INDUSTRIALS REIT LIMITED
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DEMAND DRIVEN RENTAL GROWTH DRIVES STRONG FULL YEAR RESULTS

Industrials REIT Limited ('**Industrials REIT**' or the '**Company**' and, together with its subsidiaries, the '**Group**'), the specialist UK multi-let industrial ('MLI') business, announces results for the full year to 31 March 2022, which show continued robust rental growth driven by occupier demand.

Commenting on the results Paul Arenson, CEO of Industrials REIT, said: "This financial year marks the end of our four-year transition strategy to a specialist MLI business. We now own and operate a portfolio of over seven million square feet of high-quality MLI assets, situated in and around towns and cities across the UK. The Company also benefits from a class leading digital-first operating platform, branded as Industrials Hive. With these two fundamental building blocks in place, we are pushing forward with delivering a differentiated customer experience, driven by operational excellence and efficiency.

"We are pleased to have delivered another strong operating performance, achieving like-for-like rental growth of 4.4% and like-for-like valuation growth of 20.8% across our MLI portfolio, resulting in a total accounting return for the year of 25.0%.

"A combination of land scarcity in urban areas and high build costs, even before the impact of the current high inflationary environment, continues to constrain the supply of new units. At a time when technology and e-commerce, coupled with a focus on supply chains and onshoring manufacturing, have increased the demand for flexible, quality MLI space, we have been able to grow and diversify our overall occupier base. This ongoing expansion and diversification of our customer base demonstrates the widespread appeal of our well-managed, affordable and high quality MLI space to companies across a multitude of traditional and new sectors. We believe that this will provide future income resilience through our lack of reliance on any one specific business sector; we currently have over 1,500 customers occupying our units who are very diversified in their business activities. Our largest single tenant exposure comprises less than 2% of our total rent roll.

"Despite the economic and geopolitical uncertainty at present, we remain confident that the strong fundamentals of the MLI sector should see us continue to achieve our 4% to 5% per annum rental growth rate target and our 10%+ total accounting return target over the coming years. We also continue to have ambitions to grow our business through further MLI acquisitions, allowing us to leverage the economies of scale and other efficiencies and benefits our technology-enabled platform affords."

Operational highlights: Strong demand continues to drive rental growth

- Like-for-like passing rent increased 4.4% (2021: 5.6%)
- 265 new leases agreed, with Smart Lease transactions accounting for 53% of all new lettings and renewals, shortening void periods and reducing costs
- Portfolio ERV increased 4.3% on a like-for-like basis (2021: 5.1%), creating a 12.6% premium to current passing rent on occupied units which is highly supportive of future rental growth
- Occupancy across MLI portfolio steady at 93.6% (2021: 93.7%)
- £97.6 million aggregate purchase price of 18 MLI assets (2021: £91.5 million across 14 assets) which grew the portfolio to 104 properties and helped increase MLI net rental income by 42% to £32.8 million over the year (2021: £23.1 million)
- Sales of the final three wholly owned non-MLI assets completed in the year generating aggregate net sales proceeds of £46 million. Our share of the joint venture holding the German care homes portfolio is in a sales process
- Rent collection levels are now nearing pre-Covid levels with 93% of invoices billed in FY22 paid, resulting in a reduction in the bad debt expense to £1.3 million (2021: £2.0 million)

Financial highlights: Profit doubled

- Record total accounting return of 25.0% (2021: 11.4%) driven by a 20.4% increase in EPRA NTA per share to £1.77 (2021: £1.47)
- Declared 6.85 pence per share covered total dividend for the year (2021: 6.75 pence)
- IFRS profit before tax doubled to £107.5 million (2021: £53.0 million), driven by MLI valuation uplifts of £89.5 million compared with £26.9 million in the prior year
- 20.8% like-for-like valuation growth along with new acquisitions helped increase total MLI portfolio valuation to £653.5 million. Including the share of the jointly owned care homes portfolio, the total portfolio valuation was £685.8 million at year end (2021: £582.3 million)
- 96.7% increase in diluted IFRS EPS to 36.68 pence (2021: 18.57 pence) with adjusted EPS increasing to 6.88 pence per share (31 March 2021: 6.78 pence)
- 20.3% increase in diluted IFRS net asset value per share to £1.78 (2021: £1.48)
- Low loan-to-value of 25.6% (2021: 28.1%) with total debt of £196.2 million, including the share of joint venture debt, and unrestricted cash balances of £20.7 million at year end

Financial Highlights	**FY22**	FY21	Change
Total dividend per share	**6.85p**	6.75p	+1.5%
Diluted IFRS earnings per share	**36.68p**	18.57p	+97.5%
Adjusted earnings per share[1]	**6.88p**	6.78p	+1.5%
Diluted EPRA earnings per share[2]	**6.30p**	6.62p	-4.8%

Total accounting return	**25.0%**	11.4%	+13.6 pts
Diluted IFRS NAV per share	**£1.78**	£1.48	+20.3%
EPRA NTA per share[3]	**£1.77**	£1.47	+20.4%
Portfolio valuation (including share of care home joint venture)	**£685.8m**	£582.3m	+17.8%
Like-for-like portfolio valuation[4] increase in year	**+19.4%**	+6.3%	+13.1 pts
Loan-to-value[5]	**25.6%**	28.1%	-2.5 pts

1. See note 14 to the financial statements for reconciliation to IFRS earnings per share (and for all subsequent references in this report to IFRS/EPRA earnings).
2. Reduction in year driven by one-off listing costs of £1.0 million (0.33 pence per share) relating to the step-up to the Premium Segment of London Stock Exchange.
3. See note 15 to the financial statements for reconciliation to IFRS NAV per share (and for all subsequent references in this report to IFRS/EPRA NTA).
4. Adjusted for sales and acquisitions in the year. Includes share of the care homes joint venture.
5. Loan-to-value (LTV) ratio is the ratio of total borrowings, less unrestricted cash, to the Group's aggregate value of properties.

A webcast will be held for investors and analysts this morning at 9am and can be accessed here:
https://bit.ly/3aCZshH

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About Industrials REIT:

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.

Chief Executive's statement

I am pleased to be reporting another strong year of progress for Industrials REIT. This year marks the end of our four-year transition strategy into a fully-fledged multi-let industrial (MLI) owning and operating business. Going forward, investors will experience the full impact of owning and operating a portfolio of £653.5million (7.3 million sq ft) of purpose-built MLI, situated in and around numerous towns and cities across the UK.

During this year, our MLI portfolio continued to perform strongly delivering like-for-like rental growth of 4.4% for the year.

We remain confident our underlying rental growth rate of between 4% and 5% per annum is likely to continue for a number of years, particularly as we have delivered over 5% rental growth in each of the previous two years. Our confidence is based on the following factors:

- **Demand for MLI space remains strong and is increasingly diverse.** More importantly, the demand is coming from a large variety of non-industrial businesses which have never previously occupied MLI space. This is as a direct result of the advances in communications technology and the resulting e-commerce revolution, which has enabled many businesses to operate from MLI units and use the internet to access suppliers and customers in a way that could not be done before. Traditional industrial occupiers are simultaneously experiencing a revival, with less inclination for businesses to outsource manufacturing offshore due to increased transport costs and less reliable security of supply resulting in more local production and increased stock levels. We believe the trends of e-commerce and deglobalisation are both likely to continue for the foreseeable future.
- **Supply of new MLI units remains constrained**. MLI units need to be situated in and around densely populated towns and cities and what little land is currently available in those locations tends to be developed for residential. Furthermore, even where industrial is the most viable use, it tends to be for single-let distribution units leased to strong tenants on long leases. An additional supply constraint is the fact that in all but very few locations, were a developer minded to build small MLI units speculatively, the level of current MLI rents and yields achievable relative to build costs would likely result in development losses. We estimate MLI build costs (excluding land) to be around £120 per sq ft compared to the current independent valuation of our portfolio of £90 per sq ft. For the foreseeable future, we continue to be able to buy MLI estates at around 70% of replacement cost.
- **Our average rents of £5.72 per sq ft are extremely affordable**. It means our average unit of 3,500 sq ft costs approximately £20,000 in annual rent which in relative terms is roughly the same amount most of our customers would pay some of their junior employees. Our research estimates the rent typically represents between just 1 and 3% of customer turnover and, in our view, occupiers can comfortably absorb rental growth.
- **MLI does not suffer from design or functional obsolescence**. There is little extra utility for an occupier between a new unit and an old one, with those having been built thirty years ago being virtually the same as those that would be built today. This makes the buildings highly sustainable with long economic lives, reducing the need and benefit of redevelopment and benefiting the investors, who can enjoy attractive returns over a long period with low levels of additional capital expenditure.

These factors have been driving rental growth of approximately 4-5% per annum on our MLI portfolio for the last four years. We believe this growth rate will continue for so long as supply remains constrained and demand continues. We estimate that at current yields and current build costs, development of new MLI units is only feasible if rents are at or above £10 per sq ft. Our current average rent is £5.72 per sq ft. At the current 5% rental growth, we estimate it will take between five to ten years for meaningful development to be feasible, assuming the unlikely eventualities of there being no future increases in build costs, no land becoming available or adverse shifts in investment yields/multiples and/or a significant reversal in demand.

As a result of these fundamentals, we are confident we will be able to deliver on our total accounting return (TAR) target of a minimum of 10% per annum for the foreseeable future. TAR is the aggregate of the dividend paid plus the increase in net asset value we expect to achieve, as a percentage of the NAV at the start of the year. This year, we have delivered a TAR of 25% made up of dividends paid of 6.75p plus an increase in NAV per share of 30p.

Our current EPRA cost ratio is 40.9%. This reflects the intensely operational nature of the MLI asset class. It also reflects the fact that we are internally managed and could potentially manage significantly more MLI assets with the platform we have in place. The MLI asset class is very management-intensive, as it comprises a large number of diverse individual occupiers on relatively short leases spread over a wide geographic area.

We have in excess of 1,500 different tenants in our portfolio, none of whom represent more than 2% of our annual rent roll, which gives the business fantastic income diversification but also makes management more onerous. Our average lease is approximately four years in duration and we turn over approximately 25% of all our leases each year. It is clear that risk and efficiency needs to be managed through scale.

It is also clear that scale cannot be achieved efficiently without a technology-enabled management platform, an asset which we have been steadily building over the past four years as we transitioned from being a passive allocator of capital to being an MLI operating company. We believe that by utilising this platform (assuming all other aspects remain constant) every additional MLI unit that we acquire, will come in at an EPRA cost ratio of approximately 20%, meaning that as the business grows in size, the EPRA cost ratio will fall.

The next phase of our strategy is to seek to enlarge our portfolio with further MLI acquisitions of approximately £100 million to £125 million per annum, enabling us to approximately double its size over the next four years. On this basis, all other things being equal, we estimate that our blended cost ratio should reduce from 40.9% to 30% with scope for further reductions as we increase the size of the portfolio further. We are well-positioned to achieve this, having built our management platform and having demonstrated an ability to buy approximately £100 million of additional MLI per annum, while remaining disciplined in our investment criteria and only purchasing properties which are accretive investments in their own right (see our property report for more details).

Over the last four years, acquisitions have been funded through the sale of non-MLI assets and from debt. Going forward, the funds will need to come from a combination of new equity issuance and debt. Any future equity raises will be dependent on securing a suitable pipeline of acquisition opportunities which meet our criteria. More importantly, we are not in a position where we need to make acquisitions to deliver returns. We are confident we can still deliver a TAR in excess of 10% per annum based on the fundamental growth inherent in our existing portfolio without any new acquisitions. The additional acquisitions are more about enhancing earnings through the efficiency of a lower overall cost ratio by defraying many central costs over a larger asset base.

We expect further benefits to flow from our management platform through overall efficiency savings and increases in revenue by streamlining the leasing process through our digital and smart leasing activities and enhancing our customer service offering. These improvements will help cut the structural vacancy in the portfolio, which is created by the gaps between customers vacating and new customers taking occupation. It also cuts the costs of each lease by reducing the transaction fees paid to agents and lawyers. In a business which renews or relets 25% of all leases each year and relatively short lease terms, these friction cost savings are critical and can only be achieved with a scalable operating platform.

A further anticipated revenue stream, which also demonstrates the power of an MLI operating platform, is the ability to show that the MLI asset class can be efficiently managed for third-party capital providers. At present, there is almost no ability for investors to access specialist MLI operating platforms, and as such the MLI asset class remains the highest yielding in the industrial sector, as it is perceived to have high leakage costs and is cumbersome to manage. We anticipate that once operating platforms become available in the MLI sector, the sector itself will re-rate just as other management-intensive sectors like student accommodation and self-storage have in the past. Listed operating companies in these sectors with proven management platforms and an ability to scale typically trade on significant premiums to NAV, while the underlying assets also trade on significantly lower yields than before the advent of the management platforms.

As our portfolio grows, so will the diversification of our rental income which will further stabilise cash flows in much the same way as self-storage or residential operators, where cash flows are valued based upon their consistency rather than the underlying lease terms and covenant strengths. There is great strength in income granularity and occupier diversity, which coupled with strong demand for space relative to supply, should deliver secure and consistent revenue growth over the long term. An added benefit is that such cash flows are evergreen in the sense that there is never a cliff edge of lease expiries, as the operational nature of frequent lease churn ensures a consistent unexpired lease length.

We recognise the critical role that “ESG” factors play in delivering operational and financial performance. In this respect, we also understand that monitoring and disclosing the performance of our portfolio is fundamental to delivering value to our stakeholders and meeting their expectations around ESG. As you will see later in this report, during 2021, we continued to enhance the way sustainability is incorporated into business activities, with a strong emphasis on the social, wellness and diversity aspects. We also spent time gaining a better understanding of our carbon footprint, what can be done to improve the energy efficiency of our buildings and how climate change is likely to impact our business going forward. Our people are passionate about Industrials REIT being a force for positive change, and we are excited about the potential for the business to make a positive difference to the 1,500+ SME companies that call our buildings their home. There is still a lot of work to be done in this rapidly evolving landscape, and we are working hard to both enhance our reporting and implement practical initiatives across our business.

Despite the positive long-term trends we are seeing in MLI, as we move into the financial year ending 31 March 2023 we are cognisant of several challenges that are emerging which will require us to be vigilant.

The first of these is the cost inflation being seen across the entire economy, to which we are not immune. From our perspective, operating costs are increasing primarily because of wage inflation, which is significant across all disciplines but especially within the industrial property and technology skillsets. As an internally managed entity, this can impact overall EPRA cost ratios. Similarly, the cost of maintaining or building MLI units is also going up. We have very limited development exposure but estimate that the cost of building a new MLI unit has increased by over 20% in the last 18 months. This further reduces the likelihood of any new supply coming on stream and should therefore be positive for future rental growth, which over time we also expect to occur in any case as a result of inflation.

The second challenge is central banks’ response to these inflationary pressures through increasing interest rates and withdrawing quantitative easing. This is having a material impact on borrowing costs. Eighteen months ago, we were able to borrow at an all-in fixed rate for seven years at 1.66%. Now, five-year all-in fixed rate borrowings are costing approximately 3.75%. This means interest costs are now getting close to net initial yields (after operating leakage) and are no longer enhancing cash flow at the time of acquisition. Leveraged returns are becoming dependent on future rental growth and/or yield compression to provide enhanced returns. In this environment, we need to be more prudent on debt and LTV levels and are likely to target lower overall debt levels of around 30% rather than 40%. We would also seek lower levels of leverage on new acquisitions.

If top line revenue growth is unable to keep up, these increases in operating costs are likely to dampen earnings. However, we believe the potential for revenue growth remains strong due to the demand/supply imbalances and other factors in the MLI market referred to above. These give us the potential of passing on increased costs through higher rents and mitigating cost increases through future scale savings from our platform.

In this changing economic environment, there is a risk of a fall in GDP and a possible recessionary environment for a period. Under such conditions, we do not anticipate that vacancy levels will rise to levels experienced in previous severe economic downturns such as in 2008 and in the early 90s. Our thesis is that the structural change in the nature of demand from e-commerce related businesses has created a whole new class of businesses, who now need MLI space compared to the past where it was only the industrial manufacturing and service businesses. This growth in the universe and type of occupiers has taken place at a time of no new supply due to cost and land availability constraints. In our view, the existence of this additional new group of occupiers will go a significant way to offsetting the impact of vacancies due to a downturn. We saw this in the downturn caused by the pandemic, although we appreciate that the specifics of that downturn caused an acceleration of the growth in demand for online solutions.

Notwithstanding these challenges, I remain excited and passionate about the prospects for Industrials REIT and its stakeholders. MLI is an asset class which offers significant potential and is a big beneficiary of several important structural and societal changes taking place in the world around us. It is an asset class where we believe our operational platform-based approach to management provides us with a clear competitive advantage. We benefit from the combination of an aligned internalised management team with significant skin in the game and a long-term approach through our permanent capital structure. This enables us to invest in the technology, systems and staff required to deliver the platform. It also needs a team with vision to do things differently and be passionate about changing the way an industry operates with a focus on delivering the customer service and systems this requires. We have all of these in place and are building on our brand and vision. In executing our strategy, I am confident we will deliver superior returns with low risk over a long duration and growth opportunities and value for all of our stakeholders.

I take this opportunity to thank all of our stakeholders and our Board for their support. In particular, I wish to thank our people who have been so instrumental in executing on our vision and in managing the relationships with our customers and our suppliers throughout the year.

Paul Arenson
Chief Executive Officer
9 June 2022

Property report and investment

MLI performance overview

Performance of the MLI portfolio over the 12 months to 31 March 2022 was strong and in-line with expectations, driven by constrained supply and growing demand for multi-let industrial units across the UK.

Occupancy across the portfolio was stable (93.6% vs. 93.7% in March 2021), maintaining upward pressure on rents for available units and giving existing customers limited options upon lease renewal. Consequently, we have witnessed strong rental growth, rental incentives remaining at historically low levels and competitive tension for new lettings, as new entrants into the MLI market compete for limited available space. During the year we signed 265 new leases on over 1 million sq ft of space, delivering an average uplift in rent of 22% when compared to the previous passing rent.

During the year, we continued with our strategy of reducing transaction times and introducing fixed pricing into leases with our Smart Lease, which will help reduce overall vacancy levels and deliver guaranteed growth of c. 3% per annum in rents during the lease term. This strategy will deliver contractual uplifts of 5.5% from current passing rents during the remainder of existing leases. Furthermore, the average passing rent remains 13% below the estimated rental value of currently leased units, giving plenty of baked in future rent growth when leases come to expiry if occupancy levels remain stable.

