

INDUSTRIALS REIT LIMITED

(Registered in Guernsey with registration number 64865)

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SOLID HALF YEAR RESULTS UNDERPINNED BY STRONG RENTAL DEMAND

Industrials REIT Limited ('Industrials REIT' or the 'Company' and together with its subsidiaries, the 'Group'), the specialist UK multi-let industrial ('MLI') property company, announces results for the six months to 30 September 2022.

Commenting on the results Paul Arenson, CEO of Industrials REIT, said: "Strong occupier demand has continued to drive substantial rental uplifts across our UK MLI portfolio over the first half of the year. Our assets remain highly affordable and continue to attract an increasingly diverse range of businesses and now comprise over 1,500 separate occupiers. In this period, the average passing rent increased by a record 29% on new lettings and lease renewals. Our Industrials Hive platform continues to deliver efficiencies. The Group is well positioned to weather pressure on valuations and rising debt costs, given that our group LTV remains low at 26.5% and Group debt is 90% hedged. We anticipate that the current macroeconomic headwinds will see the investment market go through a period of repricing and we look forward to being able to capitalise on opportunities once the operating environment stabilises."

MLI Operational Highlights: Strong demand delivers record rental growth/uplifts

- Demand for MLI space outstripping supply with the average passing rent increasing by 29% on new lettings and lease renewals in the period, the highest growth rate achieved to date
- Eight consecutive quarters of 20%+ average growth in rent at lease renewal or upon new letting now recorded
- Industrials Hive, our operating platform, delivered operational efficiencies across leasing, invoicing, and asset management and is a critical tool which will enable scale opportunities
- 4.0% growth in like-for-like annual passing rent after adjusting for one particular rent-free which expired in November 2022 (2021: 5.0%)
- 12.3% increase in like-for-like annual ERV (2021: 5.1%) demonstrating the further potential for future rental growth
- Industrials.co.uk website users up 9.0% on a 12-month rolling basis
- 197 letting transactions completed (2021: 119), with average lease incentives given now less than 1 month rent-free on an average 4.5 year lease
- Further 49 leasing transactions on 187,627 sq ft of space completed in October and November 2022, demonstrating the depth of demand for MLI space (2021: 43 transactions)
- Occupancy of 92.8% reduced marginally (31 March 2022: 93.6%) as a result of proactive steps taken to forfeit and replace non-performing Covid-era tenancies

Financial Highlights: Solid results and a robust balance sheet

- Declared a covered interim dividend of 3.50 pence per share, up 3.7% on the prior year interim dividend of 3.375p per share
- Diluted IFRS loss per share of 7.18 pence (2021: 13.34 pence profit) driven by like-for-like portfolio valuation decline of 4.5% (2021: 9.8% increase)
- 2.6% growth in adjusted EPS to 3.54 pence (2021: 3.45 pence)
- Diluted IFRS net asset value per share of £1.66 (31 March 2022: £1.76³) and a 7.4% decrease in EPRA NTA per share to £1.62 (31 March 2022: £1.75³)
- Portfolio value decreased 4.3% to £656.5 million (31 March 2022: £685.8 million), reflecting yield softening in the period
- Low LTV of 26.5% with no refinancing until 2025
- 90% of Group debt at fixed rates or hedged against rising interest rates until November 2024 (excluding the care homes joint venture which is in a sale process)
- Total accounting return of -5.4% for the six-month period (2021: +9.8%)

Statement of comprehensive income	Six months ended 30 September 2022	Six months ended 30 September 2021
Dividend per share	3.50p	3.375p
Diluted IFRS earnings per share ¹	(7.18)p	13.34p
Adjusted earnings per share ¹	3.54p	3.45p
Diluted EPRA earnings per share ¹	3.38p	3.32p
Net rental income	£18.7m	£15.1m

Statement of financial position	As at 30 September 2022	As at 31 March 2022
Portfolio valuation (including share of care home joint venture)	£656.5m	£685.8m
Like-for-Like ² portfolio valuation movement for period	(4.5)%	19.4%
	(6 months)	(12 months)
Diluted IFRS NAV per share ³	£1.66	£1.76
EPRA NTA per share ³	£1.62	£1.75
Group Loan-to-value ⁴	26.5%	25.6%
Total Accounting Return ⁵	(5.4)%	9.8% / 23.6%
	(6 months)	(6 months September 2021 / 12 months to March 2022)

¹ See note 5 for reconciliation to IFRS earnings per share.

² Adjusted for sales and acquisitions in period.

³ See note 6 for reconciliation to IFRS NAV per share. The IFRS NAV per share and EPRA NTA per share at 31 March 2022 were reported as £1.78 and £1.77 respectively. As a result of a correction to the number of dilutive shares, these metrics were amended to £1.76 and £1.75 per share respectively and disclosed in an RNS statement issued on 16 August 2022. Accordingly, although the financial statements have not been restated due to materiality, all future reference to 31 March 2022 NAV metrics in this report will reflect the amended amounts.

⁴ Loan-to-value is the ratio of total borrowings, less unrestricted cash, to the Group's aggregate market value of properties.

⁵ Total Accounting Return is the change in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period. As disclosed in an RNS statement issued on 16 August 2022 this metric has been amended from 25.0% reported at year end.

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About Industrials REIT Limited:

Industrials REIT is a UK REIT with a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. The objective of the Company is to deliver a combination of sustainable growing income and growth in value to its investors. Industrials REIT focuses on owning and operating a diversified portfolio of UK purpose built multi-let industrial (MLI) estates across the UK. The Company aspires to be the leading MLI business in the UK. For further information, go to www.industrialsreit.com.

Operating and financial review

Overview

During the first half of the year the Company delivered adjusted earnings of 3.54p per share and we declared a covered interim dividend of 3.50p per share, an increase of 0.7% on the final dividend of 3.475p per share declared in June 2022. We experienced record levels of letting activity over the first six months of the year with strong demand from a depth of occupiers delivering continued rental growth throughout the period and into the second half. This income growth helped mitigate the impact of softening yields on property valuations, which decreased by 4.5% on a like-for-like basis to £656.5 million (31 March 2022: £685.8 million). Against the economic turbulence which has continued to emerge over the period, our balance sheet remains strong and our proactive and prudent approach to debt management is evidenced by a low LTV of 26.5% and a low average cost of borrowing of 2.52%. Furthermore, 90% of debt is hedged against rising interest rates until November 2024 (excluding the care homes joint venture which is in a sale process).

Record lettings and increasing rental levels

Despite the economic backdrop, we continued to experience strong demand from an increasingly diverse range of occupiers during the first half. This led to a period of record letting activity with an increase in the average passing rent of 29% on the aggregate of all new lettings and lease renewals. We have now experienced eight successive quarters of 20%+ uplift in this measure, a level that is important as it allows us to deliver on our target annual rental growth of 4%-5%, given our average lease length of approximately 4.5 years.

The six-month period saw us complete 64 new lettings and 133 lease renewals across a total of 690,930 sq ft generating £4.7 million of new rental income. This high level of operational activity has been supported by efficiencies driven through the Industrials Hive platform ('the Hive') which is discussed in more detail below. The average rental incentive given is now below one month, with 65% of leases contracted through our short-form digital 'Smart Lease' and just under 80% of leases signed including at least a 3% annual uplift in rent through the term of the lease. This inclusion results in ratchets in revenue throughout the lease, rather than just at lease expiry or rent review.

During the past six months, we have let or renewed a number of our biggest units, meaning that on 30 September 2022 we had several large units enjoying rent free periods. Like-for-like annual passing rents were up 4.0% when adjusted for our largest rent-free period, in Ashby-de-la-Zouch, which expired in November 2022. The like-for-like rental growth metric was reduced by a small decrease in occupancy to 92.8%, down from the year end level of 93.6%. This followed a strategic decision to actively forfeit and replace non-performing tenancies from the Covid-era, with strong demand captured via the Hive allowing us to replace these occupiers with new customers with more sustainable business models, whilst also benefitting from reletting at higher rents.

Rent collection rates are returning to normalised levels of c.98%, with 91% of rents due for the period ended 30 September 2022 collected by 28 November 2022 and 97% of rents due for the financial year ended 31 March 2022. With rent typically accounting for 1% and 3% of customer turnover, we believe that rents remain affordable and rental growth can sustainably be absorbed by our customers.

Industrials Hive driving future efficiency

The Hive has advanced considerably over the period with our new finance and operations system (Microsoft Dynamics) going live at the start of the financial year. This was followed in October by the conclusion of the in-housing of facilities management so that all key operational roles are now internally resourced. As a result, we are now vertically integrated across leasing, transaction management, billing, facilities management, banking and credit control, which brings opportunities for enhanced operational efficiency and complete control of the customer relationship.

Our most longstanding internalised feature of the Hive has been within our leasing function, where we have seen continued improvements in efficiency. As at 30 September 2022, Industrials.co.uk website users were up 9.0% on a 12-month rolling basis as a result of continuous improvements to advertising via social media, optimised search terms, and enhanced user experience when navigating the site. As a result, our enquiry-to-lead qualification conversion rates improved further to 12% on a rolling 12-month basis, with 83% of qualified leads going on to take a viewing of which 26% resulted in a new letting.

The Hive also delivers the people and processes to create 'the Industrials way' of doing things. This differentiates how Industrials manages its MLI estates and how we interact with and service our customers. We pride ourselves on being responsive and communicative and consider a customer first approach critical to success. We maintain a firm but fair approach to all customer interactions and our decision making is data led, allowing us to be both nimble and systematic. Each customer also has a dedicated customer engagement manager who acts as a proactive link for resolving issues and capturing opportunities.

The Hive is a critical tool which will enable us to scale our business. When market conditions allow, we believe that we will be well placed to absorb and manage additional properties/portfolios at a reducing cost, whether these be our own or on behalf of 3rd parties in a joint venture arrangement.

A resilient business well positioned for future growth

The six-month period has seen further significant changes in the macro-economic environment with increasing interest rates, high inflation, and economic and political uncertainty. Against this backdrop, the occupational market in the industrial sector has remained resilient, but the investment market has come under pressure with yields beginning to move out. Accordingly, we took an active decision to pause investment activity and over the reporting period we acquired only £9 million of MLI assets, lower than our previous target of £25 million per quarter on average.

The weakening investment market, combined with higher interest rates, led us to take the strategic decision not to draw down on the £27 million loan facility which we signed in May 2022. Asset pricing has not yet found its projected level, which, combined with high interest costs, means that debt does not enhance returns as it has done previously. Drawing expensive debt speculatively whilst the market settles was deemed unnecessary when we already benefit from an undrawn £25 million revolving credit facility, although refinancing existing facilities to include currently unsecured assets remains an option in the future.

Investment valuation yields are expected to continue to rise resulting in further reductions in valuations. However, we carry confidence into

the second half of the year due to the quality of our estates, continued rental growth driven by a strong occupier market, a low group LTV of 26.5%, and unrestricted cash balances at 30 September 2022 of £21.7 million.

This hiatus in investment activity also provides an unexpected period in which we can focus on consolidating operational efficiencies in the platform. Accordingly, when we do re-enter the investment market, we expect that we will have greater operational strength to capitalise on opportunities.

Making a difference to ESG

We are committed to our environmental, social and governance responsibilities. As well as being important sources of employment and wealth creation in their local communities, MLI assets are inherently geared towards sustainability with long lifespans. This is because of their low levels of obsolescence and ongoing capital expenditure, which materially reduce their lifetime embodied carbon emissions. We continue to focus on improvement works to enhance EPC compliance where regulations are tightening over the coming years. By April 2023, all buildings in England and Wales must have a minimum of an E EPC rating and by 2027 units will need to have a minimum EPC rating of C to be relet. We are very much on target to reach the 2023 requirement with approximately 99.4% of our portfolio achieving a rating of E or better.

We have various refurbishment options available to continue to improve the portfolio's EPC ratings. One of the most effective methods is to install LED lighting and remove old and inefficient heating equipment, which is both cost efficient and likely to improve the EPC rating by two grades. Furthermore, our portfolio benefits from only limited amounts of solar energy installations, but we see this as a significant future revenue stream and impactful method for improving the energy performance certification of the entire portfolio. As a result, we remain confident that meeting future energy performance requirements and our own aspirations for reducing our carbon emissions is highly achievable across the portfolio.

