf by:

**Martin McGann**
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 172 to 195 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 reserves[1] £m | Retained earnings £m | Equity shareholders' funds £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2023 | | **98.3** | **395.5** | **9.6** | **490.3** | **973.6** | **1,967.3** | **27.9** | **1,995.2** |
| Profit for the year | | **–** | **–** | **–** | **–** | **118.7** | **118.7** | **1.2** | **119.9** |
| Other comprehensive income for the year | | **–** | **–** | **–** | **0.5** | **–** | **0.5** | **–** | **0.5** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **0.5** | **118.7** | **119.2** | **1.2** | **120.4** |
| Share issue on acquisitions | 17,18 | **104.9** | **–** | **–** | **1,840.1** | **–** | **1,945.0** | **–** | **1,945.0** |
| Purchase of shares held in Employee Benefit Trust | | **–** | **–** | **–** | **(2.5)** | **–** | **(2.5)** | **–** | **(2.5)** |
| Vesting of shares held in Employee Benefit Trust | | **–** | **–** | **–** | **4.0** | **(4.5)** | **(0.5)** | **–** | **(0.5)** |
| Distribution to non-controlling interest | 20b | **–** | **–** | **–** | **–** | **–** | **–** | **(1.1)** | **(1.1)** |
| Share based awards | | **–** | **–** | **–** | **–** | **3.5** | **3.5** | **–** | **3.5** |
| Dividends | 7 | **0.5** | **9.2** | **–** | **–** | **(100.2)** | **(90.5)** | **–** | **(90.5)** |
| **At 31 March 2024** | | **203.7** | **404.7** | **9.6** | **2,332.4** | **991.1** | **3,941.5** | **28.0** | **3,969.5** |

[1] Other reserves include merger relief reserve, Employee Benefit Trust shares and a foreign currency exchange reserve as set out in note 18

| | Note | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves[1] £m | Retained earnings £m | Equity shareholders' funds £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2022 | | 97.9 | 386.8 | 9.6 | 491.1 | 1,574.3 | 2,559.7 | 10.1 | 2,569.8 |
| Loss for the year and total comprehensive expense | | – | – | – | – | (506.3) | (506.3) | (1.3) | (507.6) |
| Purchase of shares held in Employee Benefit Trust | | – | – | – | (5.6) | – | (5.6) | – | (5.6) |
| Vesting of shares held in Employee Benefit Trust | | – | – | – | 4.8 | (5.6) | (0.8) | – | (0.8) |
| Investment from non-controlling interest | 20b | – | – | – | – | – | – | 19.5 | 19.5 |
| Distribution to non-controlling interest | 20b | – | – | – | – | – | – | (0.4) | (0.4) |
| Share based awards | | – | – | – | – | 3.6 | 3.6 | – | 3.6 |
| Dividends | 7 | 0.4 | 8.7 | – | – | (92.4) | (83.3) | – | (83.3) |
| **At 31 March 2023** | | 98.3 | 395.5 | 9.6 | 490.3 | 973.6 | 1,967.3 | 27.9 | 1,995.2 |

The notes on pages 172 to 195 form part of these financial statements.

# Group cash flow statement

For the year ended 31 March

| | Note | 2024<br>£m | 2023<br>£m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before tax | | **120.0** | (507.5) |
| **Adjustments for non cash items:** | | | |
| Loss on revaluation of investment properties | | **7.5** | 577.4 |
| Loss on sale of investment properties | | **7.4** | 14.7 |
| Share of post-tax loss of joint ventures | | **0.1** | 10.3 |
| Movement in lease incentives | | **(17.4)** | (11.7) |
| Share based payment | | **3.5** | 3.6 |
| Net gain on business combinations | | **(49.4)** | – |
| Net finance costs | | **41.3** | 33.9 |
| Cash flows from operations before changes in working capital | | **113.0** | 120.7 |
| Change in trade and other receivables | | **(4.1)** | 8.1 |
| Change in trade and other payables | | **14.8** | 4.5 |
| Cash flows from operations | | **123.7** | 133.3 |
| Tax paid | | **(0.6)** | (0.3) |
| **Cash flows from operating activities** | | **123.1** | 133.0 |
| **Investing activities** | | | |
| Net cash acquired from the acquisition of CTPT | | **26.0** | – |
| Net cash acquired from the acquisition of LXi | | **47.3** | – |
| Purchase of investment properties and development properties | | **(57.4)** | (258.0) |
| Capital expenditure on investment properties | | **(5.8)** | (16.9) |
| Purchase of investments and tangible assets | | **(0.5)** | (0.1) |
| Lease incentives paid | | **(1.7)** | (2.6) |
| Sale of investment properties | | **198.3** | 258.6 |
| Investment in joint ventures | | **(10.5)** | – |
| Distributions from joint ventures | | **2.7** | 0.8 |
| Interest received | | **7.7** | 0.8 |
| **Net cash from/(used in) investing activities** | | **206.1** | (17.4) |
| **Financing activities** | | | |
| Dividends paid | | **(90.5)** | (83.3) |
| Investment from non-controlling interest | 20b | **–** | 19.5 |
| Distribution to non-controlling interest | 20b | **(1.1)** | (0.4) |
| Purchase of shares held in Employee Benefit Trust | | **(2.5)** | (5.6) |
| Vesting of shares held in Employee Benefit Trust | | **(0.5)** | (0.8) |
| New borrowings and amounts drawn down | 19 | **669.2** | 440.0 |
| Repayment of loan facilities | 19 | **(769.2)** | (450.0) |
| Purchase of derivative financial instruments | | **–** | (15.1) |
| Financial arrangement fees and break costs | | **(10.6)** | (5.0) |
| Lease liabilities and other financial liabilities paid | | **(1.1)** | (0.8) |
| Interest paid | | **(43.6)** | (32.8) |
| **Net cash used in financing activities** | | **(249.9)** | (134.3) |
| Net increase/(decrease) in cash and cash equivalents | 19 | **79.3** | (18.7) |
| **Opening cash and cash equivalents** | | **32.6** | 51.3 |
| **Closing cash and cash equivalents** | | **111.9** | 32.6 |

The notes on pages 172 to 195 form part of these financial statements.

# Notes forming part of the Group financial statements

## 1 Significant accounting policies

### a) General information

LondonMetric Property Plc is a company incorporated in the United Kingdom under the Companies Act and is registered in England. The address of the registered office is given on page 220. 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 100.

### b) Statement of compliance

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

### c) Going concern

The Board has continued to pay particular attention to the appropriateness of the going concern basis in preparing these financial statements and its detailed assessment is on page 99.

The assessment considers the principal risks and uncertainties facing the Group's activities, future development and performance, as discussed in detail on pages 86 to 98 of the Strategic report.

A key consideration is the Group's financial position, cash flows and liquidity, including its access to debt facilities and headroom under financial loan covenants, which is discussed in detail in the Financial review from page 47.

### d) Basis of preparation

The financial statements are prepared on a going concern basis, as explained above.

The functional currency of the Company and the presentational currency of the Group is sterling. The functional currency of all subsidiaries except for the Group's German operations is sterling. Euro denominated results of the German operations have been converted to sterling initially at the applicable exchange rate ruling on the transaction date.

Foreign exchange gains and losses from settling transactions are reflected in the income statement, and from retranslating assets and liabilities held in foreign currencies in other comprehensive income. Assets and liabilities are retranslated at the period end rate and income and expenses are retranslated at the average rate.

The principal exchange rate used to translate foreign currency denominated assets and liabilities at the period end and the net income for the period was £1= €1.17.

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 133 and are as follows:

#### Significant areas of estimation uncertainty

#### Property valuations

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

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

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

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

#### Significant areas of judgement

#### Significant transactions

Some property transactions are large or complex and require management to make judgements when considering the appropriate accounting treatment.

These include acquisitions of property through corporate vehicles, which could represent either asset acquisitions or business combinations under IFRS 3.

Other complexities include conditionality inherent in transactions and other unusual terms and conditions. There is a risk that an inappropriate approach could lead to a misstatement in the financial statements.

Management applied judgement to three corporate acquisitions made during the year to 31 March 2024 and determined the following:

- The acquisition of CT Property Trust Limited ('CTPT') was an asset acquisition rather than a business combination, as no processes or workforce were acquired and substantially all of the fair value of the net assets acquired was represented by investment properties; and
- The acquisition of LXi REIT plc and its investment advisor LXi REIT Advisors Limited represented two business combinations in accordance with IFRS 3 as in addition to the substantial property portfolio and debt facilities acquired, the management team of ten employees and all of its operating processes were transferred.

### ii) Adoption of new and revised standards

#### Standards and interpretations effective in the current period

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

| Name | Description |
|---|---|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies |
| Amendments to IFRS 4 | Extension of the temporary exemption from applying IFRS 9 |
| Amendments to IAS 8 | Definition of accounting estimates |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction |
| Amendments to IAS 12 | International tax reform – Pillar Two Model Rules |
| Amendments to IFRS 17 | Insurance contracts |

### 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 S1 | General requirements for disclosure of sustainability related financial information |
| IFRS S2 | Climate-related disclosures |
| Amendments to IAS 1 | Classification of liabilities as current and non current. Non current liabilities with covenants |
| Amendments to IFRS 16 | Lease liability in a sale and leaseback |

### iv) Consideration of climate change

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change, particularly in the context of risk identified in the TCFD disclosures on pages 77 to 85. There has been no material impact identified on the financial reporting judgments and estimates. In particular, the Directors have considered the impact of climate change in respect of the following areas:

- Going Concern and the Viability statement;
- Impact on the carrying value and useful economic lives of property and other tangible assets; and
- Preparation of budgets and cash flow forecasts.

Given no material risks have been identified as per the assessment outlined in the TCFD report, no climate change related impact was identified. The Directors are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's Financial Statements.

## 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; and
- 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.

### ii) Joint ventures

Joint arrangements are those entities over whose activities the Group has joint control. The Group's joint venture is a type of joint arrangement in which the partners have rights to the net assets.

Joint ventures are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of the net assets of its joint ventures and the consolidated income statement incorporates the Group's share of joint venture profits after tax.

The Group's joint ventures adopt the accounting policies of the Group for inclusion in the Group financial statements.

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

### iii) Non-controlling interest

The Group's non-controlling interest ('NCI') represents a 31% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of retail assets.

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

### iv) Alternative performance measures

Our portfolio is a combination of properties that are wholly owned by the Group and part owned through joint venture arrangements or where a third party holds a non-controlling interest. Management reviews the performance of the Group's proportionate share of assets and returns, and considers the presentation of information on this basis helpful to stakeholders as it aggregates the results of all the Group's property interests which under IFRS are required to be presented across a number of line items in the financial statements. These measures are alternative performance measures as they are not defined under IFRS. Further information on alternative performance measures is included with our performance highlights on page 22 and in the Financial review on page 48.

### v) Business combinations

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.

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.

Any deficit of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired is recognised as a gain on acquisition in the income statement.

# Notes forming part of the Group financial statements

continued

### f) Property portfolio

#### i) Investment properties

Investment properties are properties owned or leased by the Group which are held for long term rental income and for capital appreciation. Investment property includes property that is being constructed, developed or redeveloped for future use as an investment property. Investment property is initially recognised at cost, including related transaction costs. It is subsequently carried at each published balance sheet date at fair value on an open market basis as determined by professionally qualified independent external valuers. Changes in fair value are included in the income statement.

Where a property held for investment is appropriated to development property, it is transferred at fair value. A property ceases to be treated as a development property on practical completion. In accordance with IAS 40 Investment Properties, no depreciation is provided in respect of investment properties.

Investment property is recognised as an asset when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the Group; and
- 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. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts.

All leases where the Group is a lessor are classified as operating leases.

#### 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 number of leasehold properties and an occupational lease for its head office. All right of use assets are classified as investment properties and added to the carrying value of leasehold investment properties. The right of use asset in respect of the Group's head office 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.

For leases which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight line basis to the earlier of the first break option or the lease termination date.

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

#### v) Profit and loss on sale of investment properties

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

### g) Financial assets and financial liabilities

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

### Financial instruments under IFRS 9

#### i) Trade and other 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. When the Group is the principal in an underlying transaction and has the right to the cash inflows and/or the obligation to settle a liability and directs another entity, acting as its agent, to receive and make payments on its behalf, the Group accounts for the transaction in the cash flow statement by reporting the underlying cash flows as operating, investing or financing according to their nature.

#### 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 and subsequently remeasured at each period end, with changes in fair value being recognised in the income statement.

The Group does not apply hedge accounting under IFRS 9.

#### vi) Income strip asset and liability

As part of the merger with LXi, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022. The structure comprised selling the freehold of the properties to a UK institutional investor, with 999 year leases granted back to LXi pursuant to which was the obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant. LXi has the ability to acquire the freehold back in 2087 for £1.

The financial obligations in relation to this transaction have been fair valued on acquisition using the prevailing market interest rate at £221.4 million. Thereafter, the liability is measured at amortised cost.

At 31 March 2024 the total liability was £221.5 million with £8.6 million being due in less than one year.

A corresponding asset of £221.5 million has been included within investment properties at the year end.

### h) Finance costs and income

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

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

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

Finance costs and income are presented in the cash flow statement within financing and investing activities, respectively.

### i) Tax

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

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

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

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

As a result of the merger with LXi, the Group acquired one German property and is now subject to German corporate income tax on those operations. A deferred tax liability was recognised on acquisition and has been restated for the revaluation and currency movement in the period.

### j) Share based payments

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

### k) Shares held in Trust

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

### l) Dividends

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

# Notes forming part of the Group financial statements

continued

## 2 Segmental information

As at 31 March

| Property value | 100% owned[1] £m | JV £m | NCI £m | 2024 Total £m | 100% owned £m | JV £m | NCI £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|
| Distribution | 2,557.1 | – | – | 2,557.1 | 2,159.9 | – | – | 2,159.9 |
| Long income | 3,182.5 | 67.1 | (22.9) | 3,226.7 | 659.8 | 70.8 | (23.2) | 707.4 |
| Other | 193.8 | – | (13.5) | 180.3 | 105.3 | – | (12.5) | 92.8 |
| Development | 39.3 | – | – | 39.3 | 33.7 | – | – | 33.7 |
| | 5,972.7 | 67.1 | (36.4) | 6,003.4 | 2,958.7 | 70.8 | (35.7) | 2,993.8 |
| Income strip asset | 221.5 | – | – | 221.5 | – | – | – | – |
| Right of use assets | 47.6 | – | – | 47.6 | 7.1 | – | – | 7.1 |
| | 6,241.8 | 67.1 | (36.4) | 6,272.5 | 2,965.8 | 70.8 | (35.7) | 3,000.9 |

[1] Includes trading property of £1.1 million (2023: £1.1 million) and assets held for sale of £8.5 million (2023: £19.8 million)

For the year to 31 March

| Gross rental income | 100% owned £m | JV £m | NCI £m | 2024 Total £m | 100% owned £m | JV £m | NCI £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|
| Distribution | 115.2 | – | – | 115.2 | 100.5 | – | – | 100.5 |
| Long income | 53.6 | 4.3 | (1.8) | 56.1 | 39.4 | 4.3 | (1.3) | 42.4 |
| Other | 8.2 | – | (0.6) | 7.6 | 5.7 | – | (0.2) | 5.5 |
| | 177.0 | 4.3 | (2.4) | 178.9 | 145.6 | 4.3 | (1.5) | 148.4 |

For the year to 31 March

| Net rental income | 100% owned £m | JV £m | NCI £m | 2024 Total £m | 100% owned £m | JV £m | NCI £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|
| Distribution | 114.1 | – | – | 114.1 | 99.5 | – | – | 99.5 |
| Long income | 53.6 | 4.2 | (1.8) | 56.0 | 39.2 | 4.2 | (1.3) | 42.1 |
| Other | 7.6 | – | (0.6) | 7.0 | 5.4 | – | (0.2) | 5.2 |
| | 175.3 | 4.2 | (2.4) | 177.1 | 144.1 | 4.2 | (1.5) | 146.8 |

An operating segment is a distinguishable component of the Group that engages in business activities, earns revenue and incurs expenses, whose results are reviewed by the Group's Chief Operating Decision Makers ('CODMs') and for which discrete financial information is available.