Overall, passing rents grew 4.4% during the year and remain highly affordable at £5.72 per sq ft. The overall ERV of the portfolio grew by a similar 4.3% over the year, and again remains affordable at £6.41 per sq ft providing plenty of potential for further rental growth in the future.

Portfolio Overview

Over the 12 months ended March 2022, the total income from the MLI portfolio increased by £7.9 million, of which approximately £4.7 million was from new acquisitions. The total occupancy of the portfolio remained broadly stable over the year, finishing the year at 93.6%, peaking in the June 2021 quarter at 94.9%.

During the year, we let or renewed 265 leases, one of which resulted in the reletting of space previously occupied by our largest tenant to multiple smaller occupiers. As a result, the portfolio is now even more diversified, with no single tenant accounting for more than 2% of total revenue and the top ten tenants accounting for just 11% of total revenue. This diversification also extends to the geographies where the properties are located and the types of occupiers within the portfolio, where again there is no significant reliance on any one area, industry or customer type. We continue to see further diversification within the customer base as traditional occupiers are displaced by new entrants into the market, largely trading via successful and growing e-commerce platforms.

Rents

Like-for-like rental growth was 4.4% for the year, despite a small reduction in occupancy of 0.3%. Much of this growth was captured in the first and last quarters of the year which saw strong take up of units and high levels of leasing activity. The majority of leases signed during the year included 3% annual uplifts in rent, which is now translating into average contractual uplifts within all leases of 5.5% during the remainder of the lease term.

ERVs grew by 4.3% during the year resulting in a 12.6% premium between the passing rent and the ERV on currently occupied units, providing baked-in future revenue growth so long as rents remain at the current levels. The total ERV on the portfolio offers a further 6.5% growth from this level, which would be captured through the leasing up of space currently held vacant.

Demand and Leasing Activity

Overall demand for space in financial year ended 31 March 2022 was up approximately 50% on the previous year as the positive impacts of the pandemic on customer demand took hold. In addition, we made significant improvements to the quality of the enquiries generated through Industrials Hive resulting in greater efficiency through the leasing process.

On completed new lettings and renewals, we saw rents rise on average by 21.9% from the previous passing level. Increasingly strong new lettings drove this performance with an average uplift of 26.1% vs. 18% for renewals, a sign of the high levels of competitive tension in the market from new occupiers who are often able to pay higher rents than incumbent businesses. Strong new lettings of vacant units on an estate also set a new rental tone which can then be rolled out across the remaining units at lease renewal, illustrating how important a controlled level of structural vacancy is for driving rental growth.

Lease terms remained consistent through the year at c. 4.5 years with a break after 3.5 years, while rent incentives remain very low at one month rent free (normally taken as two months half rent) for signing a new lease. Smart Lease transactions accounted for 53% of all new lettings and renewals and continue to transact significantly quicker than traditional leases thereby shortening void periods and cutting costs.

Despite the impacts of COVID-19, tenant retention remained flat at 79% for the year illustrating how resilient MLI has been to the economic challenges created by the pandemic. After a strong first six months of the year, tenant retention fell marginally in the second half of the year to 76%, but this was counteracted by strong leasing activity to new occupiers on vacant space, which took the overall retained or re-let percentage to a normal level of 89%. Some of the tenants leaving over this period were victims of the pandemic as it became clear that their businesses were no longer viable in the post-COVID-19 economy, but the speed that these same units were relet to counteract their departure illustrates the depth of demand for MLI space from new entrants with more modern and profitable business models.

Unlocking The Power of Space:
Enhancing the sustainability and quality of our space – Brasenose Industrial Estate, Bootle

Our customers want to source space online, view and move in, often within very short time frames. To enable this we take the friction out of the leasing process and deliver high-quality space that is ready to move into, straight away.

Our digital marketing platform at industrials.co.uk provides rich and high-quality content and an immersive experience for prospective customers when browsing for suitable space online.

Our Smart Lease is tried and tested in its effectiveness to enable our customers to sign up to lease space without fuss or hassle.

To deliver best-in-class product, our team of experienced Asset Managers identify opportunities to enhance both quality and the utility of our space. By delivering best-in-class product, we are able to obtain the best price for that space.

We identified an extensive capital improvement scheme at Brasenose Industrial Estate in Bootle, a strategic location less than three miles from Liverpool city centre.

The income profile reflected a discount to the market rate for better quality space. This was the result of an historic lack of investment prior to our ownership – an issue that was compounded by many occupiers seldom understanding or adhering to their repairing obligations.

As the original leases approached their natural expiry, it unlocked an opportunity to grow rents significantly by investing in the fabric of the asset via a capital investment programme. The scheme covered c. 42,000 sq ft of space across 15 units and comprised of an upgrade to cladding on the roofs and elevations as well as the replacement of a number of roller shutter doors and windows.

The new cladding improved thermal performance of the space, while new GRP roof lights provided increased levels of natural light into the space. To further enhance energy efficiency, any units that became vacant benefitted from a full internal refurbishment including the installation of more efficient LED lighting.

Demand for the newly refurbished space has been significant and competitive tension has helped us secure further growth in rents. As the scheme draws nearer to completion, seven new letting or lease renewal transactions have already concluded at levels in line with, or in excess of, ERV. This has secured almost 50% of the additional revenue stream initially targeted, all in advance of taking practical completion of the works.

Moreover, the upgrade to the external cladding is delivered with a 15-year insurance backed guarantee. With each new lease agreed being on an internal repairing and insuring basis, our customers will contribute to maintenance and repair via our fixed maintenance charge, but we will retain ultimate control to ensure it remains operationally effective and in good condition via a planned repair and maintenance regime. This removes the repairing burden for our customers so they can focus on running their business, while giving us control to care for our property directly.

The drive to offer better quality space has also meant that we have seen the customer base gentrify, as new demand seeks well-presented and functional space to call home for their business.

We have since let space to specialists in bespoke furniture and e-commerce. In addition, a last-mile grocery delivery business decided to let a space from us due to the site's close proximity to Liverpool city centre and the significant residential catchment in the immediate vicinity.

Converting risk to opportunity
Industrials REIT's portfolio is diverse by nature. We have over 1,500 customers occupying 2,011 units with no single customer contributing to more 2% of annual rent.

In March 2022, a lease expired to our largest customer by square feet let and annual rent payable. This lease was held at Dana Trading Estate, Paddock Wood in Kent.

Dana Trading Estate is strategically located close to London's orbital M25 Motorway. The property comprises of over 198,000 sq ft of industrial accommodation spread over 14 units. The property also features a further 11,000 sq ft of office space arranged in two self-contained units and several small office suites.

The entire property was held on a single lease which commenced in 2002 and followed a sale and leaseback arrangement where our customer continued to lease the property as a manufacturing facility.

During the lease term, the property became surplus to requirements and was sublet in its entirety to a range of different occupiers and users of the space, each on contracts which had been due to expire in line with the main lease.

This presented a complex challenge, with one single lease expiring on a significant floor area to the largest single contributor to annual income across our MLI portfolio.

This required a suitable strategy that sought to address two key issues:

1. Repair risk – The return of the property in the condition required

2. Income risk – The income risk due to the single lease expiry event.

Our strategy sought to ensure that the property was returned to us in the condition required under the lease. It sought to hedge the income risk through the early implementation of our digital marketing campaign to capture new demand, leads and opportunities, while also engaging with each subtenant to ascertain who wished to continue to lease space on site.

To manage the repair risk, a series of repair notices were issued specifying the works that were required to be remedied prior to lease expiry. This was an alternative approach to dilapidations by using landlord self-help rights enforceable under the lease. This approach allowed us to enforce physical improvements across the property prior to lease expiry.

To manage the income risk, we engaged with each sub-tenant to audit their business, their need for the space and their wider lease requirements. This enabled us to be selective, and review how our space would be used in future by continuing to partner with businesses who use our buildings in ways that we find acceptable.

This strategic approach meant that we could enforce certain repairing requirements to safeguard and enhance the quality of the asset but ultimately position us to agree to an early surrender in return for a suitable financial settlement to offset outstanding liabilities for breach of repair. It was also agreed that a future dated option to acquire the freehold title would be brought forward and was successfully executed.

We have since re-let or agreed terms on 98% of the property by floor area, while capturing over 24% of rent reversion when compared to previous passing rent.

Our selective approach to customer engagement yielded just one vacant unit. This empowered us to test the market and work with the existing occupiers to generate a waitlist of demand and use competitive tension to drive best price on the open market. Crucially, it aligns this asset to our business model – diversified income delivered by a varied customer base.

Transactions: acquisitions
During the financial year to 31 March 2022, we completed £97.6 million of acquisitions across 14 separate transactions. We continue to be disciplined in our approach to investment, and all acquisitions meet our strict investment criteria of only buying purpose built MLI estates in densely populated urban areas. It is common in the market to find portfolios trading at a 10% premium to individual asset values, so we have concentrated on acquiring single assets to maximise returns utilising a wide network of regional and London-based agents. One third of our acquisitions were acquired "off market", where we did not need to enter into a competitive bidding situation. We acquired £27.2 million of assets without an agent advising us.

ESG is an important aspect of our acquisition due diligence process. We undertake environmental and flooding surveys and assess for ESG risks including building age and year of construction, asbestos, EPCs (age and rating), proximity to social infrastructure and greenfield / brownfield land. The leases are also scrutinised for unfair or restrictive covenants or clauses and tenant 'Blacklist Activities'.

Transactions: sales
We completed the sale of Trafalgar Court, Guernsey in September 2021, for a consideration which valued the property at £55 million by way of the sale of all of the issued share capital of an SPV. This was an important transaction and represented the last major sale in our transition of properties where we have a 100% stake. This sale increased the

proportion of our portfolio that was MLI by 9%, and we have subsequently re-invested the proceeds in-line with our investment strategy.

Non-MLI: joint venture

We continue to be in negotiations for the sale of the Group's interest in the joint venture holding of a care homes portfolio in Germany. In the meantime, the independent valuation of the Care Homes Portfolio has increased from €38.9 million at 31 March 2021 to €39.1 million at 31 March 2022. For so long as we continue to hold our share of this portfolio, we earn a 10% preferred return on our investment.

The value in this investment represents approximately 4.7% of the Group's total asset value at 31 March 2022.

Summary of MLI acquisitions made over last four years

	Purchase Price	GIA	Cap Val	NIY (inclusive of guarantees) assuming 6.5% costs	Rent (inclusive of guarantees) at acquisition £ per sq ft
FY18/19	£103,519,650	1,689,498	£61.27	6.90%	£4.75
FY19/20	£38,181,770	503,691	£75.80	6.85%	£5.98
FY20/21	£91,535,000	1,087,625	£84.16	6.64%	£6.21
FY21/22	£97,620,000	1,268,676	£76.95	6.44%	£5.50
Total/Average	**£330,856,420**	**4,549,490**	**£72,72**	**6.67%**	**£5.44**

Acquisition of Bradley Hall

We acquired Bradley Hall, Wigan in July 2021 for £20.6 million, reflecting a NIY of 6.4% and a capital value of £67 per sq ft. This estate had a very granular income profile, with 120 leases at acquisition. The site had a number of complex issues to deal with and that, combined with the volume of leases, meant that there were significant barriers to entry for interested parties. Our efficient, scalable and sustainable operating platform made this type and nature of acquisition viable and we anticipate that our Industrials Hive operating platform and smart leases will capitalise on a business model which generates customer value and long-term growth over short-term gains. The estate also presented a number of short, medium and long-term development opportunities, to further enhance returns and the energy efficiency of the buildings. We have employed an experienced Senior Development Manager who is focusing on opportunities like this across the portfolio and we have designed the first phase of development at this estate, a 16,500 sq ft, seven unit MLI scheme on an underutilised car park area.

Since acquisition, we have seen strong performance and high occupancy levels, with less than 1% currently vacant. At the most recent valuation, the asset was valued at £24.15 million, representing an increase in value of £3.55 million and 17.2% since acquisition date.

Financial review

Overview

We are pleased to be reporting strong results notwithstanding the continued headwinds of COVID-19. We delivered like-for-like rental growth of 4.4% and like-for-like uplifts in our MLI portfolio of 20.8%. We declared a final dividend of 3.475 pence per share, taking the covered full year dividend to 6.85 pence per share. Dividends paid in the year were 6.75 pence per share, which, together with a 20.4% increase in EPRA NTA, resulted in a record total accounting return of 25.0%, up from 11.4% a year ago.

Rent collections and speed of payments have continued to improve during the financial year and we are confident that the impact of the pandemic on collections is all but behind us. We continued to see strong demand for our space with like-for-like annual MLI rental growth of 4.4% (2021: 5.6%) achieving our target of 4%-5%, and occupancy of 93.6% (2021: 93.7%). Information on our leasing strategy can be found in our property report.

We are also pleased to report that in March 2022 we completed the implementation of a significant upgrade to our finance and operations technology within the Industrials Hive operating platform. We look forward to unlocking the efficiencies that this will bring as both it, and the business, evolves and grows from here. This achievement signifies the formal commencement of in-housing of all property accounting, billing and credit control and allows us to build stronger relationships with our customers. We aim to have concluded the in-housing of property and facilities management later this year so all key operational roles will be controlled and managed by Industrials REIT.

Presentation of financial information

The consolidated financial statements are prepared in accordance with IFRS. The Group's subsidiaries are consolidated at 100% and its interests in joint ventures are consolidated using the equity method of accounting. In addition to information contained in the Group financial statements, Alternative Performance Measures ("APMs"), being financial measures, which are not specified under IFRS, are also used by management to assess the Group's performance. Definitions for APMs are included in the glossary to our annual report, with further descriptions and the most directly comparable IFRS measure identified.

Industrials REIT discloses APMs based on EPRA Best Practice Recommendations, in line with our peers in the real estate sector. These include earnings and NAV metrics which are referred to throughout this announcement.

Industrials REIT presents adjusted earnings per share as an APM to assess the Group's dividend distributions. The metric is based on EPRA earnings, adjusted for significant non-recurring items, such as the listing costs incurred in the current year.

	2022	2021
Statement of comprehensive income		
Dividend per share	**6.85p**	6.75p
Diluted IFRS earnings per share	**36.68p**	18.57p
Adjusted earnings per share[1]	**6.88p**	6.78p
EPRA earnings per share[2]	**6.30p**	6.62p

1 See note 14 for reconciliation to IFRS earnings per share. Adjusted earnings per share was previously named "Diluted adjusted EPRA earnings per share"

2 Reduction in year due to one-off listing costs of £1.0 million (0.33 pence per share) relating to step-up to Premium Segment of London Stock Exchange.

	2022	2021
Statement of financial position		
Portfolio valuation (incl. JV)	**£685.8m**	£582.3m
Like-for-Like portfolio valuation increase in year	**+19.4%**	+6.3%
Diluted IFRS NAV per share	**£1.78**	£1.48
EPRA NTA per share[3]	**£1.77**	£1.47
Loan-to-value ratio	**25.6%**	28.1%

3 See note 15 for reconciliation to IFRS NAV per share (and for all future references in this report to IFRS/EPRA NTA).

FX rates in period

Average foreign exchange rates in the year: £1.00:€1.1758; £1.00:CHF1.2552 (2021: £1.00:€1.1202; £1.00:CHF1.2057)
Year-end foreign exchange rates: £1.00:€1.1816; £1.00:CHF1.2129 (2021: £1.00:€1.1738; £1.00:CHF1.2985)

Income statement

Profit for the year doubled to £107.5 million (2021: £53.0 million), driven by MLI valuation uplifts of £89.5 million compared with £26.9 million in the prior year. The increase was primarily driven by yield compression as investors continue to rate the strength of the MLI market, but also included the impact of sustained rental growth across our MLI portfolio where we have seen annual like-for-like rental growth of 4.4% (2021: 5.6%). Diluted IFRS EPS was 36.68 pence (2021: 18.57 pence). After EPRA adjustments and specific adjustments associated with the finance and operating system implementation, and the one-off costs associated with transferring our listing to the Premium Segment of the Main Market of the LSE, adjusted earnings were 6.88 pence per share (2021: 6.78 pence). A reconciliation of IFRS profit to EPRA earnings and adjusted earnings for the year is shown in note 14 to the financial statements.

Net rental income for the year from continuing operations was £32.8 million (2021: £23.1 million) reflecting the impact of acquisitions in the current and prior year and the enlargement of our MLI portfolio. Our continued focus on rent collections resulted in a reduction in the bad debt expense to £1.3 million (2021: 2.0 million). We expect normalised bad debts to trend towards pre-pandemic levels of c. 2% as we progress through the remainder of 2022.

Management fee income was less than £0.1 million (2021: £0.7 million) and is expected to fall away completely in the coming year.

Operating expenses for the year, after adjusting for the one-off £1.0 million cost of transferring our listing to the Premium Segment of the Main Market of the LSE, were £12.4 million (2021: £9.7 million). The increase to prior year includes £1.8 million related to the staff remuneration costs. Half of this figure reflects a provision recognising future employer's national insurance, due on exercise on all previously vested share-based payments awards. The other half is linked directly to the increase in staff. The average number of employees during the year was 46 (2021: 33), with office-based staff numbers now split equally between our London and Stockport offices. The coming year will see the in-housing of all property and facility management functions, the costs of which will largely be recharged to customers as part of normal service charge procedures. This final phase of our resourcing plan will signify an important evolution in Industrials REIT with all major and customer facing operational roles fully in-sourced. The finance and operating ERP project expense associated with testing and training increased by £0.3 million to £0.7 million as we completed the final stages of the project prior to our formal go-live on 1 April 2022.

The EPRA cost ratio (including direct vacancy costs) was 40.9% for the year ended 31 March 2022 (2021: 41.6%). Operational gearing associated with managing MLI is inherently high and reflects the granular operational nature of our MLI business. Our Industrials Hive platform allows us to manage a high number of customers efficiently, while also delivering quality customer service and well-presented MLI units to lease. We are confident that our platform, together with the nature of our central cost base which has been positioned for scale, will allow us to add additional estates to our portfolio at a reduced EPRA cost ratio of approximately 20%. This is based on analysis of the direct and indirect costs required for managing additional estates and we expect to see a gradual reduction in the Group EPRA cost ratio as the portfolio grows.

Finance costs for the year were £3.9 million (2021: £4.5 million). The reduction of £0.6 million reflects the impact of the two refinancing events that were concluded in December 2020, most notably the seven-year £66.5 million fixed rate facility with ReAssure with an all-in rate of 1.66% compared to 3.2% on the previous facility. We are now seeing big changes in the interest rate environment and with the Bank of England increasing rates to 1.0% in May 2022, and further increases anticipated, the cost of debt is becoming more expensive. Industrials REIT has maintained its conservative policy of fixing or hedging against interest rate exposure in relation to at least 75% of its debt. Notwithstanding this, all future refinancing activities will inevitably be at higher all-in rates of interest and an increase in finance costs is to be expected.