We have recently completed an exercise to identify our carbon footprint together with its constituent parts in terms of scope 1, 2 and 3 GHG (Greenhouse Gas) emissions. As would be expected, 99.3% of emissions come from downstream scope 3 activities, namely from our suppliers and customer related activity on our estates. We are working proactively with our sustainability partner to create a carbon reduction target under the SBTi (Science Based Targets initiative) framework and identify pathways for achieving this. We continue to incorporate sustainable business practises into our operations, taking advantage of the opportunities that arise whilst managing emerging risks. We look forward to providing an update on this important area when we report our annual results in June 2023.

We held our first employee engagement sessions for the current financial year under the direction of our designated non-executive director for employee engagement, Patsy Watson. We chose to consult with employees on wellbeing. We asked for feedback on our current employment practices and discussed various proposed initiatives, formal and informal, put forward by employees and aimed at improving their work/life balance and reducing stress and anxiety. We were pleased to hear that all employees felt supported by their managers and that they generally appreciated the culture of openness and transparency promoted by the Board. We look forward to introducing some of the proposed initiatives discussed in the new calendar year and will report further on these in our 2023 annual report.

We have also been busy supporting our charity partner of the year, The Wellspring. The Wellspring helps the people of Stockport (where one of our offices is located) who are homeless or at risk of losing their home and aims to tackle the complex and individual challenges that face them. In October, several of our Stockport team took part in the Wellspring's annual sponsored sleepout and raised over £3,000, which the Company will match under our matched-giving policy. We will continue our fundraising activities, which in these challenging times are ever more important, and look forward to raising more funds and raising the profile of this worthwhile charity.

Financial review

Earnings

For the six months to 30 September 2022, the basic loss attributable to ordinary shareholders was £21.3 million (2021: £38.8 million profit), equating to a loss of 7.18 pence per share on a diluted IFRS EPS basis (2021: 13.34 pence profit). This was driven by the fair value decrease on investment properties of £36.4 million (2021: £30.6 million increase). The valuation decrease reflects 33bps of outward yield shift, although the impact of this was lessened by the continued income growth experienced by the MLI portfolio, as shown by average rental uplifts on lease renewal or new letting rising to new highs of 29% in the period. The IFRS result also includes a significant fair value gain from interest rate hedges of £5.8 million (2021: £0.3 million) highlighting the increase in interest rates and volatility in interest rate forward curves over the period.

Net rental income was £18.7 million, an increase of 24% on the comparative period of £15.1 million. The increase was driven by a 21% rise in rental income to £20.0 million (2021: £16.6 million), due mainly to the larger MLI portfolio but also reflecting like-for-like rental growth of 4.0%, when adjusted for our largest rent free, in Ashby-de-la-Zouch, which expired in November 2022 (2021: 5.0%). Net provision for bad debts of £1.1 million was made in the period reflecting a prudent approach to current provisioning due to continued macro-economic pressures and uncertainty. This compares with just £0.3 million for the same period last year, when the Group released provisions made through the worst of the COVID trading period. The total provision at 30 September 2022 for expected credit losses stood at £4.3 million (31 March 2022: £3.5 million).

Operating expenses for the half year were £6.6 million (2021: £5.6 million). The additional £1.0 million was driven by a £0.4 million increase in staff remuneration costs as employee numbers rose to 59 at 30 September 2022 (2021: 44) mostly due to the insourcing of our facilities management function; the commencement of the amortisation charge associated with our finance and operating platform of £0.4 million (the £3.9 million intangible asset will be amortised over five years); and an increase in IT costs of £0.3 million as product licences and managed service and support contracts commenced following the go-live of our platform at the start of April 2022.

Finance costs were £2.7 million for the half year, increasing from £2.0 million a year earlier. The increase was driven by higher average debt in the period, together with higher interest rates and the commitment fee associated with the £25 million revolving credit facility, which was undrawn at 30 September 2022. The Group all-in contracted weighted average cost of debt was 2.52% at the period end (31 March 2022: 2.16%), reflecting increased interest rates over the full period and the purchase of an interest rate swap in May 2022. Debt and hedging are

discussed later in this report.

Adjusted earnings, after adding back costs and amortisation associated with the finance and operating platform implementation, were £10.5 million (2021: £10.0 million), reflecting an adjusted EPS of 3.54 pence (2021: 3.45 pence). EPRA earnings per share were 3.39 pence (2021: 3.33 pence). A reconciliation of the IFRS loss to EPRA earnings and adjusted earnings can be seen in note 5 to the financial statements.

The EPRA cost ratio (including direct vacancy costs) includes all administrative and operating expenses in the IFRS statements (including share of joint ventures) and for the period ended 30 September 2022 was 39.2% (2021: 38.7%).

Dividends

The Company declared an interim dividend of 3.50 pence per share (2021: 3.375 pence per share), an increase on the final dividend declared in June 2022 of 3.475 pence per share. The dividend is fully covered by adjusted earnings of 3.54 pence per share. The directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of Industrials REIT ordinary shares or in cash. A further announcement informing shareholders of the salient dates and tax treatment will be released in due course.

In respect of this dividend, given the Company's share price which stands at a discount relative to net asset value, the directors will consider matching any scrip scheme take up through the buyback of shares to mitigate the dilutive effect that would otherwise occur from the issuance of Industrials REIT treasury shares.

Net asset value

The IFRS diluted NAV per share was £1.66 at 30 September 2022 (31 March 2022: £1.76). The decrease of 5.7% is driven by the like-for-like property valuation decrease of 4.5%, or £30.5 million. At period end, the portfolio of 103 MLI properties was valued at £623.4 million (31 March 2022: £653.5 million), representing 95.0% of the total portfolio.

EPRA NTA per share at 30 September 2022 was £1.62, representing a 7.4% decrease on the EPRA NTA per share of £1.75 at 31 March 2022. A reconciliation of this change is shown in note 6 to the accounts. The decrease in NTA since 31 March 2022, combined with the dividend paid of 3.475 pence, resulted in a total accounting return for the six-month period of -5.4% (2021: +9.8%).

Portfolio valuation

Including the Group's share of joint ventures, Industrials REIT's investment properties were valued at £656.5 million at 30 September 2022 (31 March 2022: £685.8 million). On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since 31 March 2022 decreased by 4.5%.

Combined portfolio (including share of joint venture)	Market value 30 September 2022 (£'000)	Portfolio by market value (%)	Property (number)	Area (sq ft)	Annualised contracted gross rental income (£'000)	Net initial yield (weighted average) (%)	Voids by area (%)
Investment properties							
UK multi-let industrials	623,431	95.0	103	7,114,607	41,004	5.8	7.2
Share of joint venture							
German care homes	33,043	5.0	4	206,066	2,654	7.5	0.0
Total	656,474	100.0	107	7,322,673	43,658	5.9	7.0

United Kingdom MLI portfolio

The UK MLI portfolio was independently valued at £623.4 million. On a like-for-like basis valuations decreased by £30.4 million, or -4.7%, over the valuation at 31 March 2022. We calculate that yield softening over the period accounts for -5.4% of like-for-like change with income growth in the period offsetting this by 0.7%. Whilst cap rates are broadly expected to move out further in the immediate future, we expect the MLI asset class to demonstrate its resilience. Demand for MLI space continues to outstrip supply and we anticipate continued rental growth will have a dampening effect on further yield shift, and hence valuations.

In terms of investment activity, in July 2022 we disposed of Rose Kiln Court in Reading for £5.9 million. The Reading property was a non-core asset comprising 31,000 sq ft of hybrid office/industrial accommodation and the disposal proceeds were recycled into MLI opportunities. Accordingly, we acquired a further £8.5 million of MLI (net of purchase costs). All of the completed acquisitions were additional terraces/units on or adjacent to existing holdings.

Share of joint venture

The final non-MLI assets held in our portfolio, four German care homes held in joint venture, were independently valued at €37.6 million. This reflects a decrease of €1.5 million, or 3.8%, from the 31 March 2022 valuation. However, due to weaker Sterling at the period end when compared with 31 March 2022, the Sterling valuation remained broadly unchanged at £33.0 million (31 March 2022: £33.1 million). In line with the Directors' objective to dispose of the care home investment as soon as is practicable, the interest in the joint venture is disclosed as a current asset in the statement of financial position.

Debt and hedging

Total Group borrowings at 30 September 2022 were £196.9 million against £196.2 million as at 31 March 2022. There were no new borrowings in the period and the slight variance relates to amortisation and foreign exchange movements on the joint venture debt. The Group loan to value ratio at 30 September 2022 was 26.5% (31 March 2022: 25.6%). The small increase reflects the valuation decrease seen in the period, offset marginally by a small increase in unrestricted cash to £23.0 million (31 March 2022: £20.7 million).

The £25 million revolving credit facility provided by NatWest and signed in May 2022 was not utilised in the period and remains undrawn. The facility expires in November 2025 and has a commitment fee of 1.13% and a margin of 2.25%.

Looking at the MLI debt of £180.4 million which is across three separate facilities, the weighted average debt maturity stood at 3.7 years at 30 September 2022 compared with 4.2 years at 31 March 2022. The first contractual loan maturity is not until February 2025 and comprises £49.9 million of debt with Lloyds with whom we are in discussions to agree a two-year extension option. The second facility of £64.0 million is with NatWest and has an initial maturity in November 2025 with two additional one-year extension options available to the Group. Our longest dated debt of £66.5 million with Reassure matures in December 2027. Accordingly, we are looking to mitigate all refinance risk until 2027, taking weighted average debt maturity to approximately 5 years. Incorporating extensions is cost effective and will provide both flexibility and further stability in the current uncertain economic environment. The MLI all-in contracted weighted average cost of debt was 2.58% (based on SONIA at 2.19%) compared with 2.19% at 31 March 2022, reflecting the changing interest rate environment over the period.

As at 30 September 2022, 90% (31 March 2022: 76%) of total Group borrowings were subject to fixed interest rates or protected by interest rate derivatives in the form of caps or swaps. The increase in our hedged position reflects the purchase of an interest rate swap in May 2022 on £27 million of debt at a rate of 2.206%, expiring in November 2025. With our Group interest commitments hedged at 90%, we are well protected against further rises in interest rates and a 1% rise in rates would increase the weighted average cost of debt by 0.10%.

Industrials REIT continues to enjoy strong covenant headroom. Across the three MLI loan facilities, our LTV covenant requirements allow for a reduction in values of approximately 50% and interest cover ratio covenants have sufficient cover to cope with an average reduction in net rents of 67%. Against a backdrop of increasing interest rates, recessionary pressures and softening yields, our prudent debt management leaves us well placed to weather the headwinds.

Subsequent events

Since the period end, a further 49 leasing transactions completed over 187,627 sq ft of space (2021: 43 transactions). The transactions included 79,401 sq ft of lettings on previously vacant space, with 108,226 sq ft of lease renewals. Demand for MLI space remains strong, with the number of qualified leads registered in November 2022 at an all-time high.

Prospects

We have had a successful first half with solid earnings, continued occupier demand and rental growth. Our balance sheet remains strong with low Group leverage of 26.5%, no refinancings until 2025, and 90% of our interest rate exposure hedged. Our platform is bedding down nicely, and now that we are fully vertically integrated, we are starting to realise the efficiencies that the Hive will deliver. We continue to proactively manage our estate and the platform on which it is managed.

Whilst there are undoubtedly challenges to face in the immediate future, we are well placed from both an operational and financial perspective. Against this backdrop, we expect to deliver a total full year dividend of not less than that declared last year.

The future continues to hold significant opportunities for our business. We believe that the investment market will go through a period of repricing and look forward to being able to capitalise on opportunities once the operating environment stabilises. We are also exploring joint venture and third-party management opportunities where we can add value from both our direct experience and our platform. We are focused on maximising rental growth, enhancing operational excellence, scaling the portfolio when the time is right, and look forward to delivering value and growth opportunities for all our stakeholders.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are described in the 2022 Annual Report on pages 52 to 57. The Board has continued its regular review of risks during the period, including robust assessments of those risks deemed most material to the Company and its business which are recorded as principal risks, and the consideration of any emerging risks. The Board considers that the principal risks detailed in the 2022 Annual Report remain largely unchanged, although some have evolved as a result of economic uncertainty in the UK. Certain risks have also evolved as a result of the continuous development of the Hive and the in-housing of the facilities management function. The Board's views on these risks are summarised below.