Gross rental income represents the Group's revenues from its tenants and net rental income is the principal profit measure used to determine the performance of each sector. Total assets and liabilities are not monitored by segment. However, property assets are reviewed on an ongoing basis. The Group operates predominantly in the United Kingdom and no geographical split is provided in information reported to the Board.

The acquisition of LXi REIT plc on 5 March 2024 resulted in a change to the Group's portfolio mix and consequently we have changed the way we report our operating segments to the Board and have reclassified the previous year accordingly. Retail parks, offices and residential properties have been grouped together and reflected as other properties this year.

Included within the distribution operating segment are the sub-categories of urban logistics, regional distribution and mega distribution and within the long income operating segment are the sub categories of convenience, entertainment and leisure and healthcare and education. 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 and long income sectors as a whole as their own operating segments.

The income strip asset and right of use assets are not considered separate operating segments and are included in this note for reconciliation purposes only.

## 3 Revenue

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Gross rental income | 177.0 | 145.6 |
| Property management fee income | 1.1 | 1.1 |
| **Revenue** | 178.1 | 146.7 |

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Gross rental income | 177.0 | 145.6 |
| Cost of sales – property operating expenses | (1.7) | (1.5) |
| **Net rental income** | 175.3 | 144.1 |

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

## 4 Administrative costs

### a) Total administrative costs

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Staff costs | 14.9 | 12.5 |
| Auditor's remuneration | 0.7 | 0.3 |
| Depreciation | 0.7 | 0.6 |
| Other administrative costs | 3.4 | 3.0 |
| | 19.7 | 16.4 |

### b) Staff costs

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Employee costs, including those of Directors, comprise the following: | | |
| Wages and salaries | 11.7 | 10.3 |
| Less staff costs capitalised in respect of development projects | (1.5) | (2.5) |
| | 10.2 | 7.8 |
| Social security costs | 0.9 | 0.9 |
| Pension costs | 0.3 | 0.2 |
| Share based payment | 3.5 | 3.6 |
| | 14.9 | 12.5 |

The long term share incentive plan ('LTIP') allows Executive Directors and eligible employees to receive an award of shares, held in trust, dependent on performance conditions based on the earnings per share, total shareholder return and total accounting return of the Group over a three year vesting period. The Group expenses the estimated number of shares likely to vest over the three year period based on the market price at the date of grant. In the current year the charge was £3.5 million (2023: £3.6 million). The cost of acquiring the shares expected to vest under the LTIP of £2.5 million has been charged to reserves this year (2023: £5.6 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 151 to 152.

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Remuneration for management services | 3.3 | 2.9 |
| Entitlement to pension scheme contributions | 0.1 | 0.1 |
| | 3.4 | 3.0 |

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

# Notes forming part of the Group financial statements

continued

| For the year to 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Short term employee benefits | **9.5** | 7.2 |
| Share based payments | **3.1** | 2.4 |
| | **12.6** | 9.6 |

No disclosures have been made in accordance with IFRS 2 for share based payments to employees other than those in the Remuneration Committee report from page 137 on the basis of materiality.

### c) Staff numbers

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

| | **2024**<br>**Number** | 2023<br>Number |
|---|---|---|
| Property and administration | **35** | 34 |

### d) Auditor's remuneration

| For the year to 31 March | **2024**<br>**£000** | 2023<br>£000 |
|---|---|---|
| **Audit services:** | | |
| Audit of the Group and Company financial statements, pursuant to legislation | **626.0** | 251.5 |
| **Other fees:** | | |
| Audit related assurance services | **50.0** | 41.8 |
| **Total fees for audit and other services** | **676.0** | 293.3 |

In addition to the above audit fees, £23,500 (2023: £29,700) was due to the Group's auditor in respect of the audit of its joint venture.

## 5 Finance income and costs

### a) Finance income

| For the year to 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Interest received on bank deposits | **1.0** | 0.1 |
| Interest receivable from interest rate derivatives | **6.7** | 0.7 |
| Interest receivable from forward funded developments | **0.8** | 2.1 |
| **Total finance income** | **8.5** | 2.9 |

### b) Finance costs

| For the year to 31 March | **2024**<br>**£m** | 2023<br>£m |
|---|---|---|
| Interest payable on bank loans | **41.5** | 33.3 |
| Unwinding of discount on fixed rate debt acquired | **0.7** | (0.2) |
| Debt and hedging early close out costs | **–** | 0.4 |
| Amortisation of loan issue costs | **2.0** | 1.6 |
| Interest on lease and other liabilities | **1.0** | 0.1 |
| Commitment fees and other finance costs | **2.9** | 1.6 |
| **Total borrowing costs** | **48.1** | 36.8 |
| Less amounts capitalised on developments | **(2.2)** | (4.0) |
| **Net borrowing costs** | **45.9** | 32.8 |
| Fair value loss on derivative financial instruments | **3.9** | 4.0 |
| **Total finance costs** | **49.8** | 36.8 |

Net finance costs deducted from EPRA earnings as disclosed in Supplementary note ii exclude the fair value loss on derivative financial instruments of £3.9 million (2023: £4.0 million) and early close out costs in the previous year of £0.4 million.

## 6 Taxation

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | **(0.1)** | 0.1 |
| German corporate income tax | **0.1** | – |
| Deferred tax on German asset | **0.1** | – |
| **Total tax charge** | **0.1** | 0.1 |

As the Group is a UK REIT, any profits and gains arising from its property rental business are exempt from UK corporation tax and there is no provision for deferred tax arising on the revaluation of properties.

The UK corporation tax charge relates to tax arising on income attributable to the Group's non-controlling interest and other residual tax. As a result of the merger with LXi, the Group acquired one German property and is now subject to German corporate income tax at an effective rate of 15.825%, resulting in a tax charge of £0.1 million in the period. An associated deferred tax liability of £9.6 million was recognised on acquisition and the revaluation and currency movement of £0.1 million was recognised in the period to 31 March 2024.

The reconciliation of the total tax charge in the year to the tax assessed on profits at the standard rate of corporation tax in the UK is set out below.

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Profit/(loss) before tax | **120.0** | (507.5) |
| Tax charge/(credit) at the standard rate of corporation tax in the UK of 25% (2023: 19%) | **30.0** | (96.4) |
| Effects of: | | |
| Items not (taxable)/deductible | **(0.2)** | 113.3 |
| Share of post tax losses of joint ventures | – | 2.0 |
| REIT exemption on income and gains | **(29.6)** | (18.6) |
| German tax charges | **0.2** | – |
| Other | **(0.3)** | (0.2) |
| **Tax charge on profit** | **0.1** | 0.1 |

## 7 Dividends

| For the year to 31 March | | | 2024 £m | 2023 £m |
|---|---|---|---|---|
| **Ordinary dividends paid** | | | | |
| 2022 | Third quarterly interim dividend | 2.2p per share | – | 21.5 |
| 2022 | Fourth quarterly interim dividend | 2.65p per share | – | 25.9 |
| 2023 | First quarterly interim dividend | 2.3p per share | – | 22.5 |
| 2023 | Second quarterly interim dividend | 2.3p per share | – | 22.5 |
| 2023 | Third quarterly interim dividend | 2.3p per share | **22.5** | – |
| 2023 | Fourth quarterly interim dividend | 2.6p per share | **25.5** | – |
| 2024 | First quarterly interim dividend | 2.4p per share | **26.1** | – |
| 2024 | Second quarterly interim dividend | 2.4p per share | **26.1** | – |
| | | | **100.2** | 92.4 |
| **Ordinary dividend payable** | | | | |
| 2024 | Third quarterly interim dividend | 2.4p per share | **26.1** | |
| 2024 | Fourth quarterly interim dividend | 3.0p per share | **61.0** | |

# Notes forming part of the Group financial statements

continued

The Company paid its third quarterly interim dividend in respect of the financial year to 31 March 2024 of 2.4p per share, wholly as a Property Income Distribution ('PID'), on 8 April 2024 to ordinary shareholders on the register at the close of business on 1 March 2024. The fourth quarterly interim dividend for 2024 of 3.0p per share, of which 1.5p is payable as a PID, will be payable on 22 July 2024 to shareholders on the register at the close of business on 14 June 2024. 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 2025. During the year, the Company issued 5,293,712 million ordinary shares under the terms of the Scrip Dividend Scheme, which reduced the cash dividend payment by £9.7 million to £90.5 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 IFRS 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 205 to 211.

### 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** | **2024 £m** | 100% owned £m | JV £m | NCI £m | 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Gross rental income | **177.0** | **4.3** | **(2.4)** | **178.9** | 145.6 | 4.3 | (1.5) | 148.4 |
| Property costs | **(1.7)** | **(0.1)** | **–** | **(1.8)** | (1.5) | (0.1) | – | (1.6) |
| **Net rental income** | **175.3** | **4.2** | **(2.4)** | **177.1** | 144.1 | 4.2 | (1.5) | 146.8 |
| Management fees | **1.1** | **(0.6)** | **0.1** | **0.6** | 1.1 | (0.5) | 0.1 | 0.7 |
| Administrative costs | **(19.7)** | **–** | **–** | **(19.7)** | (16.4) | (0.1) | – | (16.5) |
| Net finance costs[1] | **(37.4)** | **–** | **0.6** | **(36.8)** | (29.5) | (0.6) | 0.2 | (29.9) |
| Tax | **–** | **–** | **0.4** | **0.4** | (0.1) | – | 0.1 | – |
| **EPRA earnings** | **119.3** | **3.6** | **(1.3)** | **121.6** | 99.2 | 3.0 | (1.1) | 101.1 |

[1] Group net finance costs reflect net borrowing costs of £45.9 million (2023: £32.8 million) (note 5b) and finance income of £8.5 million (2023: £2.9 million) (note 5a) less early close out costs of £0.4 million in the previous year

The reconciliation of EPRA earnings to IFRS reported profit/(loss) can be summarised as follows:

| For the year to 31 March | **100% owned £m** | **JV £m** | **NCI £m** | **2024 £m** | 100% owned £m | JV £m | NCI £m | 2023 £m |
|---|---|---|---|---|---|---|---|---|
| EPRA earnings | **119.3** | **3.6** | **(1.3)** | **121.6** | 99.2 | 3.0 | (1.1) | 101.1 |
| Gain on acquisition | **49.4** | **–** | **–** | **49.4** | – | – | – | – |
| Acquisition costs | **(29.8)** | **–** | **–** | **(29.8)** | – | – | – | – |
| Revaluation of property | **(7.5)** | **(3.7)** | **0.1** | **(11.1)** | (577.4) | (12.5) | 2.4 | (587.5) |
| Fair value of derivatives | **(3.9)** | **–** | **–** | **(3.9)** | (4.0) | (0.1) | – | (4.1) |
| Loss on disposal | **(7.4)** | **–** | **–** | **(7.4)** | (14.7) | (0.7) | – | (15.4) |
| Debt/hedging costs | **–** | **–** | **–** | **–** | (0.4) | – | – | (0.4) |
| Deferred tax | **(0.1)** | **–** | **–** | **(0.1)** | – | – | – | – |
| **IFRS reported profit/(loss)** | **120.0** | **(0.1)** | **(1.2)** | **118.7** | (497.3) | (10.3) | 1.3 | (506.3) |

### b) Earnings per ordinary share attributable to equity shareholders

| For the year to 31 March | **2024<br>£m** | 2023<br>£m |
|---|---|---|
| Basic and diluted earnings | **118.7** | (506.3) |
| EPRA adjustments above | **2.9** | 607.4 |
| **EPRA earnings** | **121.6** | 101.1 |

| For the year to 31 March | **2024<br>Number of shares (millions)** | 2023<br>Number of shares (millions) |
|---|---|---|
| Weighted ordinary share capital | **1,119.5** | 981.3 |
| Shares held in the Employee Benefit Trust | **(2.5)** | (2.8) |
| **Weighted average number of ordinary shares – basic** | **1,117.0** | 978.5 |
| Employee share schemes | **4.7** | 4.1 |
| **Weighted average number of ordinary shares – fully diluted** | **1,121.7** | 982.6 |
| **Earnings per share** | | |
| Basic | **10.6p** | (51.8)p |
| Diluted | **10.6p** | (51.8)p |
| **EPRA earnings per share** | | |
| Basic | **10.9p** | 10.3p |
| Diluted | **10.8p** | 10.3p |

### c) Net assets per share attributable to equity shareholders

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

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

| As at 31 March 2024 | **EPRA net tangible assets £m** | **EPRA net disposal value £m** | **EPRA net reinstatement value £m** |
|---|---|---|---|
| Equity shareholders' funds | **3,941.5** | **3,941.5** | **3,941.5** |
| Deferred tax on fair value gains of investment property | **9.6** | **–** | **9.6** |
| Fair value of Group derivatives | **(32.6)** | **–** | **(32.6)** |
| Gain on business combinations as a result of deferred tax | **(9.6)** | **–** | **(9.6)** |
| Mark to market of fixed rate debt | **–** | **86.0** | **–** |
| Purchasers' costs[1] | **–** | **–** | **408.2** |
| **EPRA net asset value** | **3,908.9** | **4,027.5** | **4,317.1** |

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

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

# Notes forming part of the Group financial statements

continued

| As at 31 March | 2024 Number of shares (millions) | 2023 Number of shares (millions) |
|---|---|---|
| Ordinary share capital | **2,036.5** | 982.6 |
| Shares held in Employee Benefit Trust | **(2.6)** | (2.9) |
| **Number of ordinary shares – basic** | **2,033.9** | 979.7 |
| Employee share schemes | **4.8** | 3.9 |
| **Number of ordinary shares – fully diluted** | **2,038.7** | 983.6 |
| | | |
| **IFRS net asset value per share** | **195.2p** | 203.7p |
| **EPRA net tangible assets per share** | **191.7p** | 198.9p |
| **EPRA net disposal value per share** | **197.5p** | 206.1p |
| **EPRA net reinstatement value per share** | **211.8p** | 219.6p |

## 9 Investment properties

### a) Investment properties

| As at 31 March | Completed £m | Under development £m | 2024 Total £m | Completed £m | Under development £m | 2023 Total £m |
|---|---|---|---|---|---|---|
| Opening balance | **2,905.2** | **32.6** | **2,937.8** | 3,423.4 | 66.7 | 3,490.1 |
| Acquisitions[1, 2] | **3,379.4** | **39.8** | **3,419.2** | 187.4 | 70.4 | 257.8 |
| Capital expenditure | **5.9** | **4.1** | **10.0** | 7.7 | 17.0 | 24.7 |
| Disposals | **(183.8)** | **–** | **(183.8)** | (247.8) | – | (247.8) |
| Property transfers[3] | **28.7** | **(37.2)** | **(8.5)** | 87.0 | (106.8) | (19.8) |
| Revaluation movement | **(6.4)** | **(1.1)** | **(7.5)** | (562.7) | (14.7) | (577.4) |
| Foreign currency movement | **0.8** | **–** | **0.8** | – | – | – |
| Movement in tenant incentives and rent free uplifts | **16.6** | **–** | **16.6** | 10.2 | – | 10.2 |
| Property portfolio | **6,146.4** | **38.2** | **6,184.6** | 2,905.2 | 32.6 | 2,937.8 |
| Head lease and right of use assets | **47.6** | **–** | **47.6** | 7.1 | – | 7.1 |
| | **6,194.0** | **38.2** | **6,232.2** | 2,912.3 | 32.6 | 2,944.9 |

[1] Acquisitions include CTPT assets at a valuation of £285.2 million less a price discount on acquisition of £23.3 million, LXi assets at a valuation of £3,102.0 million and other acquisitions of £55.3 million

[2] Includes income strip asset of £221.4 million on acquisition

[3] Properties totalling £8.5 million (2023: £19.8 million) have been transferred to current assets and separately disclosed as assets held for sale as reflected in note 9b

Investment properties are stated at fair value as at 31 March 2024 based on external valuations performed by professionally qualified and independent valuers CBRE Limited ('CBRE'), Savills (UK) Limited ('Savills') and Knight Frank LLP ('Knight Frank'). 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 each valuer 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. A reconciliation of the total portfolio valuation to the valuers' reports is provided below:

| As at 31 March | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| Portfolio valuation from external valuation reports | | **5,971.6** | 2,957.6 |
| Property portfolio valuation | 9a | **6,184.6** | 2,937.8 |
| Assets held for sale | 9b | **8.5** | 19.8 |
| Less income strip assets | | **(221.5)** | – |
| | | **5,971.6** | 2,957.6 |

As part of the LXi merger, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022 as set out in note 14a(ii). The income strip asset represents the gross up of this liability.