Dividends

The total dividend for the year was 6.85 pence per share, comprised of a final dividend of 3.475 pence per share for the six months ended 31 March 2022 and an interim dividend of 3.375 pence per share. The dividend is fully covered by adjusted earnings per share of 6.88 pence (2021: 6.78 pence) and can be taken as a cash payment or scrip share alternative. A further announcement informing shareholders of the salient dates and tax treatment of the dividend will be released in due course.

The dividend of 6.85 pence per share represents a dividend yield of 3.8% on the share price at 6 June 2022 of £1.80, and a yield of 3.9% on the EPRA NTA per share at 31 March 2022 of £1.77.

Net asset value

The IFRS basic and diluted net asset value per share at 31 March 2022 was £1.79 and £1.78 respectively (2021: basic £1.49; diluted £1.48) (see note 15). The increase in the year was driven by like-for-like valuation increases of our MLI portfolio of £94.7 million, offset by £6.0 million acquisition costs of purchasing £97.6 million of new MLI in the year. At year end, Industrials REIT owned 104 MLI properties valued at £653.5 million.

The EPRA NTA per share at 31 March 2022 was £1.77 (2021: £1.47). A reconciliation of this against IFRS NAV is shown in note 15 to the accounts. The EPRA NTA excludes £3.5 million of intangible assets related to the development of our Industrials Hive operating platform, £1.9 million in relation to the fair value of derivative financial instruments and the deferred tax liability of £1.6 million in respect of the care homes joint venture.

Portfolio valuation

As at 31 March 2022, the Group's investment properties were valued at £685.8 million (31 March 2021: £582.3 million). On a like-for-like basis, excluding the impact of additions and disposals in the year, the valuation of the portfolio since 31 March 2021 increased by 19.4%.

Combined Portfolio (including share of joint ventures)	Market value 31 March 2022 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq ft)	Annualised contracted gross rental income (£'000)	Net initial yield (Weighted average) (%)	Voids by area (%)
UK multi-let industrial	647,460	94.4	103	7,120,135	37,530	5.5	6.4
UK multi-let industrial – Held for sale	6,015	0.9	1	30,176	718	11.2	–
Total – wholly owned	**653,475**	**95.3**	**104**	**7,150,311**	**38,248**	**5.5**	**6.4**
Share of joint ventures	32,285	4.7	4	208,066	2,477	7.2	–
Market value total	**685,760**	**100**	**108**	**7,358,377**	**40,725**	**5.6**	**6.2**

United Kingdom MLI portfolio

We acquired a further 18 assets during the year for a total consideration of £97.6 million and at year end, the MLI portfolio, comprising 104 industrial estates and approximately 7.3 million square feet of lettable space, was independently valued at £653.5 million. On a like-for-like basis, the valuation of the portfolio increased by £94.7 million, or 20.8%, on the valuation at 31 March 2021. We calculate that yield compression is driving approximately 80% of this change, with the residual 20% being due to the capitalisation of continued rental growth achieved in the portfolio. Like-for-like rental growth was 4.4% (2021: 5.6%) following another strong year of leasing transactions and associated average uplifts in passing rent.

Joint venture

The Care Homes portfolio in Germany, comprising four care homes, was independently valued at €39.1 million, an increase of €0.3m compared with the 31 March 2021 valuation.

Debt

Total borrowings at 31 March 2022 were £196.2 million with an LTV ratio of 25.6% compared with 28.1% at 31 March 2021. The reduction in LTV was driven by the valuation gains recorded in the year together with the effects of disposals in the year, offset by a reduction in unrestricted cash held at year end. In the current economic climate, the Group is likely to target a level of borrowings at around 30% of its gross asset value rather than 40%.

Group debt metrics (including share of joint ventures)	**31 March 2022 £m**	31 March 2021 £m
Nominal value of debt	**(196.2)**	(214.5)
Unrestricted cash	**20.7**	50.7
Net debt	**(175.5)**	(163.8)

Market value of investment property	685.8	582.3
LTV (%)	**25.6**	28.1
Weighted average debt maturity (years)	**4.0**	3.9
Weighted average interest rate (%)	**2.16**	1.93
Loan facilities hedged / fixed (%)	**76**	76

At the start of the year, Industrials REIT held approximately £50 million of unrestricted cash, the majority of which was earmarked for deployment in acquiring MLI property. We acquired £36.5 million of MLI in the first half of the year, while also banking proceeds of approximately £42 million from the sale of our Guernsey office asset and Hermann retail centre in Berlin. These sale proceeds allowed us to continue purchasing MLI without drawing on the NatWest debt refinancing which completed in September 2021. The NatWest tranche of £29.0 million, subsequently drawn in January 2022 resulted in an all-in interest rate of 2.66% across the whole facility at year end. The facility matures in November 2025. At the end of the financial year, Industrials REIT held £20.7 million of unrestricted cash.

Subsequent to year end, on 13 May 2022, we completed two further loans with NatWest as follows:

- A new £27 million tranche was concluded at a margin of 175 bps and loan maturity in November 2025. An interest rate swap coterminous with loan expiry was purchased in relation to this loan at a rate of 2.206%.
- The revolving credit facility ("RCF") provided by Investec Bank was not used in the year and expired in May 2022. The facility was replaced with a new NatWest £25 million RCF on 13 May 2022, with expiry in November 2025. The NatWest RCF has a commitment fee of 1.13% and a margin of 2.25%.

When considered in isolation, our MLI portfolio has a weighted average debt maturity of 4.2 years, with the next maturity occurring in February 2025. We will continue to proactively manage our debt maturity profile as well as reviewing and diversifying our lender base as we grow the UK MLI portfolio. Our MLI all-in contracted weighted average cost of debt was 2.19% at 31 March 2022, compared with 1.97% at the previous year end. This reflects the increase in interest costs on our floating interest rate debt and is expected to move further out as we progress through the financial year ending 31 March 2023.

As part of our debt finance strategy, we actively discuss our ESG programme with our lenders and keep under review the opportunity to incorporate green frameworks into our facility agreements.

Industrials REIT has been in full compliance with its lending covenants throughout the year.

Cash flow

Industrials REIT acquired £102.7 million of assets in the year inclusive of acquisition costs and received net sales proceeds of £46 million from the disposal of the final three wholly owned non-MLI assets. The balance required to complete these acquisitions came from opening unrestricted cash balances of £50 million and debt drawn in the year of £29 million.

At year end Industrials REIT held unrestricted cash balances of £20.7 million and on 13 May 2022 concluded the drawdown of a further £27 million tranche of debt. It remains our strategy to deploy cash as swiftly as possible on new MLI assets, while also maintaining our disciplined underwriting criteria on acquisitions.

Conclusion

We have reported another set of strong financial results for the year ended 31 March 2022, demonstrated by a record total accounting return of 25.0%. We have also largely completed our repositioning into a fully focused MLI operating business. Demand for our space remains strong and further evolution of Industrials Hive will allow us to capitalise on efficiencies and initiatives.

We are seeking to deliver similar levels of MLI rental growth in the coming year assuming the supply/demand fundamentals remain favourable. These sustained fundamentals are due to supply constraints with build costs not justified by current MLI rent levels, and high demand from the increasingly diverse customer base who are competing to occupy our flexible space. However, the UK economy is experiencing inflationary pressures and increasing interest rates look set to continue for some time which will impact consumers and businesses. We remain confident that the structural switch of occupiers to MLI as a result of e-commerce trends is likely to be a strong counterbalance to these headwinds as the universe of occupiers expands. We remain confident that our existing MLI portfolio will continue to perform well and still deliver on our targeted total accounting return hurdle of at least 10% for the coming year.

We commence the new financial year with enthusiasm as we aim to build on our achievements in transitioning into an MLI operating business. We are particularly focused on capitalising on our operating platform and look forward to our next four-year goal of doubling our MLI portfolio such that we can benefit from scaling our operation, reducing our cost ratio, and growing our dividend for investors.

James Beaumont
Chief Financial Officer

9 June 2022

Responsibility statement

To the best of the Directors' knowledge, the financial statements, prepared in accordance with IFRS; give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

The Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that the Group faces.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to access the Company's position, performance, business model, and strategy.

Approval of annual financial statements

The consolidated annual financial statements of Industrials REIT Limited were approved by the Board of Directors on 9 June 2022 and are signed on their behalf by:

Paul Arenson

Chief Executive Officer

James Beaumont

Chief Financial Officer

Consolidated statement of comprehensive income
For the year ended 31 March 2022

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Continued operations			
Revenue		**44,186**	32,018
Expected credit losses		**(1,328)**	(2,042)
Property expenses		**(10,071)**	(6,916)
Net rental income	6	**32,787**	23,060
Management fee income		**44**	747
Operating costs	7	**(13,441)**	(9,729)
Net operating income		**19,390**	14,078
Fair value gain on investment properties		**89,509**	26,891
Loss on disposal of property		**(85)**	(9)
Income from joint ventures	18	**1,707**	61
Net foreign exchange gain/(loss)		**17**	(65)
Profit from operations		**110,538**	40,956
Net gain from fair value of derivative financial instruments		**1,948**	1,815
Interest income		**129**	48
Finance costs	9	**(3,899)**	(4,510)
Profit for the year before taxation		**108,716**	38,309
Tax credit	10	**13**	42
Profit for the year from continuing operations		**108,729**	38,351
Discontinued operations			
(Loss)/gain for the year from discontinued operations	19	**(1,265)**	14,664
Profit for the year		**107,464**	53,015
Profit attributable to:			
Equity holders		**107,464**	53,045
Non-controlling interest derived from continuing operations		**–**	(30)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**(2,148)**	(3,663)
Total comprehensive income for the year		**105,316**	49,352
Total comprehensive income attributable to:			
Equity holders		**105,316**	49,382
Non-controlling interest		**–**	(30)
Earnings per share		**Pence**	Pence
From continuing operations:			
EPS	14	**37.27**	13.54
Diluted EPS	14	**37.12**	13.43

From continuing and discontinued operations:			
EPS	14	**36.83**	18.71
Diluted EPS	14	**36.68**	18.57

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

Consolidated statement of financial position
For the year ended 31 March 2022

	Note	**31 March 2022 £'000**	31 March 2021 £'000
ASSETS			
Non-current assets			
Investment properties	16	**645,082**	511,220
Investment in joint ventures	18	**–**	143
Investment in joint venture bond	18	**–**	14,119
Intangible assets		**3,542**	1,784
Derivative financial instruments	24	**1,864**	138
Other debtors	20	**6,543**	8,670
Right-of-use asset		**35**	314
Total non-current assets		**657,066**	536,388
Current assets			
Cash and cash equivalents	21	**31,526**	53,781
Trade and other receivables	20	**12,159**	8,723
Investment in joint ventures	18	**385**	–
Investment in joint venture bond	18	**14,883**	–
Other investments		**–**	1,000
Derivative financial instruments	24	**–**	2,024
Assets classified as held for sale	19	**6,015**	39,208
Total current assets		**64,968**	104,736
Total assets		**722,034**	641,124
LIABILITIES			
Current liabilities			
Bank loans	23	**–**	4,489
Taxes payable		**1,844**	1,706
Accounts payable and accruals	22	**19,549**	16,516
Provisions		**947**	–
Lease liability		**28**	316
Liabilities directly associated with assets classified as held for sale	19	**–**	15,166
Total current liabilities		**22,368**	38,193
Non-current liabilities			
Bank loans	23	**177,823**	176,655
Derivative financial instruments	24	**–**	430
Lease liability		**7**	26
Total non-current liabilities		**177,830**	177,111
Total liabilities		**200,198**	215,304
Net assets		**521,836**	425,820
EQUITY			
Capital and reserves			
Share capital and share premium	12	**322,765**	322,776
Equity reserve		**189**	(10,058)
Retained earnings		**179,575**	91,647
Foreign currency translation reserve		**19,307**	21,455
Total equity		**521,836**	425,820
		£	£
Net asset value per share	15	**1.79**	1.49
Diluted net asset value per share	15	**1.78**	1.48

The consolidated financial statements were approved by the Board of Directors on 9 June 2022 and signed on its behalf by

James Beaumont
Chief Financial Officer

Consolidated statement of changes in equity
For the year ended 31 March 2022

	Note	Share capital and share premium £'000	Equity reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2021		**322,776**	**(10,058)**	**91,647**	**21,455**	**425,820**	**–**	**425,820**
Profit for the year		**–**	**–**	**107,464**	**–**	**107,464**	**–**	**107,464**
Foreign currency exchange gain	19	**–**	**–**	**–**	**(2,291)**	**(2,291)**	**–**	**(2,291)**
Other comprehensive income for the year		**–**	**–**	**–**	**143**	**143**	**–**	**143**
Total comprehensive income for the year		**–**	**–**	**107,464**	**(2,148)**	**105,316**	**–**	**105,316**
Equity-settled share-based payments	13	**(11)**	**3,876**	**–**	**–**	**3,865**	**–**	**3,865**
Ordinary dividends	11	**–**	**6,371**	**(19,536)**	**–**	**(13,165)**	**–**	**(13,165)**
Total contributions and distribution recognised directly in equity		**(11)**	**10,247**	**(19,536)**	**–**	**(9,300)**	**–**	**(9,300)**
Balance at 31 March 2022		**322,765**	**189**	**179,575**	**19,307**	**521,836**	**–**	**521,836**
Balance at 1 April 2020		322,993	(14,360)	57,490	25,118	391,241	95	391,336
Profit for the year		–	–	53,045	–	53,045	(95)	52,950
Other comprehensive income for the year		–	–	–	(3,663)	(3,663)	–	(3,663)
Total comprehensive income for the year		–	–	53,045	(3,663)	49,382	(95)	49,287
Equity-settled share-based payments	13	(217)	1,219	213	–	1,215	–	1,215
Repurchase of own shares		–	(4,110)	–	–	(4,110)	–	(4,110)
Ordinary dividends	11	–	7,193	(19,101)	–	(11,908)	–	(11,908)
Total contributions and distribution recognised directly in equity		(217)	4,302	(18,888)	–	(14,803)	–	(14,803)
Balance at 31 March 2021		322,776	(10,058)	91,647	21,455	425,820	–	425,820

Consolidated statement of cash flows
For the year ended 31 March 2022

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Operating activities			
Profit from operations from continuing operations		**110,538**	40,955
Profit from operations from discontinued operations	19	**(968)**	17,808
		109,570	58,763
Depreciation	7	**294**	274
Increase in fair value of investment property	16	**(87,022)**	(35,109)
Loss/(gain) on disposal of property		**763**	(495)
Income from joint ventures	18	**(1,707)**	(61)
Loss on disposal of joint venture		**1**	–
Management fee expenses		**–**	(1)
Share-based payments	7	**1,126**	937

Foreign currency exchange gain previously recognised in other comprehensive income	25	**(2,291)**	–
Loss/(profit) on disposal of subsidiaries	25	**2,375**	(468)
Exchange rate (gain)/loss		**(176)**	44
Increase in trade and other receivables		**(800)**	(274)
Increase/(decrease) in trade and other payables		**4,371**	(3,327)
Cash generated by operations		**26,504**	20,283
Interest paid		**(3,647)**	(4,749)
Interest received		**729**	1,707
Net tax paid		**732**	(96)
Net cash from operating activities		**24,318**	17,145
Contributed by: Continuing operations		**22,475**	6,842
Discontinued operations		**1,843**	10,303
Investing activities			
Purchase of investment property	16	**(102,705)**	(96,363)
Capital expenditure - property	16	**(3,898)**	(1,617)
Capital expenditure - ERP		**(2,004)**	(1,377)
Proceeds on disposal of investment property, net of selling costs		**35,894**	52,849
Tax paid on disposal of property		**(1,186)**	(9,174)
Receipt of loans advanced under the Share Purchase Plan		**–**	6,643
Other investment - Cash and short-maturity bonds on call		**1,000**	(1,000)
Repayment of third-party loans	25	**(1)**	4,543
Disposal of subsidiary	25	**25,223**	7,738
Net cash disposed of in subsidiary	25	**(434)**	(348)
Net cash used in investing activities		**(48,111)**	(38,106)
Contributed by: Continuing operations		**(107,607)**	(93,612)
Discontinued operations		**59,496**	55,506
Financing activities			
New bank loans raised	23	**29,121**	89,558
Repayment of borrowings	23	**(18,714)**	(77,926)
Amortisation of loans	23	**(33)**	(123)
Dividends paid		**(10,011)**	(10,665)
Withholding tax on dividends paid		**(2,320)**	(1,305)
Lease payments		**(331)**	(281)
Repurchase of shares		**–**	(4,110)
SWAP break fee		**–**	(1,895)
Proceeds from issues of share options		**2,738**	106
Financing fees paid		**(891)**	(2,072)
Net cash used in financing activities		**(441)**	(8,713)
Contributed by: Continuing operations		**13,906**	7,958
Discontinued operations		**(14,347)**	(16,671)
Net decrease in cash and cash equivalents		**(24,234)**	(29,673)
Effect of foreign exchange losses		**(1,778)**	(1,933)
Cash and cash equivalents at beginning of the period		**53,982**	85,588
Cash and cash equivalents at end of the period		**31,526**	53,982
Contributed by: Continuing operations		**29,813**	32,372
Discontinued operations and assets held for sale		**1,713**	21,610

Funds totalling £11.2 million were restricted at 31 March 2022 (2021: £4.4 million), see note 21.

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

Notes to the consolidated financial statements

1 General Information

Industrials REIT Limited (the 'Company' and together with its subsidiaries the 'Group') is registered in Guernsey (Registration number 64865). The registered address of the Company is Kingsway House, Havilland Street, St Peter Port, GY1 2QE, Guernsey. With effect from 1 May 2018, the Company converted to a UK real estate investment trust ('REIT').

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as issued by the IASB, the Disclosure and Transparency Rules of the UK's FCA and applicable Guernsey law. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies, which are consistent with those applied in the previous annual financial statements, except for the adoption of new and revised standards (described below), are set out below. The consolidated financial statements are presented in GBP (Pounds Sterling).

The financial information set out in these preliminary summarised audited financial statements does not constitute the Group's statutory accounts for the years ended 2022 and 2021 but is derived from those accounts. The auditors have reported on those accounts and provided an unqualified opinion, including key audit matters within their audit report. It did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under The Companies (Guernsey) Law, 2008. A copy is available upon written request from the Company's registered office. The auditors' reports do not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' reports together with the accompanying financial information from the issuer's registered office.

Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flows and positive net assets. Management have carefully considered the impact of the significant risks and uncertainties within the context of the Group's viability and prospects, with specific emphasis placed on the uncertainties posed to the business and the Group's occupiers as a result of the potential microeconomic impact of the COVID-19 pandemic and political events, including Brexit, and the economic sanctions imposed on Russia following the war in Ukraine.

Management subjected the Group's cash flow forecast for the period to 30 September 2023 to appropriate scenarios. The forecast model was subjected to appropriate scenarios to consider the impact of the significant risks and uncertainties facing the business, taking into account likely effectiveness of mitigating actions that the Group would have at its disposal. The significant risks and uncertainties identified as relevant to the forecast and its ability to continue to meet its obligations as they fall due, relate to the financing of acquisitions and the interest-rate environment, debt compliance, rental growth rates, rental collections, void periods, inflationary costs, and REIT obligations.

The Group has unrestricted cash reserves of £20.7 million at the start of the look forward period which is a key factor in assessing the validity of the going concern assumption for the Group. The Group has no refinancing requirements until 2025 and have utilised swaps (or fixed rate borrowing loans) to fix 75% of borrowing costs, lowering the exposure to the volatile interest-rate environment.

Sensitivities to loan covenants were assessed in detail, as well as the Group's REIT obligations. Despite the disruption in the economy caused by COVID-19, and the uncertain economic outlook with higher inflation rates and interest rate movements, we do not expect the risk of default under our debt facilities to have increased and no breach cures have been assumed in the forecast model. This is considered appropriate in light of the significant headroom which exists for all interest cover ratios and for loan-to-value ratio covenants at the time of publishing this report and during the forecast period based on projections.

In light of this review, the significant liquid assets at year end and the £72.5 million (2021: £27.0 million) of unencumbered property at reporting date, management are satisfied that the Group has access to adequate resources to meet its obligations as they fall due and will continue in operational existence for a period of at least twelve months from the date of these financial statements. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis and no material uncertainty exists in reaching this conclusion.

Note 27 to the consolidated financial statements includes the Group's objectives, policies, and procedures for managing its capital, market, credit, and liquidity risks.

Adoption of new and revised standards

In the current period no new or revised Standards and Interpretations have been adopted. At the date of approval of these consolidated financial statements, the Group has not applied the following new standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of liabilities as current or non-current

Impact assessment of adopting new accounting standards

The Directors are in the process of assessing this standard and does not expect that the adoption of the standard listed above will have a material impact on the financial statements of the Group in future periods.

New standards in issue but not yet effective

Amendments to IAS 1 Classification of liabilities as current or non-current. In January 2020, the IASB issued amendments to IAS 1, which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow in scope and nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles. The amendments include clarifications relating to how events after the end of the reporting period affect liability classification, what the rights of an entity must be to classify a liability as non-current, how an entity assesses compliance with conditions of a liability (e.g., bank covenants), and how conversion features in liabilities affect their classification. The amendments are applied prospectively for annual reporting periods beginning on or after 1 January 2023, with early application permitted. However, they are yet to be endorsed for application in the United Kingdom. The IASB has proposed further amendments to the classification of liabilities under IAS 1 in a new exposure draft issued in November 2021 for non-current liabilities with covenants and the effective date is proposed to be deferred to 1 January 2024.

3 Significant accounting policies

Basis of consolidation
Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Joint ventures
The Group's investment properties are typically held in property-specific separate legal entities, which may be legally structured as joint ventures. In assessing whether a particular legal entity is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the venture are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the legal entity, to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the legal entity as a joint venture or subsidiary undertaking. In applying this policy and as detailed in note 18, the Group's investment in Elysion S.A. is classified as a joint venture because the share of beneficial ownership and management of the portfolio being conducted by the joint venture partner.

The consolidated financial statements account for interests in joint ventures using the equity method of accounting per IFRS 11 Joint Arrangements.

Loans to joint ventures are separately presented from equity interests in the Group's consolidated statement of financial position. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and any other costs, to the extent of the Group's interest in the relevant joint venture. The classification and measurement of loans to joint ventures is determined in accordance with the Group's accounting policies for financial assets.

Business combinations and asset acquisitions
Business combinations are accounted for using the acquisition method and any excess of the purchase consideration over the fair value of the net assets acquired is initially recognised as goodwill and subsequently reviewed for impairment. Any discount received and/or acquisition costs are recognised in the consolidated statement of comprehensive income.

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary; and
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

There were no business combinations acquired during the 12 months to 31 March 2022 (2021: nil).

Revenue recognition
The Group earns returns from investments in direct property assets and management fees. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Rental income

Rental income and lease incentives are recognised in accordance with IFRS 16 Leases. Rental income from investment property is recognised as revenue on a straight-line basis over the lease term. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term, or if the probability that a break option will be exercised is considered high, over the period to the first break option. Rent reviews are recognised when such reviews have been agreed with tenants.

Rental income from operating leases is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a significant rent-free period is included in a lease, the rental income forgone is allocated evenly over the period from the date of lease commencement to the expiry date of the lease.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the entire lease term. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the investment property, including the accrued rent, does not exceed the external valuation. Initial significant direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease.

Where a lease incentive payment, or surrender premium is paid to enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Lease modifications are a change in the scope of a lease, or the consideration for a lease, which was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). Lease modifications are accounted for under IFRS 16 Leases. Modifications to a lease is recognised as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned.

Tenant recharges
Service charge income, property fee income and joint venture and associate management fees are recognised in accordance with IFRS 15 Revenue from contracts with customers, which prescribes the use of a five-step model for the recognition of revenue. These income streams are recognised as revenue in the period in which they are earned.

Service charge income is recognised in the accounting period in which the services are rendered, and the related property expenses are recognised in the period in which they are incurred.

Other income
Other income mainly consists of solar power income and asset management fee income from the care homes joint venture. These revenue streams are accounted for under IFRS 15 Revenue from contracts with customers and are recognised as revenue in the period in which they are earned.

Foreign currencies
The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are expressed in GBP Sterling, which is the functional currency of the Company and the presentational currency for the Group.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss for the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Borrowing costs
Interest costs are recognised in the consolidated statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to arranging finance are amortised over the facility term in the consolidated statement of comprehensive income.

Current tax
The Group is a UK REIT, where profits arising in respect of the property rental business are not subject to UK corporation tax. Taxation in respect of profits and losses outside of the property rental business comprises current and deferred

taxes. Taxation is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised as a direct movement in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the total of the expected corporation tax payable in respect of any non-REIT taxable income for the year and any adjustment in respect of previous periods, based on tax rates applicable to the respective periods.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-controlling interests
Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of the changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment properties
Properties held to earn rental income and/or capital appreciation are classified as investment properties. Investment properties comprise both freehold and long leasehold land and buildings.

Investment properties are recognised as assets when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Group;
- there are no material conditions precedent which could prevent completion; and
- the cost of the investment property can be measured reliably.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, determined by the Directors and/or based on independent external appraisals performed by JLL, twice a year.

The Group uses the valuations prepared by its independent valuers as the fair value of its investment properties. These valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation – Professional Standards ('Red Book'). This is an internationally accepted basis of valuation. The valuations are based upon assumptions including contractual and estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate discount rates. The valuers also refer to market evidence of transaction prices for similar properties. The valuation techniques used are consistent with
IFRS 13 Fair Value Measurement.

The difference between the fair value of a property at the reporting date and its carrying amount prior to remeasurement is included in the consolidated statement of comprehensive income as a valuation surplus or deficit in the fair value gain/(loss) on investment properties account.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks with an original maturity of three months or less. Cash balances are recorded net of tenant deposits. Restricted cash represents service charge monies held by managing agents as well as rent held in bank accounts which are secured by lenders, for the purposes of debt repayments.

Expenditure
Expenses are accounted for on an accrual basis. Property expenses include the costs of professional fees on lettings and other non-recoverable costs. Operating costs include all professional fees incurred in operating the business in the best interests of the shareholders.

Financial instruments
A financial instrument is a contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another. The classification of financial assets and financial liabilities depends on the nature and purpose of the instrument and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of comprehensive income.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity 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 or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

Financial assets
The Group classifies its financial assets as either at fair value through profit and loss or amortised cost. The Group classifies its financial assets based on both the Group's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Group's financial assets classified at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include current assets with maturities or terms less than 12 months after the reporting date, as well as financial assets with maturities greater than 12 months after the reporting date, which are classified as non-current assets. These assets meet the condition of being held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the terms of which give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets, including those relating to the purchase of Industrials REIT Limited shares (note 20), are measured at amortised cost using the effective interest method, less any loss allowance for expected credit losses (ECL) which are recognised in the statement of comprehensive income. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the financial instrument, or, where appropriate, as shorter period, to the gross carrying amount of the financial instrument on initial recognition.

In the case of short-term trade receivables and other debtors the Group recognises lifetime ECL in accordance with the simplified approach under IFRS 9 Financial Instruments. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date.

The carrying amount of the financial asset is reduced by the ECL directly for all financial assets. When a trade receivable is considered uncollectable, it is written off against the ECL provision account. Changes in the ECL are recognised in the statement of comprehensive income in the period.

The Group classifies its financial assets at fair value through profit or loss where it has determined that the business model for managing the financial assets and the related contractual cash flow characteristics is not consistent with the policy for classification at amortised cost or fair value through other comprehensive income (OCI). The Group has determined the bond investment in the Elysion S.A. joint venture meets the criteria disclosed in note 4.

There are no financial assets measured at fair value through OCI, which would be classified as such where they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and cash flows relate solely to payments of principal and interest.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Ordinary shares are classed as equity. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities comprise interest-bearing borrowings, loans and payables and trade payables. Financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial liabilities are measured at amortised cost using the effective interest method. Trade and other payables are valued at their nominal value as the time value of money is immaterial for these current liabilities.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Interest rate swaps have been initially recognised at fair value, and subsequently remeasured at fair value through profit and loss in accordance with IFRS 9, Financial Instruments. They have been entered into to hedge against the exposure to variable interest rate loans as described in note 27. They have been valued by an independent valuer in line with internationally accepted practice.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realised or settled within 12 months. It is Group policy not to hedge account. Other derivatives are presented as current assets or current liabilities.

Intangible assets
Intangible assets comprise computer software developed for our Industrials Hive operating platform which will allow Industrials REIT to grow its MLI business. The expenditure capitalised includes the cost of platform development as well as contractor and service provider costs. At 31 March 2022, the ERP operating platform has been built, but is not in operation. Amortisation will begin when Industrials Hive is first used on 1 April 2022. Accordingly, no amortisation or impairment has been recognised in the reporting period ending 31 March 2022.

Non-current assets and disposal groups held for sale
A non-current asset or a disposal group (comprising assets and liabilities) is classified as held for sale if their carrying amount is expected to be recovered or settled principally through sale rather than through continuing use. The asset or disposal group must be available for immediate sale, have the appropriate level of management commitment and the sale must be highly probable within one year of the reporting date. Investment properties included in the held for sale category continue to be measured in accordance with the accounting policy for investment properties.

Note, disclosures in these financial statements are recognised net of assets classified as held for sale and discontinued operations.

Segmental reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and in respect of which it may incur expenses. An operating segment's operating results are reviewed regularly by the chief operating decision makers (the Executive Directors) to inform decisions about resources to be allocated to the segment and to assess its performance. Segmental financial information is available as disclosed in note 5.

Dividends
Dividends to the Group's ordinary shareholders are recognised when they are declared. This is when they are approved by the Board.

Industrials REIT offers shareholders the option to receive in respect of all or a part of their Industrials REIT shareholding either a scrip dividend, by way of an issue of new Industrials REIT shares (of the same class as existing shares) credited as fully paid up (the 'scrip dividend'), or a cash dividend (the 'cash dividend'). The cash dividend will be paid to shareholders unless shareholders elect to receive the scrip dividend. Scrip dividends are paid out of Industrials REIT's treasury share account.

Earnings per share
Earnings per share is calculated on the weighted average number of shares in issue in respect of the current period and is based on the profit attributable to the ordinary shareholders.

Net asset value per share
Net asset value per share is calculated on the number of shares in issue (excluding treasury shares) at the end of the current period and is based on the total equity attributable to equity shareholders.

Share-based payments
Save As You Earn Share Plan, Deferred Share Bonus Plan and Long-Term Incentive Plan
The cost of equity-settled transactions is measured with reference to the fair value at the date at which they were granted. The Company accounts for the fair value of these options on a straight-line basis over the vesting period in the statement of comprehensive income, with a corresponding increase to the share-based payment reserve in equity. The cost to the Company is based on the Company's best estimate of the number of equity instruments that will ultimately vest. Readers are referred to note 13: Share-based payments, where share-based payments are disclosed further.

Share Purchase Plan

As part of the Group's previous remuneration policy, the Company awarded shares to qualifying participants, funded through the advance of loans to the participants. Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six monthly in arrears. Loans are repayable within 30 days of cessation of employment or loss of office (unless the participant ceases employment in circumstances beyond his or her control, in which case the loan is repayable within 12 months) and must in all circumstances be repaid in ten years. All dividends received by such employees (or his or her nominee), by virtue of their shareholding, must first be utilised to discharge any interest outstanding from the loan advanced on the Share Purchase Plan.

The loans have full recourse to the participants and as such fall outside of the scope of IFRS 2 and are accounted for as financial instruments under IFRS 9. The participants must charge their shares by way of security for the loan and are required to waive all rights to compensation for any loss in relation to the plan. No further awards will be made under the Share Purchase Plan.

Repurchase of share capital (own shares)
Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Such shares may either be held as own shares (treasury shares) or cancelled. Where own shares are subsequently re-sold from treasury, the amount received is recognised as an increase in equity.

4 Critical accounting judgements and key sources of estimation uncertainty
The preparation of the 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 year, which have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, 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 appraisal. 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, as well as the key sensitivity variables, can be found in note 16.

The Group currently has four continental European investment properties held in a joint venture. Further information these assets held for sale can be found in note 18 – investment in joint ventures.

Critical judgements
Assets held for sale and discontinued operations
The Directors have disclosed one (2021: two) property which meets the criteria defined in IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The Directors have classified the Guernsey, Germany (retail properties) and Switzerland operating segments as discontinued operations. The Guernsey and Switzerland operating segments no longer hold any investment property and as such the Directors have classified these segments as discontinued operations.

One UK MLI property known as Rose Kiln Court in Reading is classified as held for sale. This asset's fair value has been determined by the Directors based on an offer for sale that was received on the open market, less transaction costs.

Industrials REIT is actively trying to sell its joint venture holding of the four German care homes properties and is committed to exit the German market as soon as possible. The German care homes were first classified as held for sale at 30 September 2021. However, this investment is not classified as held for sale at 31 March 2022 because the Directors no longer consider the requirements of IFRS 5 to be met. Whilst the Directors are actively trying to find a buyer and negotiations are ongoing with several prospective buyers the Directors do not consider the imminent sale of the investment to be highly probable. Accordingly, the Directors have classified the German (care homes) segment as a continuing operation. The Directors remain committed to the plan to sell the care homes and are confident a buyer will emerge to acquire Industrial REIT's share of the care homes joint venture on equitable terms within the period to 31 March 2023.

Classification of investment in joint venture bond
Classification and measurement of financial assets under IFRS 9 are driven by the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets. The Directors have determined that the contractual cash flow characteristics for bond investments into Elysion S.A. ('JV') (a joint venture) are not solely payments of principal and interest. The Group instead receives the return for each underlying loan net of additional fees and expenses in the JV and so it is not considered to be a basic lending arrangement under the standard. Further details on the structure are included in note 18. As such, these bond investments are required to be measured at fair value

through profit or loss. In making this judgement, the Directors have considered the power the Group has to influence the investment decisions of the JV housing the underlying loans, which are managed at the discretion of the JV partner and were the Group to hold the majority interest it has been determined that the contractual cash flow characteristics for a basic lending arrangement would have been met and therefore accounted for at amortised cost.

5 Operating segments

The Group has specialised 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.