Economic outlook and political risk

High inflation, rising interest rates, the cost-of-living crisis and the threat of a prolonged recession directly impact asset yields and valuations, our cost-base and ability to raise capital and grow our portfolio. They may also indirectly impact the Company via its customers. The Board is continuously reviewing the risk environment, and, with this in mind, the Company has paused its investment activities (although will consider opportunities as they arise), taken steps to maintain a low LTV ratio, reduced interest rate exposure by increasing hedging, not drawn down on an available loan facility, and maintained appropriate cash balances.

Availability and cost of funding

Directly linked to the above risk, this is closely monitored by the Board. The inability to raise adequate funding in the form of equity or debt finance impacts the ability of the Company to deliver on its MLI acquisition targets and scale its business. This risk has increased over the period; however, the Board considers that it should not materially impact the Company's business in the medium to long term. The Board is also actively investigating other growth options as explained in the Prospects section of this report.

Poor performance of the Hive and excessive reliance on the technology platform

The Hive presents multiple opportunities and has already shown its ability to increase efficiencies and operational performance. However, it is accompanied by an increased risk to operations if it does not perform and has resulted in increased reliance on technology partners. It is also crucial that our new ERP system, including enhancements made to support the newly in-housed facilities management team, delivers on its objectives. The Board is confident that adequate controls exist to mitigate these risks and is closely monitoring implementation and performance in these areas.

Information security and cyber threat

This risk increases as our reliance on, and use of, technology increases. Significant emphasis is being placed on this risk by the Board with appropriate investment made by our technology team in continuously improving our controls and resilience to the ever-increasing external threats.

Major health and safety incident at an MLI site

The Board is closely monitoring compliance with health and safety requirements following the in-housing of the facilities management function and is confident that the Company is taking all relevant steps to mitigate the risks of incidents.

All other principal risks included in the 2022 Annual Report have remained stable in the period under review.

Statement of directors' responsibilities

Statement of going concern

At the date of approving these condensed consolidated interim financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management have carefully assessed the impact of the market uncertainties on the Group's net assets, liquidity and ability to continue as a going concern for the foreseeable future.

A look-forward period of 18 months to March 2024 was used by management to assess the going concern basis. Management tested the base-case forecast by considering the downward impact of the macroeconomic environment on collection rates, vacancy rate, inflation, interest rates and loan covenant sensitivity assumptions on the cashflow model. Further disclosure is provided in note 1 of the condensed consolidated interim financial statements. The test concluded that even in this scenario the Group would have positive liquid assets and be able to meet its obligations as they fall due.

In light of this review and the liquid assets held by the Group, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these condensed consolidated financial statements.

The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Statement of directors' responsibilities in respect of the interim report

The directors confirm that to the best of their knowledge:

- i. the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- ii. the operating and financial review together with the statement of principal risks and uncertainties above include a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year, a description of principal risks and uncertainties for the remaining six months of the year, and their impact on the condensed set of consolidated interim financial statements; and
- iii. the operating and financial review together with the condensed set of consolidated interim financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could do so.

The financial statements are published on the Company's website, www.industrialsreit.com. A list of the current directors of Industrials REIT can be found on the Company's website. Legislation in Guernsey governing the preparation and dissemination of the interim financial statements may differ from legislation in other jurisdictions.

Approved by the board on 1 December 2022:

Paul Arenson

Chief Executive Officer

James Beaumont

Chief Financial Officer

Independent review report to Industrials REIT Limited

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, the Johannesburg Stock Exchange Listing Requirements and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", the Johannesburg Stock Exchange Listing Requirements, the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the Johannesburg Stock Exchange Listing Requirements.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the Johannesburg Stock Exchange Listings Requirements and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
1 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed consolidated statement of comprehensive income

For the 6 months to 30 September 2022

		30 September 2022 (unaudited)	30 September 2021 (unaudited)
	Note	£'000	£'000
Continuing operations			
Revenue		24,754	20,028
Expected credit losses		(1,143)	(294)
Property expenses		(4,933)	(4,601)
Net rental income	3	18,678	15,133
Management fee income		-	18
Operating costs	4	(6,604)	(5,589)
Net operating income		12,074	9,562
Fair value (loss)/gain on investment properties	8	(36,357)	32,999
Loss on disposal of property		(230)	-
Income from joint venture	9	326	784
Net foreign exchange (loss)/gain		(50)	42
(Loss)/profit from operations		(24,237)	43,387
Net gain from fair value of financial liabilities		5,800	304
Interest income		57	63
Finance costs		(2,697)	(1,975)
(Loss)/profit for the period before taxation		(21,077)	41,779
Taxation		-	32
(Loss)/profit for the period from continuing operations		(21,077)	41,811
Discontinued operations			
Loss for the period from discontinued operations	10	(182)	(3,037)
(Loss)/profit for the period		(21,259)	38,774
(Loss)/profit attributable to:			
Equity holders		(21,259)	38,774
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation reserve		784	421
Total comprehensive (loss)/income for the period		(20,475)	39,195
Earnings per share			
		Pence	Pence
<i>From continuing operations:</i>			
EPS	5	(7.12)	14.42
Diluted EPS	5	(7.12)	14.38
<i>From continuing and discontinued operations:</i>			
EPS	5	(7.18)	13.37
Diluted EPS	5	(7.18)	13.34

The comparatives have been restated to reflect the change in classification of current year discontinued operations to enable an effective like-for-like comparison.

Condensed consolidated statement of financial position

As at 30 September 2022

	Note	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
ASSETS			
Non-current assets			
Investment properties	8	620,564	645,082
Intangible assets		3,927	3,542
Leasehold improvements and equipment		295	-
Derivative financial instruments	13	7,763	1,864
Other debtors	12	-	6,543
Right of use assets		2,379	35
Total non-current assets		634,928	657,066
Current assets			
Cash and cash equivalents		33,877	31,526
Trade and other receivables	12	15,364	12,159
Investment in joint venture	9	-	385
Investment in joint venture bond	9	15,829	14,883
Taxes receivable		70	-
Assets classified as held for sale	10	-	6,015
Total current assets		65,140	64,968
Total assets		700,068	722,034
LIABILITIES			
Current liabilities			
Taxes payable		-	1,844
Accounts payable and accruals		24,443	19,549
Provisions		605	947
Lease liability		2,295	28
Total current liabilities		27,343	22,368
Non-current liabilities			
Bank loans	11	177,558	177,823
Lease liability		163	7
Total non-current liabilities		177,721	177,830
Total liabilities		205,064	200,198
Net assets		495,004	521,836
EQUITY			
Capital and reserves			
Share capital and share premium	7	327,860	327,061
Equity Reserve		(728)	(3,784)
Retained earnings		147,781	179,252
Foreign currency translation reserve		20,091	19,307
Total equity		495,004	521,836
		£	£
Net asset value per share	6	1.68	1.79
Diluted net asset value per share	6	1.66	1.78

Condensed consolidated statement of changes in equity

For the 6 months to 30 September 2022

	Note	Share capital and share premium £'000	Equity reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 31 March 2022		322,765	189	179,575	19,307	521,836
Treasury shares accounting policy change	1	4,296	(3,973)	(323)	-	-
Adjusted equity at 1 April 2022		327,061	(3,784)	179,252	19,307	521,836
Profit for the period		-	-	(21,259)	-	(21,259)
Foreign currency exchange loss		-	-	-	784	784
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	(21,259)	784	(20,475)
Equity-settled share-based payments		48	906	-	-	954
Repurchase of own shares		-	(254)	-	-	(254)
Ordinary dividends		751	2,404	(10,212)	-	(7,057)
Total contributions and distribution recognised directly in equity		799	3,056	(10,212)	-	(6,357)
Balance at 30 September 2022		327,860	(728)	147,781	20,091	495,004
Balance at 1 April 2021		322,776	(10,058)	91,647	21,455	425,820
Treasury shares accounting policy change	1	1,718	(1,638)	(80)	-	-
Adjusted equity at 1 April 2021		324,492	(11,696)	91,567	21,455	425,820
Profit for the period		-	-	38,774	-	38,774
Other comprehensive income for the period		-	-	-	421	421
Total comprehensive income for the year		-	-	38,774	421	39,195
Equity-settled share-based payments		(227)	3,714	(15)	-	3,472
Ordinary dividends		1,377	3,098	(9,722)	-	(5,247)
Total contributions and distribution recognised directly in equity		1,150	6,812	(9,737)	-	(1,775)
Balance at 30 September 2021		325,644	(4,884)	120,604	21,876	463,240

Consolidated statement of cash flows

For the 6 months to 30 September 2022

		30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
	Note		
Operating activities			
(Loss)/profit from operations from continuing operations		(24,237)	43,387
Loss from operations from discontinued operations		(216)	(2,638)
		(24,453)	40,749
Depreciation	4	116	145
Amortisation of intangibles	4	432	-
Decrease/(increase) in fair value of investment property	8	36,357	(30,579)
Loss on disposal of property		350	2
Income from joint venture	9	(326)	(784)
Share based payments	4	697	734
(Profit)/loss on disposal of subsidiaries	10	(63)	2,350
Exchange rate loss/(gain)		55	(42)
Increase in trade and other receivables		(3,123)	(1,308)
Increase in trade and other payables		2,150	2,574
Cash generated by operations		12,192	13,841
Interest paid		(2,125)	(2,084)
Interest received		457	252
Net tax paid		(468)	(577)
Net cash from operating activities		10,056	11,432
Contributed by:			
Continuing operations		10,517	10,584
Discontinued operations		(461)	848
Investing activities			
Purchase of investment property	8	(8,986)	(38,884)
Capital expenditure - Investment property	8	(2,853)	(914)
Capital expenditure - ERP		(273)	(640)
Capital expenditure - Leasehold improvements and equipment		(309)	-
Proceeds on disposal of investment property, net of selling costs		5,665	26,520
Proceeds from Share Purchase Plan loan repaid		6,530	-
Tax paid on disposal of property		-	(1,186)
Other investment - Cash and short-maturity bonds on call		-	1,000
Disposal of subsidiary		-	24,790
Net cash disposed of in subsidiary		-	(433)
Net cash (used in)/from investing activities		(226)	10,253
Contributed by:			
Continuing operations		(226)	(39,439)
Discontinued operations		-	49,692
Financing activities			
Repayment of borrowings	11	-	(12,620)
Repayment of lease liabilities - capital		(36)	(175)
Amortisation of loans	11	-	(32)
Dividends paid		(5,414)	(5,247)
Withholding tax on dividends paid		(1,409)	(576)
Repurchase of shares		(254)	-
Proceeds from issues of employee share options		209	2,738
Financing fees paid	11	(656)	(174)
Net cash used in financing activities		(7,560)	(16,086)
Contributed by:			
Continuing operations		(7,560)	(7,934)
Discontinued operations		-	(8,152)

Net increase in cash and cash equivalents	2,270	5,599
Effect of foreign exchange gains	81	1,866
Cash and cash equivalents at beginning of the period	31,526	53,982
Cash and cash equivalents at end of the period	33,877	61,447
Contributed by: Continuing operations	32,606	53,395
Discontinued operations and assets held for sale	1,271	8,052

Funds totalling £10.9 million were restricted at 30 September 2022 (2021: £5.1 million).

1 Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with IAS 34 'Interim Financial Reporting', the JSE Listings Requirements, the Disclosure and Transparency Rules of the UK's FCA, applicable Guernsey law and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the 'FRSC Pronouncements').

These condensed consolidated interim financial statements have been reviewed, not audited. The auditor's review opinion is included in this report.

These condensed consolidated financial statements have been prepared by, and are the responsibility of, the Directors of Industrials REIT.

The condensed consolidated financial statements are presented in GBP (Pounds Sterling).

With the exception of the equity adjustments below, the accounting policies and methods of computation are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2022, which were audited and reported on by the Group's external auditor. The consolidated annual financial statements for the year ended 31 March 2022 are available on the Company's website: Industrialsreit.com.