Completed properties include buildings that are occupied or are available for occupation. Properties under development include land under development and investment property under construction. Internal staff costs of the development team of £1.5 million (2023: £2.5 million) have been capitalised in the year, being directly attributable to the development projects in progress.

Long term leasehold values included within investment properties amount to £1,144.5 million (2023: £89.3 million). All other properties are freehold. The historical cost of all of the Group's investment properties at 31 March 2024 was £5,469.3 million (2023: £2,448.7 million).

Included within the investment property valuation is £112.6 million (2023: £96.0 million) in respect of unamortised lease incentives and rent free periods. The movement in the year reflects lease incentives paid of £1.7 million (2023: £2.6 million) and rent free and amortisation movements of £17.4 million (2023: £11.7 million), offset by incentives written off on disposal of £2.5 million (2023: £4.1 million).

Capital commitments have been entered into amounting to £27.5 million (2023: £20.3 million) which have not been provided for in the financial statements.

At 31 March 2024, investment properties included £47.6 million for the head lease right of use assets in accordance with IFRS 16 (2023: £7.1 million).

### b) Assets held for sale

| | **2024 £m** | 2023 £m |
|---|---|---|
| Opening balance | **19.8** | 21.2 |
| Disposals | **(19.8)** | (21.2) |
| Property transfers | **8.5** | 19.8 |
| **Closing balance** | **8.5** | 19.8 |

The valuation of freehold property held for sale at 31 March 2024 was £8.5 million (2023: £19.8 million), representing long income assets which are expected to complete within the next six months.

### c) Valuation technique and quantitative information

| | | | ERV | | Net initial yield | | Reversionary yield | |
|---|---|---|---|---|---|---|---|---|
| Asset type | **Fair value 2024[1] £m** | **Valuation technique** | **Weighted average (£ per sq ft)** | **Range (£ per sq ft)** | **Weighted average %** | **Range %** | **Weighted average %** | **Range %** |
| Distribution | **2,557.1** | **Yield capitalisation** | **9.54** | **2.50-35.70** | **4.6** | **2.0-11.1** | **5.7** | **4.0-11.9** |
| Long income | **3,182.5** | **Yield capitalisation** | **22.97** | **3.50-191.60** | **5.8** | **3.3-51.9** | **5.6** | **3.0-45.2** |
| Other | **193.8** | **Yield capitalisation** | **12.15** | **5.70-60.80** | **5.9** | **3.8-19.1** | **7.5** | **4.7-24.6** |
| Development | **38.2** | **Residual** | **21.62** | **17.80-47.60** | **5.2** | **5.2-7.5** | **7.1** | **5.3-9.1** |

[1] As reflected in note 2 and including assets held for sale of £8.5 million but excluding trading properties classified as development of £1.1 million

| | | | ERV | | Net initial yield | | Reversionary yield | |
|---|---|---|---|---|---|---|---|---|
| Asset type | Fair value 2023 £m | Valuation technique | Weighted average (£ per sq ft) | Range (£ per sq ft) | Weighted average % | Range % | Weighted average % | Range % |
| Distribution | 2,159.9 | Yield capitalisation | 9.32 | 5.60-32.30 | 4.2 | 2.7-12.1 | 5.4 | 2.8-11.8 |
| Long income | 659.8 | Yield capitalisation | 14.20 | 3.20-173.70 | 4.9 | 3.2-12.2 | 4.9 | 2.9-25.8 |
| Other | 105.3 | Yield capitalisation | 15.76 | 4.20-43.00 | 5.7 | 3.3-16.3 | 5.6 | 4.8-9.8 |
| Development | 32.6 | Residual | 10.71 | 7.64-20.07 | 4.6 | 3.3-6.7 | 5.7 | 5.0-6.7 |

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 2024. The fair value at 31 March 2024 represents the highest and best use of the properties. When considering the highest and best use, the valuers will look at existing and potential uses which are viable.

#### i) Technique

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

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

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

# Notes forming part of the Group financial statements

continued

### ii) Sensitivity

A 5% increase or decrease in ERV would increase or decrease the fair value of the Group's investment properties by £95.3 million or £94.7 million respectively.

An increase or decrease of 25bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £258.1 million or £282.9 million respectively. An increase or decrease of 50bps to the equivalent yield would decrease or increase the fair value of the Group's investment properties by £494.5 million or £595.1 million respectively.

There are interrelationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the interrelationship of two inputs moving in opposite directions, for example an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

### iii) Process

The valuation reports produced by CBRE, Savills and Knight Frank 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 2024, the following principal property interest, being a jointly controlled entity, has been equity accounted for in these financial statements:

| | Country of incorporation or registration[1] | Property sectors | Group share |
|---|---|---|---|
| Metric Income Plus Partnership ('MIPP') | England | Long income | 50.0% |

[1] The registered address is One Curzon Street, London, W1J 5HB

The principal activity is property investment into long income assets in the UK, which complements the Group's operations and contributes to the achievement of its strategy.

During the year, MIPP repaid its bank loan in full with existing cash resources and additional funding from its partners of £21.0 million. At 31 March 2024, the investment properties were externally valued by Royal Institution of Chartered Surveyors ('RICS') registered valuers, CBRE. There were no properties held for sale by joint ventures at 31 March 2024 (2023: nil). The movement in the carrying value of joint venture interests in the year is summarised as follows:

| As at 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| Opening balance | **61.5** | 72.6 |
| Investment in the year | **10.5** | – |
| Share of loss for the year | **(0.1)** | (10.3) |
| Distributions received | **(2.7)** | (0.8) |
| | **69.2** | 61.5 |

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

| Summarised income statement | **Total 2024 £m** | **Group share 2024 £m** | Total 2023 £m | Group share 2023 £m |
|---|---|---|---|---|
| Gross rental income | **8.5** | **4.3** | 8.6 | 4.3 |
| Property costs | **(0.1)** | **(0.1)** | (0.1) | (0.1) |
| Net rental income | **8.4** | **4.2** | 8.5 | 4.2 |
| Administrative costs | **(0.1)** | **–** | (0.1) | (0.1) |
| Management fees | **(1.1)** | **(0.6)** | (1.0) | (0.5) |
| Revaluation | **(7.5)** | **(3.7)** | (24.9) | (12.5) |
| Net finance cost | **–** | **–** | (1.3) | (0.6) |
| Derivative movement | **–** | **–** | (0.2) | (0.1) |
| Loss on disposal | **–** | **–** | (1.6) | (0.7) |
| Loss after tax | **(0.3)** | **(0.1)** | (20.6) | (10.3) |
| Group share of loss after tax | **(0.1)** | | (10.3) | |
| EPRA adjustments: | | | | |
| Revaluation | **7.5** | **3.7** | 24.9 | 12.5 |
| Derivative movement | **–** | **–** | 0.2 | 0.1 |
| Loss on disposal | **–** | **–** | 1.6 | 0.7 |
| EPRA earnings | **7.2** | **3.6** | 6.1 | 3.0 |
| Group share of EPRA earnings | **3.6** | | 3.0 | |
| Summarised balance sheet | | | | |
| Investment properties | **134.1** | **67.1** | 141.6 | 70.8 |
| Other current assets | **0.2** | **0.1** | 0.1 | 0.1 |
| Cash | **6.1** | **3.0** | 10.8 | 5.4 |
| Current liabilities | **(2.0)** | **(1.0)** | (2.5) | (1.3) |
| Bank debt | **–** | **–** | (26.9) | (13.5) |
| Net assets | **138.4** | **69.2** | 123.1 | 61.5 |
| Group share of net assets | **69.2** | | 61.5 | |

# Notes forming part of the Group financial statements

continued

## 11 Trade and other receivables

| As at 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Trade receivables | **10.9** | 2.5 |
| Prepayments and accrued income | **3.9** | 1.6 |
| Other receivables | **6.6** | 1.7 |
| | **21.4** | 5.8 |

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.

## 12 Cash and cash equivalents

Cash and cash equivalents include £59.5 million (2023: £8.7 million) retained in rent and restricted accounts which are not readily available to the Group for day to day commercial purposes.

## 13 Trade and other payables

| As at 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Trade payables | **5.7** | 12.9 |
| Amounts payable on property acquisitions and disposals | **13.5** | 1.0 |
| Rent received in advance | **72.5** | 25.3 |
| Accrued interest | **4.9** | 1.5 |
| Tax liabilities | **19.0** | 3.1 |
| Other payables | **21.9** | 7.8 |
| Other accruals and deferred income | **18.3** | 14.3 |
| | **155.8** | 65.9 |

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

## 14 Borrowings and financial instruments

### a) Borrowings

#### i) Bank loans

| As at 31 March | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Secured bank loans | **798.2** | 62.0 |
| Unsecured bank loans | **1,289.2** | 955.0 |
| | **2,087.4** | 1,017.0 |
| Unamortised finance costs | **(13.3)** | (7.2) |
| | **2,074.1** | 1,009.8 |

Certain bank loans at 31 March 2024 are secured by fixed charges over Group investment properties with a carrying value of £1,953.9 million (2023: £232.6 million). Borrowings of £43.5 million are repayable within one year (2023: £65.0 million).

| As at 31 March 2024 | Total debt facility £m | Floating rate debt drawn £m | Fixed rate debt drawn £m | Unamortised fair value adjustments £m | Total debt £m | Weighted average maturity (years) |
|---|---|---|---|---|---|---|
| **Secured bank loans:** | | | | | | |
| Scottish Widows fixed rate debt (Mucklow) | **60.0** | – | 60.0 | 1.8 | **61.8** | **7.7** |
| Canada Life fixed rate debt (CTPT) | **90.0** | – | 90.0 | (2.7) | **87.3** | **2.6** |
| L & G fixed rate debt (LXi) | **62.8** | – | 62.8 | (0.6) | **62.2** | **1.4** |
| AIG fixed rate debt (LXi) | **289.3** | – | 289.3 | (2.3) | **287.0** | **1.5** |
| Scottish Widows fixed rate debt (LXi) | **170.0** | – | 170.0 | (16.7) | **153.3** | **9.7** |
| Canada Life fixed rate debt (LXi) | **148.0** | – | 148.0 | (1.4) | **146.6** | **15.1** |
| **Unsecured bank loans:** | | | | | | |
| Revolving credit facility 2021 (syndicate) | **225.0** | 90.0 | – | – | **90.0** | **2.1** |
| Wells Fargo revolving credit facility | **175.0** | 55.0 | – | – | **55.0** | **2.1** |
| Revolving credit facility 2022 (syndicate) | **275.0** | 100.0 | – | – | **100.0** | **2.6** |
| Revolving credit facility 2024 (syndicate) | **560.0** | 309.2 | – | – | **309.2** | **3.8** |
| Term loan 2024 (syndicate) | **140.0** | 140.0 | – | – | **140.0** | **1.8** |
| Private placement 2016 (syndicate) | **65.0** | – | 65.0 | – | **65.0** | **2.0** |
| Private placement 2018 (syndicate) | **150.0** | – | 150.0 | – | **150.0** | **6.8** |
| Private placement 2021(syndicate) | **380.0** | – | 380.0 | – | **380.0** | **8.2** |
| | **2,790.1** | 694.2 | 1,415.1 | (21.9) | **2,087.4** | **5.4** |

During the year we acquired drawn debt of £1.2 billion through corporate acquisitions, £90.0 million following our acquisition of CT Property Trust Limited in August 2023 and £1.1 billion following our acquisition of LXi in March 2024. The basket of secured debt acquired as part of the LXi acquisition exceeded the maximum amount permitted under the Group's existing RCF and private placement facilities. As a consequence, on 20 March 2024, we repaid and cancelled £625 million of LXi's secured debt facilities (of which £434.2 million was drawn) and replaced these with a new unsecured £560 million RCF and £140 million term loan. The new RCF was on better terms than the facilities being replaced and introduced a new lending relationship to the Group. The new facility includes the ability to draw up to £100 million in euros, allowing us to naturally hedge currency movements on the German asset. All of the LXi hedging totalling £610 million interest rate caps have been retained and all floating rate debt currently drawn is fully hedged. During the year, we also repaid borrowings of £65 million relating to the 2016 private placement and extended the maturity by one year on £675 million of our revolving credit facilities.

| As at 31 March 2023 | Total debt facility £m | Floating rate debt drawn £m | Fixed rate debt drawn £m | Unamortised fair value adjustments £m | Total debt £m | Weighted average maturity (years) |
|---|---|---|---|---|---|---|
| **Secured bank loans:** | | | | | | |
| Scottish Widows fixed rate debt | 60.0 | – | 60.0 | 2.0 | 62.0 | 8.7 |
| **Unsecured bank loans:** | | | | | | |
| Revolving credit facility 2021 (syndicate) | 225.0 | 135.0 | – | – | 135.0 | 2.1 |
| Wells Fargo revolving credit facility | 175.0 | 30.0 | – | – | 30.0 | 4.1 |
| Revolving credit facility 2022 (syndicate) | 275.0 | 130.0 | – | – | 130.0 | 2.6 |
| Private placement 2016 (syndicate) | 130.0 | – | 130.0 | – | 130.0 | 1.7 |
| Private placement 2018 (syndicate) | 150.0 | – | 150.0 | – | 150.0 | 7.8 |
| Private placement 2021 (syndicate) | 380.0 | – | 380.0 | – | 380.0 | 9.2 |
| | 1,395.0 | 295.0 | 720.0 | 2.0 | 1,017.0 | 6.1 |

# Notes forming part of the Group financial statements

continued

### ii) Other financial liability

As part of the merger with LXi, the Group acquired a financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022. The structure comprised selling the freehold of the properties to a UK institutional investor, with 999 year leases granted back to LXi pursuant to which was the obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant. LXi has the ability to acquire the freehold back in 2087 for £1. The financial obligations in relation to this transaction have been fair valued on acquisition using the prevailing market interest rate at £221.4 million. At 31 March 2024 the total liability was £221.5 million with £8.6 million being due in less than one year. The corresponding income strip asset represents the gross up of the financial liability.

## 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 at £1.9 million (2023: £1.3 million) 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.

At 31 March 2024, the Group had cash reserves of £111.9 million (2023: £32.6 million), of which £59.5 million was retained in rent and restricted accounts, and available and undrawn bank loan facilities of £680.8 million (2023: £380.0 million).