	Continuing operations			**Discontinued operations**			
For the year ended 31 March 2022	**UK multi-let industrial £’000**	**Germany^ £’000**	**Group £’000**	**Guernsey £’000**	**Germany^ £’000**	**Switzerland £’000**	**Total £’000**
Net rental income	**32,704**	**–**	**83**	**–**	**–**	**–**	**32,787**
Net management fee income	**–**	**–**	**44**	**–**	**–**	**–**	**44**
Fair value movement on investment properties	**89,509**	**–**	**–**	**–**	**–**	**–**	**89,509**
Net gain/(loss) from fair value of financial liabilities	**2,139**	**–**	**(191)**	**–**	**–**	**–**	**1,948**
Loss on disposal of property	**(85)**	**–**	**–**	**–**	**–**	**–**	**(85)**
Income from joint venture	**–**	**1,707**	**–**	**–**	**–**	**–**	**1,707**
Net finance costs	**(3,738)**	**–**	**(32)**	**–**	**–**	**–**	**(3,770)**
Tax, legal and professional fees	**(545)**	**–**	**(1,401)**	**–**	**–**	**–**	**(1,946)**
Audit fees	**–**	**–**	**(272)**	**–**	**–**	**–**	**(272)**
Administration fees	**(42)**	**–**	**(377)**	**–**	**–**	**–**	**(419)**
Non-Executive Directors’ costs	**–**	**–**	**(279)**	**–**	**–**	**–**	**(279)**
Staff remuneration costs	**–**	**–**	**(5,945)**	**–**	**–**	**–**	**(5,945)**
Operating costs	**(2)**	**–**	**(4,578)**	**–**	**–**	**–**	**(4,580)**
Net foreign exchange gain	**–**	**–**	**17**	**–**	**–**	**–**	**17**
(Loss)/gain from discontinued operations (see note 19)	**–**	**–**	**–**	**(686)**	**(855)**	**276**	**(1,265)**
Tax credit	**13**	**–**	**–**	**–**	**–**	**–**	**13**
Total profit/(loss) per reportable segment	**119,953**	**1,707**	**(12,931)**	**(686)**	**(855)**	**276**	**107,464**
As at 31 March 2022							
Investment properties	**645,082**	**–**	**–**	**–**	**–**	**–**	**645,082**
Investment in joint ventures	**–**	**15,268**	**–**	**–**	**–**	**–**	**15,268**
Cash and cash equivalents	**26,927**	**–**	**2,885**	**7**	**888**	**819**	**31,526**
Other	**17,446**	**–**	**4,235**	**–**	**2,396**	**66**	**24,143**
Assets classified as held for sale	**6,015**	**–**	**–**	**–**	**–**	**–**	**6,015**
Total assets	**695,470**	**15,268**	**7,120**	**7**	**3,284**	**885**	**722,034**
Borrowings – bank loans	**177,823**	**–**	**–**	**–**	**–**	**–**	**177,823**
Other	**17,629**	**–**	**3,962**	**1**	**745**	**38**	**22,375**
Total liabilities	**195,452**	**–**	**3,962**	**1**	**745**	**38**	**200,198**

	Continuing operations			Discontinued operations			
For the year ended 31 March 2021	UK multi-let industrial* £’000	Germany ^ £’000	Group £’000	Guernsey £’000	Germany ^ £’000	Switzerland £’000	Total £’000
Net rental income	22,984	–	75	–	–	–	23,059
Net management fee income	–	–	747	–	–	–	747
Fair value movement on investment properties	26,892	–	–	–	–	–	26,892
Net (loss)/gain from fair value of financial liabilities	(209)	–	2,024	–	–	–	1,815
Loss on disposal of property	(9)	–	–	–	–	–	(9)
Income/(expense) from joint ventures	–	62	(1)	–	–	–	61
Net finance (costs)/income	(4,498)	–	36	–	–	–	(4,462)
Tax, legal and professional fees	(404)	–	(831)	–	–	–	(1,235)
Audit fees	–	–	(265)	–	–	–	(265)
Administration fees	(26)	–	(251)	–	–	–	(277)
Investment advisory fees	–	–	–	–	–	–	–
Non-Executive Directors’ costs	–	–	(416)	–	–	–	(416)

Staff remuneration costs	–	–	(4,100)	–	–	–	(4,100)
Operating costs	(2)	–	(3,434)	–	–	–	(3,436)
Net foreign exchange loss	–	–	(65)	–	–	–	(65)
Gain/(loss) from discontinued operations (see note 19)	–	–	–	2,544	13,011	(891)	14,664
Tax credit	(7)	–	49	–	–	–	42
Total profit/(loss) per reportable segment	44,721	62	(6,432)	2,544	13,011	(891)	53,015
As at 31 March 2021							
Investment properties	455,070	–	–	56,150	–	–	511,220
Investment in joint ventures	–	14,261	1	–	–	–	14,262
Cash and cash equivalents	12,497	–	19,875	1,174	20,235	–	53,781
Other	13,729	–	5,820	772	2,332	–	22,653
Assets classified as held for sale	–	–	–	–	26,592	12,616	39,208
Total assets	481,296	14,261	25,696	58,096	49,159	12,616	641,124
Borrowings – bank loans	153,215	–	–	27,929	–	–	181,144
Other	11,940	–	3,662	2,062	1,330	–	18,994
Liabilities directly associated with assets classified as held for sale	–	–	–	–	9,766	5,400	15,166
Total liabilities	165,155	–	3,662	29,991	11,096	5,400	215,304

* The comparatives have been restated and now reports the previously stated UK urban logistics segment in the UK multi-let industrial segment from 1 April 2021.

^ The German operating segment has been split between continuing and discontinued operations. Due to the potential protracted time-frame it is expected to 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 classified as discontinued operations. This classification does not change the Group's strategy to dispose its ownership interest in the care home's joint venture and the sales process is progressing well.

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

6 Net rental income

	31 March 2022 £'000	31 March 2021 £'000
Rental income	**35,260**	27,341
Tenant recharges	**8,625**	3,602
Other income	**301**	1,075
Revenue	**44,186**	32,018
Direct property costs	**(10,071)**	(6,916)
Expected credit losses	**(1,328)**	(2,042)
Property expenses	**(11,399)**	(8,958)
Total net rental income	**32,787**	23,060

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

7 Operating costs

	31 March 2022 £'000	31 March 2021 £'000
Tax, legal and professional fees	**1,946**	1,235
Audit fees	**234**	229
Interim review fees	**38**	36
Administration fees	**419**	277
Non-Executive Directors' remuneration costs	**279**	416
Staff remuneration costs	**5,945**	4,100
Share-based payments	**1,126**	937
ERP project expenses	**718**	463
Depreciation	**294**	274
Corporate costs	**762**	623
IT costs	**904**	678
Other operating costs	**776**	461
Total operating costs	**13,441**	9,729

Share-based payments of £1.1 million (2021: £937,000) relate to the equity-settled incentive schemes operated by the Group. As at 31 March 2022 the Group's equity reserve held £3.6 million (2021: £2.6 million) in relation to the schemes after the exercise of options at fair value of £343,000 (2021: £748,000) during the period.

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

8 Employees' and Directors' emoluments
The average number of the Group's employees was 46 during the current financial year (2021: 33). At 31 March 2022, the Group employed 52 people (2021: 43). The aggregate remuneration paid to employees during the period, including that to Executive Directors, was:

	31 March 2022 £'000	31 March 2021 £'000
Wages and salaries	**4,267**	3,510
Social security costs	**1,500**	449
Pension costs	**178**	141
Share-based payments	**1,126**	937
Total employee costs	**7,071**	5,037

As at 31 March 2022, the Group had nine Directors (2021: nine). The Directors of the Group during the financial year and at the date of this report were as follows:

Non-Executive Directors	**Appointed**
Paul Miller	14 Sep 2016
Richard Grant (Chair of the Board)	1 May 2018
Philip Holland	1 May 2018
Patsy Watson	5 Jun 2019
Louisa Bell	4 Nov 2020
Richard Smith	4 Nov 2020

Executive Directors	**Appointed**
Paul Arenson (Chief Executive Officer)	2 Oct 2014
Julian Carey (Managing Director)	1 May 2018
James Beaumont (Chief Financial Officer)	5 Jun 2019

Emoluments paid to Executive Directors are disclosed in the remuneration report in our annual report. Emoluments paid to Non-Executive Directors are summarised below:

Non-Executive Directors	**31 March 2022 £'000**	31 March 2021 £'000
Richard Grant	**58**	58
Philip Holland	**43**	43
Patsy Watson	**35**	35
Paul Miller	**40**	40
Louisa Bell	**40**	16
Richard Smith	**40**	16
Warren Lawlor – paid to Ferryman Capital Partners (Pty) Limited	**–**	18
Total	**256**	226

The above Non-Executive fees include all management, consulting, technical or other fees paid for such services rendered, including payments to management companies.

The Group's share-based payments comprise the Save As You Earn share plan ("SAYE"), the Deferred Share Bonus Plan ("STIP"), and the Long-Term Incentive Plan ("LTIP") for Executive Directors and Senior Management, and various share option schemes.

The Company measures the fair value of the equity-based share options at grant date and accounts for the cost over the vesting period in the statement of comprehensive income, with a corresponding increase to the share-based payment reserve. The cost is based on the quantity of shares that are likely to vest, taking into account expected performance against the relevant performance targets where applicable, and service periods. Share-based awards and the respective vesting dates are further detailed in note 13.

On 8 June 2022, the Board of Directors, on the recommendation of the Remuneration Committee, approved the following:

	Bonuses in respect of the year ended 31 March 2022				
Executive Directors	**Cash bonus £'000**	**Deferred share bonus plan £'000**	**Number of share options (estimated)**	**LTIP for Executive Directors £'000**	**Number of share options (estimated)**

Paul Arenson	**171**	**149**	**82,800**	**657**	**365,000**
Julian Carey	**165**	**143**	**79,400**	**632**	**351,200**
James Beaumont	**82**	**43**	**23,900**	**191**	**106,100**
Total	**418**	**335**	**186,100**	**1,480**	**822,300**

On 9 June 2021, the Board of Directors, on the recommendation of the Remuneration Committee, approved the following:

	Bonuses in respect of the year ended 31 March 2021				
Executive Directors	Cash bonus £'000	Deferred share bonus plan £'000	Number of share options	LTIP for Executive Directors £'000	Number of share options
Paul Arenson	169	253	162,248	572	366,058
Julian Carey	162	243	155,908	549	351,713
James Beaumont	81	40	25,850	182	116,619
Total	412	536	344,006	1,303	834,390

Directors' interests – beneficial direct and indirect holdings in the Company

As at 31 March 2022:[1]	**Direct number of shares**	**% of shares in issue**	**Indirect number of shares**	**% of shares in issue**	**Number of share options held**	**% of shares in issue**
Paul Arenson (CEO)	481,236	0.16 %	15,810,572[2]	5.29 %	2,979,246	1.00 %
Patsy Watson	–	– %	1,129,442	0.38 %	52,346	0.02 %
Julian Carey (MD)	3,344,697	1.12 %	33,705	0.01 %	2,113,000	0.71 %
James Beaumont (CFO)	57,616	0.02 %	–	– %	495,947	0.17 %
Paul Miller	21,898	0.01 %	–	– %	–	– %
Richard Grant (Chair of the Board)	–	– %	100,000	0.03 %	–	– %
Philip Holland	24,999	0.01 %	–	– %	–	– %
Louisa Bell	–	– %	–	– %	–	– %
Richard Smith	15,000	0.01 %	–	– %	–	– %

1 In addition, the Directors' beneficial direct and indirect holding in the Company remain unchanged as at 8 June 2022, being the last practical date before publication of this report.

2 5,392,536 shares are subject to security by way of a shareholder loan (see note 13).

There were no further changes in the above Directors' interests from 31 March 2022 to the date of the signing of these financial statements.

As at 31 March 2021:	Direct number of shares	% of shares in issue	Indirect number of shares	% of shares in issue	Number of share options held	% of shares in issue
Paul Arenson (CEO)	472,215	0.16 %	15,311,788[1]	5.12 %	2,562,856	0.86 %
Patsy Watson	–	– %	1,106,602	0.37 %	50,646	0.02 %
Julian Carey (MD)	3,344,740	1.12 %	32,543	0.01 %	1,738,875	0.58 %
James Beaumont (CFO)	57,756	0.02 %	–	– %	380,847	0.13 %
Paul Miller	21,898	0.01 %	–	– %	–	– %
Richard Grant (Chair of the Board)	–	– %	100,000	0.03 %	–	– %
Philip Holland	24,999	0.01 %	–	– %	–	– %
Louisa Bell	–	– %	–	– %	–	– %
Richard Smith	–	– %	–	– %	–	– %

1 5,392,536 shares are subject to security by way of a shareholder loan (see note 13).

9 Finance costs

	31 March 2022 £'000	31 March 2021 £'000
Interest on loans and borrowings	**3,015**	3,724
Amortisation of facility costs	**884**	786
Net finance costs	**3,899**	4,510

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

10 Taxation

Real Estate Investment Trust regime (REIT regime)

The Company converted to UK REIT status on 1 May 2018. As a member of the REIT regime, profits from its UK property rental business are tax exempt. The REIT regime only applies to certain property-related profits and has several criteria which have to be met. The main criteria are:

- the assets of the property rental business must be at least 75% of the Group's assets;

- the profit from the tax-exempt property rental business must exceed 75% of the Group's total profit; and
- at least 90% of the Group's profit from the UK property rental business must be paid as dividends.

The Company continues to meet these conditions and management intends that Industrials REIT should continue as a REIT for the foreseeable future.

(i) Tax recognised in statement of comprehensive income

	31 March 2022 £'000	31 March 2021 £'000
Current tax – UK		
On net income for the year	**–**	–
Current tax – Foreign		
On net income for the year	**(13)**	(42)
Total current tax credit	**(13)**	(42)
Deferred tax	**–**	–
Total tax credit	**(13)**	(42)

No tax was recognised on other comprehensive income during the period (2021: nil). The United Kingdom tax rate is 19%.

(ii) Reconciliation of tax charge for the year

	31 March 2022 £'000	31 March 2021 £'000
Profit before taxation on continuing operations	**108,716**	38,309
Expected tax charge on ordinary activities at the standard rate of taxation of 19% (2021: 19%)	**20,656**	7,279
Fair value of derivative financial instrument losses/(gains) not taxable	**36**	(385)
Property rental business profits exempt from tax in the REIT Group	**(22,791)**	(8,497)
Effect of tax rates in other jurisdictions	**(315)**	55
Effect of tax losses	**2,414**	1,548
Tax provisions relating to prior periods	**(13)**	(42)
Total income tax credit	**(13)**	(42)

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

11 Dividends

	For the year ended 31 March 2022 Pence per share	**£'000**
Amounts recognised as dividends to equity holders in the period:		
Final dividend for the year ended 31 March 2021 paid on 13 August 2021	**3.375**	**9,721**
Interim dividend for the year ended 31 March 2022 paid on 11 February 2022	**3.375**	**9,815**
Total dividends distributed	**6.75**	**19,536**
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2021 paid on 13 August 2021	**3.375**	**(3,573)**
Interim scrip dividend for the year ended 31 March 2022 paid on 11 February 2022	**3.375**	**(2,798)**
Total scrip dividends issued	**6.75**	**(6,371)**
Withholding tax liability opening balance		**576**
Withholding tax liability closing balance		**(1,410)**
Dividends paid as reported in the consolidated statement of cash flows		**12,331**

	For the year ended 31 March 2021 Pence per share	£'000
Amounts recognised as dividends to equity holders in the period:		
Final dividend for the year ended 31 March 2020 paid on 14 August 2020	3.375	9,550
Interim dividend for the year ended 31 March 2021 paid on 12 February 2021	3.375	9,551
Total dividends distributed	6.75	19,101
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2020 issued on 14 August 2020	3.375	(4,074)
Interim scrip dividend for the year ended 31 March 2021 issued on 12 February 2021	3.375	(3,119)

Total scrip dividends issued	6.75	(7,193)
Withholding tax liability opening balance		638
Withholding tax liability closing balance		(576)
Dividends paid as reported in the consolidated statement of cash flows		11,970

The Directors declared a final dividend on 9 June 2022, for the year ended 31 March 2022, of 3.475 pence per share, which is detailed in note 30.

12 Share capital
Authorised
1,000,000,000 ordinary shares with a par value of €0.000001258 each:

Issued share capital	**31 March 2022 (no. shares)**	31 March 2021 (no. shares)
Opening balance	**298,775,175**	298,775,175
Closing number of shares in issue	**298,775,175**	298,775,175

Authorised share capital	**£'000**	£'000
Share capital	**1**	1
Share premium	**322,764**	322,775
Total share capital and share premium	**322,765**	322,776

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 (2020: 298,775,175) ordinary shares in issue at the reporting date, including treasury shares.

On 11 June 2021, the Company announced a final dividend of 3.375 pence per share in respect of the six months to 31 March 2021. On 12 August 2021, the Company announced a take-up of the scrip dividend representing 0.92% of the issued share capital and 2,749,876 shares were subsequently issued from treasury shares on 13 August 2021.

On 3 December 2021, the Company announced an interim dividend of 3.375 pence per share in respect of the six months to 30 September 2021. On 10 February 2022, the Company announced a take-up of the scrip dividend representing 0.48% of the issued share capital and 1,428,082 shares were subsequently issued from treasury shares on 11 February 2022.

As at 31 March 2022, the Company held 6,520,962 treasury shares (2021: 12,866,950). 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 (see note 13). At 31 March 2022, the carrying value of the Company's treasury shares was £3,370,000 (2021: £12,851,000) and the equity-settled share-based payments reserve reduced this account by £3,559,000 (2021: £2,793,000)

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.

Treasury shares	**31 March 2022 (no. shares)**	31 March 2021 (no. shares)
Opening balance	**12,866,950**	15,830,040
Issue of scrip dividend shares	**(4,177,958)**	(5,436,781)
Market buy-back of shares for the period to 31 March 2021 was at an average price of £1.18 per share	**–**	3,476,265
Exercised shares from the Deferred Share Bonus Plan	**(55,287)**	(797,797)
Exercised shares from the Long-Term Incentive Plan	**(112,743)**	(204,777)
Exercised shares from the Other Share Purchase Plan	**(2,000,000)**	–
Closing number of treasury shares	**6,520,962**	12,866,950

13 Share-based payments
The Group operates share incentive plans which are used to attract and retain high-calibre employees to help grow the business. All awards are considered by the Remuneration Committee and are subject to Board approval.

The Group recognised a total share-based expense of £1,126,000 in the year (2021: £937,000) in relation to the share option schemes. As at
31 March 2022, the equity reserve held £3,558,000 in relation to share-based payment transactions (2021: £2,636,000).

The incentive plans are discussed in more detail below.

Save As You Earn (SAYE) share scheme

The Board gave all employees an opportunity to purchase Industrials REIT Limited's shares in three years' time at a discount. Such share options vest in three years. Share options may be exercised three years after grant or employees may have all their savings returned to them in cash. Employees choose how much they want to contribute to the scheme each month, from £5 up to a maximum of £500 per month.

The fair value of this nil-cost option is determined using the Black–Scholes model. The key inputs used in determining the award granted on 15 March 2022 are shown below:

Share price at date of grant	188.00p
Expected option life in years	3
Option price discount	20.00%
Value per option	50.00p

Movement in options granted in terms of this plan are detailed below:

Date of grant	At 1 April 2021	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2022	Exercisable at 31 March 2022	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
15 March 2022	–	140,897	–	–	140,897	–	£0.50	1 May 2025	1 November 2025

Weighted average exercise price of Save As You Earn share options	At 31 March 2022	At 31 March 2021
Exercisable	**–**	N/A
Non-exercisable	**£1.55**	N/A

Weighted average remaining contracted life of Save As You Earn share options	At 31 March 2022	At 31 March 2021
Exercisable	–	N/A
Non-exercisable	3.6 years	N/A

Deferred share bonus plan

The Board may grant an award to an eligible employee following a recommendation from the Remuneration Committee over such number of shares that have an aggregate value equal to the deferred bonus. Such share options vest in three equal tranches; the first tranche vests on the date of grant with subsequent tranches vesting at the first and second anniversaries of the relevant year end. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse.