These condensed consolidated interim financial statements reflect the same operating segments at 31 March 2022. The Directors have classified the Guernsey, Germany (retail properties) and Switzerland operating segments as discontinued operations in these condensed consolidated interim financial statements in accordance with IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations. At 30 September 2021, the German (care homes) segment was reported as a discontinued operation. In the current period this segment is being reported as a continuing operation. Accordingly, prior periods in the statement of comprehensive income, statement of cash flows and operating segments note (note 2) have been restated to show the German (care homes) segment as continuing operations. Further details can be found in note 10 - Assets held for sale and discontinued operations.

Treasury shares

The equity reserve account combines the activities of the Company's treasury shares, including the issue of scrip dividend shares, repurchase of share capital, and equity-settled share-based payments. Where share capital is repurchased into Treasury, the amount of the consideration paid, including directly attributable costs, is recognised as a debit in the Equity Reserve.

Previously, distributions out of Treasury were recorded at the scrip dividend reference price, for scrip dividends, or the grant date fair value for equity-settled share-based payments. Under the prior treatment, the Treasury account balance would never clear to nil once all treasury shares are distributed. IFRS and Guernsey company law are silent on the treatment of treasury share accounting, the Company has therefore developed its own accounting policy based upon UK company law.

The new accounting policy states, where the proceeds from scrip dividends settled from Treasury exceed the purchase price paid by the Company the excess is treated as capital and transferred to the share premium account. Where proceeds are less than the purchase price paid by the Company, the balance will be transferred to retained earnings.

All treasury share distributions will be determined on a weighted average price basis.

This change in accounting policy change has been enacted in the current financial period with retrospective effect from 1 April 2021 and has had the following effect on the financial statements:

Depreciation and amortisation

Depreciation and amortisation are charges to the statement of comprehensive income that allocate an assets' cost across its expected useful life. The Company uses the straight-line method to record depreciation and amortisation.

Depreciation and amortisation are recognised from when the asset is first installed and ready for use. In the case of the Industrials Hive intangible asset, amortisation began on 1 April 2022 over a five-year useful life.

Leasehold improvements and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost is the original purchase price, plus costs to bring the asset to a working condition for its intended use.

Going concern

At the date of signing these condensed consolidated financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management have carefully assessed the impact of market uncertainties on the Group's net assets, liquidity and ability to continue as a going concern for the foreseeable future.

A look-forward period of 18 months to March 2024 has been used to assess the going concern basis. Management stress tested the Company's ability to continue as a going concern by considering the downward impact of the macroeconomic environment on collection rates, vacancy rate, inflation, interest rates and loan covenant sensitivity assumptions on the cashflow model. In this scenario analysis:

- An 80% collection rate across the portfolio was considered for the look forward period, due to the uncertainties of the macroeconomic environment on the tenant base.
- 10% increase in direct property and management company costs, for the look forward period (on top of 5% compounded inflation), resulting from increased vacancies and/or rising costs.
- An assumed average 5 year rolling swap rate of 7.1% for the look forward period.

The test concluded that even in this scenario the Group would have positive liquid assets and be able to meet its obligations as they fall due.

Debt refinancing and sensitivities to loan covenants were assessed in detail, as well as the Company's REIT obligations. Despite the disruption to the economy, management do not expect the risk of default to have increased. The projections indicate that the Group will remain within the limits and not breach covenants. In addition, the Group maintains strong relationships with its facility providers and currently has significant headroom for both interest cover and LTV loan covenants. Notwithstanding this assumption, the Group would

have cash resources available, even after considering the respective downside scenarios above, to be utilised to cure covenant breaches if they crystallise and should the lenders take a hard stance. It is further worth noting that the loans are not cross-collateralised and accordingly if certain banks do act aggressively, the Group would continue to operate with the remaining portfolio of assets if any foreclosure events were to arise.

In light of this review and the significant liquid assets, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these condensed consolidated financial statements.

The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Adoption of new and revised standards

In the current period, no new or revised standards and interpretations have been adopted. No other standards or interpretations not yet effective are expected to have a material impact on these condensed consolidated financial statements of the Group.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Although the estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

Key sources of estimation uncertainty

Valuation of the property portfolio

The Group's investment properties are stated at estimated fair value, determined by directors, based on an independent external real estate valuation expert. The valuation of the Group's property portfolio is inherently subjective due to several factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows.

As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made based on assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. The estimated market value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. As a result, if the assumptions prove to be different, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant. Further details can be found in note 8.

2 Operating segments

The Group specialises in the ownership and operation of UK multi-let industrial property. Historically the investment portfolio was geographically distributed across the United Kingdom, Germany, Guernsey and Switzerland. Apart from the Group segment, each segment derives its revenue from the rental of investment properties in their respective geographical regions.

For the period ended	Continuing operations			Discontinued operations			Total
	UK multi-let industrial	Germany ^	Group	Guernsey	Germany ^	Switzerland	
30 September 2022 (unaudited)	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net rental income	18,631	-	-	-	-	-	18,631
Net rental income (other income)	-	-	47	-	-	-	47
Fair value movement on investment properties	(36,357)	-	-	-	-	-	(36,357)
Net gain from fair value of financial liabilities	5,800	-	-	-	-	-	5,800
Loss on disposal of properties	(230)	-	-	-	-	-	(230)
Income from joint venture	-	326	-	-	-	-	326
Net finance costs	(2,745)	-	105	-	-	-	(2,640)
Tax, legal & professional fees	(142)	-	(294)	-	-	-	(436)
Audit fees	-	-	(179)	-	-	-	(179)
Administration fees	(24)	-	(131)	-	-	-	(155)
Non-Executive Directors' costs	-	-	(168)	-	-	-	(168)
Staff remuneration costs	-	-	(2,857)	-	-	-	(2,857)
Operating costs	(11)	-	(2,798)	-	-	-	(2,809)
Net foreign exchange loss	-	-	(50)	-	-	-	(50)
Loss from discontinued operations	-	-	-	-	(119)	(63)	(182)
Total (loss)/profit per reportable segment	(15,078)	326	(6,325)	-	(119)	(63)	(21,259)
As at 30 September 2022 (unaudited)							
Investment properties	620,564	-	-	-	-	-	620,564
Investment in joint venture bond	-	15,829	-	-	-	-	15,829
Cash and cash equivalents	25,245	35	7,326	-	1,074	197	33,877
Other	22,374	-	7,045	-	329	50	29,798
Total assets	668,183	15,864	14,371	-	1,403	247	700,068
Borrowings – bank loans	177,558	-	-	-	-	-	177,558
Other	12,797	4	14,526	-	121	58	27,506
Total liabilities	190,355	4	14,526	-	121	58	205,064

For the period ended 30 September 2021 (unaudited)	Continuing operations			Discontinued operations			Total £'000
	UK multi-let industrial £'000	Germany ^ £'000	Group £'000	Guernsey £'000	Germany ^ £'000	Switzerland £'000	
Net rental income	15,097	-	-	-	-	-	15,097
Net rental income (other income)	-	-	36	-	-	-	36
Net management fee income	-	-	18	-	-	-	18
Fair value movement on investment properties	32,999	-	-	-	-	-	32,999
Net gain/(loss) from fair value of financial liabilities	394	-	(90)	-	-	-	304
Income from joint venture	-	784	-	-	-	-	784
Net finance costs	(1,909)	-	(3)	-	-	-	(1,912)
Tax, legal and professional fees	(252)	-	(26)	-	-	-	(278)
Audit fees	-	-	(150)	-	-	-	(150)
Administration fees	(17)	-	(177)	-	-	-	(194)
Non-Executive Directors' costs	-	-	(140)	-	-	-	(140)
Staff remuneration costs	-	-	(2,462)	-	-	-	(2,462)
Operating costs	(1)	-	(2,364)	-	-	-	(2,365)
Net foreign exchange gain	-	-	42	-	-	-	42
Loss from discontinued operations	-	-	-	(666)	(35)	(2,336)	(3,037)
Tax credit	32	-	-	-	-	-	32
Total profit/(loss) per reportable segment	46,343	784	(5,316)	(666)	(35)	(2,336)	38,774

As at 30 September 2021 (unaudited)

Investment properties	529,027	-	-	-	-	-	529,027
Investment in joint venture	-	195	-	-	-	-	195
Investment in joint venture bonds	-	14,818	-	-	-	-	14,818
Cash and cash equivalents	46,443	195	6,757	5,563	2,300	-	61,258
Other	15,738	-	3,241	-	2,458	-	21,437
Assets classified as held for sale	-	-	-	-	-	10,679	10,679
Total assets	591,208	15,208	9,998	5,563	4,758	10,679	637,414
Borrowings – bank loans	149,007	-	-	-	-	-	149,007
Other	15,636	3	3,346	395	189	-	19,569
Liabilities directly associated with assets classified as held for sale (note 10)	-	-	-	-	-	5,598	5,598
Total liabilities	164,643	3	3,346	395	189	5,598	174,174

^ The German operating segment has been split between continuing and discontinued operations. Due to the expected timeframe it will take to dispose of the care homes joint venture, this cash generating operation is being disclosed as a continuing operation. All other historic German property operations have been listed as discontinued. This classification does not change the Group's strategy to dispose of its ownership interest in the care home's joint venture and will endeavour to complete the transaction as soon as is practicable.

3 Net rental income

	30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
Rental income	20,011	16,581
Tenant recharges	4,583	2,313
Other income	160	1,134
Revenue	24,754	20,028
Direct property costs	(4,933)	(4,601)
Expected credit losses	(1,143)	(294)
Property expenses	(6,076)	(4,895)
Total net rental income	18,678	15,133

4 Operating costs

	30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
Tax, legal and professional fees	436	278
Audit fees	135	112
Interim review fees	44	38
Administration fees	155	194
Non-Executive Directors' costs	168	140
Staff remuneration costs	2,857	2,462
Share-based payments	697	734
ERP project expenses	47	385
Amortisation of ERP intangibles	432	-
Depreciation	116	145
Corporate costs	557	422
IT costs	759	429
Other operating costs	201	250
Total operating costs	6,604	5,589

Share-based payments of £697,000 (2021: £734,000) relate to the equity-settled incentive schemes operated by the Group. As at 30 September 2022, the Group's equity reserve held £4.2 million (31 March 2022: £3.6 million) in relation to the schemes after the exercise of options at fair value of £330,000 (2021: £156,000) during the period.

5 Earnings per ordinary share

	30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
Reconciliation of profit for the period to adjusted EPRA¹ earnings		
Earnings per IFRS statement of comprehensive income attributable to shareholders	(21,259)	38,774
Adjustment to exclude loss from discontinued operations	182	3,037
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	(21,077)	41,811
Earnings per IFRS statement of comprehensive income attributable to shareholders	(21,259)	38,774
Adjustments to calculate EPRA earnings, exclude:		
Loss/(gain) on fair value of investment properties	36,357	(30,597)
Gain on fair value of financial instruments, debt and associated close out costs	(5,800)	(304)
Deferred tax in respect of EPRA adjustments	-	(1,719)
Loss/(gain) on disposal of properties	413	(22)
Tax expense on disposal of properties	-	1,178
(Gain)/loss on disposal of subsidiaries	(63)	2,350
Adjustments above in respect of the joint venture:		
Loss on fair value of investment properties	668	30
Gain on fair value of financial instruments	(221)	(60)
Deferred tax in respect of EPRA adjustments	(71)	14
EPRA earnings attributable to shareholders	10,024	9,644
Further adjustments to arrive at adjusted earnings:		
Costs associated with ERP implementation and amortisation	478	385
Adjusted earnings attributable to shareholders²	10,502	10,029
Basic - weighted average number of shares in issue (excluding treasury shares)	295,895,259	290,002,149
Dilutive - potential ordinary shares (share-based payment awards)	589,652	689,549
Diluted number of shares	296,484,911	290,691,698
Earnings per share from continuing operations		
	pence	pence
IFRS EPS	(7.12)	14.42
Diluted IFRS EPS ³	(7.12)	14.38
Earnings per share from continuing and discontinued operations		
	pence	pence
IFRS EPS	(7.18)	13.37
Diluted IFRS EPS ³	(7.18)	13.34
EPRA EPS	3.39	3.33
Diluted EPRA EPS	3.38	3.32
Adjusted EPS	3.54	3.45

¹ The European Public Real Estate Association Best Practices Recommendations guidelines, February 2022 ('EPRA BPR') provides guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items to provide additional information on the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group and is an indication of the sustainability of dividend payments.