The following table shows the contractual maturity profile of the Group's bank loans, interest payments on bank loans, other financial liabilities and derivative financial instruments on an undiscounted cash flow basis and assuming settlement on the earliest repayment date. Other 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 16.

| As at 31 March 2024 | **Less than one month £m** | **One to three months £m** | **Three months to one year £m** | **One to two years £m** | **Two to five years £m** | **More than five years £m** | **Total £m** |
|---|---|---|---|---|---|---|---|
| Bank loans | **9.3** | **17.1** | **118.6** | **578.4** | **987.7** | **879.2** | **2,590.3** |
| Other financial liabilities | **0.7** | **1.4** | **6.5** | **8.7** | **26.8** | **719.5** | **763.6** |
| Derivative financial instruments | **(1.8)** | **(3.7)** | **(16.4)** | **(20.7)** | **(7.0)** | **–** | **(49.6)** |
| | **8.2** | **14.8** | **108.7** | **566.4** | **1,007.5** | **1,598.7** | **3,304.3** |

| As at 31 March 2023 | Less than one month £m | One to three months £m | Three months to one year £m | One to two years £m | Two to five years £m | More than five years £m | Total £m |
|---|---|---|---|---|---|---|---|
| Bank loans | 3.2 | 6.4 | 93.0 | 76.2 | 356.4 | 676.6 | 1,211.8 |
| Derivative financial instruments | (0.3) | (0.6) | (2.8) | (3.7) | (7.8) | – | (15.2) |
| | 2.9 | 5.8 | 90.2 | 72.5 | 348.6 | 676.6 | 1,196.6 |

### iii) Market risk – interest rate risk

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

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

At 31 March 2024, all of the Group's debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps, swaptions and caps. The average interest rate payable by the Group on all bank borrowings at 31 March 2024 including the cost of amortising finance arrangement fees, was 3.9% (2023: 3.4%). A 1% increase or decrease in interest rates during the year would have decreased or increased the Group's annual profit before tax by £0.2 million.

### 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 | **2024 £m** | 2023 £m |
|---|---|---|
| Net debt | **2,204.1** | 974.7 |
| Shareholders' equity | **3,941.5** | 1,967.3 |
| | **6,145.6** | 2,942.0 |

### v) Foreign currency exchange risk

The Group prepares its financial statements in sterling. However, the Group is subject to foreign currency exchange risk as c.1% of its net assets by value are denominated in euros. A 10% increase or decrease in average and closing sterling rates against the euro would increase or decrease net assets by £3.9 million.

### c) Financial instruments

### i) Categories of financial instruments

| | **Measured at amortised cost** | | **Measured at fair value** | |
|---|---|---|---|---|
| As at 31 March | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| **Non current assets** | | | | |
| Derivative financial instruments (see 14c (iii)) | **–** | – | **32.6** | 11.1 |
| **Current assets** | | | | |
| Cash and cash equivalents (note 12) | **111.9** | 32.6 | **–** | – |
| Trade receivables (note 11) | **10.9** | 2.5 | **–** | – |
| Other receivables (note 11) | **6.6** | 1.7 | **–** | – |
| | **129.4** | 36.8 | **32.6** | 11.1 |
| **Non current liabilities** | | | | |
| Borrowings (note 14a (i)) | **2,030.6** | 944.8 | **–** | – |
| Other financial liabilities (note 14a (ii)) | **212.9** | – | **–** | – |
| Lease liabilities (note 16) | **47.0** | 7.1 | **–** | – |
| **Current liabilities** | | | | |
| Borrowings (note 14a (i)) | **43.5** | 65.0 | **–** | – |
| Other financial liabilities (note 14a (ii)) | **8.6** | – | **–** | – |
| Lease liabilities (note 16) | **1.1** | – | **–** | – |
| Contingent consideration (note 15b) | **–** | – | **1.5** | – |
| Trade payables (note 13) | **5.7** | 12.9 | **–** | – |
| Accrued interest (note 13) | **4.9** | 1.5 | **–** | – |
| | **2,354.3** | 1,031.3 | **1.5** | – |

# Notes forming part of the Group financial statements

continued

### 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 2024 with the exception of the Group's fixed rate debt. The adjustment required to measure the fixed rate debt at fair value is provided in note 8c. This is measured by Chatham Financial using the equity method which discounts the difference between the remaining contractual and market debt service payments at an equity discount rate and represents Level 2 in the hierarchy table.

### iii) Derivative financial instruments

Details of the fair value of the Company and Group's derivative financial instruments that were in place at 31 March 2024 are provided below:

| As at 31 March | Average rate | | Notional amount | | Fair value | |
|---|---|---|---|---|---|---|
| **Interest rate swaps – expiry** | **2024 %** | 2023 % | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Two to five years | **3.1** | 2.5 | **375.0** | 225.0 | **10.8** | 11.1 |

| As at 31 March | Average rate | | Notional amount | | Fair value | |
|---|---|---|---|---|---|---|
| **Interest rate caps– expiry** | **2024 %** | 2023 % | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Less than one year | **2.5** | – | **60.0** | – | **1.1** | – |
| Two to five years | **2.5** | – | **550.0** | – | **20.7** | – |
| | **2.5** | – | **610.0** | – | **21.8** | – |
| **Total fair value** | | | | | **32.6** | 11.1 |

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

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

## 15 Business combinations

### a) Acquisition of LXi REIT plc

On 5 March 2024, the Company acquired the entire issued share capital of LXi REIT plc, a closed-ended investment company listed on the premium listing segment of the Official List. The acquisition was implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act which became effective on 5 March 2024 and constituted a reverse takeover pursuant to the Listing Rules due to its size. LXi shares were delisted and trading ceased the following morning. The merger brought together two real estate companies, with assets aligned to structurally supported sectors with high barriers to entry and income security, creating the UK's leading Triple Net Lease REIT.

The all share acquisition was effected through the issue of 943 million new ordinary shares at 185.8p per share, representing the closing share price on 5 March 2024 and totalling £1,752.0 million as consideration paid. The exchange ratio of 0.55 LondonMetric shares for every LXi ordinary share held, was based on an adjusted net tangible assets ('NTA') to adjusted NTA approach, taking into account the fair value of debt and derivatives, potential liabilities in respect of German taxation and the acquisition of LXi's investments advisor as reflected in note 15b.

The fair value of the identifiable net assets acquired was £1,828.9 million as reflected in the table on page 191. The difference between the consideration paid and the fair value of net assets acquired represents a price discount of £76.9 million, which has been recognised in the Group income statement in the year as a gain on business combination. The price discount was largely a result of the fair value adjustments incorporated into the exchange ratio, as well as the Company's share price on acquisition of 185.8p trading at a discount to its 30 September 2023 net asset value upon which the deal was based of 199.6p per share.

Acquisition related costs of £28.5 million have been recognised separately in the income statement.

The fair value adjustments required under IFRS 3 are as follows:

- Investment properties and other financial liabilities – the income strip financial liability set out in note 14a(ii) has been remeasured at the market rate on acquisition and an adjustment of £33.5 million has been made to decrease both the other financial liability and investment property value.
- Investment properties and head lease liabilities – head lease liabilities have been remeasured as the present value of the remaining lease payments at the acquisition date and an adjustment of £2.2 million has been made to increase both the lease liability and right of use asset.
- Tax liabilities – deferred tax has been recognised on the Heide Park asset in Germany that is not included in the property rental business at the prevailing German Corporate Income Tax ('CIT') rate and the estimated Real Estate Transfer Tax ('RETT') charge on acquisition reflects current expectations.
- Borrowings – secured debt with a nominal value of £1,104.3 million was fair valued to £1,083.1 million, a £21.2 million reduction. The fair value adjustment is offset by £22.9 million of unamortised issue costs associated with debt which was derecognised on completion. The fair value adjustment will be amortised to other finance costs over the remaining term of the debt facilities.

### Acquisition of LXi REIT plc

| | Book value as at 5 March 2024 £m | Fair value of fixed rate debt £m | Fair value of financial instruments £m | Fair value of tax liabilities £m | Fair value of prepaid finance costs £m | Other fair value adjustments £m | Fair value as at 5 March 2024 £m |
|---|---|---|---|---|---|---|---|
| Investment properties[1] | 3,135.5 | – | (33.5) | – | – | – | **3,102.0** |
| Right of use assets | 39.0 | – | – | – | – | 2.2 | **41.2** |
| Property, plant and equipment | 0.1 | – | – | – | – | – | **0.1** |
| Derivative financial instruments | 25.4 | – | – | – | – | – | **25.4** |
| Trade and other receivables | 10.3 | – | – | – | – | (0.7) | **9.6** |
| Cash and cash equivalents | 73.2 | – | – | – | – | – | **73.2** |
| **Total assets** | 3,283.5 | – | (33.5) | – | – | 1.5 | **3,251.5** |
| Trade and other payables | (48.1) | – | – | – | – | – | **(48.1)** |
| Borrowings | (1,104.3) | 21.2 | – | – | – | – | **(1,083.1)** |
| Prepaid finance costs | 22.9 | – | – | – | (22.9) | – | **–** |
| Other financial liabilities | (254.9) | – | 33.5 | – | – | – | **(221.4)** |
| Lease liabilities | (39.0) | – | – | – | – | (2.2) | **(41.2)** |
| Current tax liabilities | (23.5) | – | – | 4.3 | – | – | **(19.2)** |
| Deferred tax liabilities | – | – | – | (9.6) | – | – | **(9.6)** |
| **Total liabilities** | (1,446.9) | 21.2 | 33.5 | (5.3) | (22.9) | (2.2) | **(1,422.6)** |
| **Fair value of net assets acquired** | 1,836.6 | 21.2 | – | (5.3) | (22.9) | (0.7) | **1,828.9** |
| | | | | | | | |
| **Fair value of consideration paid** | | | | | | | |
| Issue of 942.9 million ordinary shares | | | | | | | **1,752.0** |
| **Gain on business combination recognised in the income statement** | | | | | | | **76.9** |

[1] Includes income strip asset of £221.4 million

### b) Acquisition of LXi REIT Advisors Limited

On 6 March 2024, alongside the acquisition noted in 15a above, we completed the acquisition of the LXi group's investment advisor for a total consideration of £26.8 million which included £1.5 million of contingent consideration at fair value. The contingent consideration is payable over four years and is based on growth in the LondonMetric share price, capped at £1 million per annum or £4 million in aggregate.

The investment advisor provides management services to the LXi group under an investment advisory agreement and employed all staff involved in running the LXi business. Following our acquisition of the company staff are now employed directly by LondonMetric. The investment advisory agreement contains no early termination rights prior to 6 July 2028 other than for breach or insolvency. Following the resignation of the company's executive management key man provisions have been breached. The Board believes these breaches are not capable of being rectified and anticipates that the contract will be terminated as a result.

The fair value of net liabilities acquired was £0.7 million and the resulting goodwill generated on acquisition of £27.5 million has been fully impaired to the income statement and offset against the gain on business combination noted in 15a above. Additional transaction costs of £1.3 million have been recognised separately within the income statement.

# Notes forming part of the Group financial statements

continued

### c) Summary of LXi acquisition disclosures

| | LXi REIT plc £m | LXi REIT Advisors Ltd £m | Total £m |
|---|---|---|---|
| Fair value of net assets/(liabilities) acquired | 1,828.9 | (0.7) | **1,828.2** |
| Fair value of consideration paid: | | | |
| Shares | 1,752.0 | – | **1,752.0** |
| Cash | – | 26.8 | **26.8** |
| **Total consideration paid** | 1,752.0 | 26.8 | **1,778.8** |
| **Gain/(loss) on business combination recognised in the income statement** | 76.9 | (27.5) | **49.4** |
| **Acquisition costs**[1] | 28.5 | 1.3 | **29.8** |

[1] Included professional fees and taxes of £28.6 million and debt related costs of £1.2 million

The cost of the LXi acquisition reflected in the Group cash flow statement of £47.3 million reflects the cash acquired of £73.2 million (as reflected in note 15a) less cash consideration paid of £25.9 million. This reflects the total cash consideration noted above of £26.8 million less contingent consideration payable of £1.5 million and includes acquisitions costs of £0.6 million charged to reserves.

Taken together, the contribution to gross rental income, EPRA earnings and retained profit of the LXi group and investment advisor, is set out in the table below.

| | 5 March 2024 to 31 March 2024 £m | 1 April 2023 to 4 March 2024 £m | Proforma annual contribution £m |
|---|---|---|---|
| Gross rental income | **16.9** | 231.5 | 248.4 |
| EPRA earnings | **12.8** | 139.3 | 152.1 |
| Retained profit/(loss) | **10.2** | (110.4) | (100.2) |

The pro forma information is provided for illustrative purposes only and is not necessarily indicative of the results that the combined Group would have reported had the merger completed at the beginning of the financial year, or indicative of future results of the combined Group.

## 16 Leases

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

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Less than one year | **332.3** | 135.1 |
| Between one and five years | **1,287.7** | 492.4 |
| Between six and ten years | **1,529.2** | 477.6 |
| Between 11 and 15 years | **1,287.9** | 327.2 |
| Between 16 and 20 years | **877.7** | 180.3 |
| Over 20 years | **2,270.3** | 48.2 |
| | **7,585.1** | 1,660.8 |

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 2024 £m | Present value of minimum lease payments 2023 £m |
|---|---|---|---|---|
| Less than one year | **3.0** | **(1.9)** | **1.1** | 0.3 |
| Between one and two years | **2.8** | **(2.0)** | **0.8** | 0.7 |
| Between two and five years | **7.9** | **(5.6)** | **2.3** | 2.2 |
| Over five years | **192.6** | **(148.7)** | **43.9** | 3.9 |
| | **206.3** | **(158.2)** | **48.1** | 7.1 |

## 17 Share capital

| As at 31 March | 2024<br>Number | 2024<br>£m | 2023<br>Number | 2023<br>£m |
|---|---|---|---|---|
| **Issued, called up and fully paid** | | | | |
| Ordinary shares of 10p each | **2,036,519,647** | **203.7** | 982,646,261 | 98.3 |

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

| **Share capital issued, called up and fully paid** | Ordinary shares Number | Ordinary shares £m | Share premium £m |
|---|---|---|---|
| At 31 March 2022 | 978,607,507 | 97.9 | 386.8 |
| Issued under scrip share scheme | 4,038,754 | 0.4 | 8.7 |
| At 31 March 2023 | 982,646,261 | 98.3 | 395.5 |
| Issued on acquisition | 1,048,579,674 | 104.9 | – |
| Issued under scrip share scheme | 5,293,712 | 0.5 | 9.2 |
| **At 31 March 2024** | **2,036,519,647** | **203.7** | **404.7** |

The Company issued 105,619,395 ordinary shares as consideration for the acquisition of CTPT on 7 August 2023 and 942,960,279 ordinary shares as consideration for the acquisition of LXi on 5 March 2024, as set out in note 15. The share issues qualified for merger relief and the premium arising of £1,840.1 million has been added to the merger relief reserve as set out in note 18.

The Company issued 5,293,712 ordinary shares under the terms of its Scrip Dividend Scheme during the year. Post year end in April, the Company issued a further 4,046,714 ordinary shares under the terms of its Scrip Dividend Scheme.

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

| **Shares held by the Employee Benefit Trust** | Ordinary shares Number | Ordinary shares £m |
|---|---|---|
| At 1 April 2022 | 2,662,621 | 0.3 |
| Shares issued under employee share schemes | (2,092,512) | (0.2) |
| Shares acquired by the Employee Benefit Trust | 2,372,483 | 0.2 |
| At 31 March 2023 | 2,942,592 | 0.3 |
| Shares issued under employee share schemes | (1,791,027) | (0.2) |
| Shares acquired by the Employee Benefit Trust | 1,437,642 | 0.2 |
| **At 31 March 2024** | **2,589,207** | **0.3** |

In June 2023, the Company granted options over 2,831,462 ordinary shares under its Long Term Incentive Plan. In addition, 1,791,027 ordinary shares in the Company that were granted to certain Directors and employees under the Company's Long Term Incentive Plan in 2020 vested. The average share price on vesting was 175.2p.

As at 31 March 2024, the Company's Employee Benefit Trust held 2,589,207 shares in the Company to satisfy awards under the Company's Long Term Incentive Plan.