The fair value of this nil-cost option is determined using the Black–Scholes model. The key inputs used in determining the award granted on 11 June 2021 are shown below:

Share price at date of grant	159.00p
Expected option life in years	2
Value per option	159.00p

Movement in options granted in terms of this plan are detailed below:

Date of grant	At 1 April 2021	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2022	Exercisable at 31 March 2022	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
10 June 2015	247,093	–	6,700	–	253,793	253,793	£1.08	10 June 2015	10 June 2025
8 June 2016	163,010	–	4,608	–	167,618	167,618	£1.05	8 June 2016	8 June 2026
7 June 2017	14,322	–	428	–	14,750	14,750	£1.08	7 June 2017	7 June 2027
7 June 2018	188,560	–	5,988	–	194,548	194,548	£1.13	7 June 2018	7 June 2028
6 June 2019	417,732	–	14,106	(25,669)	406,169	406,169	£1.12	6 June 2019	6 June 2029
12 June 2020	124,956	–	4,984	(40,702)	89,238	89,238	£1.17	12 June 2020	12 June 2030
11 June 2021	–	414,880	15,471	(14,816)	415,535	272,085	£1.59	11 June 2021	11 June 2031

Weighted average exercise price of deferred share bonus plan share options	**At**	At

	31 March 2022	31 March 2021
Exercisable	**£1.20**	£1.10
Non-exercisable	**£1.59**	£1.17

Weighted average remaining contracted life of deferred share bonus plan share options	**At 31 March 2022**	At 31 March 2021
Exercisable	**6.4 years**	6.7 years
Non-exercisable	**9.2 years**	9.2 years

LTIP for Senior Management

Such share options vest in three equal tranches; the first tranche vests on the first anniversary of year end, with subsequent tranches vesting at the second and third anniversaries of the relevant year ends. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse. The fair value of this award is determined using the Black–Scholes model. The key inputs used in determining the award granted on 11 June 2021 are shown below:

Share price at date of grant	159.00p
Exercise price at grant date	156.15p
Expected option life in years	10
Risk-free rate	0.11%
Expected volatility	33.00%
Value per option	50.00p

The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the three years prior to the 11 June 2021 grant date.

Date of grant	**At 1 April 2021**	**Granted**	**Dividend equivalents**	**Exercised/ Other**	**Outstanding at 31 March 2022**	**Exercisable at 31 March 2022**	**Fair value at grant date in GBP**	**Exercise dates From**	**To**
24 January 2018	98,944	–	3,142	–	102,086	102,086	£0.47	31 March 2018	24 January 2028
7 June 2018	483,925	–	11,788	(112,741)	382,972	382,972	£0.27	31 March 2019	7 June 2028
6 June 2019	436,105	–	29,311	(14,656)	450,760	450,760	£0.26	31 March 2020	6 June 2029
12 June 2020	432,848	–	15,372		448,220	298,813	£0.37	31 March 2021	12 June 2030
11 June 2021	–	373,295	13,950	–	387,245	129,082	£0.50	31 March 2022	11 June 2031

Weighted average exercise price of LTIP for senior management share options	**At 31 March 2022**	At 31 March 2021
Exercisable	**£1.14**	£1.12
Non-exercisable	**£1.37**	£1.12

Weighted average remaining contracted life of LTIP for senior management share options	**At 31 March 2022**	At 31 March 2021
Exercisable	**7.2 years**	7.7 years
Non-exercisable	**8.8 years**	8.9 years

LTIP for Executive Directors

Such share options vest on the third anniversary of grant date subject to predetermined vesting conditions being met. All options not vesting on the vesting date will automatically lapse. All vested options and shares received upon the exercise of vested options are subject to a further two-year lock-in period during which they cannot be sold. The fair value of these nil-cost options is determined by external valuers using the Black–Scholes model and the Monte Carlo model. The key inputs used in determining the award granted on 11 June 2021 are shown below:

Share price	159.00p
Exercise price at grant date	£0.00
Expected option life in years	3+2
Risk-free rate	0.12%

Expected volatility	33.00%
Value per option – non-market awards	159.00p
Value per option – market awards	91.00p

The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the three years prior to the 11 June 2021 grant date.

Date of grant	At 1 April 2021	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2022	Exercisable at 31 March 2022	Fair value at grant date in GBP	Exercise dates From	To
24 January 2018	243,813	–	7,293	–	251,106	–	£0.68	8 June 2020*	8 June 2027
7 June 2018	1,124,038	–	19,812	(500,206)	643,644	–	£0.52	7 June 2021*	7 June 2028
6 June 2019	1,072,297	–	36,031	–	1,108,328	–	£0.52	6 June 2022*	6 June 2029
12 June 2020	1,107,497	–	39,322	–	1,146,819	–	£0.75	12 June 2023*	12 June 2030
12 June 2020	–	834,390	31,180	–	865,570	–	£0.91	11 June 2024*	11 June 2031

* Lock-in period of two years applies after vesting.

Weighted average exercise price of LTIP for Executive Directors' share options	At 31 March 2022	At 31 March 2021
Exercisable	**–**	–
Non-exercisable	**–**	–

Weighted average remaining contracted life of LTIP for Executive Directors' share options	At 31 March 2022	At 31 March 2021
Exercisable	**–**	–
Non-exercisable	**7.6 years**	8.1 years

Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a former Non-Executive Director, has a one-third beneficial interest, an option to subscribe for 2,000,000 Industrials REIT shares. The exercise price was £1.32. The full cost of this option was recognised in the year ended 31 March 2018. The option was exercised in full between 18 June 2021 and 9 July 2021.

The fair value of this award was determined using the Black–Scholes model. The key inputs used in determining the award granted on
30 March 2017 are shown below:

Share price	£1.08
Exercise price at grant date	£1.31
Expected option life in years	5
Risk-free rate	1.50%
Expected volatility	31.31%
Expected dividend yield	5.00%
Value per option	£0.13

The volatility assumption is based on a statistical analysis of daily share prices of Industrials REIT Limited over the two years prior to the 30 March 2017 grant date.

Date of grant	At 1 April 2021	Granted	Exercised	Outstanding at 31 March 2022	Exercisable at 31 March 2022	Fair value at grant date in GBP	Exercise dates From	To
30 March 2017	2,000,000	–	2,000,000	–	–	£0.13	30 December 2017	31 March 2022

Share purchase plan

Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six-monthly in arrears. Loans are repayable within 30 days of cessation of employment or loss of office (unless the participant ceases employment in circumstances beyond his or her control, in which case the loan is repayable within 12 months), and must in all circumstances be repaid in ten years. All dividends received by such employees (or his or her nominee) by virtue of their shareholding must first be utilised to discharge any interest outstanding in terms of the loan advanced in terms of the Share Purchase Plan. The loans have full recourse to the participants who must charge their shares by way of security for the loans.

The table below summarises the position at year end in terms of loans advanced and the number of shares to which they relate. No further awards will be made under the Share Purchase Plan.

		31 March 2022	31 March 2021
Brought forward at start of year	(number of shares)	**5,392,536**	10,037,162
Share Purchase Plan shares issued in year	(number of shares)	**–**	–
Share Purchase Plan shares redeemed	(number of shares)	**–**	(4,644,626)
Carried forward at end of year	(number of shares)	**5,392,536**	5,392,536
Stock price at advancement	(€)	**N/A**	N/A
Share Purchase Plan loans advanced (including accrued interest) (see note 20)	(£'000)	**6,543**	6,540

14 Earnings per ordinary share

	31 March 2022 £'000	31 March 2021 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS statement of comprehensive income attributable to shareholders	**107,464**	53,045
Adjustment to exclude gain from discontinued operations	**1,265**	(14,664)
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	**108,729**	38,381
Earnings per IFRS statement of comprehensive income attributable to shareholders	**107,464**	53,045
Adjustments to calculate EPRA earnings, exclude:		
Gain on fair value of investment properties	**(87,107)**	(35,109)
Gain on fair value of financial instruments, debt and associated close-out costs	**(1,948)**	(1,784)
Deferred tax in respect of EPRA adjustments	**(1,719)**	(1,618)
Loss/(gain) on disposal of properties	**776**	(639)
Tax expense on disposal of properties	**1,093**	3,470
Loss on disposal of subsidiaries	**84**	172
Adjustments above in respect of joint ventures:		
(Gain)/loss on fair value of investment properties	**(75)**	1,466
Gain on fair value of financial instruments	**(210)**	(41)
Deferred tax in respect of EPRA adjustments	**88**	(51)
EPRA earnings attributable to shareholders	**18,446**	18,911
Further adjustments to arrive at adjusted earnings:		
Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange	**989**	–
Costs associated with ERP implementation	**711**	463
Adjusted earnings attributable to shareholders[2]	**20,146**	19,374
Weighted average number of shares in issue (excluding treasury shares)	**291,769,203**	283,549,160
Share-based payment award	**1,181,961**	2,167,213
Diluted weighted average number of shares in issue	**292,951,164**	285,716,373

Earnings per share from continuing operations	**Pence**	Pence
IFRS EPS	**37.27**	13.54
Diluted IFRS EPS	**37.12**	13.43

Earnings per share from continuing and discontinued operations	**Pence**	Pence
IFRS EPS	**36.83**	18.71
Diluted IFRS EPS	**36.68**	18.57
EPRA EPS	**6.32**	6.67
Diluted EPRA EPS	**6.30**	6.62
Adjusted EPS	**6.88**	6.78

1 The European Public Real Estate Association (EPRA) issued the Best Practices Recommendations policy in October 2019, which 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 the EPRA Best Practice Recommendations policy issued in October 2019, should companies wish to make other adjustments to arrive at an underlying performance measure, they should do that below 'EPRA earnings' and 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.

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

As at 31 March 2022, the Company held 6,520,962 treasury shares (2021: 12,866,950).

Costs associated with the transfer to the Premium Segment of the Main Market of the London Stock Exchange
On 15 December 2021, Industrials REIT transferred the trading of its ordinary shares from the Specialist Fund Segment of the Main Market of the London Stock Exchange to the Premium Segment of the Main Market of the London Stock Exchange. The costs associated with the transfer will not be reoccurring and have been adjusted for as a "company-specific adjustment".

Costs associated with ERP implementation
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. It has been adjusted for as a "company-specific adjustment".

Headline earnings per share
The JSE listings conditions require the calculation of headline earnings (calculated in accordance with Circular 1/2021 - Headline Earnings as issued by the South African Institute of Chartered Accountants) 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.

Reconciliation of profit for the period to headline earnings	**31 March 2022 £'000**	31 March 2021 £'000
Earnings per statement of comprehensive income attributable to shareholders	**107,464**	53,045
Adjustments to calculate headline earnings, exclude:		
Gain on fair value of investment properties	**(87,107)**	(35,109)
Deferred tax in respect of headline earnings adjustments	**(1,719)**	(1,640)
Loss/(gain) on disposal of properties	**776**	(639)
Tax expense on disposal of properties	**1,093**	3,470
Loss on disposal of subsidiaries	**84**	172
Adjustments above in respect of joint ventures:		
(Gain)/loss on fair value of investment properties	**(75)**	1,466
Deferred tax	**55**	(57)
Headline earnings attributable to shareholders	**20,571**	20,708

Earnings per share	**pence**	pence
Headline EPS	**7.05**	7.30
Diluted headline EPS	**7.02**	7.25

15 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 that standardised reporting offers. The real estate sector as a whole benefits from the use of these guidelines as consistency increases clarity across the industry.

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**		
As at 31 March 2022	**IFRS £'000**	**EPRA NRV £'000**	**EPRA NTA £'000**	**EPRA NDV £'000**
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 ventures	**–**	**1,557**	**1,557**	**–**

Intangible assets	–	–	**(3,542)**	–
Purchaser's costs[1]	–	**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)[2]	**292,254,213**	**292,254,213**	**292,254,213**	**292,254,213**
Share-based payment award	**1,181,961**	**1,181,961**	**1,181,961**	**1,181,961**
Diluted number of shares in issue	**293,436,174**	**293,436,174**	**293,436,174**	**293,436,174**

Net asset value per share	**IFRS £**	**EPRA NRV £**	**EPRA NTA £**	**EPRA NDV £**
Net asset value per share	**1.79**	–	–	–
Diluted net asset value per share	**1.78**	**1.93**	**1.77**	**1.78**

1 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.

2 As at 31 March 2022, the Company held 6,520,962 treasury shares.

	NAV	EPRA NAV measures		
As at 31 March 2021	IFRS £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
Net assets attributable to equity shareholders	425,820	425,820	425,820	425,820
Adjustments:				
Derivative financial instruments	–	(1,732)	(1,732)	–
Deferred tax in relation to fair value of investment property and financial instruments[1]	–	1,712	–	–
Adjustments above in respect of joint ventures	–	714	714	–
Intangible assets	–	–	(1,784)	–
Purchaser's costs[2]	–	37,798	–	–
Net assets used in per share calculation	425,820	464,312	423,018	425,820
Number of shares in issue (excluding treasury shares)[3]	285,908,225	285,908,225	285,908,225	285,908,225
Share-based payment award	2,167,213	2,167,213	2,167,213	2,167,213
Diluted number of shares in issue	288,075,438	288,075,438	288,075,438	288,075,438

	NAV	New measures		
Net assets per share	IFRS £	EPRA NRV £	EPRA NTA £	EPRA NDV £
Net asset value per share	1.49	–	–	–
Diluted net asset value per share	1.48	1.61	1.47	1.48

1 In the prior year, the Group's deferred tax in relation to the fair value of investment properties and financial instruments related solely to those properties in the German portfolio included in assets held for sale which comprised 4.5% of the portfolio, with a fair value of £26.2 million. No deferred tax was excluded from EPRA NTA as the deferred tax will be crystallised on sale of these properties in the short term.

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 31 March 2021, the Company held 12,866,950 treasury shares.

16 Investment property

The consolidated market value of investment properties at 31 March 2022 was £653.5 million (2021: £511.2 million). This now comprises only MLI properties. Apart from one MLI asset that is held for sale, the carrying amount of the investment properties are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. The value of the MLI asset held for sale is based on an offer for sale that was received on the open market, less transaction costs. The registered independent appraisers have an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

Apart from one MLI asset that is held for sale, the fair value of each of the properties for the period ended 31 March 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 ten (2021: five) recently acquired MLI properties and the MLI property held for sale, all investment properties are mortgaged, details of which can be seen in note 23. 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.

	31 March 2022			31 March 2021		
	Investment property £'000	**Assets held for sale £'000**	**Total - wholly owned £'000**	Investment property £'000	Assets held for sale £'000	Total - wholly owned £'000
Opening balance	**511,220**	**38,206**	**549,426**	387,761	109,076	496,837
Acquisitions	**102,705**	**–**	**102,705**	96,363	–	96,363
Capitalised expenditure	**3,796**	**102**	**3,898**	1,514	103	1,617
Transfers to assets held for sale	**(62,148)**	**62,148**	**–**	–	–	–
Disposals	**–**	**(92,807)**	**(92,807)**	–	(76,220)	(76,220)
Net fair value gain/(loss) on investment properties	**89,509**	**(2,487)**	**87,022**	25,582	9,527	35,109
Foreign exchange movement in foreign operations	**–**	**853**	**853**	–	(4,280)	(4,280)
Net carrying value	**645,082**	**6,015**	**651,097**	511,220	38,206	549,426

Included in the disposals amount of £92.8 million, is £56.2 million from the disposal of LPE Limited detailed in note 25. The difference of
£36.6 million relates to the disposal of German and Swiss properties. The consolidated statement of cash flows figure of £35.9 million included in proceeds on disposal of investment property, net of selling costs, is the loss on the disposal of property of £0.7 million.

16 Investment property continued

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 joint ventures the Group does not own. The following table reconciles the net book value of the investment properties to the market value.

	31 March 2022			31 March 2021		
	Group (excl. joint ventures) £'000	**Joint ventures £'000**	**Combined portfolio £'000**	Group (excl. joint ventures) £'000	Joint ventures £'000	Combined portfolio £'000
Market value	**653,475**	**33,099**	**686,574**	549,426	33,165	582,591
Less: share of joint ventures not owned	**–**	**(814)**	**(814)**	–	(326)	(326)
Portfolio Market value	**653,475**	**32,285**	**685,760**	549,426	32,839	582,265
Less: tenant lease incentives	**(2,378)**	**–**	**(2,378)**	–	–	–
Net carrying value total	**651,097**	**32,285**	**683,382**	549,426	32,839	582,265

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2022 are detailed in the table below:

Combined portfolio (including share of jointly controlled entities)	**Market value 31 March**	**Portfolio by market value**	**Valuer's ERV (range)**	**Valuer's ERV (average)**	**Net initial Yield (range)**	**Net initial Yield (average)**

	2022 (£'000)	(%)	(£/sq ft)	(£/sq ft)	(%)	(%)
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 ventures	**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 %**

Combined portfolio (including share of jointly controlled entities)	Market value 31 March 2021 (£'000)	Portfolio by market value (%)	Valuer's ERV (range) (£/sq ft)	Valuer's ERV (average) (£/sq ft)	Net initial Yield (range) (%)	Net initial Yield (average) (%)
Investment properties						
Guernsey	56,150	9.7 %	38.9	38.9	7.3 %	7.3 %
UK multi-let industrial	432,910	74.3 %	2.8-9.7	5.4	1.5-8.3 %	6.2 %
UK urban logistics	22,160	3.8 %	3.4-23.7	11.7	5.5-9.2 %	7.4 %
Subtotal	511,220	87.8 %	–	9.3	–	6.4 %
Assets held for sale						
Germany	26,239	4.5 %	14.5	14.5	4.9 %	4.9 %
Switzerland	11,967	2.1 %	12.7	12.7	3.4 %	3.4 %
Total – wholly owned	549,426	94.4 %	–	9.6	–	6.2 %
Share of joint ventures	32,839	5.6 %	8.2-14.9	12.3	5.2-8.7 %	6.1 %
Market value total	582,265	100.0 %	–	9.8	–	6.2 %

Future revenue streams comprise contracted rent and estimated rental value ('ERV') after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. An increase/decrease in ERV will increase/decrease valuations. The table below sets out the indicative fair value impact when applying the sensitivity of the unobservable inputs (Level 3) valuations to a 5% (2021: 10%) change in ERV.

Investment property	**Fair value at 31 March 2022 £'000**	**Impact on valuations** **+5% ERV £'000**	**-5% ERV £'000**	Fair value at 31 March 2021 £'000	Impact on valuations +10% ERV £'000	-10% ERV £'000
UK multi-let industrial	**653,475**	**27,591**	**(27,591)**	432,910	1,980	(2,065)
Joint ventures	**32,285**	**825**	**(825)**	32,839	1,400	(853)
Guernsey	**–**	**–**	**–**	56,150	4,991	(3,916)
UK urban logistics	**–**	**–**	**–**	22,160	2,120	(2,116)
Germany	**–**	**–**	**–**	26,239	n/a	n/a
Switzerland	**–**	**–**	**–**	11,967	470	(469)
Group property portfolio valuation	**685,760**	**28,416**	**(28,416)**	582,265	10,961	(9,419)

Net initial yield ('NIY') is the contracted rent on investment properties at the statement of financial position date, expressed as a percentage of the investment property valuation, plus purchaser's costs. An increase/decrease in NIY will decrease/increase valuations. The table below sets out the indicative fair value impact when applying the sensitivity of the unobservable inputs (Level 3) valuations to a 25 (2021: 50) basis point change in yield.