² As described in EPRA BPR, companies wishing to make other adjustments to arrive at an underlying performance measure appropriate to their business model, should do that below 'EPRA earnings' and should use a different name for that measure. 'Adjusted EPS' is a measure that excludes items considered not to be in the ordinary course of business or other exceptional items that do not necessarily provide an accurate picture of the Group's underlying operational performance.

³ In the current period, diluted IFRS EPS' are stated at their respective IFRS EPS values due to the anti-dilutive effect an IFRS loss has on the diluted number of shares.

As at 30 September 2022, the Company held 4,258,406 treasury shares (2021: 7,989,348 and 31 March 2022: 6,520,962).

Costs associated with ERP implementation and amortisation

Industrials REIT Limited has implemented a new enterprise resource planning (ERP) platform encompassing finance and operations, and customer engagement components to help streamline and grow the business. Significant non-recurring costs were incurred, and the ERP implementation expense related to this one-off project which went live on 1 April 2022. The costs of implementing this project, as well as the associated amortisation expense, have been adjusted for as a "company-specific adjustment".

Headline earnings per share

The JSE listings conditions require the calculation of headline earnings and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 – Earnings per Share. Disclosure of headline earnings is not a requirement of IFRS.

	30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
Reconciliation of profit for the period to headline earnings		
Earnings per statement of comprehensive income attributable to shareholders	(21,259)	38,774
<i>Adjustments to calculate headline earnings, exclude:</i>		
Loss/(gain) on fair value of investment properties	36,357	(30,597)
Deferred tax in respect of headline earnings adjustments	-	(1,719)
Loss/(gain) on disposal of properties	413	(22)
Tax expense on disposal of properties	-	1,178
(Gain)/loss on disposal of subsidiaries	(63)	2,350
<i>Adjustments above in respect of joint venture:</i>		
Loss on fair value of investment properties	668	30
Deferred tax	(98)	4
Headline earnings attributable to shareholders	16,018	9,998
Earnings per share	pence	pence
Headline EPS	5.41	3.45
Diluted headline EPS	5.40	3.44

6 Net asset value metrics per share - reconciliations and bridge

EPRA's best practice recommendations are a set of guidelines for public real estate companies which enable investors and other users of annual reports to benefit from the transparency and consistency offered by standardised reporting. EPRA recommends disclosing three measures of net asset value, namely: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

Industrials REIT considers EPRA NTA to be the most relevant measure of the three EPRA NAVs to report on and will act as the key net asset value measure. The EPRA NTA metric is aligned with IFRS NAV in that it includes deferred tax liabilities with regard to properties classified as held for sale. A reconciliation of the three EPRA NAV metrics from IFRS NAV is shown in the table below.

	NAV	EPRA NAV measures		
	IFRS £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
As at 30 September 2022 (unaudited)				
Net assets attributable to equity shareholders	495,004	495,004	495,004	495,004
Adjustments:				
Derivative financial instruments	-	(7,763)	(7,763)	-
Adjustments in respect of joint venture relating to derivative financial instruments and deferred tax ¹	-	1,317	1,317	-
Intangible assets	-	-	(3,927)	-
Purchaser's costs ²	-	42,384	-	-
Fair value of fixed interest rate debt	-	-	-	7,586
Net assets used in per share calculation	495,004	530,942	484,631	502,590
Number of shares in issue (excluding treasury shares) ³	294,516,769	294,516,769	294,516,769	294,516,769
Share-based payment awards	3,778,881	3,778,881	3,778,881	3,778,881
Diluted number of shares	298,295,650	298,295,650	298,295,650	298,295,650
Net assets per share	£	£	£	£
Net asset value per share	1.68	-	-	-
Diluted net asset value per share	1.66	1.78	1.62	1.68

	NAV	EPRA NAV measures		
	IFRS £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
As at 31 March 2022				
Net assets attributable to equity shareholders	521,836	521,836	521,836	521,836
Adjustments:				
Derivative financial instruments	-	(1,864)	(1,864)	-
Adjustments above in respect of joint venture ¹	-	1,557	1,557	-
Intangible assets	-	-	(3,542)	-
Purchaser's costs ²	-	44,125	-	-
Net assets used in per share calculation	521,836	565,654	517,987	521,836
Number of shares in issue (excluding treasury shares) ³	292,254,213	292,254,213	292,254,213	292,254,213
Share-based payment awards	1,181,961	1,181,961	1,181,961	1,181,961
Diluted number of shares	293,436,174	293,436,174	293,436,174	293,436,174
Net assets per share	£	£	£	£
Net asset value per share	1.79	-	-	-
Diluted net asset value per share	1.78	1.93	1.77	1.78

¹ The fair value of the group's share of the joint venture's financial instruments, as well as the deferred tax which has arisen from the revaluation of the joint venture's investment properties and financial instruments, have been excluded from EPRA NRV and EPRA NTA. The deferred tax was excluded on the basis that the deferred tax will only crystallise on sale of the joint venture (for NTA, this will be reassessed when the Company specifically recognises the joint venture as held for sale).

² EPRA NTA and EPRA NDV reflect IFRS values which are net of purchaser's costs. Purchaser's costs include legal fees, stamp duty and land tax, and other local taxes. Any purchaser's costs deducted from the market value, are added back when calculating EPRA NRV.

³ As at 30 September 2022, the Company held 4,258,406 treasury shares (31 March 2022: 6,520,962).

7 Share capital

Authorised

1,000,000,000 ordinary shares with a par value of €0.000001258 each:

	30 September 2022 (unaudited) (no. shares)	31 March 2022 (audited) (no. shares)
Issued share capital		
Opening balance	298,775,175	298,775,175
Closing number of shares in issue	298,775,175	298,775,175

	£'000	£'000
Authorised share capital		
Share capital	1	1
Share premium	327,859	327,060
Total share capital and share premium	327,860	327,061

There were no changes made to the number of authorised shares of the Company during the period under review. Industrials REIT Limited has one class of share. All shares rank equally and are fully paid.

The Company has 298,775,175 (31 March 2022: 298,775,175) ordinary shares in issue at the reporting date, including treasury shares.

On 10 June 2022, the Company announced a final dividend of 3.475 pence per share in respect of the six months to 31 March 2022. On 11 August 2022, the Company announced a take-up of the scrip dividend representing 0.71% of the issued share capital and 2,134,779 shares were subsequently issued from treasury shares on 12 August 2022.

As at 30 September 2022, the Company held 4,258,406 treasury shares (31 March 2022: 6,520,962). During the period, the shareholders were offered the option to receive either a scrip dividend by way of an issue of Industrials REIT's treasury shares, or a cash dividend.

The equity reserve account within equity combines the activities of the Company's treasury shares, including the issue of scrip dividend shares (detailed in the below table) as well as the equity-settled share-based payments that are credited to equity. At 30 September 2022, the carrying value of the Company's treasury shares was £4,880,000 (2021: £5,588,000) and the equity-settled share-based payments reserve reduced this account by £4,152,000 (2021: £3,483,000).

Retained earnings is the cumulative net profit of the Group. Retained earnings can either be paid out to shareholders as a dividend or be reinvested in the Group as working capital.

	30 September 2022 (unaudited) (no. shares)	31 March 2022 (audited) (no. shares)
Treasury shares		
Opening balance	6,520,962	12,866,950
Issue of scrip dividend shares	(2,134,779)	(4,177,958)
Market buy-back of shares for the period (at an average price of £1.69 per share)	150,000	-
Exercised shares from the Deferred Share Bonus Plan	(52,346)	(55,287)
Exercised shares from the Long-Term Incentive Plan	(225,431)	(112,743)
Exercised shares from the Other Share Purchase Plan	-	(2,000,000)
Closing number of treasury shares	4,258,406	6,520,962

8 Investment property

The consolidated market value of investment properties at 30 September 2022 was £623.4 million (31 March 2022: £653.5 million). This now comprises only MLI properties. The carrying amount of the investment properties are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. The registered independent appraisers have an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 30 September 2022, was assessed by the valuers in accordance with the Royal Institution of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

The valuation of the Group's property portfolio is inherently subjective due to several factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made based on assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. The estimated market value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. As a result, if the assumptions prove to be different, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.

The valuations performed by the independent valuers are reviewed internally by senior management. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations.

Discussions of the valuations process and results are held between the senior management and the external valuers on a biannual basis. The Audit and Risk Committee reviews the valuation results and, provided the Committee is satisfied with the results, recommends them to the Board for approval.

The valuation techniques used are consistent with IFRS 13 and use significant 'unobservable' inputs. Investment properties are all at level 3 in the fair value hierarchy and valuations represent the highest and best use of the properties. There have been no changes in valuation techniques since the prior year and no transfers between the fair value hierarchy levels in the current or prior year.

There are interrelationships between all these unobservable inputs as they are determined by market conditions. An increase in more than one unobservable input would magnify the impact on the valuation. The impact on the valuation would be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yield. All revenue is derived from the underlying tenancies given on the investment properties.

With the exception of five (31 March 2022: ten) recently acquired MLI properties, all investment properties are mortgaged, details of which can be seen in note 11. As at the date of signing this report, there are no restrictions on the realisability of any of the underlying investment properties, nor on the remittance of income and disposal proceeds.

The key unobservable inputs used in the valuation of the Group's investment properties at reporting date are detailed in the table below:

	30 September 2022 (unaudited)			31 March 2022 (audited)		
	Investment property	Assets held for sale	Total - wholly owned	Investment property	Assets held for sale	Total - wholly owned
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	645,082	6,015	651,097	511,220	38,206	549,426
Acquisitions	8,986	-	8,986	102,705	-	102,705
Capitalised expenditure	2,844	9	2,853	3,796	102	3,898
Transfers to assets held for sale	-	-	-	(62,148)	62,148	-
Disposals	-	(6,015)	(6,015)	-	(92,807)	(92,807)
Net fair value (loss)/gain on investment properties	(36,348)	(9)	(36,357)	89,509	(2,487)	87,022
Foreign exchange movement in foreign operations	-	-	-	-	853	853
Net carrying value	620,564	-	620,564	645,082	6,015	651,097

The market value of the Group's investment properties, as determined by the Group's external valuer, differs from the carrying value presented in the statement of financial position due to the Group presenting tenant lease incentives separately and the portion of the joint venture the Group does not own. The following table reconciles the net book value of the investment properties to the market value.

	30 September 2022 (unaudited)			31 March 2022 (audited)		
	Group	Joint	Combined	Group	Joint	Combined
	(excl. joint venture)	venture	portfolio	(excl. joint venture)	venture	portfolio
	£'000	£'000	£'000	£'000	£'000	£'000
Market value	623,431	33,043	656,474	653,475	33,099	686,574
Less: share of joint venture not owned ¹	-	-	-	-	(814)	(814)
Portfolio market value	623,431	33,043	656,474	653,475	32,285	685,760
Less: tenant lease incentives	(2,867)	-	(2,867)	(2,378)	-	(2,378)
Net carrying value total	620,564	33,043	653,607	651,097	32,285	683,382

¹ At 30 September 2022, the Group owns 100% (31 March 2022: 97.5%) of the economic interest in its joint venture due to its 100% ownership in the bond and negative net asset position of its 50% equity interest in the joint venture. See note 9 for further information.