# Notes forming part of the Group financial statements

continued

## 18 Reserves

The Group statement of changes in equity is shown on page 170. 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, A&J Mucklow Group Plc, CT Property Trust Limited and LXi REIT plc by the Company, the cost of shares held in trust to provide for the Company's future obligations under share award schemes and a foreign currency exchange reserve.<br>A breakdown of other reserves is provided for the Group below and for the Company on page 204. |
| Retained earnings | The cumulative profits and losses after the payment of dividends. |

### Other reserves

| As at 31 March | Merger relief reserve £m | Employee Benefit Trust shares £m | Foreign currency exchange reserve £m | 2024 Total other reserves £m | Merger relief reserve £m | Employee Benefit Trust shares £m | 2023 Total other reserves £m |
|---|---|---|---|---|---|---|---|
| Opening balance | 497.4 | (7.1) | – | 490.3 | 497.4 | (6.3) | 491.1 |
| Share issue on acquisitions | 1,840.1 | – | – | 1,840.1 | – | – | – |
| Foreign currency exchange | – | – | 0.5 | 0.5 | – | – | – |
| Employee share schemes: | | | | | | | |
| Purchase of shares | – | (2.5) | – | (2.5) | – | (5.6) | (5.6) |
| Vesting of shares | – | 4.0 | – | 4.0 | – | 4.8 | 4.8 |
| **Closing balance** | 2,337.5 | (5.6) | 0.5 | 2,332.4 | 497.4 | (7.1) | 490.3 |

The movement in the merger relief reserve in the year reflects the share issues on the acquisitions of CTPT and LXi and is calculated as the difference between the nominal value of shares issued of 10p per share and the share price on acquisition of 183.3p and 185.8p respectively. The shares were issued as consideration for the entire issued share capital of CTPT and LXi and therefore qualify for merger relief.

## 19 Analysis of movement in net debt

| | | | | Non cash movements | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 April 2023 £m | Financing cash flows £m | Other cash flows £m | Acquisition of subsidiaries £m | Impact of issue and arrangement costs and foreign exchange £m | Fair value movements and early close out costs £m | Interest charge and unwinding of discount £m | 31 March 2024 £m |
| Bank loans | 1,017.0 | (100.0) | – | 1,169.7 | – | – | 0.7 | 2,087.4 |
| Derivative financial instruments | (11.1) | – | – | (25.4) | – | 3.9 | – | (32.6) |
| Unamortised finance costs | (7.2) | (7.7) | – | (0.4) | 2.0 | – | – | (13.3) |
| Other finance costs | – | (2.9) | – | – | 2.9 | – | – | – |
| Interest payable | 1.5 | (43.6) | – | 5.2 | 0.3 | – | 41.5 | 4.9 |
| Other financial liabilities | – | (0.6) | – | 221.4 | – | – | 0.7 | 221.5 |
| Lease liabilities | 7.1 | (0.5) | – | 41.2 | – | – | 0.3 | 48.1 |
| Total liabilities from financing activities | 1,007.3 | (155.3) | – | 1,411.7 | 5.2 | 3.9 | 43.2 | 2,316.0 |
| Cash and cash equivalents | (32.6) | – | (79.3) | – | – | – | – | (111.9) |
| **Net debt** | 974.7 | (155.3) | (79.3) | 1,411.7 | 5.2 | 3.9 | 43.2 | 2,204.1 |

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

## 20 Related party transactions

### a) Joint arrangements

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

| | | **Management fees** | | **Distributions** | |
|---|---|---|---|---|---|
| For the year to 31 March | Group interest | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Metric Income Plus Partnership | 50% | **1.1** | 1.1 | **2.7** | 0.8 |

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

### b) Non-controlling interest

The Group's non-controlling interest ('NCI') represents a 31% shareholding in LMP Retail Warehouse JV Holdings Limited, which owns a portfolio of retail assets.

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

As at the year end, the NCI's share of profits and net assets was £1.2 million (2023: loss of £1.3 million) and £28.0 million (2023: £27.9 million) respectively. Distributions to the NCI in the year totalled £1.1 million (2023: £0.4 million).

## 21 Post balance sheet events

Post period end we have exchanged or completed asset acquisitions and sales for £51.4 million and £68.4 million respectively, of which £0.6 million sales had exchanged in the year.

# Company balance sheet

As at 31 March

| Non current assets | Note | 2024<br>£m | 2023<br>£m |
|---|---|---|---|
| Investment in subsidiaries and joint ventures | iii | **3,717.5** | 1,680.5 |
| Investment properties | iv | **2.9** | 3.5 |
| Amounts due from subsidiary undertakings | v | **28.8** | – |
| Other investments and tangible assets | | **1.4** | 1.1 |
| Derivative financial instruments | | **32.6** | 11.1 |
| | | **3,783.2** | 1,696.2 |
| **Current assets** | | | |
| Other receivables | v | **1,117.2** | 1,041.6 |
| Cash at bank | | **36.4** | 19.1 |
| | | **1,153.6** | 1,060.7 |
| **Total assets** | | **4,936.8** | 2,756.9 |
| **Current liabilities** | | | |
| Trade and other payables | vi | **39.7** | 38.0 |
| Borrowings | vii | **36.1** | 65.0 |
| **Non current liabilities** | | | |
| Borrowings | vii | **1,240.7** | 883.6 |
| Lease liabilities | viii | **3.1** | 3.4 |
| | | **1,243.8** | 887.0 |
| **Total liabilities** | | **1,319.6** | 990.0 |
| **Net assets** | | **3,617.2** | 1,766.9 |
| **Equity** | | | |
| Called up share capital | | **203.7** | 98.3 |
| Share premium | | **404.7** | 395.5 |
| Capital redemption reserve | | **9.6** | 9.6 |
| Other reserve | x | **1,834.3** | (7.1) |
| Retained earnings | | **1,164.9** | 1,270.6 |
| **Equity shareholders' funds** | | **3,617.2** | 1,766.9 |

The Company reported a loss for the financial year to 31 March 2024 of £4.5 million (2023: profit of £185.6 million).

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2024 and were signed on its behalf by:

**Martin McGann**
Finance Director

Registered in England and Wales, No 7124797

The notes on pages 198 to 204 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 reserves £m** | **Retained earnings £m** | **Total £m** |
|---|---|---|---|---|---|---|
| At 1 April 2023 | **98.3** | **395.5** | **9.6** | **(7.1)** | **1,270.6** | **1,766.9** |
| Loss for the year | **–** | **–** | **–** | **–** | **(4.5)** | **(4.5)** |
| Other comprehensive expense for the year | **–** | **–** | **–** | **(0.2)** | **–** | **(0.2)** |
| Total comprehensive expense for the year | **–** | **–** | **–** | **(0.2)** | **(4.5)** | **(4.7)** |
| Share issue on acquisition | **104.9** | **–** | **–** | **1,840.1** | **–** | **1,945.0** |
| Purchase of shares held in Employee Benefit Trust | **–** | **–** | **–** | **(2.5)** | **–** | **(2.5)** |
| Vesting of shares held in Employee Benefit Trust | **–** | **–** | **–** | **4.0** | **(4.5)** | **(0.5)** |
| Share based awards | **–** | **–** | **–** | **–** | **3.5** | **3.5** |
| Dividends | **0.5** | **9.2** | **–** | **–** | **(100.2)** | **(90.5)** |
| **At 31 March 2024** | **203.7** | **404.7** | **9.6** | **1,834.3** | **1,164.9** | **3,617.2** |

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|
| At 1 April 2022 | 97.9 | 386.8 | 9.6 | 36.4 | 1,136.7 | 1,667.4 |
| Profit for the year | – | – | – | – | 185.6 | 185.6 |
| Purchase of shares held in Employee Benefit Trust | – | – | – | (5.6) | – | (5.6) |
| Vesting of shares held in Employee Benefit Trust | – | – | – | 4.8 | (5.6) | (0.8) |
| Share based awards | – | – | – | – | 3.6 | 3.6 |
| Reserve transfer of impairment in subsidiary | – | – | – | (42.7) | 42.7 | – |
| Dividends | 0.4 | 8.7 | – | – | (92.4) | (83.3) |
| **At 31 March 2023** | 98.3 | 395.5 | 9.6 | (7.1) | 1,270.6 | 1,766.9 |

The notes on pages 198 to 204 form part of these financial statements.

# Notes forming part of the Company financial statements

For the year ended 31 March 2024

## 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 in accordance with IFRS 9. Amounts due from subsidiary undertakings included within non current assets are repayable within two to three years and are also measured for impairment in accordance with 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 loss of the Company was £4.5 million (2023: profit of £185.6 million).

Details of employee numbers and staff costs can be found in note 4 to the Group accounts. Audit fees in relation to the Company only were £270,000 (2023: £247,500).

## iii Fixed asset investments

| | Subsidiary cost £m | Subsidiary impairment £m | Joint venture cost £m | Joint venture impairment £m | Total undertakings £m |
|---|---|---|---|---|---|
| At 1 April 2023 | 2,237.8 | (557.4) | 16.7 | (16.6) | 1,680.5 |
| Additions | 2,132.9 | – | – | – | 2,132.9 |
| Disposals | (39.1) | – | – | – | (39.1) |
| Impairment of investment | – | (56.8) | – | – | (56.8) |
| **At 31 March 2024** | **4,331.6** | **(614.2)** | **16.7** | **(16.6)** | **3,717.5** |

Of the additions in the year, £2.0 billion relate to the corporate acquisitions of LXi and CTPT that are discussed in detail throughout the Strategic report.

The carrying value of the Company's investments was impaired by £56.8 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, impairments and dividend payments.

The recoverable amount of investments in subsidiary undertakings of £3,717.4 million and joint ventures of £0.1 million has been determined based on their fair value less cost of disposal. The Directors believe that this approximates to their net assets due to the investment property that they hold being valued using the valuation techniques and the key assumptions disclosed in note 9 Investment property to the Group financial statements.

The Company is incorporated in England and is the ultimate holding company of the Group with the subsidiary undertakings and joint venture investments detailed in the tables on pages 199 to 202.

Except where disclosed, the Group owns the entire share capital of each undertaking comprising of ordinary shares. All subsidiaries are consolidated in the Group's consolidated financial statements.

### Audit exemption taken for subsidiaries

Certain UK subsidiaries are exempt from the requirement of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

| **Subsidiaries for which Section 479A Companies Act 2006 exemption taken** | Country of incorporation or registration | Companies House registered number | Nature of business |
|---|---|---|---|
| A & J Mucklow & Co Limited[1] | England | 00384508 | Property trading |
| A & J Mucklow (Halesowen) Limited[1] | England | 04848576 | Property investment |
| A & J Mucklow (Nominees) Limited[1] | England | 01232337 | Administrative company |
| A & J Mucklow (Properties) Limited[1] | England | 00758764 | Property investment |
| A & J Mucklow Group Limited | England | 00717658 | Intermediate holding company |
| Alco 1 Limited[1] | England | 10975411 | Property investment |
| Charcoal Midco 2 Limited[1] | England | 05934849 | Intermediate holding company |
| FPI Co 223 Limited[1] | England | 11098263 | Property investment |
| LondonMetric Bognor Regis Limited | England | 09409081 | Property investment |
| LondonMetric Crawley Limited | England | 10120420 | Property investment |
| LondonMetric Derby Limited | England | 08568072 | Property investment |
| LondonMetric Development Limited | England | 13481500 | Property investment |
| LondonMetric Distribution Limited | England | 09269541 | Property investment |
| LondonMetric Droitwich Limited | England | 11245371 | Property investment |
| LondonMetric DT Limited | England | 14124064 | Property investment |
| LondonMetric Leisure Limited | England | 11357686 | Property investment |
| LondonMetric Logistics Limited | England | 10882805 | Property investment |
| LondonMetric Milton Keynes Limited | England | 13033223 | Property investment |
| LondonMetric Retail Distribution I Limited | England | 08524540 | Property investment |
| LondonMetric Retail Distribution II Limited | England | 08644584 | Property investment |
| LondonMetric Retail Limited | England | 09062484 | Property investment |
| LondonMetric Saturn Limited | England | 08336260 | Property investment |
| LondonMetric Saturn II Limited | England | 08565264 | Property investment |
| LondonMetric Swindon Limited | England | 08989820 | Property investment |
| LondonMetric Unitholder 2 Limited | England | 13743626 | Intermediate holding company |
| LondonMetric Urban Limited | England | 13249056 | Property investment |
| LSI (Investments) Limited | England | 03539331 | Property investment |
| LXi Cornbow Limited[1] | England | 04229308 | Property investment |
| LXi Finco Limited[1] | England | 14078874 | Intermediate holding company |
| LXi Finco 2 Limited[1] | England | 14645267 | Intermediate holding company |
| LXi Holdco 1 Limited[1] | England | 14645196 | Intermediate holding company |
| LXi Holdco 2 Limited[1] | England | 14645226 | Intermediate holding company |
| LXi Pacific Limited[1] | England | 13483928 | Property investment |
| LXi Property Holdings 4 Limited[1] | England | 11722559 | Property investment |
| LXi Property Holdings 4A Limited[1] | England | 12107631 | Property investment |
| LXi Property Holdings 5 Limited[1] | England | 13919357 | Property investment |
| LXi Property Holdings 5A Limited[1] | England | 13940934 | Property investment |
| LXi Property Holdings 6 Limited[1] | England | 14279870 | Property investment |
| LXi SIR Holdco Limited[1] | England | 06064259 | Intermediate holding company |
| MCL Omega PropCo Limited | England | 12133819 | Property investment |