Investment property	**Fair value at 31 March 2022 £'000**	**Impact on valuations** **+25 bps £'000**	**-25 bps £'000**	Fair value at 31 March 2021 £'000	**Impact on valuations** **+50 bps £'000**	**-50 bps £'000**
UK multi-let industrial	**653,475**	**(25,182)**	**27,094**	432,910	(32,196)	37,822
Joint ventures	**32,285**	**(1,288)**	**1,313**	32,839	(2,598)	3,037
Guernsey	**–**	**–**	**–**	56,150	(3,568)	4,086
UK urban logistics	**–**	**–**	**–**	22,160	(1,409)	1,614
Germany	**–**	**–**	**–**	26,239	n/a	n/a
Switzerland	**–**	**–**	**–**	11,967	(708)	802
Group property portfolio valuation	**685,760**	**(26,470)**	**28,407**	582,265	(40,479)	47,361

The impact the pandemic had on our valuations in prior periods justified using sensitivities at higher rates. The countries the Group operates in have emerged from the pandemic where trading restrictions have returned to normal. The Directors are of the opinion the valuation sensitivities should reflect what is reasonably possible in the current economic climate. Therefore, the sensitivities used in this report have reduced from +/-10% ERV to +/-5% ERV and +/-50 bps to +/-25 bps.

17 Group companies

Details of the Group's subsidiaries as at 31 March 2022 are as follows:

Name	Principal place of business	Principal activity	% equity owned by Company	Subsidiary
BVI incorporated entities with registered address:				
Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG1110, British Virgin Islands				
Davemount Properties Limited	England	Property Investment		100.00%
Ruby Red Holdings Limited	Guernsey	Management		100.00%
SP Corporate Services Limited	Guernsey	Management		100.00%
SP Nominees Limited	Guernsey	Management		100.00%
Stenprop Management Holdings Limited	Guernsey	Holding Company	100.00%	
Stenprop Hermann Limited	Guernsey	Property Investment		100.00%
Stenprop Victoria Limited	Guernsey	Property Investment		100.00%
Stenprop Industrials 1 Limited	Guernsey	Holding Company		100.00%
Stenprop Industrials 5 Limited	Guernsey	Dormant		100.00%
Stenprop (UK) Limited	England	Holding Company	100.00%	
Curaçao incorporated entities with registered address:				
Wilhelminalaan 13, Curaçao				
Anarosa Holdings N.V.	England	Holding Company		94.90%
C.S. Property Holding N.V.	England	Holding Company		94.90%
Lakewood International N.V.	England	Holding Company		89.00%
T.B. Property Holdings N.V.	England	Holding Company		100.00%
England incorporated entities with registered address:				
180 Great Portland Street, London, W1W 5QZ				
Industrials Management Limited	England	Management		100.00%
Industrials REIT Limited	England	Dormant		100.00%
Industrials UK Management Limited	England	Dormant		100.00%
Guernsey incorporated entities with registered address:				
Kingsway House, Havilland Street, St Peter Port, Guernsey GY1 2QE				
Bernina Property Holdings Limited	England	Holding Company		100.00%
GGP1 Limited	England	Property Investment		100.00%
Industrials UK 4 Limited	England	Property Investment		100.00%
Kantone Holdings Limited	Guernsey	Property Investment		100.00%
Stenprop Advisers Limited	Guernsey	Management	10.00%	90.00%
Stenprop Industrials Holdings Limited	England	Holding Company	100.00%	
Stenprop Industrials 6 Limited	England	Property Investment		100.00%
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.00%
Stenprop (Germany) Limited	England	Holding Company	100.00%	
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.00%	
Netherlands incorporated entities with registered address:				
Fascinatio Boulevard 764, 2909 VA Capelle aan den IJssel, Netherlands				
Isabel Properties B.V.	Netherlands	Non-trading		94.90%
Mindel Properties B.V.	Netherlands	Holding Company		94.50%
United States incorporated entities with registered address:				

1209 Orange Street, Wilmington, Delaware 19801, USA			
Industrials UK GP LLC	England	Holding Company	100.00%
Industrials UK LP	England	Property Investment	100.00%

Details of the Group's investments in joint ventures are disclosed in note 18.

18 Investment in joint ventures

In the current reporting period, the Directors have classified 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 ventures are 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 ventures 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%

On 19 August 2021, Ardale Industrials Limited was dissolved from the Companies Registration Office in Ireland.

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 Homes 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 16.

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

	31 March 2022 £'000
Assets	
Investment property	**33,099**
Fixed assets	**30**
Cash and cash equivalents	**382**
Current assets	**52**
Total assets	**33,563**
Liabilities	
Bank loans	**(16,183)**
Bond	**(14,883)**
Deferred tax	**(1,489)**
Financial liability	**(63)**
Current liabilities	**(175)**
Total liabilities	**(32,793)**
Net assets of joint ventures	**770**
Group's investment in joint venture bond	**14,883**
Group's share of joint venture's net assets	**385**

Profit and total comprehensive income from continuing operations	
Revenue	**2,470**
Finance costs	**(1,769)**
Net fair value loss	**(100)**
Tax expense	**(316)**
Profit and total comprehensive income	**285**
Group income from joint ventures represented by:	
Share of joint venture profit	**142**
Interest income on joint venture bond	**1,465**
Net profit on joint venture bond	**100**
Income from joint ventures	**1,707**

	Elysion S.A. £'000	Other £'000	Total 31 March 2021 £'000
Assets			
Investment property	33,164	–	33,164
Fixed assets	31	–	31
Cash and cash equivalents	82	1	83
Current assets	9	–	9
Total assets	33,286	1	33,287
Liabilities			
Bank loans	(16,947)	–	(16,947)
Bond	(14,119)	–	(14,119)
Deferred tax	(1,326)	–	(1,326)
Financial liability	(488)	–	(488)
Current liabilities	(122)	–	(122)
Total liabilities	(33,002)	–	(33,002)
Net assets of joint ventures	284	1	285
Group's investment in joint venture bond	14,119	–	14,119
Group's share of joint ventures' net assets	142	1	143
Loss and total comprehensive income from continuing operations			
Revenue	2,518	–	2,518
Finance costs	(1,821)	–	(1,821)
Net fair value loss	(1,819)	(2)	(1,821)
Tax expense	(159)	–	(159)
Loss and total comprehensive income	(1,281)	(2)	(1,283)
Group income from joint ventures represented by:			
Share of joint venture loss	(641)	(1)	(642)
Interest income on joint venture bond	1,481	–	1,481
Net loss on joint venture bond	(778)	–	(778)
Income from joint ventures	62	(1)	61

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

	Bond	**Investment in joint ventures**		
31 March 2022	**Elysion S.A. £'000**	**Elysion S.A. £'000**	**Other £'000**	**Total £'000**
Opening balance	**14,119**	**142**	**1**	**143**
Income/(loss) from joint ventures	**–**	**242**	**(1)**	**241**
Gain on fair value movement	**1,465**	**–**	**–**	**–**
Investment receipts	**(604)**	**–**	**–**	**–**
Foreign exchange movement in foreign operations	**(96)**	**–**	**–**	**–**
Closing balance	**14,884**	**384**	**–**	**384**

31 March 2021	Bond	Investment in joint ventures

	Elysion S.A. £'000	Elysion S.A. £'000	Other £'000	Total £'000
Opening balance	15,336	780	1	781
Income/(loss) from joint ventures	1,481	(642)	–	(642)
Loss on fair value movement	(780)	–	–	–
Investment receipts	(1,290)	–	–	–
Foreign exchange movement in foreign operations	(628)	4	–	4
Closing balance	14,119	142	1	143

19 Assets held for sale and discontinued operations

Management considers the property known as Rose Kiln Court in Reading, UK (2021: one property) 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 is expected to be disposed of during the next 12 months.

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

The fair value of this property, and its comparative value, is disclosed in the table below along with associated assets and liabilities:

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Investment properties	16	**6,015**	38,206
Cash and cash equivalents		**–**	201
Trade and other receivables		**–**	801
Assets classified as held for sale		**6,015**	39,208
Bank loans	23	**–**	13,883
Deferred tax	26	**–**	1,190
Tax credit		**–**	(603)
Accounts payables		**–**	151
Accruals		**–**	545
Liabilities directly associated with assets classified as held for sale		**–**	15,166

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:

	31 March 2022 £'000	31 March 2021 £'000
Rental income	**1,819**	10,804
Tenant recharges	**738**	2,798
Other income	**15**	338
Property expenses	**(261)**	(4,602)
Net rental income	**2,311**	9,338
Operating costs	**(273)**	(902)
Net operating income	**2,038**	8,436
Fair value (loss)/gain on investment properties	**(2,402)**	8,217
(Loss)/profit on disposal of properties	**(678)**	664
(Loss)/profit on disposal of subsidiaries	**(2,375)**	468
Foreign currency exchange gain from the disposal of subsidiaries, previously recognised in other comprehensive income	**2,291**	–
Net foreign exchange gain	**158**	22
(Loss)/profit from operations	**(968)**	17,869
Net gain from fair value of derivative financial instruments	**–**	124
Interest receivable	**–**	309
Finance costs	**(375)**	(1,419)
(Loss)/profit for the year before taxation	**(1,343)**	16,883
Current tax	**(1,117)**	(3,655)
Deferred tax	**1,195**	1,498
(Loss)/profit for the year from discontinued operations	**(1,265)**	14,726

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

On 31 March 2022, accumulated foreign currency exchange gains of £2.3 million have been reclassified to net income from the translation of foreign subsidiaries that have been disposed of. These items were previously recognised in other comprehensive income.

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.

On 2 December 2021, the Group disposed the Switzerland property, known as Lugano, for CHF12.5 million. The property, which was a health and leisure club asset, was held in Kantone Limited.

Prior year disposals
On 30 September 2020, the Group disposed of its property, Neucölln Carrée retail park, in Berlin, Germany, held in Isabel Properties B.V., for €27.0 million.

On 31 March 2021, the Group disposed of its property, Victoria-Center retail park, in Berlin, Germany, held in Stenprop Victoria Limited, for €37.45 million.

On 31 March 2021, the Group disposed of five properties located in Frankfurt, Kassel, Ludwigsburg, Marburg and Sindelfingen, Germany, held in Century B.V. and Century 2 B.V. at a valuation of €27.0 million. The properties were disposed of as subsidiaries and are further discussed in note 25.

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.

20 Trade and other receivables

Non-current receivables	**31 March 2022 £'000**	31 March 2021 £'000
Other debtors	**6,543**	8,670
Total non-current receivables	**6,543**	8,670

The non-current other debtors value of £6.54 million (2021: £6.51 million) comprises a loan advanced under the Share Purchase Plan (see note 13: Share-based payments). This loan advanced under the Share Purchase Plan remains outstanding at 31 March 2022.

The remaining loan has been assessed for an expected credit loss under IFRS 9. The analysis shows that due to the full recourse nature of the loan, secured against the shares issued and underlying assets of the borrower, loss-given default is currently estimated at nil. There has been no perceived significant increase in credit risk and we have not recognised an 12-month expected credit loss on this loan. Refer to note 28 (i) to understand how the Group manages credit risk.

Current receivables	**31 March 2022 £'000**	31 March 2021 £'000
Accounts receivable	**8,761**	6,009
Loss allowance on accounts receivables	**(3,229)**	(2,311)
Net receivables	**5,532**	3,698
Lease incentives	**2,378**	1,769
Loss allowance on lease incentives	**(280)**	(261)
Net lease incentives	**2,098**	1,508
Other receivables	**3,854**	2,406
Prepayments	**675**	1,111
Total current receivables	**12,159**	8,723

Other receivables includes £2.11 million (2021: £2.13 million was recognised in non-current other debtors) from part of the proceeds from the sale of the Victoria retail centre in Germany. A retention of €2.5 million from the purchase price is held in an escrow account in respect of claims against, and for certain liabilities of the seller under the disposal agreement for a period of up to 13 months from the completion date of 31 March 2021.

	31 March 2022				31 March 2021			
	Accounts receivables £'000	**Rate * %**	**Loss allowance £'000**	**Net receivables £'000**	Accounts receivables £'000	Rate * %	Loss Allowance £'000	Net receivables £'000
Not yet due	**–**	**–**	**–**	**–**	–	–	–	–

1-30 days overdue	**3,596**	**20 %**	**(476)**	**3,120**	1,361	10 %	(37)	1,324
31-60 days overdue	**702**	**38 %**	**(180)**	**522**	1,784	50 %	(109)	1,675
61-90 days overdue	**462**	**50 %**	**(121)**	**342**	247	80 %	(99)	148
91-120 days overdue	**864**	**59 %**	**(339)**	**525**	340	90 %	(323)	17
More than 120 days overdue	**3,138**	**80 %**	**(2,113)**	**1,025**	2,277	100 %	(1,743)	534
Closing balance	**8,761**	**–**	**(3,229)**	**5,535**	6,009	–	(2,311)	3,698

* 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 the shared credit risk characteristics of business status, collection history 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 year was as follows:

Loss allowance reconciliation	**31 March 2022 £'000**	31 March 2021 £'000
Opening balance	**2,311**	541
Remeasurement of loss allowance	**1,328**	1,956
Bad debts written off	**(130)**	(186)
Closing balance	**3,509**	2,311

21 Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Cash at bank	**31,526**	53,781
Total cash and cash equivalents	**31,526**	53,781

Restricted cash

At the reporting date funds totalling £11.2 million (2021: £4.4 million) were classified as restricted. These funds are readily available on demand and comprise service charge monies held by managing agents amounting to £5.2 million (2021: £4.1 million), £4.8 million (2021: nil) relating to tenant deposits, £0.9 million (2021: £0.3 million) relating to rent held in bank accounts which are secured by the lenders, for the purposes of debt repayments and £0.2 million (2021: nil) of funds refundable for a tenant overpayment.

As the Group is in compliance with all the terms and conditions of its loans as at the date of signing these financial statements, there are no further restrictions, and any surplus will flow to the Group.

22 Accounts payable and accruals

	31 March 2022 £'000	31 March 2021 £'000
Trade payable	**107**	2,149
Accruals	**7,088**	4,200
Rental income received in advance	**6,843**	6,811
Other payables	**5,551**	3,356
Total accounts payables and accruals	**19,549**	16,516

Tenant deposits held by the Group at 31 March 2022, total £4.8 million (2021: £2.8 million). In the current year tenant deposits are included in the other payables balance of £5.5 million. In the prior year tenant deposits were netted off against the corresponding cash balance and are therefore shown as nil.

Accounts payable and accruals balances are recognised at amortised cost and approximates their fair value.

At 31 March 2022, the Group has committed to £1.8 million (2021: £1.3 million) in capital expenditure works that have not been provided for in these financial statements.

23 Borrowings

	31 March 2022			31 March 2021		
	Borrowings £'000	**Assets held for sale £'000**	**Total – wholly owned £'000**	Borrowings £'000	Assets held for sale £'000	Total – wholly owned £'000

Opening balance	**181,144**	**13,883**	**195,027**	154,171	43,177	197,348
New loans	**29,121**	**–**	**29,121**	89,558	–	89,558
Repayment of borrowings	**(4,496)**	**(14,218)**	**(18,714)**	(61,484)	(16,442)	(77,926)
Bank loans associated with the disposal of subsidiaries	**–**	**(27,959)**	**(27,959)**	–	(10,734)	(10,734)
Transfer of borrowings to assets held for sale	**(27,929)**	**27,929**	**–**	–	–	–
Amortisation of loans	**–**	**(33)**	**(33)**	–	(123)	(123)
Capitalised borrowing costs	**(791)**	**–**	**(791)**	(1,965)	(12)	(1,977)
Amortisation of transaction fees	**774**	**37**	**811**	864	84	948
Foreign exchange movement in foreign operations	**–**	**361**	**361**	–	(2,067)	(2,067)
Total borrowings	**177,823**	**–**	**177,823**	181,144	13,883	195,027

Of the movement in borrowings in the year ending 31 March 2022, £29.12 million (2021: £89.56 million) relates to cash received from new bank loans raised and £18.71 million (2021: £77.93 million) relates to repayments of bank loans. £14.22 million (2021: £16.44 million) of bank loan repayments are included in the adjustment for liabilities directly associated with assets held for sale and £27.96 million (2021: £10.73 million) was included in bank loans associated with the disposal of subsidiaries.

	31 March 2022 £'000	31 March 2021 £'000
Amount due for settlement within 12 months	**–**	4,489
Amount due for settlement between one to three years	**49,318**	77,032
Amount due for settlement between three to five years	**63,052**	34,375
Amount due for settlement after five years	**65,453**	65,248
Total borrowings	**177,823**	181,144
Non-current liabilities		
Bank loans	**177,823**	176,655
Total non-current loans and borrowings	**177,823**	176,655
Current liabilities		
Bank loans	**–**	4,489
Total current loans and borrowings	**–**	4,489
Total loans and borrowings	**177,823**	181,144

The facilities amounting to £180.4 million are secured by legal charges over the properties to which they correspond with a market value of £522.2 million. There is no cross-collateralisation of the facilities. The terms and conditions of outstanding loans are as follows:

						Nominal value		**Carrying value***	
Entity	Note	**Amortising**	**Loan interest rate**	**Currency**	**Maturity date**	**31 March 2022 £'000**	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000
Continuing operations									
United Kingdom - MLI									
Industrials UK LP		No	1.66% fixed	GBP	03/12/2027	**66,500**	66,500	**65,453**	65,248
Industrials UK 4 Limited		No	SONIA + 1.92%	GBP	14/11/2025	**64,000**	34,879	**63,052**	34,375
Stenprop Industrials 6 Limited		No	SONIA + 1.75%	GBP	03/02//2025	**49,898**	49,898	**49,318**	49,104
GGP1 Limited		No	SONIA + 2.25%	GBP	26/05/2021	**–**	4,500	**–**	4,496
Stenprop Industrials Holdings Limited	1	Yes	N/A	GBP	21/05/2022	**–**	–	**–**	(8)
Guernsey									
LPE Limited		No	LIBOR + 2.00%	GBP	30/09/2022	**–**	28,000	**–**	27,929
Total borrowings attributable to continuing operations						**180,398**	183,777	**177,823**	181,144
Discontinued operations									
Switzerland									

Kantone Holdings Limited	Yes	1.15%	CHF	3-month rolling facility	**–**	5,853	**–**	5,853
Germany								
Stenprop Hermann Ltd	No	Euribor + 1.13%	EUR	30/06/2021	**–**	8,033	**–**	8,030
Total borrowings attributable to discontinued operations and assets classified as held for sale (note 19)					**–**	13,886	**–**	13,883
Total borrowings					**180,398**	197,663	**177,823**	195,027

* The difference between the nominal and the carrying value represents unamortised facility costs.
[1] Net carrying value of the amortised facility costs on the Investec Bank Plc revolving credit facility.