	Market value at 30 September 2022 (£'000)	Portfolio by market value (%)	Valuer's ERV (range) (£/sq ft)	Valuer's ERV (weighted average) (£/sq ft)	Valuer's net initial yield (range) (%)	Valuer's
						net initial yield (weighted average) (%)
Combined portfolio (including share of jointly controlled entities)						
Investment properties						
UK multi-let industrial	623,431	95.0 %	2.75-11.51	6.12	(0.2)-8.0 %	5.6 %
Share of joint venture	33,043	5.0 %	9.05-17.69	12.71	5.6-10.3 %	6.9 %
Market value total	656,474	100.0 %	-	6.29	-	5.6 %

	Market value at 31 March 2022 (£'000)	Portfolio by market value (%)	Valuer's ERV (range) (£/sq ft)	Valuer's ERV (weighted average) (£/sq ft)	Valuer's net initial yield (range) (%)	Valuer's
						net initial yield (weighted average) (%)
Combined portfolio (including share of jointly controlled entities)						
Investment properties						
UK multi-let industrial	647,460	94.4 %	2.7-11.5	6.4	1.4-8.0 %	5.3 %
Assets held for sale						
Rose Kiln Court - Reading	6,015	0.9 %	22.3	22.3	9.3 %	9.3 %
Total - wholly owned	653,475	95.3 %	-	6.5	-	5.3 %
Share of joint venture	32,285	4.7 %	8.1-15.7	12.3	5.3-9.4 %	6.4 %
Market value total	685,760	100.0 %	-	6.9	-	5.4 %

9 Investment in joint venture

The Directors have held the investments in the care homes joint venture as a current asset. In line with the Directors' desire to dispose of the care home investments as soon as possible, the joint venture is disclosed as a current asset as the Group expects to receive the proceeds on sale within the next 12 months. However, this investment is not classified as held for sale because it is not highly probable that the sale of these assets is imminent.

Details of the Group's joint venture at the end of the reporting period are as follows:

Name	Place of incorporation	Principal activity	% equity owned by subsidiary
Luxembourg incorporated entities with registered address:			
231, Val des Bons Malades, L-2121 Luxembourg			
ElySION S.A.	Luxembourg	Holding company	50.00%
ElySION Braunschweig S.a.r.l	Luxembourg	Property company	50.00%
ElySION Dessau S.a.r.l	Luxembourg	Property company	50.00%
ElySION Kappeln S.a.r.l	Luxembourg	Property company	50.00%
ElySION Winzlar S.a.r.l	Luxembourg	Property company	50.00%

ElySION S.A.

Industrials REIT Limited owns 100% of the shares and shareholder loans in Bernina Property Holdings Limited ('Bernina'), the results and financial position of which is included within these consolidated financial statements. Bernina in turn owns 50% of the issued share capital and 100% of the bonds of ElySION S.A., a company incorporated in Luxembourg which is the beneficial owner of the Care Home portfolio. The remaining 50% of ElySION S.A. is owned by a joint venture partner who manages the portfolio.

The acquired bonds have attracted, and continue to attract, a 10% compounded interest rate since inception in 2007 and have limited recourse to compartment assets within ElySION S.A., with the proceeds made available to subsidiaries in the joint venture for real estate investment in Care Homes. All costs and expenses incurred by the ElySION S.A. compartment are deducted or withheld from any payment of principal or interest. The fair value has been determined based on the net assets of the compartment which would be available to settle the outstanding bond and which is intrinsically linked to the fair value of the investment property. Further details on the estimates and assumptions used in determining the fair value of investment property can be found in note 8.

Summarised consolidated financial information in respect of the Group's joint venture is set out below. Where applicable, these represent the consolidated results of the respective holding companies.

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Assets		
Investment property	33,044	33,099
Fixed assets	30	30
Financial asset	390	-
Cash and cash equivalents	549	382
Current assets	14	52
Total assets	34,027	33,563
Liabilities		
Bank loans	(16,490)	(16,183)
Bond	(15,867)	(14,883)
Deferred tax	(1,512)	(1,489)
Financial liability	-	(63)
Current liabilities	(234)	(175)
Total liabilities	(34,103)	(32,793)
Net assets of joint venture	(76)	770
Group's investment in joint venture bond *	15,829	14,883
Group's share of joint venture's net assets *	-	385

*The Group's share of losses in excess of the investment reduces the joint venture bond.

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
(Loss)/profit and total comprehensive (loss)/income from continuing operations		
Revenue	1,285	2,470
Finance costs	(904)	(1,769)
Net fair value loss	(1,150)	(100)
Tax expense	(88)	(316)
(Loss)/profit and total comprehensive (loss)/income	(857)	285

Group income from the joint venture represented by:

Share of joint venture (loss)/profit	(428)	142
Interest income on joint venture bond	754	1,465
Net profit on joint venture bond	-	100
Income from the joint venture	326	1,707

Reconciliation of the above summarised financial information to the carrying amount of the interest recognised in the consolidated financial statements:

	Bond ElySION S.A. £'000	Investment in joint venture ElySION S.A. £'000
30 September 2022 (unaudited)	£'000	£'000
Opening balance	14,884	384
Loss from joint venture	-	(428)
Interest income on bond	754	-
Investment receipts	(387)	-
Foreign exchange movement in foreign operations	617	5
Transfer of the Group's share of losses in excess of the investment	(39)	39
Closing balance	15,829	-

	Bond ElySION S.A. £'000	Investment in joint ventures		
	£'000	ElySION S.A. £'000	Other £'000	Total £'000
31 March 2022 (audited)	£'000	£'000	£'000	£'000
Opening balance	14,119	142	1	143
Income/(loss) from joint ventures	-	242	(1)	241
Interest income on bond	1,465	-	-	-
Investment receipts	(604)	-	-	-
Foreign exchange movement in foreign operations	(96)	-	-	-
Closing balance	14,884	384	-	384

10 Assets held for sale and discontinued operations

At 30 September 2022, management consider no properties to meet the conditions relating to assets held for sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. At 31 March 2022, management considered the property known as Rose Kiln Court in Reading, UK to meet the conditions relating to assets held for sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The property was disposed of on 8 July 2022.

Non-current assets classified as held for sale are disclosed at their fair value.

The fair value of the assets held for sale are disclosed in the table below:

	Note	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Investment properties	8	-	6,015
Assets classified as held for sale		-	6,015

The Guernsey, German (retail) and Switzerland operating segments are recognised as discontinued operations by the Group. The results of the discontinued operations were as follows:

	30 September 2022 (unaudited) £'000	30 September 2021 (unaudited) £'000
Rental (loss)/income	(14)	2,846
Tenant recharges	21	699
Other income	-	15
Expected credit losses	1	(386)
Property expenses	(1)	(880)
Net rental income	7	2,294
Operating costs	(161)	(178)
Net operating (loss)/income	(154)	2,116
Fair value loss on investment properties	-	(2,402)
Loss on disposal of properties	(120)	(2)
Profit/(loss) on disposal of subsidiaries	63	(2,350)
Net foreign exchange loss	(5)	-
Loss from operations	(216)	(2,638)
Finance costs	-	(362)
Loss for the year before taxation	(216)	(3,000)
Current tax	34	(1,232)
Deferred tax	-	1,195
Loss for the year from discontinued operations	(182)	(3,037)

Disposals

On 8 July 2022, the Group disposed of its property, Rose Kiln Court, in Reading, UK, held in GGP1 Limited for £5.88 million.

Prior year disposals

On 6 August 2021, the Group disposed of its property, Hermann Quartier shopping centre, in Berlin, Germany, held in Stenprop Hermann Limited for €30.8 million.

On 2 September 2021, the Group disposed of its 100% shareholding in LPE Limited for a consideration which valued the property at £55.0 million. LPE Limited owned the Guernsey property known as Trafalgar Court. The property was disposed of as a subsidiary and is further disclosed in note 25 in the 31 March 2022 annual report.

On 19 July 2018, the Group disposed of seven properties in Switzerland. As part of the agreements entered into for the sale of these Swiss properties, all of which were sold to the same buyer, Industrials REIT provided a guarantee for obligations and liabilities of each of the selling entities. The maximum amount of the guarantee is CHF6.0 million, which lasts until all obligations under the sale agreements have been fulfilled, with a backstop date of 31 July 2028. As at the date of signing these accounts, there had not been any claim under the guarantee.

11 Borrowings

	30 September 2022 (unaudited)			31 March 2022 (audited)		
	Borrowings	Assets held	Total - wholly	Borrowings	Assets held	Total- wholly
		for sale	owned		for sale	owned
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance	177,823	-	177,823	181,144	13,883	195,027
New loans	-	-	-	29,121	-	29,121
Repayment of borrowings	-	-	-	(4,496)	(14,218)	(18,714)
Bank loans associated with the disposal of subsidiaries	-	-	-	-	(27,959)	(27,959)
Transfer of borrowings to assets held for sale	-	-	-	(27,929)	27,929	-
Amortisation of loans	-	-	-	-	(33)	(33)
Capitalised borrowing costs	(656)	-	(656)	(791)	-	(791)
Amortisation of transaction fees	391	-	391	774	37	811
Foreign exchange movement in foreign operations	-	-	-	-	361	361
Total borrowings	177,558	-	177,558	177,823	-	177,823

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Amount due for settlement within 12 months	-	-
Amount due for settlement between one to three years	49,420	49,318
Amount due for settlement between three to five years	62,597	63,052
Amount due for settlement after five years	65,541	65,453
Total borrowings	177,558	177,823
Non-current liabilities		
Bank loans	177,558	177,823
Total non-current loans and borrowings	177,558	177,823

The terms and conditions of outstanding loans are as follows:

Entity	Amortising	Loan interest rate	Currency	Maturity date	Nominal value		Carrying value*	
					30 September	31 March	30 September	31 March
					2022	2022	2022	2022
				(unaudited)	(audited)	(unaudited)	(audited)	
				£'000	£'000	£'000	£'000	
United Kingdom - MLI								
Industrials UK LP	No	1.66 % fixed	GBP	3/12/2027	66,500	66,500	65,541	65,453
Industrials UK 4 Limited	No	SONIA + 1.92 %	GBP	14/11/2025	64,000	64,000	62,797	63,052
Stenprop Industrials 6 Limited	No	SONIA + 1.75%	GBP	3/02/2025	49,898	49,898	49,420	49,318
Industrials UK 4 Limited	No	SONIA + 2.25%	GBP	14/11/2025	-	-	(200)	-
Total borrowings					180,398	180,398	177,558	177,823

* The difference between the nominal and the carrying value represents unamortised facility costs.

The facilities amounting to £180.4 million are secured by legal charges over the properties to which they correspond with a market value of £600.7 million. There is no cross-collateralisation of the facilities.

12 Trade and other receivables

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Non-current receivables		
Other debtors	-	6,543
Total non-current receivables	-	6,543

The non-current other debtors balance of £6.54 million at 31 March 2022 comprised a loan advanced under the Share Purchase Plan. This loan advanced under the Share Purchase Plan was repaid in full during the period under review.

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Current receivables		
Accounts receivable	13,525	8,761
Loss allowance on accounts receivables	(3,924)	(3,229)
Net receivables	9,601	5,532
Lease incentives	2,867	2,378
Loss allowance on lease incentives	(375)	(280)
Net lease incentives	2,492	2,098
Other receivables	2,126	3,854
Prepayments	1,145	675
Total current receivables	15,364	12,159

	30 September 2022 (unaudited)				31 March 2022 (audited)			
	Accounts		Loss	Net	Accounts		Loss	Net
	Receivables	Rate*	Allowance	Receivables	Receivables	Rate*	Allowance	Receivables
	£'000	%	£'000	£'000	£'000	%	£'000	£'000
Not yet due	-	-	-	-	-	-	-	-
1-30 days overdue	7,072	12 %	(425)	6,647	3,596	20 %	(476)	3,120
31-60 days overdue	1,592	24 %	(244)	1,348	702	38 %	(180)	522
61-90 days overdue	212	31 %	(65)	147	462	50 %	(121)	342
91-120 days overdue	660	37 %	(179)	481	864	59 %	(339)	525
More than 120 days overdue	3,989	89 %	(3,011)	978	3,138	80 %	(2,113)	1,025
Closing balance	13,525	-	(3,924)	9,601	8,761	-	(3,229)	5,535

*The actual loss allowance is based on the individual rates shown multiplied by the net receivables, then reduced by tenant deposits. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on shared credit risk characteristics and the days overdue.

The expected loss rates on accounts receivables and lease incentives are based on the Group's historical credit losses experienced over the current period. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Book value approximates fair value.

The movement in loss allowances in respect of trade receivables and lease incentives during the period was as follows:

	30 September 2022 (unaudited) £'000	31 March 2022 (audited) £'000
Loss allowance reconciliation		
Opening balance	3,509	2,311
Remeasurement of loss allowance	1,142	1,328
Bad debts written off	(352)	(130)
Closing balance	4,299	3,509

13 Derivative financial instruments

In accordance with the terms of the borrowing arrangements and Group policy, the Group has entered into interest rate swap agreements which are entered into by the borrowing entities to convert the borrowings from floating to fixed interest rates and are used to manage the interest rate profile of financial liabilities and eliminate future exposure to interest rate fluctuations. It is the Group's policy that no economic trading in derivatives is undertaken by the Group. The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in euros (EUR). The Group's policy is to hedge 100% of net foreign exchange exposure when a disposal contract has been signed. In the current year, the Group recognised a total net gain in fair value of financial instruments from continuing and discontinuing operations of £5,800,000 (2021: £304,000) and nil (2022: nil) respectively.