# Notes forming part of the Company financial statements

continued

| **Subsidiaries for which Section 479A Companies Act 2006 exemption taken** | Country of incorporation or registration | Companies House registered number | Nature of business |
|---|---|---|---|
| Metric LP Income Plus Limited[1] | England | 07780077 | Intermediate holding company |
| Metric Property Coventry Limited | England | 07347027 | Property investment |
| Metric Property Investments Limited | England | 07172804 | Intermediate holding company |
| SIR ATH Limited[1] | England | 06127445 | Property investment |
| SIR ATP Limited[1] | England | 06127443 | Property investment |
| SIR Duchy Limited[1] | England | 06181995 | Property investment |
| SIR Fitzwilliam Limited[1] | England | 06182061 | Property investment |
| SIR Fulwood Limited[1] | England | 06181972 | Property investment |
| SIR Healthcare 1 Limited[1] | England | 09736611 | Intermediate holding company |
| SIR Hospital Holdings Limited[1] | England | 05863307 | Intermediate holding company |
| SIR Hotels 1 Limited[1] | England | 10236666 | Intermediate holding company |
| SIR Hotels 2 Limited[1] | England | 11206064 | Intermediate holding company |
| SIR HP Limited[1] | England | 06273038 | Property investment |
| SIR Lisson Limited[1] | England | 05956505 | Property investment |
| SIR Maple 2 Limited[1] | England | 11206104 | Property investment |
| SIR Maple 3 Limited[1] | England | 11206142 | Property investment |
| SIR Maple 4 Limited[1] | England | 11206129 | Property investment |
| SIR Maple Holdco Limited[1] | England | 11211060 | Intermediate holding company |
| SIR Midlands Limited[1] | England | 06182040 | Property investment |
| SIR Oaklands Limited[1] | England | 06181969 | Property investment |
| SIR Oaks Limited[1] | England | 06181967 | Property investment |
| SIR Pinehill Limited[1] | England | 06181975 | Property investment |
| SIR Rivers Limited[1] | England | 06182038 | Property investment |
| SIR Springfield Limited[1] | England | 06182035 | Property investment |
| SIR Theme Park Subholdco Limited[1] | England | 05947888 | Intermediate holding company |
| SIR Theme Parks Limited[1] | England | 06129606 | Intermediate holding company |
| SIR TP Limited[1] | England | 06127481 | Property investment |
| SIR Umbrella Limited[1] | England | 09736612 | Intermediate holding company |
| SIR WC Limited[1] | England | 06127452 | Property investment |
| SIR Woodland Limited[1] | England | 06182008 | Property investment |
| SIR Yorkshire Limited[1] | England | 06181984 | Property investment |
| SM Plymouth Hotel Limited[1] | England | 05521374 | Property investment |

| **Subsidiaries for which Section 479A Companies Act 2006 exemption not taken** | Country of incorporation or registration | Nature of business |
|---|---|---|
| A & J Mucklow (Investments) Limited[1] | England | Property investment |
| LXi Cowdenbeath Limited[1] | England | Property investment |
| LXi Finco 1 Limited[1] | England | Intermediate holding company |
| LXi Limited (formerly LXi REIT Plc) | England | Property investment |
| LXi Property Holdings 1 Limited[1] | England | Property investment |
| LXi Property Holdings 2 Limited[1] | England | Property investment |
| LXi Property Holdings 3 Limited[1] | England | Property investment |

| Subsidiaries for which Section 479A Companies Act 2006 exemption not taken | Country of incorporation or registration | Nature of business |
|---|---|---|
| LXi REIT Advisors Limited | England | Management company |
| Penbrick Limited[1] | England | Property investment |
| SIR Healthcare 2 Limited[1] | England | Intermediate holding company |
| SIR Hospitals Propco Limited[1] | England | Intermediate holding company |
| Metric GP Income Plus Limited[1,6] | England | Intermediate holding company |
| Metric Income Plus Limited Partnership[1,6] | England | Property investment |
| Metric Income Plus Nominees Limited[1,6] | England | Administrative company |
| LMP Steel LP[1,2] | England | Property investment |
| LMP Steel GP LLP[2] | England | Limited partner |
| A & J Mucklow (Birmingham) Limited[1,2] | England | Dormant |
| A & J Mucklow (Callowbrook Estate) Limited[1,2] | England | Dormant |
| A & J Mucklow (Estates) Limited[1,2] | England | Dormant |
| A & J Mucklow (Ettingshall Estate) Limited[1,2] | England | Dormant |
| A & J Mucklow (Lancashire) Limited[1,2] | England | Dormant |
| A & J Mucklow (Wollescote Estate) Limited[1,2] | England | Dormant |
| A and J Mucklow (Lands) Limited[1,2] | England | Dormant |
| Barr's Industrial Limited[1,2] | England | Dormant |
| Belfont Homes (Birmingham) Limited[1,2] | England | Dormant |
| Charcoal Bidco Limited[1,2,3] | England | Dormant |
| Corby (General Partner) Limited[1,2,3] | England | Dormant |
| Goresbrook Property Limited[2] | England | Dormant |
| LondonMetric OKR Limited[2] | England | Dormant |
| LSI Developments Limited[2] | England | Dormant |
| Metric Property Finance 1 Limited[2] | England | Dormant |
| Metric Property Finance 2 Limited[2] | England | Dormant |
| SIR MTL Limited[1,2,3] | England | Dormant |
| SIR Newco Limited[1,2,3] | England | Dormant |
| SIR Newco 2 Limited[1,2,3] | England | Dormant |
| SIR New Hall Limited[1,2] | England | Dormant |
| Thomas Rivers Limited[1,2] | England | Dormant |
| IPT Property Holdings Limited[1,2] | Guernsey | Property investment |
| IRP Holdings Limited[1,2] | Guernsey | Property investment |
| L&S Highbury Limited[2] | Guernsey | Property investment |
| LMP Bell Farm Limited[2] | Guernsey | Property investment |
| LMP Bude Limited[2] | Guernsey | Intermediate holding company |
| LMP Dagenham Limited[2] | Guernsey | Property investment |
| LMP Green Park Cinemas Limited[2] | Guernsey | Property investment |
| LMP Omega II Limited[2] | Guernsey | Property investment |
| LMP Retail Warehouse JV Holdings Limited[2,4] | Guernsey | Property investment |
| LMP Thrapston Limited[2] | Guernsey | Property investment |
| LondonMetric Management Limited[2] | Guernsey | Management company |
| LSP London Residential Holdings Limited[3,5] | Guernsey | Intermediate holding company |

# Notes forming part of the Company financial statements

continued

| **Subsidiaries for which Section 479A Companies Act 2006 exemption not taken** | Country of incorporation or registration | Nature of business |
|---|---|---|
| LSP London Residential Investments Limited[3,5] | Guernsey | Intermediate holding company |
| LSP RI Moore House Limited[3,5] | Guernsey | Property investment |
| LXi Spirit Limited[1,2] | Isle of Man | Property investment |
| Grove Property Unit Trust 6[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 7[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 12[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 13[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 14[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 15[1,2] | Jersey | Property investment |
| Grove Property Unit Trust 16[1,2] | Jersey | Property investment |
| LMP Burton & Evesham Limited[2] | Jersey | Property investment |
| LMP Steel Property Unit Trust[2] | Jersey | Intermediate holding entity |
| MIF 1 Unit Trust[1,2] | Jersey | Property investment |
| SIR Hotels 2 GP Limited[1,2] | Jersey | Dormant |
| SIR Hotels 2 Holdco Limited[1,2] | Jersey | Dormant |
| SIR Hotels 2 Nominee Limited[1,2] | Jersey | Dormant |
| SIR Hotels Jersey Limited[1,2] | Jersey | Dormant |
| SIR Hotels Jersey 2 Limited[1,2] | Jersey | Property investment |
| SIR Maple 1 Limited[1,2] | Jersey | Intermediate holding company |
| SIR Unitholder 1 Limited[1,2] | Jersey | Intermediate holding company |
| SIR Unitholder 2 Limited[1,2] | Jersey | Intermediate holding company |
| SIR Unitholder 3 Limited[1,2] | Jersey | Intermediate holding company |
| SIR Unitholder 4 Limited[1,2] | Jersey | Intermediate holding company |
| SIR Unitholder 5 Limited[1,2] | Jersey | Intermediate holding company |
| Welling Property Limited[1,2] | Jersey | Property investment |

1 Undertakings held indirectly by the Company
2 Exempt from the requirement to file audited accounts
3 In the process of being liquidated
4 The Company owns 100% of the voting rights and 100% of the A ordinary shares representing 69.14% of the beneficial interest in the share capital
5 The Company owns ordinary shares representing 40% of the beneficial interest in the share capital
6 The Company owns a 50% beneficial interest

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 the Isle of Man incorporated company is First Names House, Victoria Road, Douglas, IM2 4DF.

The registered address for LMP Burton & Evesham Limited is 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR. For LMP Steel Property Unit Trust it is 3rd Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH and for all other Jersey entities it is 26 New Street, St Helier, Jersey, JE2 3RA.

All of the Guernsey companies 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. The tax residence of LXi Spirit Limited is the Isle of Man. All the Jersey undertakings are tax resident in Jersey other than LMP Burton & Evesham Limited which is tax resident in the UK.

## iv Investment property

At 31 March 2024, investment properties included £2.9 million (2023: £3.5 million) for the head lease right of use asset in accordance with IFRS 16.

## v Other receivables

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Prepayments and accrued income | 0.5 | 1.0 |
| Amounts due from subsidiary undertakings | 1,145.5 | 1,040.6 |
| | 1,146.0 | 1,041.6 |

## vi Trade and other payables

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Trade payables | 1.6 | 0.5 |
| Other accruals and deferred income | 18.2 | 7.5 |
| Other payables | 2.6 | 3.3 |
| Amounts due to subsidiary undertakings | 17.3 | 26.7 |
| | 39.7 | 38.0 |

Included within other accruals and deferred income is accrued interest payable of £0.8 million (2023: £1.0 million).

## vii Borrowings and financial instruments

### Borrowings

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Unsecured bank loans | 1,289.2 | 955.0 |
| Unamortised finance costs | (12.4) | (6.4) |
| | 1,276.8 | 948.6 |

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 receivable £m | 2024 £m | 2023 £m |
|---|---|---|---|---|
| Less than one year | 36.1 | (0.8) | 35.3 | 64.1 |
| One to two years | 136.2 | – | 136.2 | 331.4 |
| Two to five years | 760.2 | – | 760.2 | 331.4 |
| More than five years | 344.3 | – | 344.3 | 554.1 |
| | 1,276.8 | (0.8) | 1,276.0 | 949.6 |

# Notes forming part of the Company financial statements

continued

### Derivative financial instruments

The Company is exposed to market risk through interest rate fluctuations. It is the Company's policy that a reasonable portion of external bank borrowings are at a fixed interest rate in order to manage this risk.

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

At 31 March 2024, all of the Company's debt drawn was hedged, through fixed coupon debt arrangements and interest rate swaps and caps.

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 2024 £m | Present value of minimum lease payments 2023 £m |
|---|---|---|---|---|
| Less than one year | 0.8 | (0.1) | 0.7 | 0.3 |
| Between one and five years | 2.6 | (0.2) | 2.4 | 3.1 |
| | 3.4 | (0.3) | 3.1 | 3.4 |

## ix Related party transactions

Related party transactions for the Company are as noted for the Group in note 20 to the Group financial statements.

## x Reserves

The Company statement of changes in equity is shown on page 197. The nature and purpose of each reserve within equity is described in note 18 to the Group financial statements.

| Opening balance | Merger relief reserve £m | Employee Benefit Trust shares £m | Foreign currency exchange reserve £m | Total other reserves 2024 £m | Merger relief reserve £m | Employee Benefit Trust shares £m | Total other reserves 2023 £m |
|---|---|---|---|---|---|---|---|
| Opening balance | – | (7.1) | – | (7.1) | 42.7 | (6.3) | 36.4 |
| Share issue on acquisition | 1,840.1 | – | – | 1,840.1 | – | – | – |
| Foreign currency exchange | – | – | (0.2) | (0.2) | – | – | – |
| Employee share schemes: | | | | | | | |
| Purchase of shares | – | (2.5) | – | (2.5) | – | (5.6) | (5.6) |
| Vesting of shares | – | 4.0 | – | 4.0 | – | 4.8 | 4.8 |
| Impairment in subsidiary | – | – | – | – | (42.7) | – | (42.7) |
| **Closing balance** | 1,840.1 | (5.6) | (0.2) | 1,834.3 | – | (7.1) | (7.1) |

The movement in the merger relief reserve in the year reflects the share issues on the acquisitions of CTPT and LXi and is calculated as the difference between the nominal value of shares issued of 10p per share and the share price on acquisition of 183.3p and 185.8p respectively. The shares were issued as consideration for the entire issued share capital of CTPT and LXi and therefore qualify for merger relief.

## 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 17 to the Group accounts on page 193.

# Supplementary information (not audited)

## i EPRA summary table

| | 2024 | 2023 |
|---|---|---|
| EPRA earnings per share | **10.9p** | 10.3p |
| EPRA net tangible assets per share | **191.7p** | 198.9p |
| EPRA net disposal value per share | **197.5p** | 206.1p |
| EPRA net reinstatement value per share | **211.8p** | 219.6p |
| EPRA vacancy rate | **0.6%** | 0.9% |
| EPRA cost ratio (including vacant property costs) | **11.6%** | 11.7% |
| EPRA cost ratio (excluding vacant property costs) | **11.1%** | 11.3% |
| EPRA loan to value | **35.4%** | 35.1% |
| EPRA net initial yield | **5.2%** | 4.1% |
| EPRA 'topped up' net initial yield | **5.3%** | 4.6% |

The definition of these measures can be found in the Glossary from page 212.

## ii EPRA proportionally consolidated income statement

| For the year to 31 March | **100% owned £m** | **JV £m** | **NCI £m** | **Total 2024 £m** | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Gross rental income | **177.0** | **4.3** | **(2.4)** | **178.9** | 145.6 | 4.3 | (1.5) | 148.4 |
| Property costs | **(1.7)** | **(0.1)** | **–** | **(1.8)** | (1.5) | (0.1) | – | (1.6) |
| Net rental income | **175.3** | **4.2** | **(2.4)** | **177.1** | 144.1 | 4.2 | (1.5) | 146.8 |
| Management fees | **1.1** | **(0.6)** | **0.1** | **0.6** | 1.1 | (0.5) | 0.1 | 0.7 |
| Administrative costs | **(19.7)** | **–** | **–** | **(19.7)** | (16.4) | (0.1) | – | (16.5) |
| Net finance costs | **(37.4)** | **–** | **0.6** | **(36.8)** | (29.5) | (0.6) | 0.2 | (29.9) |
| Tax | **–** | **–** | **0.4** | **0.4** | (0.1) | – | 0.1 | – |
| EPRA earnings | **119.3** | **3.6** | **(1.3)** | **121.6** | 99.2 | 3.0 | (1.1) | 101.1 |

## iii EPRA proportionally consolidated balance sheet

| As at 31 March | **100% owned £m** | **JV £m** | **NCI £m** | **Total 2024 £m** | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Investment property | **6,232.2** | **67.1** | **(36.4)** | **6,262.9** | 2,944.9 | 70.8 | (35.7) | 2,980.0 |
| Assets held for sale | **8.5** | **–** | **–** | **8.5** | 19.8 | – | – | 19.8 |
| Trading property | **1.1** | **–** | **–** | **1.1** | 1.1 | – | – | 1.1 |
| | **6,241.8** | **67.1** | **(36.4)** | **6,272.5** | 2,965.8 | 70.8 | (35.7) | 3,000.9 |
| Gross debt | **(2,087.4)** | **–** | **–** | **(2,087.4)** | (1,017.0) | (13.5) | – | (1,030.5) |
| Cash | **111.9** | **3.0** | **(0.8)** | **114.1** | 32.6 | 5.4 | (1.5) | 36.5 |
| Other net liabilities | **(398.6)** | **(0.9)** | **9.2** | **(390.3)** | (58.8) | (1.2) | 9.3 | (50.7) |
| EPRA net tangible assets | **3,867.7** | **69.2** | **(28.0)** | **3,908.9** | 1,922.6 | 61.5 | (27.9) | 1,956.2 |
| Derivatives | **32.6** | **–** | **–** | **32.6** | 11.1 | – | – | 11.1 |
| IFRS equity shareholders' funds | **3,900.3** | **69.2** | **(28.0)** | **3,941.5** | 1,933.7 | 61.5 | (27.9) | 1,967.3 |
| IFRS net assets | **3,900.3** | **69.2** | **–** | **3,969.5** | 1,933.7 | 61.5 | – | 1,995.2 |
| Loan to value | **33.2%** | **–** | **–** | **33.2%** | 32.8% | 11.4% | – | 32.8% |
| Cost of debt | **3.9%** | **–** | **–** | **3.9%** | 3.4% | 3.6% | – | 3.4% |
| Undrawn facilities | **680.8** | **–** | **–** | **680.8** | 380.0 | – | – | 380.0 |

# Supplementary information (not audited)

continued

## iv EPRA cost ratio

| For the year to 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Property operating expenses | **1.7** | 1.5 |
| Administrative costs | **19.7** | 16.4 |
| Share of joint venture and NCI property costs, administrative costs and management fees | **0.6** | 0.7 |
| Less: | | |
| Joint venture property management fee income | **(1.1)** | (1.1) |
| Ground rents | **(0.1)** | (0.1) |
| **Total costs including vacant property costs (A)** | **20.8** | 17.4 |
| Group vacant property costs | **(1.0)** | (0.7) |
| **Total costs excluding vacant property costs (B)** | **19.8** | 16.7 |
| Gross rental income | **177.0** | 145.6 |
| Share of joint venture gross rental income | **4.3** | 4.3 |
| Share of NCI gross rental income | **(2.4)** | (1.5) |
| | **178.9** | 148.4 |
| Less: | | |
| Ground rents | **(0.1)** | (0.1) |
| **Total gross rental income (C)** | **178.8** | 148.3 |
| **Total EPRA cost ratio (including vacant property costs) (A)/(C)** | **11.6%** | 11.7% |
| **Total EPRA cost ratio (excluding vacant property costs) (B)/(C)** | **11.1%** | 11.3% |