Loans are subject to loan-to-value ratios (see note 27) and interest coverage ratios. All loans are assessed quarterly for their covenant compliance and forecast headroom. No loan was in breach of its borrowing covenants during the period or at period end.

	31 March 2022		31 March 2021	
Continuing operations	**Weighted covenant**	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**57.2%**	**31.2%**	57.5%	38.8%
Interest cover	**2.3**	**5.4**	2.3	9.5

	31 March 2022		31 March 2021	
Discontinued operations	**Weighted covenant**	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**80.0%**	**51.5%**	50.0%	48.9%
Debt service	**1.5**	**2.6**	n/a	n/a

24 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 £1,948,000 (2021: £1,850,000) and nil (2021: £124,000) respectively.

The following table sets out the interest rate swap agreements at 31 March 2022 and 31 March 2021.

Entity	**Effective date**	**Maturity date**	**Swap rate %**	**Notional value 31 March 2022 £'000**	**Fair value 31 March 2022 £'000**	Notional value 31 March 2021 £'000	Fair value 31 March 2021 £'000
Continuing operations							
UK – MLI							
Industrials UK 4 Limited	07/02/2020	14/11/2024	0.89%	**24,000**	**727**	24,000	(430)
Stenprop Industrials 6 Limited	22/12/2020	01/02/2024	0.50%	**42,413**	**1,137**	42,413	138
Total swaps				**66,413**	**1,864**	66,413	(292)
EUR forward contracts							
Industrials REIT Limited				**–**	**–**	–	2,024
Total forwards				**–**	**–**	–	2,024
Assets maturing within 12 months				**–**	**–**	–	2,024
Liabilities maturing within 12 months				**–**	**–**	–	–
Assets maturing after 12 months				**–**	**1,864**	–	138
Liabilities maturing after 12 months				**–**	**–**	–	(430)
Derivative financial instruments – on the statement of financial position				**–**	**1,864**	–	1,732

Swaps included in investment in joint ventures							
Elysion Braunschweig S.à r.l.	29/03/2018	29/12/2023	0.52%	**4,952**	**(13)**	4,984	(122)
Elysion Dessau S.à r.l.	29/03/2018	29/12/2023	0.52%	**4,899**	**(12)**	4,932	(121)
Elysion Kappeln S.à r.l.	31/12/2018	29/12/2023	0.63%	**5,306**	**(23)**	5,341	(150)
Elysion Winzlar S.à r.l.	31/12/2018	29/12/2023	0.63%	**3,395**	**(15)**	3,418	(96)
Derivative financial instruments – joint ventures				**18,552**	**(63)**	18,675	(489)

25 Disposal of subsidiaries

	31 March 2022 £'000	31 March 2021 £'000
Carrying value of net assets at disposal date		
Investment property	**56,150**	23,001
Trade and other receivables	**301**	1,126
Cash and cash equivalents	**434**	505
Borrowings	**(27,959)**	(10,729)
Trade and other payables	**(1,329)**	(2,286)
Group loans converted to third party loans on disposal	**1**	(4,543)
Net assets disposed	**27,598**	7,074
Net disposal proceeds	**25,223**	7,738
Foreign exchange movement in foreign operations	**–**	(196)
Net assets disposed	**(27,598)**	(7,074)
(Loss)/profit on disposal of subsidiaries	**(2,375)**	468
Foreign currency exchange gain previously recognised in other comprehensive income	**2,291**	–
Total (loss)/profit on disposal of subsidiaries	**(84)**	468

Current year disposals
All current year disposals were from discontinued operations.

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.

On 19 May 2021, the Group disposed of its 100% shareholding in Bleichenhof Grundstücksverwaltung GmbH & Co. On disposal, this entity held no investment property, as it had previously disposed of its ownership in a mixed-use asset in Hamburg, known as Bleichenhof, on 28 February 2020.

The impact of these disposals on the Group is shown above.

Prior year disposals
All prior year disposals were from discontinued operations.

On 31 March 2021, the Group disposed of its 94.90% shareholding in Century B.V. and Century 2 B.V. for a net consideration of £12.3 million. Century B.V. owned three properties located in Frankfurt, Ludwigsburg and Marburg, and Century 2 B.V. owned two properties located in Kassel and Sindelfingen, Germany. The impact of these disposals on the Group is shown above. Upon completion of the sale the Group loan of £4.5 million was repaid to Industrials REIT.

26 Deferred tax

The following is the movement in deferred tax assets and liabilities recognised by the Group during the current and prior reporting periods. All of the Group's deferred tax is attributable to liabilities directly associated with assets classified as held for sale.

Liabilities directly associated with assets classified as held for sale	**31 March 2022 £'000**	31 March 2021 £'000
Deferred tax liability opening balance	**1,190**	3,782
Deferred tax recognised on investment properties	**1**	(2,638)
Deferred tax recognised on revaluation of financial liabilities	**–**	22
Deferred tax on tax losses	**–**	121
Withholding tax on disposal of property	**(1,196)**	–
Other movements	**–**	25
Exchange movements	**5**	(122)
Movement in deferred tax	**(1,190)**	(2,592)
Deferred tax liability closing balance	**–**	1,190

27 Financial risk management

The Group is exposed to a variety of financial risks including capital risk management, credit risk, liquidity risk and market risk. The overall risk management strategy seeks to minimise the potential adverse effects on the Group's financial performance. Certain risk exposures are hedged via the use of financial derivatives.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Further quantitative disclosures are included throughout these audited financial statements where relevant. The Group's board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Audit and Risk Committee participates in management's process of formulating and implementing the risk management plan and it reports on the plan adopted by management to the Board.

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed, including, but not limited to, information technology risk. The Board is responsible for ensuring the adoption of appropriate risk management policies by management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The Board will also ensure that there are processes in place between itself and management enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders.

To enable the Audit and Risk Committee to meet its responsibilities, terms of reference were adopted by the Board. These include appropriate standards, the implementation of systems of internal control and an effective risk-based internal audit which comprises policies, procedures, systems and information to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- preparing timely, reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices; and
- increasing the probability of anticipating unpredictable risk.

The Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group.

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Industrials REIT Limited's weighted average loan-to-value ('LTV') ratio at 31 March 2022 was 25.6% (2021: 28.1%), including joint ventures and the Group is not subject to any external capital requirements. The Group strategy is to maintain a debt-to-equity ratio and LTV ratio to ensure that property performance is translated into an enhanced return for shareholders while at the same time ensuring that it will be able to continue as a going concern through changing market conditions. The Directors are of the opinion that an LTV of approximately 30% in respect of secured external borrowings is a likely target for the Group, given the current market conditions. Debt covenants are disclosed further in note 23.

The financial statements of the Group have been prepared on a going concern basis. At the date of signing these accounts, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2023 and, considering this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet their obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. Further details are set out in note 2 to the financial statements.

Credit risk

The Group's principal financial assets are cash and cash equivalents as well as trade and other receivables. The credit risk arising from deposits with banks is managed through a policy of utilising only independently rated banks with acceptable credit ratings.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed. The credit rating summary below represents the four (2021: seven) European financial institutions that hold more than £1 million (or GBP equivalent) of the Group's cash at 31 March 2022. Together these banks hold 94% (2021: 99%) of the Group's total cash at bank.

	31 March 2022 S&P Global Ratings	**31 March 2022 Fitch Ratings**	31 March 2021 S&P Global Ratings	31 March 2021 Fitch Ratings
Barclays Bank UK Plc	**BBB**	**A**	BBB	A–
Black Rock	**nil**	**nil**	AA–	N/A
The Bank of N. T. Butterfield & Son Limited	**BBB+**	**N/A**	A–	Withdrawn
Deutsche Bank AG	**< £1m**	**< £1m**	BBB+	N/A
Lloyds Bank plc	**BBB+**	**A**	BBB+	A+
Royal Bank of Scotland Group plc (NatWest Group)	**A–**	**A+**	BBB	A
Royal Bank of Scotland International Limited[1]	**< £1m**	**< £1m**	BBB	A

[1] The financial institution is a private company. The credit rating of its parent company has been disclosed.

The Directors are satisfied as to the creditworthiness of the banks where the remaining cash is held.

The majority of tenant leases are long-term contracts with rents payable quarterly in advance. Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The concentration of credit risk is limited due to the large and diverse occupier base. Accordingly, the Directors believe that there is no further expected credit loss required in excess of that provided. Trade receivables are presented after deducting a loss allowance provision, as set out in note 20.

At the time of acquisition of a property, and from time to time thereafter, the Group reviews the quality of the contracted tenants to ensure that the tenants meet acceptable covenants. Trade receivables are presented in the statement of financial position net of allowances for doubtful receivables. An allowance for impairment is made where there is an indefinable loss event, which based on previous experience, may give risk to a non-recovery of a receivable.

Non-current other debtors are long-term loans secured against shares issued by the Group to the related parties referenced in note 20. In order to manage credit risk, the contractual terms include full recourse to assets of the borrower which are monitored alongside the aggregate value of the shares. Furthermore, in respect of the Share Purchase Plan, the terms allow recovery of amounts due through a deduction from salary or other amounts paid to the beneficiary.

The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

At 31 March 2022, trade and other receivables and cash and cash equivalents amounts to £43.7 million (2021: £62.5 million) as shown in the statement of financial position. Further details on what makes up this balance can be found in notes 20 and 21.

Liquidity risk
Prudent liquidity risk management requires maintaining sufficient cash resources, appropriate and adequate funding, via lines of credit, as well as managing the ability of tenants to settle their lease obligations. Through the forecasting and budgeting of cash requirements, the Group ensures that adequate committed resources are available.

By its nature, the market for investment property is not immediately liquid. Therefore, the Group's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited. Furthermore, where the Group acquires investment properties for which there is not a readily available market, the Group's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such property investment is exposed may be limited. The Group's short-term liquidity risk is secured by the existence of cash balances, through the fact that rental income exceeds the Group's cost structures and through ensuring that facilities are managed within debt covenants.

The following table details the contractual maturity date of the Group's financial liabilities. The table has been compiled based on the undiscounted contractual maturities of the financial liabilities, including interest that will accrue to those liabilities, except where the Group is entitled and intends to repay the liability before its maturity. The discount column represents the possible future cash flows included in the maturity analysis, such as future interest or potential payments that have not been included in the carrying amount of the financial liability. The table also includes a reconciliation to the carrying value in the statement of financial position.

Group operations	**Less than one month £'000**	**One to three months £'000**	**Three to 12 months £'000**	**One to five years £'000**	**Over five years £'000**	**Discount £'000**	**Total £'000**
Interest-bearing loans	–	–	–	112,370	65,453	–	177,823
Loan interest	–	1,570	2,957	13,805	1,842	(19,589)	585
Other payables	–	674	–	4,836	–	–	5,510
Accruals	–	1,130	5,481	–	–	–	6,611
Lease obligations	2	2	24	7	–	–	35
As at 31 March 2022	2	3,376	8,462	131,018	67,295	(19,589)	190,564

Group operations	Less than one month £'000	One to three months £'000	Three to 12 months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	–	4,489	–	111,407	65,248	–	181,144
Loan interest	109	1,680	2,625	11,501	2,781	(17,808)	888
Financial liabilities	–	–	–	430	–	–	430
Other payables	–	1,226	3,391	–	–	–	4,617
Accruals	–	–	4,200	–	–	–	4,200
Lease obligations	2	74	242	24	–	–	342
As at 31 March 2021	111	7,469	10,458	123,362	68,029	(17,808)	191,621

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk (see fair value hierarchy section). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns to shareholders.

Investment in property is subject to varying degrees of risk. The main factors which affect the value of the investment in property include:

- changes in the general economic climate;
- local conditions in respective markets, such as oversupply, or a reduction in demand, for commercial space in a specific area;
- competition from other available properties; and
- government regulations, including planning, environmental and tax laws.

While a large number of these factors are outside the control of the management, market and property-specific factors relevant to maintain a sustainable income stream within the Group's yield parameters are considered as part of the initial due diligence. Properties and tenant leases are actively managed.

Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. 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).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Total financial instruments recognised at fair value	**Designated at fair value**		
31 March 2022	**£'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Assets				
Investment in joint venture bond	**14,883**	**–**	**–**	**14,883**
Derivative financial instruments	**1,864**	**–**	**1,864**	**–**
Total assets	**16,747**	**–**	**1,864**	**14,883**

	Total financial instruments recognised at fair value	**Designated at fair value**		
31 March 2021	**£'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Assets				
Investment in joint venture bond	14,119	–	–	14,119
Derivative financial instruments	2,162	–	2,162	–
Total assets	16,281	–	2,162	14,119
Liabilities				
Derivative financial instruments	430	–	430	–
Total liabilities	430	–	430	–

Details of changes in valuation techniques

There have been no significant changes in valuation techniques during the period under review. Derivative financial instruments are measured using the midpoint of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

Significant transfers between Level 1, Level 2 and Level 3

There have been no significant transfers between Level 1, Level 2 and Level 3 during the period under review.

Unobservable inputs

Unobservable inputs for investment properties classified as Level 3 are disclosed in note 16.

The unobservable inputs used to determine the value of the bonds in the Elysion S.A. joint venture are based on the unadjusted net assets of the joint venture structure and are subject to the assumptions applied to the valuation methodology of the underlying investment property.

Fair value of financial instruments
The following table summarises the Group's financial assets and liabilities into categories required by IFRS 7 Financial Instruments: Disclosures. The carrying values approximates their fair value.

	Held at fair value through profit or loss £'000	**Held at amortised cost £'000**	**Total carrying amount 31 March 2022 £'000**
Financial assets			
Cash and cash equivalents	–	31,526	31,526
Derivative financial instruments	1,864	–	1,864
Trade and other receivables	–	12,159	12,159
Investment in joint venture bond	14,883	–	14,883
Other debtors	–	6,543	6,543
Total financial assets	16,747	50,228	66,975
Financial liabilities			
Bank loans	–	177,823	177,823
Accounts payable and accruals	–	19,549	19,549
Total financial liabilities	–	197,375	197,372

	Held at fair value through profit or loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2021 £'000
Financial assets			
Cash and cash equivalents	–	53,781	53,781
Derivative financial instruments	2,162	–	2,162
Trade and other receivables	–	8,723	8,723
Investment in joint venture bond	14,119	–	14,119
Other investments	–	1,000	1,000
Other debtors	–	8,670	8,670
Total financial assets	16,281	72,174	88,455
Financial liabilities			
Bank loans	–	181,144	181,144
Derivative financial instruments	430	–	430
Accounts payable and accruals	–	16,516	16,516
Total financial liabilities	430	197,660	198,090

Foreign currency risk
The Group's presentation currency is Sterling. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency or exchange rates. At the reporting date, the following table summarises the Group's exposure to foreign currency risk in respect of assets and liabilities held in EUR (Germany) and CHF (Switzerland).

Assets	**31 March 2022 £'000**	31 March 2021 £'000
CHF	**885**	12,616
EUR	**18,552**	63,419
Liabilities		
CHF	**38**	5,400
EUR	**26**	11,096

Foreign currency sensitivity analysis
The sensitivity analysis measures the impact on the Group's exposure in Sterling (based on a change in the reporting date spot rate) and the impact on the Group's Sterling profitability, given a simultaneous change in the foreign currencies to which the Group is exposed at the reporting date.

A 10% strengthening in the Sterling exchange rate against the following currencies at year end would have decreased equity and losses by the amounts shown below. The 10% threshold was selected as a reasonable, worst-case scenario and is considered a prudent threshold. This analysis assumes that all other variables remain constant. For a 10% weakening of Sterling, there would be an equal but opposite impact on the profit and equity and the balance would be positive.

Impact of Sterling strengthening by 10%	Equity £'000	Profit or loss £'000
CHF	(85)	230
EUR	(1,853)	(184)
Total	(1,938)	46

The exchange rates against GBP during the reporting periods were:

	Average rate for year to 31 March 2022	**As at 31 March 2022**	Average rate for year to 31 March 2021	As at 31 March 2021
CHF	**0.8071**	**0.8245**	0.8294	0.7701
EUR	**0.8364**	**0.8463**	0.8927	0.8519

Interest rate risk

The Group's interest rate risk is associated with cash and cash equivalents, on the one hand, and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As stated in note 24, borrowings from credit institutions are protected against movements in interest rates. The Group uses interest rate swaps to manage its interest rate exposure and to establish more certainty over cash flows. As a result, the Group has not disclosed additional sensitivity analysis to changes in interest rates.

28 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.

Directors' remuneration and interests in the ordinary shares of the Company are set out in note 8, 'Employees' and Directors' emoluments'.

Loans provided to a Director to purchase Industrials REIT Limited shares under the Share Purchase Plan can be found in note 20.

Transactions and balances with joint venture parties can be found in note 18.

There are no other related party transactions that occurred during the year.

Ultimate controlling party

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

29 Minimum lease payments

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At the reporting date, the Group had contracted with tenants the following future minimum lease payments on its investment properties:

	31 March 2022 £'000	31 March 2021 £'000
Continuing operations		
Within one year	**31,708**	25,851
Between one and two years	**24,033**	16,058
Between two and five years	**35,057**	20,636
After five years	**19,126**	7,794
Total	**109,924**	70,340

	31 March 2022 £'000	31 March 2021 £'000
Discontinued operations		
Within one year	**–**	6,636
Between one and two years	**–**	6,548
Between two and five years	**–**	14,939
After five years	**–**	19,584
Total	**–**	47,706

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

At the reporting date the Group had the following future minimum lease payments as a lessee:

	31 March 2022 £'000	31 March 2021 £'000
Continuing operations		
Within one year	**29**	324
Between one and two years	**6**	20
Between two and five years	**–**	6
After five years	**–**	–
Total	**35**	350

At 31 March 2022, Industrials REIT had no (2021: nil) lessee leases in its discontinued operations.

30 Events after the reporting period

(i) Declaration of dividend

On 9 June 2022, the Board declared a final dividend of 3.475 pence per share. The final dividend will be payable in cash or as a scrip dividend. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 1 July 2022. It is expected that shares will commence trading ex-dividend on 20 July 2022 on the JSE and on 21 July 2022 on the LSE. The record date for the dividend is expected to be 22 July 2022, the last day for shareholders to submit an election to receive the scrip dividend is expected to be 29 July 2022, and the dividend payment date is expected to be 12 August 2022.

(ii) Share incentive awards

On 8 June 2022, the Board, on the recommendation of the Remuneration Committee, approved share-based awards in relation to the Long Term Incentive Plan, the Deferred Share Bonus Plan, and the Save As You Earn Plan. Details of awards made to Executive Directors can be seen in note 8.

(iii) Adjusting events

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