The following table sets out the interest rate swap agreements at 30 September 2022 and 31 March 2022.

Entity	Effective date	Maturity date	Swap rate %	Notional value	Fair value	Notional value	Fair value
				30 September 2022 £'000	30 September 2022 £'000	31 March 2022 £'000	31 March 2022 £'000
Continuing operations							
UK - MLI							
Industrials UK 4 Limited	29/09/2021	14/11/2024	0.81%	24,000	2,144	24,000	727
Industrials UK 4 Limited	19/05/2022	14/11/2025	2.21%	27,000	2,269	-	-
Stenprop Industrials 6 Limited	22/12/2020	01/02/2024	0.50%	42,413	2,583	42,413	1,137
Stenprop Industrials 6 Limited	01/02/2024	31/01/2025	3.45%	42,413	767	-	-
Total swaps				135,826	7,763	66,413	1,864
Assets maturing within 12 months					-		-
Liabilities maturing within 12 months					-		-
Assets maturing after 12 months					7,763		1,864
Liabilities maturing after 12 months					-		-
Derivative financial instruments – on the statement of financial position					7,763		1,864
Swaps included in investment in joint ventures							
Elyson Braunschweig S.à r.l.	29/03/2018	29/12/2023	0.52%	5,149	105	4,952	(13)
Elyson Dessau S.à r.l.	29/03/2018	29/12/2023	0.52%	5,094	105	4,899	(12)
Elyson Kappeln S.à r.l.	31/12/2018	29/12/2023	0.63%	5,517	110	5,306	(23)
Elyson Winzlar S.à r.l.	31/12/2018	29/12/2023	0.63%	3,531	70	3,395	(15)
Derivative financial instruments – joint ventures				19,291	390	18,552	(63)

14 Contingent Liability

Share Purchase Plan

The Share Purchase Plan (SPP) was a Long-Term Incentive Plan operated by the Company between 2015 and 2017, pursuant to which loans were issued to certain participants (including associates of directors) for the purpose of acquiring shares at market value in the Company. All the SPP loans have been repaid in full by all participants. HMRC considers that a liability arose under Part 7A of ITEPA and has issued protective determinations under Regulation 80 of the Income Tax Regulations 2003 and claims to protect Class 1 NICs in respect of the tax years 2015/16, 2016/17 and 2017/18 in the total amount of £6.2 million. The Company has filed protective appeals against these determinations and claims as the directors, having taken advice from the Company's specialist tax advisers and leading tax Counsel consider that no liability should arise under Part 7A. Accordingly, no provision has been made in the interim accounts. The Company and its advisers are seeking to resolve the matter with HMRC.

15 Financial risk management

The fair value measurement for the Group's financial assets and financial liabilities are categorised into different levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). The fair values of the Group's secured loan facilities and derivative financial instruments are included in Level 2.

Level 3: unobservable inputs for the asset or liability. The fair value of the Group's investment properties is included in Level 3. Valuations represent the highest and best use of the properties.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels for the period ended 30 September 2022.

With the exemption of the fixed interest rate debt, disclosed under the EPRA NDV calculation in note 6, the fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 March 2022.

16 Related party transactions

Parties are considered related if one party has control, joint control or significant influence over the other party in making financial and operating decisions. Transactions with related parties are made on terms equivalent to those that prevail in an arm's-length transaction. There have been no material changes in the related party transactions described in the Annual Report for the year ended 31 March 2022. Transactions with key management personnel are materially consistent with those described in note 8 of the 2022 Annual Report, including details of the bonuses approved on 8 June 2022 in respect of the year ended 31 March 2022.

During the period under review the loan provided to an associate of a director to purchase Industrials REIT shares under the Share Purchase Plan was repaid in full. Further details of this plan can be found in note 12.

Information regarding the transactions and balances with joint venture parties can be found in note 18 of the 2022 Annual Report. There are no other related party transactions that occurred during the period under review.

Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.

17 Events after the reporting period

(i) Declaration of dividend

On 1 December 2022, the directors declared an interim dividend of 3.50 pence per share (2021: 3.375 pence per share). The directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of Industrials REIT treasury shares or in cash. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 15 December 2022. It is expected that shares will commence trading ex-dividend on 18 January 2023 on the JSE and on 19 January 2023 on the LSE. The record date for the dividend is expected to be 20 January 2023 and the dividend payment date, 10 February 2023.

(ii) Adjusting events

Industrials REIT has identified no adjusting events at the date of signing these consolidated financial statements.

Alternative performance measures - unaudited

Industrial REIT's financial statements are prepared under IFRS. Management considers several alternative performance measures ('APMs') important to improve the transparency and relevance of our published results, as well as the comparability of our results with other listed real estate companies. APMs do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. These additional disclosures do not fall into scope of the auditor's review.

EPRA performance measures

Alternative Performance Measures used by Industrial REIT include those defined by The European Public Real Estate Association ('EPRA'). EPRA provides guidelines and recommended reporting standards which aim to bring consistency and transparency to the European real estate sector, and which are widely applied across this market. In February 2022, EPRA issued updated best practice guidelines which are effective for accounting periods starting on or after 1 January 2022, introducing the EPRA LTV ('loan-to-value') to standardise the way real estate companies report their LTV.

The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and provide an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains, or losses on the disposal of properties and other items to provide additional information on the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group and is an indication of the sustainability of dividend payments.

The table below summarises the Group's EPRA performance indicators, as well as the nearest IFRS measure where applicable, and a reference to where in these results further explanation and/or reconciliation can be found.

EPRA performance measure	Nearest IFRS measure	Reference in document	30 September 2022 (unaudited)	31 March 2022 (unaudited)
EPRA cost ratio (excluding direct vacancy costs)	N/A	N/A	33.3%	35.7% (34.2% at 30 September 2021)
EPRA cost ratio (including direct vacancy costs)	N/A	Operating and financial review	39.2%	40.9% (38.7% at 30 September 2021)
Key measure to enable meaningful measurement of the changes in a company's operating costs.				
EPRA earnings	Earnings	Note 5	£10.02 million	£18.45 million (£9.64 million at 30 September 2021)
A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.				
EPRA earnings per share	IFRS EPS	Note 5	3.39p	6.32p (3.33p at 30 September 2021)
EPRA earnings per share (diluted)	Diluted IFRS EPS	Operating and financial review and note 5	3.38p	6.30p (3.32p at 30 September 2021)
EPRA net disposal value per share	Diluted net assets per share	Note 6	£1.68	£1.78
NAV measure that assumes assets are sold and/or liabilities are not held until maturity. Deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the statement of financial position.				
EPRA net reinstatement value per share	Diluted net assets per share	Note 6	£1.78	£1.93
NAV measure to highlight the value of net assets on a long-term basis. Fair value movements on financial derivatives and deferred taxes are excluded.				

EPRA net tangible assets per share	Diluted net	Operating and	£1.62	£1.77
NAV measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability, which is included.	assets per share	financial review and note 6		
EPRA NIY	N/A	N/A	5.6%	5.0%
Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, expressed as a percentage of the market value of property.				(5.7% at 30 September 2021)
EPRA "topped up" NIY	N/A	N/A	6.0%	5.3%
				(5.9% at 30 September 2021)
EPRA Like-for-like rental income growth	N/A	N/A	6.0%	6.0%
This measure illustrates the change in comparable income values.				(4.9% at 30 September 2021)
EPRA LTV	N/A	N/A	24.9%	24.7%
Loan-to-value ratio expressed as a proportion of net debt over total property value in accordance with EPRA guidelines.				
EPRA vacancy rate	N/A	N/A	7.3%	5.8%
A 'pure' (%) measure of investment property space that is vacant, based on estimated market rental value (ERV).				(5.5% at 30 September 2021)
Like-for-like valuation (loss)/growth	N/A	Operating and	(4.5)%	19.4%
This measure illustrates the change in comparable property market values.		financial review		(7.5% at 30 September 2021)
Reversion - UK MLI	N/A	N/A	19.7%	13.2%
The difference between passing rent and ERV. The increase or decrease of rent arises on rent reviews and letting of vacant space or re-letting of expiries. Only figures relating to the UK MLI business are available for this reporting period. In future periods this should increase to the whole Group.				(11.1% at 30 September 2021)

Supplementary calculations not included elsewhere in the unaudited financial statements

EPRA cost ratio

	30 September	30 September
	2022	2021
	(unaudited)	(unaudited)
	£'000	£'000
EPRA cost ratio		
Operating costs per IFRS statement of comprehensive income (including discontinued operations)	6,765	5,767
Property expenses net of tenant recharges	1,472	3,149
Other income	(159)	(1,149)
Above items in respect of share of joint venture	258	217
Costs (including direct vacancy costs) (A)	8,336	7,984
Direct vacancy costs	(1,253)	(914)
Costs (excluding direct vacancy costs) (B)	7,083	7,070
Gross rental income - per IFRS (including discontinued operations)	19,997	19,427
Add: share of joint venture (gross rental income)	1,285	1,220
Gross rental income (C)	21,282	20,647
EPRA cost ratio (including direct vacancy costs) (A/C)	39.2%	38.7%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	33.3%	34.2%

Property related capital expenditure (capex)

No costs directly attributable to overhead and operations that would normally be classified as overhead or administrative costs were capitalised by the Group during the year (2022: nil). The Group does not typically have significant assets under development and does not have a policy of capitalising any overhead and operating expenses.

	Group (excl. Joint venture) £'000	Joint venture (pro-rated) £'000	Total Group £'000
30 September 2022 (unaudited)			
Acquisitions ¹	8,986	-	8,986
Development ²	815	-	815
Investment properties ³			
Incremental lettable space	-	-	-
No incremental lettable space	2,038	-	2,038
Tenant incentives	-	-	-
Other material non-allocated types of expenditure	-	-	-
Capitalised interest	-	-	-
Total capital expenditure	11,839	-	11,839
Conversion from accrual to cash basis	-	-	-
Total capital expenditure on cash basis	11,839	-	11,839

¹ Amounts spent on the purchase of investment properties (including any capitalised transaction costs).

² Amounts spent on investment properties under construction and related development projects (including any internal costs capitalised).

³ Amounts spent on the operational investment property portfolio.

	Group (excl. Joint venture) £'000	Joint venture (pro-rated) £'000	Total Group £'000
30 September 2021 (unaudited)			
Acquisitions ¹	38,884	-	38,884
Development ²	-	-	-
Investment properties ³			
Incremental lettable space	-	-	-
No incremental lettable space	2,074	-	2,074
Tenant incentives	-	-	-
Other material non-allocated types of expenditure	-	-	-
Capitalised interest	-	-	-
Total capital expenditure	40,958	-	40,958
Conversion from accrual to cash basis	(1,160)	-	(1,160)
Total capital expenditure on cash basis	39,798	-	39,798

¹ Amounts spent on the purchase of investment properties (including any capitalised transaction costs).

² Amounts spent on investment properties under construction and related development projects (including any internal costs capitalised).

³ Amounts spent on the operational investment property portfolio.

EPRA Like-for-like rental income growth (%)

	30 September 2022 (unaudited) (£m)	30 September 2021 (unaudited) (£m)	Change (£m)	Change (%)
Annualised gross rental income¹				
UK multi-let industrial ²	36.5	34.4	2.1	6.1%
Share of joint venture ³	2.7	2.5	0.1	5.2%
Total like-for-like	39.2	36.9	2.2	6.0%
Disposals	-	0.7		
Acquisitions	4.6	-		
Total	43.8	37.6		

¹ Gross annual rental income generated by properties that were held by the Group for the year. There is one property undergoing significant development at 30 September 2022. The size of the portfolio, in value, on which the change in comparable income values is based is detailed in note 8.