## v EPRA net initial yield and 'topped up' net initial yield

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Investment property – wholly owned[1] | **5,971.6** | 2,957.6 |
| Investment property – share of joint ventures | **67.1** | 70.8 |
| Trading property | **1.1** | 1.1 |
| Less development properties | **(39.3)** | (33.7) |
| Less non-controlling interest | **(36.4)** | (35.7) |
| Completed property portfolio | **5,964.1** | 2,960.1 |
| Allowance for: | | |
| Estimated purchasers' costs | **405.6** | 201.2 |
| Estimated costs to complete | **13.7** | 10.4 |
| **EPRA property portfolio valuation (A)** | **6,383.4** | 3,171.7 |
| Annualised passing rental income | **329.2** | 128.2 |
| Share of joint ventures | **4.3** | 4.2 |
| Less development properties | **(3.4)** | (1.8) |
| **Annualised net rents (B)** | **330.1** | 130.6 |
| Contractual rental increase across the portfolio | **9.0** | 15.9 |
| **'Topped up' net annualised rent (C)** | **339.1** | 146.5 |
| **EPRA net initial yield (B/A)** | **5.2%** | 4.1% |
| **EPRA 'topped up' net initial yield (C/A)** | **5.3%** | 4.6% |

[1] Wholly owned investment property includes assets held for sale of £8.5 million (2023: £19.8 million)

## vi EPRA vacancy rate

| As at 31 March | **2024 £m** | 2023 £m |
|---|---|---|
| Annualised estimated rental value of vacant premises | **2.2** | 1.5 |
| Portfolio estimated rental value[1] | **362.7** | 168.6 |
| **EPRA vacancy rate** | **0.6%** | 0.9% |

1 Excludes development properties

## vii EPRA capital expenditure analysis

| As at 31 March | **100% owned[5] £m** | **JV £m** | **NCI £m** | Total 2024 £m | 100% owned £m | JV £m | NCI £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|---|
| Opening valuation | **2,965.8** | **70.8** | **(35.7)** | **3,000.9** | 3,516.9 | 96.6 | (15.1) | 3,598.4 |
| Acquisitions[1] | | | | | | | | |
| – acquisition of CTPT | **261.9** | **–** | **–** | **261.9** | – | – | – | – |
| – acquisition of LXi[8] | **2,853.3** | **–** | **–** | **2,853.3** | – | – | – | – |
| – other acquisitions | **42.7** | **–** | **–** | **42.7** | 187.4 | – | (22.8) | 164.6 |
| Developments[2,4,7] | **41.7** | **–** | **–** | **41.7** | 83.7 | – | – | 83.7 |
| Investment properties | | | | | | | | |
| – incremental lettable space[3] | **1.9** | **–** | **(0.2)** | **1.7** | 0.1 | – | – | 0.1 |
| – no incremental lettable space[3] | **4.0** | **–** | **(0.3)** | **3.7** | 7.3 | 0.2 | – | 7.5 |
| – tenant incentives | **16.6** | **–** | **(0.3)** | **16.3** | 10.2 | 0.2 | (0.2) | 10.2 |
| Capitalised interest[4] | **2.2** | **–** | **–** | **2.2** | 4.0 | – | – | 4.0 |
| Total EPRA capex | **3,224.3** | **–** | **(0.8)** | **3,223.5** | 292.7 | 0.4 | (23.0) | 270.1 |
| Disposals[6] | **(203.6)** | **–** | **–** | **(203.6)** | (269.0) | (13.7) | – | (282.7) |
| Revaluation | **(7.5)** | **(3.7)** | **0.1** | **(11.1)** | (577.4) | (12.5) | 2.4 | (587.5) |
| Foreign currency | **0.8** | **–** | **–** | **0.8** | – | – | – | – |
| Income strip asset | **221.5** | **–** | **–** | **221.5** | – | – | – | – |
| ROU asset | **40.5** | **–** | **–** | **40.5** | 2.6 | – | – | 2.6 |
| **Closing valuation** | **6,241.8** | **67.1** | **(36.4)** | **6,272.5** | 2,965.8 | 70.8 | (35.7) | 3,000.9 |

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

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

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

4 Capitalised interest on investment properties of £nil (2023: £0.3 million) and development properties of £2.2 million (2023: £3.7 million)

5 Including trading property of £1.1 million and assets held for sale of £8.5 million

6 Group disposals include assets held for sale

7 Includes LXi developments acquired of £27.2 million

8 Excludes income strip asset of £221.5 million and LXi developments of £27.2 million

## viii Total accounting return

| For the year to 31 March | **2024 pence per share** | 2023 pence per share |
|---|---|---|
| EPRA net tangible assets per share | | |
| – at end of year | **191.7** | 198.9 |
| – at start of year | **198.9** | 261.1 |
| Decrease in the year | **(7.2)** | (62.2) |
| Dividend paid | **9.7** | 9.5 |
| Total increase/(decrease) | **2.5** | (52.7) |
| **Total accounting return** | **1.3%** | (20.2)% |

# Supplementary information (not audited)

continued

## ix Portfolio split and valuation

| As at 31 March | 2024 £m | 2024 % | 2023 £m | 2023 % |
|---|---|---|---|---|
| Mega distribution | 310.2 | 5.2 | 311.5 | 10.4 |
| Regional distribution | 689.7 | 11.5 | 586.1 | 19.6 |
| Urban logistics | 1,557.2 | 25.9 | 1,262.3 | 42.2 |
| **Distribution** | 2,557.1 | 42.6 | 2,159.9 | 72.2 |
| Convenience | 995.2 | 16.5 | 637.1 | 21.3 |
| Entertainment & leisure | 1,271.3 | 21.2 | 55.5 | 1.9 |
| Healthcare & education | 960.2 | 16.0 | 14.8 | 0.5 |
| **Long income** | 3,226.7 | 53.7 | 707.4 | 23.7 |
| **Other** | 180.3 | 3.0 | 92.8 | 3.0 |
| **Investment portfolio** | 5,964.1 | 99.3 | 2,960.1 | 98.9 |
| Development[1] | 39.3 | 0.7 | 33.7 | 1.1 |
| **Total portfolio** | 6,003.4 | 100.0 | 2,993.8 | 100.0 |
| Income strip asset[2] | 221.5 | | – | |
| Head lease and right of use assets | 47.6 | | 7.1 | |
| | 6,272.5 | | 3,000.9 | |

[1] Represents urban logistics £6.0 million (0.1%), convenience £16.9 million (0.3%), other £16.4 million (0.3%) at 31 March 2024. Split of prior year comparatives was urban logistics £25.3 million (0.9%), long income £5.6 million (0.1%), other £2.8 million (0.1%)

[2] Represents the gross up of the financial liability associated with the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022, as reflected in note 14a(ii)

## x Investment portfolio yields

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| As at 31 March | EPRA NIY % | EPRA topped up NIY % | Equivalent yield % | EPRA NIY % | EPRA topped up NIY % | Equivalent yield % |
| Distribution | 4.5 | 4.7 | 5.7 | 3.8 | 4.3 | 5.3 |
| Long income | 5.7 | 5.8 | 6.6 | 4.9 | 5.4 | 5.6 |
| Other | 5.8 | 6.0 | 7.3 | 5.0 | 5.8 | 6.1 |
| **Investment portfolio** | 5.2 | 5.3 | 6.3 | 4.1 | 4.6 | 5.4 |

## xi Investment portfolio – Key statistics

| As at 31 March 2024 | Area '000 sq ft | WAULT to expiry years | WAULT to first break years | Occupancy % | Average rent £ per sq ft |
|---|---|---|---|---|---|
| Distribution | 16,275 | 12.4 | 11.3 | 99.4 | 7.60 |
| Long income | 8,395 | 24.1 | 22.8 | 99.8 | 20.14 |
| Other | 1,165 | 12.8 | 12.6 | 94.4 | 10.11 |
| **Investment portfolio** | 25,835 | 19.4 | 18.2 | 99.4 | 11.63 |

## xii Total property returns

| **For the year to 31 March** | All property 2024 % | All property 2023 % |
|---|---|---|
| Capital return | (0.3) | (15.7) |
| Income return | 5.0 | 4.4 |
| **Total return** | 4.7 | (12.0) |

## xiii Net contracted rental income

| As at 31 March | 2024 £m | 2023 £m |
|---|---|---|
| Distribution | **126.4** | 97.8 |
| Long income | **198.4** | 39.8 |
| Other | **11.5** | 5.8 |
| **Investment portfolio** | **336.3** | 143.4 |
| Development | **3.4** | 1.8 |
| **Total portfolio** | **339.7** | 145.2 |

## xiv Rent subject to expiry

| As at 31 March 2024 | Within 3 years % | Within 5 years % | Within 10 years % | Within 15 years % | Within 20 years % | Over 20 years % |
|---|---|---|---|---|---|---|
| Distribution | **8.5** | **16.7** | **44.4** | **68.6** | **85.6** | **100.0** |
| Long income | **2.9** | **3.8** | **9.4** | **39.9** | **55.4** | **100.0** |
| Other | **20.8** | **29.1** | **48.4** | **62.0** | **71.0** | **100.0** |
| **Investment portfolio** | **5.5** | **9.4** | **23.5** | **51.1** | **67.0** | **100.0** |

## xv Contracted rent subject to inflationary or fixed uplifts

| As at 31 March | 2024 £m | 2024 % | 2023 £m | 2023 % |
|---|---|---|---|---|
| Distribution | **81.2** | **64.0** | 61.4 | 62.8 |
| Long income | **188.0** | **90.4** | 27.3 | 68.7 |
| Other | **5.5** | **47.8** | 1.6 | 38.5 |
| **Investment portfolio** | **274.7** | **79.3** | 90.3 | 63.0 |

## xvi Top ten assets (by value)

| As at 31 March 2024 | Area '000 sq ft | Net contracted rent £m | Occupancy % | WAULT to expiry years | WAULT to first break years |
|---|---|---|---|---|---|
| Ramsay Rivers Hospital | **193** | **9.6** | **100.0** | **13.1** | **13.1** |
| Alton Towers Park | **n/a** | **9.3** | **100.0** | **53.3** | **53.3** |
| Bedford Link, Bedford | **715** | **5.5** | **100.0** | **17.5** | **15.7** |
| Thorpe Park | **n/a** | **9.8** | **100.0** | **53.3** | **53.3** |
| Primark, Islip | **1,062** | **6.0** | **100.0** | **16.5** | **16.5** |
| Great Bear, Dagenham | **454** | **4.8** | **100.0** | **19.5** | **19.5** |
| Ramsay Springfield Hospital | **85** | **5.6** | **100.0** | **13.1** | **13.1** |
| Heide Park | **n/a** | **4.1** | **100.0** | **53.4** | **53.4** |
| Argos, Bedford | **658** | **4.1** | **100.0** | **10.0** | **10.0** |
| THG, Warrington | **686** | **4.1** | **100.0** | **20.7** | **20.7** |

# Supplementary information (not audited)

continued

## xvii Top ten occupiers

| As at 31 March 2024 | Net contracted rental income £m | Net contracted rental income % |
|---|---|---|
| Ramsay Health Care | 37.3 | **11.0%** |
| Merlin Entertainments | 30.6 | **9.0%** |
| Travelodge | 21.9 | **6.4%** |
| Primark | 6.0 | **1.8%** |
| Tesco | 5.9 | **1.7%** |
| Great Bear | 5.4 | **1.6%** |
| Amazon | 4.9 | **1.4%** |
| SMG Europe | 4.6 | **1.4%** |
| Q-Park | 4.6 | **1.4%** |
| Co-op | 4.5 | **1.3%** |
| Total | 125.7 | **37.0%** |

## xviii Loan to value

| As at 31 March | 100% owned £m | JV £m | NCI £m | **2024 £m** | 2023 £m |
|---|---|---|---|---|---|
| Gross debt | 2,087.4 | – | – | **2,087.4** | 1,030.5 |
| Less: Fair value adjustments | 21.9 | – | – | **21.9** | (2.0) |
| Less: Cash balances | (111.9) | (3.0) | 0.8 | **(114.1)** | (36.5) |
| Net debt | 1,997.4 | (3.0) | 0.8 | **1,995.2** | 992.0 |
| Acquisitions exchanged in the year | 2.3 | – | – | **2.3** | 2.3 |
| Disposals exchanged in the year | (9.3) | – | – | **(9.3)** | (19.1) |
| **Adjusted net debt (A)** | 1,990.4 | (3.0) | 0.8 | **1,988.2** | 975.2 |
| Exclude: | | | | | |
| Acquisitions exchanged in the year | (2.3) | – | – | **(2.3)** | (2.3) |
| Disposals exchanged in the year | 9.3 | – | – | **9.3** | 19.1 |
| Include: | | | | | |
| Net payables | 134.4 | 0.9 | (0.3) | **135.0** | 60.9 |
| **EPRA net debt (B)** | 2,131.8 | (2.1) | 0.5 | **2,130.2** | 1,052.9 |
| Investment properties at fair value | 5,963.1 | 67.1 | (36.4) | **5,993.8** | 2,972.9 |
| Properties held for sale | 8.5 | – | – | **8.5** | 19.8 |
| Trading properties | 1.1 | – | – | **1.1** | 1.1 |
| Total property portfolio | 5,972.7 | 67.1 | (36.4) | **6,003.4** | 2,993.8 |
| Acquisitions exchanged in the year | 2.3 | – | – | **2.3** | 2.3 |
| Disposals exchanged in the year | (8.5) | – | – | **(8.5)** | (19.8) |
| **Adjusted property portfolio (C)** | 5,966.5 | 67.1 | (36.4) | **5,997.2** | 2,976.3 |
| Exclude: | | | | | |
| Acquisitions exchanged in the year | (2.3) | – | – | **(2.3)** | (2.3) |
| Disposals exchanged in the year | 8.5 | – | – | **8.5** | 19.8 |
| Include: | | | | | |
| Financial assets | 8.9 | – | – | **8.9** | 5.2 |
| **EPRA property portfolio (D)** | 5,981.6 | 67.1 | (36.4) | **6,012.3** | 2,999.0 |
| **Loan to value (A)/(C)** | | | | **33.2%** | 32.8% |
| **EPRA Loan to value (B)/(D)** | | | | **35.4%** | 35.1% |

## xix Acquisitions and disposals

| As at 31 March | 100% owned £m | JV £m | NCI £m | **2024 £m** | **2023 £m** |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| Completed in the year[1] | 3,157.9 | – | – | **3,157.9** | 164.6 |
| CTPT price discount on acquisition | 23.3 | – | – | **23.3** | – |
| Exchanged in the previous year | – | – | – | **–** | (72.4) |
| Exchanged but not completed in the year | – | – | – | **–** | 2.3 |
| Forward funded investments classified as developments | 27.2 | – | – | **27.2** | 32.1 |
| Transaction costs and other | (6.7) | – | – | **(6.7)** | (6.2) |
| Exchanged in the year | 3,201.7 | – | – | **3,201.7** | 120.4 |
| **Disposal proceeds** | | | | | |
| Completed in the year | 198.7 | – | – | **198.7** | 271.7 |
| Exchanged in the previous year | (19.6) | – | – | **(19.6)** | (21.2) |
| Exchanged but not completed in the year | 9.3 | – | – | **9.3** | 19.1 |
| Transaction costs and other | (3.5) | – | – | **(3.5)** | 2.9 |
| Exchanged in the year | 184.9 | – | – | **184.9** | 272.5 |

[1] Excludes income strip asset of £221.5 million

# 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.

**Carbon Neutral**

Companies, processes, and buildings become carbon neutral when they calculate their carbon emissions and compensate for what they have produced via carbon offsetting projects.

**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.

**$CO_2e$**

The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases on a common basis. This quantity is quoted in units of tonnes carbon dioxide equivalent ($tCO_2e$).

**Code**

The UK Corporate Governance Code published by the Financial Reporting Council in July 2018, publicly available at www.frc.org.uk which sets out principles of good corporate governance for listed companies. In January 2024 the Financial Reporting Council published a revised UK Corporate Governance Code (the '2024 Code'). The 2024 Code will apply to financial years beginning on or after 1 January 2025, other than provision 29 which will apply to financial years beginning on or after 1 January 2026.

**Contracted Rent**

The annualised rent excluding rent free periods.

**Cost of Debt**

Weighted average interest rate payable.

**CRREM Modelling**

The Carbon Risk Real Estate Monitor (CRREM) tool models an asset performance to determine the year it will become 'stranded'. Stranding is the point in time when the asset will not meet future energy efficiency standards and whose energy upgrade will not be financially viable.

**CT Property Trust Limited ('CTPT')**

CT Property Trust Limited (now LMP Bude Limited). Incorporated in Guernsey with registration number 41870.

**Debt Maturity**

Weighted average period to expiry of debt drawn.

**Distribution**

The term is used synonymously with 'Logistics' and means the organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption by the end user.

**Embodied Carbon**

Embodied carbon refers to the emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure. It is typically associated with any processes, materials, or products used to construct, maintain, repair, refurbish, and repurpose a building. LondonMetric's Development-related emissions account only for upfront embodied carbon, which refers to the emissions up to practical completion before the building begins to be used by an occupier.

**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 weighted average number of shares in issue over the period.

**EPRA Loan to Value (LTV)**

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

**EPRA NAV per share**

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

**EPRA Net Disposal Value per share**

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

**EPRA Net Reinstatement Value per share**

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

**EPRA Net Tangible Asset Value per share**

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

**EPRA Net Initial Yield**

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

### EPRA Topped Up Net Initial Yield

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

### EPRA Vacancy

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

### Equivalent Yield

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

### Estimated Rental Value ('ERV')

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

### European Public Real Estate Association ('EPRA')

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

### European Single Electronic Format ('ESEF')

ESEF is the electronic reporting format required from 1 January 2021 to facilitate access, analysis and comparison of annual financial reports.

### Financial Conduct Authority ('FCA')

The Financial Conduct Authority is a regulatory body, operating independently of the UK Government, which regulates financial firms providing services to consumers and maintains the integrity of the financial markets in the UK.

### GHG

Greenhouse gases (GHG) are gases that contribute directly to climate change by trapping heat in the earth's atmosphere.

### Green Lease

A green lease is a standard form lease with additional clauses that provide for the management and improvement of a building's environmental performance by both owner and occupier(s).
For LondonMetric, this includes clauses around data sharing, EPC rating preservation, smart metering, and yielding up.

### 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.

### Income Strip Asset and Liability

Through the sale of a 65 year income strip of Alton Towers and Thorpe Park in 2022, the Group has an obligation to pay rental income equivalent to 30% of the annual rental income received from the tenant and the ability to acquire the freehold back in 2087 for £1.

### 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.

### IPCC

The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change. They developed the Representative Concentration Pathways (RCPs), which describe four different 21st-century pathways of greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions and land use.

### 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.

### Listing Rules

The listing rules of the FCA made under the Financial Services and Markets Act 2000 as amended from time to time.

### 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 term is used synonymously with 'Distribution' and means the organisation and implementation of operations to manage the flow of physical items from origin to the point of consumption by the end user.

### LXi Acquisition/merger

The acquisition of the entire issued share capital of LXi REIT plc implemented by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 and deemed a reverse takeover and Class 1 transaction pursuant to the Listing Rules.

### LXi REIT plc ('LXi')

LXi REIT plc (now LXi Limited). Incorporated in the UK with company number 10535081.

### MEES

The Minimum Energy Efficiency Standards (MEES) Regulations establish a minimum level of energy efficiency for rented property in England and Wales. From April 2023, they require private rented properties to have a minimum Energy Performance Certificate (EPC) rating of E unless they have registered a valid exemption. This is set to rise to a 'C' rating by 2028 and EPC 'B' by 2030.

# Glossary

continued

### 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.

### Net Zero Carbon

Companies, processes, and buildings become Net Zero Carbon when they reduce their absolute emissions to a minimum, with only a small amount, if any, being offset.

### NNN

NNN, or Triple Net Lease, is a type of lease agreement commonly used in commercial real estate. In a NNN lease, the tenant is responsible for paying key expenses in addition to the base rent.

### NNN REIT

Also known as Triple Net Lease Real Estate Investment Trust, is a type of real estate investment trust (REIT) that specialises in properties leased to tenants under triple net leases. In a triple net lease, the tenant agrees to pay all ongoing operating expenses associated with the property, in addition to rent and utilities.

### Occupancy Rate

The ERV of the let units as a percentage of the total ERV of the investment portfolio.

### Operational Control Consolidated Approach

Under the operational control approach, a company accounts for 100% of emissions from operations over which it or one of its subsidiaries has operational control. It does not account for GHG emissions from operations in which it owns an interest but has no control.

### Operational Emissions

Also known as corporate emissions, are emissions associated with operations owned or controlled by a company or that are a consequence of its operations. For LondonMetric, this currently includes Scope 1 and 2 emissions, and a subset of Scope 3 emissions, such as business travel.

### 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.

### REGOs

Renewable Energy Guarantees of Origin Certificates (REGOs) demonstrate that electricity has been generated from renewable sources.

### Scope 1

Direct GHG emissions from the combustion of fuel in equipment that is owned or controlled by the company, largely resulting from the use of natural gas, refrigerants, and vehicle fuel. For LondonMetric, this includes landlord-procured gas usage at our operational assets, including void units.

### Scope 2

Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company. For LondonMetric, this includes electricity usage at our head office and landlord-procured electricity at our operational assets, including void units.

### Scope 3

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of a company's activities, including both upstream and downstream emissions. For LondonMetric, this currently relates to emissions from our occupiers' operations, our developments and business travel.

### Task Force on Climate-Related Financial Disclosures ('TCFD')

Created in 2015 to develop a framework for consistent climate-related financial risk disclosure.

### Total Accounting Return ('TAR')

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

### Total Property Return ('TPR')

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

### Total Shareholder Return ('TSR')

The movement in the ordinary share price as quoted on the London Stock Exchange plus dividends per share assuming that dividends are reinvested at the time of being paid.

### Triple Net Lease

Triple Net Lease, or NNN, is a type of lease agreement commonly used in commercial real estate. In a NNN lease, the tenant is responsible for paying key expenses in addition to the base rent.

### Triple Net Lease REIT

Also known as NNN REIT, is a type of real estate investment trust (REIT) that specialises in properties leased to tenants under triple net leases. In a triple net lease, the tenant agrees to pay all ongoing operating expenses associated with the property, in addition to rent and utilities.

### 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.

### Whole Life carbon

The combined total of embodied and operational emissions over the whole life cycle of a building. The whole life cycle of a building is 'the entire life of a building from material sourcing, manufacture, construction, use over a given period, demolition and disposal, including transport emissions and waste disposal.'

# 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 Peel Hunt, 100 Liverpool Street, London, EC2M 2AT on 22 July 2024 at 10.00 am.

Resolutions 1 to 15 (inclusive) will be proposed as ordinary resolutions and resolutions 16 to 19 (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 2024 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 2024 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 Andrew Jones be re-elected as a Director.
6. That Martin McGann be re-elected as a Director.
7. That Alistair Elliott be re-elected as a Director.
8. That Andrew Livingston be re-elected as a Director.
9. That Suzanne Avery be re-elected as a Director.
10. That Robert Fowlds be re-elected as a Director.
11. That Katerina Patmore be re-elected as a Director.
12. That Suzy Neubert be re-elected as a Director.
13. That Nicholas Leslau be elected as a Director.
14. That Sandra Gumm 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 £68,018,878, 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 £68,018,878; 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 £136,037,757 (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, 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 16a above) up to a maximum aggregate nominal amount of £20,405,663,

    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.
17. 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 16 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:

# Notice of Annual General Meeting

continued

   a. limited to the allotment of equity securities or sale of treasury shares up to a maximum aggregate nominal amount of £20,405,663; 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.

18. 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 204,056,630;
   b. the minimum price which may be paid for an ordinary share is 10p being the nominal amount thereof (exclusive of expenses payable by the Company);
   c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
      (i) 105% of the average market value of an ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
      (ii) the value of an ordinary share calculated on the basis of the higher of: (A) the last independent trade of; or (B) the highest current independent bid for, any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and
   d. this authority shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on the date which is 15 months after the date of this Annual General Meeting) except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry and the Company may purchase its ordinary shares pursuant to such contract as if this authority had not expired.

19. That the Company is authorised to call any general meeting of the Company other than the Annual General Meeting by notice of at least 14 clear days during the period beginning on the date of the passing of this resolution and ending on the conclusion of the next Annual General Meeting of the Company.

By order of the Board

**Jadzia Duzniak**
Company Secretary
4 June 2024

## Notes to the Notice of the Annual General Meeting:

(i) Shareholders entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend, speak and vote on their behalf, provided that each proxy is appointed to exercise the rights attaching to the different shares held by him or her.

(ii) Your proxy could be the Chair, another Director of the Company or another person who has agreed to attend and represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chair (or another person) as your proxy are set out in the notes to the proxy form.

(iii) Any person to whom this Notice is sent who is a person nominated under Section 146 of the 2006 Act to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right, or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of rights of shareholders in relation to the appointment of proxies in paragraph (i) above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the Company.

(iv) To have the right to attend and vote at the meeting you must hold ordinary shares in the Company and your name must be entered on the share register of the Company in accordance with note (vi) below.

(v) You will not have received a hard copy proxy form for the Annual General Meeting in the post. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ('IVC') which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and in any event, no later than 10.00 am on 18 July 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

You may request a hard copy proxy form directly from the Registrars, Link Group by emailing shareholderenquiries@linkgroup.co.uk or by post at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To be valid, any hard copy proxy form must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 10.00 am on 18 July 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be completed and signed and received by Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL as soon as possible but, in any event, so as to arrive no later than 10.00 am on 18 July 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.

Completion and return of a proxy form will not preclude members from attending and voting at the meeting should they wish to do so.

Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at: shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

(vi) The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is close of business on 18 July 2024. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is close of business on the day that is two business days before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

(viii) In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 10.00 am on 18 July 2024 (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 3 June 2024 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 2,040,566,361 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.

# Notice of Annual General Meeting

continued

(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;
  b. copies of letters of appointment of Non Executive Directors; and
  c. a copy of the Articles of Association of the Company.

  Should a shareholder wish to inspect any of these documents please submit a request to info@londonmetric.com.

(xviii) In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which names stand on the register of members of the Company in respect of the relevant joint holding.

(xix) Voting on all resolutions at the Annual General Meeting will be by way of poll. The Company believes that this is the best way of representing the view of as many shareholders as possible in the voting process.

(xx) This Notice (including these notes) reflects the intention of the Board with respect to the AGM given the law in force, and relevant guidance, as at the latest practicable date before the publication of this Notice. Shareholders should check our website to ensure they have the most up to date information available regarding the AGM.

### Explanatory notes:

The information below is an explanation of the business to be considered at the Annual General Meeting.

### Resolution 1 – To receive the Annual Report and Accounts

The Chair will present the Annual Report and Accounts for the year ended 31 March 2024 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 2024.

### 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 a general meeting of the Company in December 2023. 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 106 and 107 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 £68,018,878 (representing approximately one third of the Company's issued ordinary share capital as at 3 June 2024) 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 £136,037,757 (representing approximately two thirds of the issued ordinary share capital of the Company as at 3 June 2024).

Your Board considers it appropriate to seek this additional allotment authority at the Annual General Meeting in order to take advantage of the flexibility it offers. However, the Board has no present intention of exercising either authority (except in relation to the Company's scrip dividend scheme and its share schemes). If they do exercise the authority, the Directors intend to follow best practice as regards its use, as recommended by the Investment Association.

As at the date of this Notice the Company does not hold any ordinary shares in the capital of the Company in treasury.

### Resolutions 16 and 17 – 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 16 and 17 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 16 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 £20,405,663 (representing 204,056,630 ordinary shares). This aggregate nominal amount represents approximately 10% of the issued ordinary share capital of the Company as at 3 June 2024.

The authority set out in Resolution 17 is limited to allotments or sales of up to an aggregate nominal amount of £20,405,663 (representing 204,056,630 shares), in addition to the authority set out in Resolution 16 which is to be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice (the 'Statement of Principles'). This aggregate nominal amount represents approximately an additional 10% of the issued ordinary share capital of the Company as at 3 June 2024.

The Statement of Principles state that, in addition to the standard annual disapplication of pre-emption rights which permits companies to issue for cash on a non-pre-emptive basis equity securities representing no more than 10 % of the Company's issued ordinary share capital, the Pre-Emption Group is supportive of extending the general disapplication power by an amount equal to 10 % of a company's issued ordinary share capital for certain purposes. In accordance with the provisions of the Statement of Principles, the Company confirms its intention that the additional power sought by the Company pursuant to this resolution (equal to 10 % of the issued ordinary share capital of the Company) can be used in connection with one or more acquisitions or specified capital investments, which are announced contemporaneously with the relevant issue. The Pre-Emption Group recommends that this additional 10 % authority be sought in a separate resolution, which is the approach the Company has taken.

### Resolution 18 – Authority to purchase own shares

Resolution 18 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 204,056,630 shares (representing approximately 10% of the Company's issued ordinary share capital as at 3 June 2024) 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 18 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 3 June 2024 (the latest practicable date before publication of this Notice), there were share awards over 6,427,165 ordinary shares in the capital of the Company representing approximately 0.31% 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 0.34% of the Company's issued ordinary share capital.

### Resolution 19 – Notice period for general meetings

It is proposed in Resolution 19 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 19 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

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|---|---|
| **Announcement of results** | 4 June 2024 |
| **Annual General Meeting** | 22 July 2024 |

# Shareholder information

## Advisors to the Company

### Financial Advisors and Brokers

**Peel Hunt LLP**
7th Floor
100 Liverpool Street
London EC2M 2AT

**JP Morgan Securities Limited**
25 Bank Street
Canary Wharf
London E14 5JP

**Barclays Bank Plc**
1 Churchill Place
London E14 5HP

### Auditor

**Deloitte LLP**
1 New Street Square
London EC4A 3BZ

### Property Valuers

**CBRE Limited**
Henrietta House
Henrietta Place
London W1G 0NB

**Savills (UK) Limited**
33 Margaret Street
London W1G 0JD

**Knight Frank LLP**
55 Baker Street
London W1U 8AN

### Tax & Remuneration Advisors

**PricewaterhouseCoopers LLP**
1 Embankment Place
London WC2N 6RH

### Solicitors to the Company

**CMS Cameron McKenna**
**Nabarro Olswang LLP**
78 Cannon Place
Cannon Street
London EC4N 6AF

### Registrar

**Link Group**
The Registry
Central Square
29 Wellington Street
Leeds LS1 4DL

### Secretary and Registered Address

Jadzia Duzniak
One Curzon Street
London W1J 5HB

www.londonmetric.com

### REIT status and taxation

As a UK REIT, the Group is exempt from corporation tax on rental income and UK property gains. Dividend payments to shareholders are split between Property Income Distributions ('PIDs') and non PIDs.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. There is a form on the Company's website for shareholders to certify that they qualify to receive PIDs without withholding tax.

### Payment of dividends

Shareholders who would like their dividends paid direct to a bank or building society account should notify Link Group. Tax vouchers will continue to be sent to the shareholder's registered address.

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