² Like-for-like rental growth for the UK multi-let industrial portfolio, based on passing rent is 2.7% (2021: 5.0%) with the difference being due to rent free periods and fixed uplifts.

³ A standardised rate has been used to translate the portfolio and remove any foreign exchange impact.

EPRA vacancy rate by ERV

	30 September 2022 (unaudited) (£m)	31 March 2022 (unaudited) (£m)
Estimated rental value of vacant space (A)	3.6	2.8
Estimated rental value of the whole portfolio (B)	49.4	48.1
EPRA vacancy rate by ERV (A/B)	7.3%	5.8%

EPRA NIY and "topped-up" NIY disclosure

	UK multi-let industrial (£m)	Joint venture (£m)	Total (£m)
30 September 2022 (unaudited)			
Market value	623.4	33.0	656.5
Less: developments	(1.6)	-	(1.6)
Add: estimated purchaser's costs	42.4	2.6	45.0
Gross up completed property portfolio valuation (B)	664.2	35.7	699.8
Annualised current passing rental income	38.2	2.7	40.9
Non-recoverable property operating expenses	(1.8)	(0.1)	(2.0)
Annualised net rents (A)	36.4	2.5	38.9
EPRA NIY (A/B)	5.5%	7.1%	5.6%
Add: rent free periods and fixed uplifts	2.8	-	2.8
Topped-up net annualised rent (C)	39.2	2.5	41.7
EPRA "topped-up" NIY (C/B)	5.9%	7.1%	6.0%

	UK multi-let industrial (£m)	Joint venture (£m)	Total (£m)
31 March 2022 (audited)			
Market value	653.5	32.3	685.8
Estimated purchaser's costs	44.0	2.6	46.6
Gross up completed property portfolio valuation (B)	697.5	34.9	732.3
Annualised current passing rental income	38.2	2.5	40.7
Non-recoverable property operating expenses	(3.9)	(0.1)	(4.1)
Annualised net rents (A)	34.3	2.4	36.6
EPRA NIY (A/B)	4.9%	6.7%	5.0%
Add: rent free periods and fixed uplifts	2.1	-	2.1
Topped-up net annualised rent (C)	36.4	2.4	38.7
EPRA "topped-up" NIY (C/B)	5.2%	6.7%	5.3%

EPRA LTV

	Group operations		
	ex. JVs (£m)	Joint venture (£m)	Total (£m)
30 September 2022 (unaudited)			
Borrowings from financial institutions	180.4	8.2	188.6
Bond loans	-	7.9	7.9
Foreign currency derivatives	(7.8)	-	(7.8)
Net payables	9.7	(0.1)	9.6
Less: cash and cash equivalents	(33.9)	(0.3)	(34.2)
Net debt (a)	148.4	15.7	164.1
Investment properties at fair value	621.8	16.5	638.3
Properties under development	1.6	-	1.6
Intangibles	3.9	-	3.9
Financial assets	15.8	-	15.8
Total property value (b)	643.1	16.5	659.6
LTV (a/b)	23.1%	94.8%	24.9%

	Group operations		
	ex. JVs (£m)	Joint venture (£m)	Total (£m)
31 March 2022 (unaudited)			
Borrowings from financial institutions	180.4	8.1	188.5
Bond loans	-	7.4	7.4
Foreign currency derivatives	(1.9)	-	(1.9)
Net payables	7.4	0.1	7.5
Less: cash and cash equivalents	(31.5)	(0.2)	(31.7)
Net debt (a)	154.4	15.4	169.8
Investment properties at fair value	653.5	-	653.5
Properties held for sale	-	16.4	16.4
Intangibles	3.5	-	3.5
Financial assets	14.9	-	14.9
Total property value (b)	671.9	16.4	688.3
LTV (a/b)	23.0%	93.9%	24.7%

Other alternative performance measures

Management use certain financial performance measures to assess the financial and operational performance of the Group. These alternative performance measures are not defined or specified under IFRS or EPRA. However, management believe they provide useful information to readers. These non-IFRS measures may not be comparable to similar measures presented by other companies. The table below summarises the additional alternative performance measures included in these results.

Other alternative performance measure	Nearest IFRS measure	Reference in document	30 September 2022 (unaudited)	31 March 2022 (unaudited)
Adjusted earnings	Earnings	Operating and financial review and note 5	£10.5 million	£20.0 million (£10.0 million at 30 September 2021)
Adjusted earnings per share	Earnings per share	Operating and financial review and note 5	3.54p	6.88p (3.45p at 30 September 2021)
Cost of debt	N/A	Operating and financial review	2.52%	2.16%
Debt maturity	N/A	Operating and financial review	3.5 years	4.0 years
Distribution per share	N/A	Operating and financial review and note 17	3.50p	6.85p
Headline earnings per share	Earnings per share	Note 5	5.41p	7.05p (3.45p at 30 September 2021)
Headline earnings per share - diluted	Diluted earnings per share	Note 5	5.40p	7.02p (3.44p at 30 September 2021)
Loan-to-value ratio (LTV)	N/A	Operating and financial review	26.5%	25.6%
Total accounting return	N/A	Operating and financial review	(5.4)%	23.6% ¹

¹ The total accounting return of 23.6% at 31 March 2022 has been amended from its reported value of 25% in the 31 March 2022 annual report, as per the RNS announcement date 16 August 2022.

FX rates in period

Average foreign exchange rates in the period: £1.00:€1.1740; £1.00:CHF1.1746 (2021: £1.00:€1.1647; £1.00:CHF1.2696).

Period end foreign exchange rates: £1.00:€1.1364; £1.00:CHF1.0918 (31 March 2022: £1.00:€1.1816; £1.00:CHF1.2129).

Corporate information

Industrials REIT Limited

Registered in Guernsey

Registration number: **64865**

LSE share code: **MLI**

JSE share code: **MLI**

ISIN: **GG00BFWMR296**

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Glossary

Adjusted earnings

Utilises EPRA earnings and applies further company-specific adjustments to earnings to exclude items considered not to be in the ordinary course of business or other exceptional items that do not necessarily provide an accurate picture of the Group's underlying operational performance.

Contractual rent

Rent receivable including rent contracted from expiry of rent-free periods and fixed uplifts (rent from long leaseholds are excluded).

Debt maturity

Measured in years, the debt maturity is calculated by comparing the reference date (e.g. period-end) to the maturity date of the debt referred to.

EPRA

The European Public Real Estate Association.

EPRA cost ratio (excluding direct vacancy costs)

Administrative and operating costs (adjusted to exclude vacancy costs) expressed as a percentage of gross rental income.

EPRA earnings

Earnings from operational activities. A key measure of the Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

EPRA like-for-like rental income growth

The change in gross contractual rental income at reporting date, generated by properties that were held by the Group for the year, excluding properties undergoing significant development. This measure illustrates the change in comparable income values.

EPRA NDV per share

EPRA net disposal value per share after considering dilutive share options.

EPRA net initial yield (EPRA NIY)

Passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Adjusted earnings per share

Adjusted earnings per share after considering dilutive share options.

Cost of debt

This represents the all-in interest rate after including the reference rate, the margin and interest rate derivative, if applicable. The Group weighted average cost of debt is the all-in interest rate of the Group weighted by loan size.

Dividend per share

Total dividend per share that Industrials REIT makes to shareholders in respect of the financial year. Dividends are paid twice yearly.

EPRA "topped up" NIY

EPRA NIY adjusted for the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

EPRA cost ratio (including direct vacancy costs)

Administrative and operating costs expressed as a percentage of gross rental income.

EPRA earnings per share

Earnings from operational activities per share after considering dilutive share options.

EPRA LTV

Loan-to-value ratio expressed as a proportion of net debt over total property value in accordance with EPRA guidelines.

EPRA net disposal value (NDV)

An EPRA NAV measure that represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA net reinstatement value (NRV)

A NAV measure that aims to represent the value required to rebuild the entity. The NAV per the IFRS financial statements is adjusted to assume that the entity never sells assets.

EPRA net tangible assets (NTA)

The NAV per the IFRS financial statements is adjusted to assume that the entity buys and sells assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA NTA per share

EPRA net tangible assets per share after considering dilutive share options.

EPS

Earnings per share based on the weighted average number of shares in issue.

Estimated rental value (ERV)

Industrials REIT's 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.

Gross rental income

Rental income is as reported in the income statement, on an accruals basis, and adjusted for the spreading of lease incentives over the term of the lease. It is stated gross, prior to the deduction of property operating expenses.

Headline earnings

A method of reporting corporate earnings, as required by the JSE listings requirements. The measure is based entirely on operational, trading, and capital investment activities achieved during the period. Excluded from the headline earnings figure are profits or losses associated with the sale or termination of discontinued operations, fixed assets or related businesses, or from any permanent devaluation or write-off of their values.

Interest cover

Represents the number of times net interest payable is covered by underlying rental income (or net rental income, as appropriate).

Like-for-like basis

This represents the change in a measure (such as passing rent or property valuation) for reference data that applies throughout the current and previous periods under review.

NAV

Net asset value.

Net initial yield ("NIY")

The passing rent expressed as a percentage of the market value, after adding notional purchaser's costs.

Occupancy rate

Estimated market rental value (ERV) of occupied space divided by ERV of the portfolio as a whole (the inverse of EPRA vacancy rate).

EPRA NRV per share

EPRA net reinstatement value per share after considering dilutive share options.

EPRA vacancy rate

Estimated rental value of vacant space divided by estimated rental value of the portfolio as a whole.

Equivalent yield

A weighted average of the net initial yield and reversionary yield. It represents the return a property will produce based upon the timing of the income received.

EURIBOR

EURO Interbank Offered Rate; daily reference rate, published by the European Money Markets Institute, based on the average interest rates at which Eurozone banks offer to lend funds.

Group

Industrials REIT, the Company, its subsidiaries and its share of its joint venture.

IFRS

International Financial Reporting Standards issued by the International Accounting Standards Board.

LIBOR

London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Loan-to-value (LTV)

Loan to value (LTV) is the ratio of principal value of gross debt, less unrestricted cash, to the Group's aggregate value of properties.

Net assets per share

NAV divided by the number of shares in issue at the period end (less treasury shares).

Net rental income

Gross rental income, less ground rents paid, net service charge expenses and property operating expenses.

Passing rent

Rental income receivable on a property as at the reporting date. Excludes rental income where a rent-free period is in operation.

Property income distribution (PID)

As a REIT, the Group is obliged to distribute 90% of its UK property tax-exempt profits. PIDs are profits distributed to shareholders, which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20%, which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholders (e.g., pension funds) are tax exempt and receive PIDs without deduction of withholding tax. REITs also pay out normal dividends, which are taxed in the same way as dividends received from non-REIT companies and are not subject to withholding tax.

Restricted cash

Represents restricted cash balances, including tenant deposits, service charge monies held by managing agents and monies held in bank accounts secured by lenders, for the purposes of debt repayments.

SMEs

Small and Medium-sized Enterprises.

Square meters (sq m)

The area of buildings' measurement used in the emissions reporting analysis. The conversion factor used, where appropriate, is one sq m = 10.7639 sq ft.

Total shareholder return

The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock.

Unrestricted cash

Cash, cash equivalents and liquid investments after deducting restricted cash.

Valuer's net initial yield

The net initial yield as determined by Industrials REIT's external valuers.

WAULT

Weighted average unexpired lease term, indicating the average remaining life of the leases within our portfolio.

Real estate investment trust (REIT)

REITs are property companies that allow people and organisations to invest in commercial property and receive benefits as if they directly owned the properties themselves. The effect is that taxation is moved from the corporate level to the investor level as investors are liable for tax as if they owned the property directly. Industrials REIT became a UK REIT in May 2018.

Reversion

The difference between passing rent and ERV. The increase or decrease of rent arises at rent reviews, the letting of vacant space or the reletting of existing leases.

SONIA

Sterling Overnight Index Average.

Total accounting return

Growth in EPRA NTA per share plus dividends paid, expressed as a percentage of EPRA NTA per share at the beginning of the period.

Treasury shares

Shares repurchased by the Company, reducing the amount of outstanding stock on the open market.

Valuer's ERV

The annualised estimated market rental value of lettable space as determined by Industrials REIT's external valuers.

Voids

Unlet space as a percentage of area, including voids where refurbishment work is being carried out unless specifically mentioned.